Logistics Outsourcing - Warehouse
A HANDY 8 STEP GUIDE

1. Know WHY you are Considering it
   To save costs. You may not.
   To improve service? You might.
   To gain expertise? You should.
   To access technology? You should.
   Because it’s not core? Then consider it.
   Be Very Clear on your Objectives

2. WHAT to Outsource?
   Is it Outsourceable?
   Does it work OK already? (Don’t try to outsource a broken process)
   Outsource ALL or Part?
   Retain some capability in house?

3. Assess the Market - Who to partner with?
   Ensure they:
   1. Know your industry.
   2. Have a good track record.
   3. Have relevant references.

4. Expression of Interest (EOI)
   Test vendor interest.
   Assess vendor capability.
   Develop ‘long list’ of vendors. (5 or 6)

5. Request for Tender (RFT)
   Specify task in DETAIL
   Specify process in DETAIL
   Use objective evaluation criteria
   Aim to short list 3.

6. Evaluation
   Be objective
   Use a cross functional team
   Meet the vendors (presentations)
   Visit vendor sites
   Meet vendor implementation manager!

7. Implementation Planning
   Ask for plan in RFT
   Then jointly plan.
   Be realistic with time
   Allow contingency

8. Contract Negotiation
   High investment needs longer contract term
   Be open with resources, costs, margins
   Ensure rate mechanism is pressure tested for rise and fall in activity

Your Warehouse
- $ / Case / pallet / order
- % cube utilisation
- Order picking rates

Your Inventory
- Stock turns overall
- Stock turns by ABC
- Aged stock levels?
- Inventory record accuracy?

Your Warehouse
- Slot your products
- Use correct flow
- Smooth workload peaks
WHAT HAPPENS IF A LOGISTICS PARTNER STOPS WORKING?

On November 27, 2012, approximately 800 clerical workers at the America’s Los Angeles and Long Beach ports (representing 40% of the value of imports brought into the U.S.) went on strike, and so did 10,000 unionized dockworkers. The cost of the strike was estimated at $1 Billion per day.

1 BILLION LOSS per day

WHAT DO OUTSOURCED LOGISTICS PROVIDERS OFFER?

- Warehouse management
- Distribution management
- Order fulfilment
- Repackaging/relabelling
- Hardware/software transport
- Rail transport
- Motor transport
- Air transport
- Ocean cargo transport
- Shipment consolidation
- Product returns
- Inventory control
- Supply chain management
- Product returns
- Shipment consolidation
- Order fulfilment
- Repackaging/relabelling
- Regulation management
- Warehouse management

WHICH REGIONS GENERATE THE MOST OUTSOURCED LOGISTICS REVENUE?

Europe: 28%
North America: 30%
Asia-Pacific: 29%
Latin America: 5%
Other regions: 9%

HOW DOES LOGISTICS OUTSOURCING COMPARE WITH OTHER OUTSOURCING (US FIGURES)?

<table>
<thead>
<tr>
<th>BUSINESS AREA</th>
<th>% Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information technology</td>
<td>55%</td>
</tr>
<tr>
<td>Administration</td>
<td>47%</td>
</tr>
<tr>
<td>Distribution and logistics</td>
<td>33%</td>
</tr>
<tr>
<td>Finance</td>
<td>24%</td>
</tr>
<tr>
<td>Human resources</td>
<td>23%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18%</td>
</tr>
<tr>
<td>Contact centre/call centres</td>
<td>15%</td>
</tr>
<tr>
<td>Sales/marketing</td>
<td>15%</td>
</tr>
<tr>
<td>Real estate/facilities</td>
<td>11%</td>
</tr>
<tr>
<td>Transportation</td>
<td>9%</td>
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</tbody>
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MEASURABLE BENEFITS FROM USE OF OUTSOURCED LOGISTICS SERVICES (2012)

RESULT | Change
---|---
Logistics cost reduction | 11%
Inventory cost reduction | 9%
Logistics Fixed Asset Reduction | 6%
Order fill rate (previous rate/new rate) | 30% / 70%
Order accuracy (previous rate/new rate) | 40% / 60%

REASONS WHY CUSTOMERS OUTSOURCE IN ASIA PAC

<table>
<thead>
<tr>
<th>REASONS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>31%</td>
</tr>
<tr>
<td>Service</td>
<td>31%</td>
</tr>
<tr>
<td>Focus on core</td>
<td>31%</td>
</tr>
<tr>
<td>Asset reduction</td>
<td>23%</td>
</tr>
<tr>
<td>Access to IT</td>
<td>17%</td>
</tr>
<tr>
<td>Source experience</td>
<td>15%</td>
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<tr>
<td>Corporate philosophy</td>
<td>15%</td>
</tr>
<tr>
<td>Access unique services</td>
<td>11%</td>
</tr>
<tr>
<td>Cater for peaks</td>
<td>7%</td>
</tr>
<tr>
<td>IT issues</td>
<td>5%</td>
</tr>
<tr>
<td>To facilitate change</td>
<td>2%</td>
</tr>
</tbody>
</table>

WHERE HAS THE BIGGEST % CHANGE FROM INSOURCED TO OUTSOURCED LOGISTICS BEEN (2008 TO 2013)?

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>Logistics IT</td>
<td>16.6%</td>
</tr>
<tr>
<td>Inventory management</td>
<td>15.2%</td>
</tr>
<tr>
<td>Invoicing</td>
<td>15.1%</td>
</tr>
<tr>
<td>Order processing</td>
<td>14.3%</td>
</tr>
<tr>
<td>Warehousing</td>
<td>12.5%</td>
</tr>
<tr>
<td>Product Customization</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

WHY DO SOME CUSTOMERS DECIDE AGAINST OUTSOURCED LOGISTICS?

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Logistics is a core competency for the customer</td>
<td>34.5%</td>
</tr>
<tr>
<td>Negative experience with outsourcing in the past</td>
<td>10.3%</td>
</tr>
<tr>
<td>No logistics outsourcer capable of meeting specialised requirements</td>
<td>10.3%</td>
</tr>
<tr>
<td>Customer achieves better service at lower cost by itself</td>
<td>10.3%</td>
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<tr>
<td>Outsourced in the past, moved operations back in-house</td>
<td>10.3%</td>
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