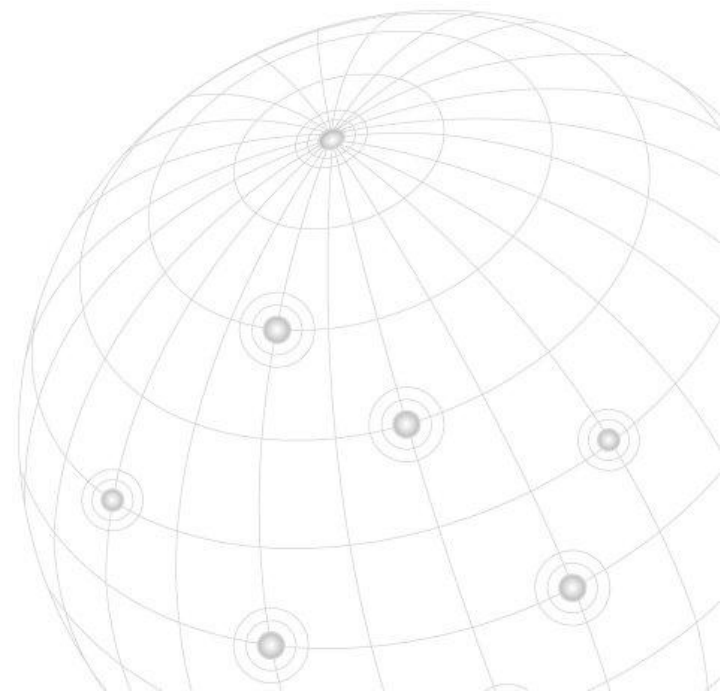




Continental Europe Logistics Optimisation Dublin 28th September 2010



Workshop Content

- 21st Century logistics challenges,
- Logistics models and issues for small to medium food and drink manufacturers,
- The role of Logistics Service Providers,
- UK Food Companies Logistics,
- Strategic logistics decisions for Irish Food businesses,
- Collaborate to compete?

That's Logistics!?

Key Issues

- Transport versus Logistics Service Providers,
- Wheels 75% / 25% Walls of distribution costs,
- Increasing transport costs, +13% in Q2 2010 driven by fuel and driver costs,
- Strategic LSP choices for manufacturers and producers,
- Streamlining Logistics with preferred out-sourced providers,
- Inter-modality and cross docking through distribution networks,
- Different Logistics model types,
- Walmart in-sourcing logistics, factory gate pricing,
- Best¹ 20%,
 - Transport costs to sales < 2.4%
 - On time and full delivery > 97%

1. Aberdeen Group: "Optimize Cost and Service in a Global Market Place"

Argos sues Maersk for \$13 Million

- Argos are suing Maersk for allegedly reneging on contract to ship 5,000 FEU (40 ft containers) from the Far East to Europe,
- Maersk unilaterally increased rates from \$930 to \$2,730 per container (or \$28 to \$83 per pallet equivalent*),
- Argos duly obtained alternative space protection with Kuehne & Nagel for \$13,877,660.

*Assumes 33 Europallets 1.2m * 0.8m
Source: The Independent 29 August 2010

Logistics “Mega” Trends

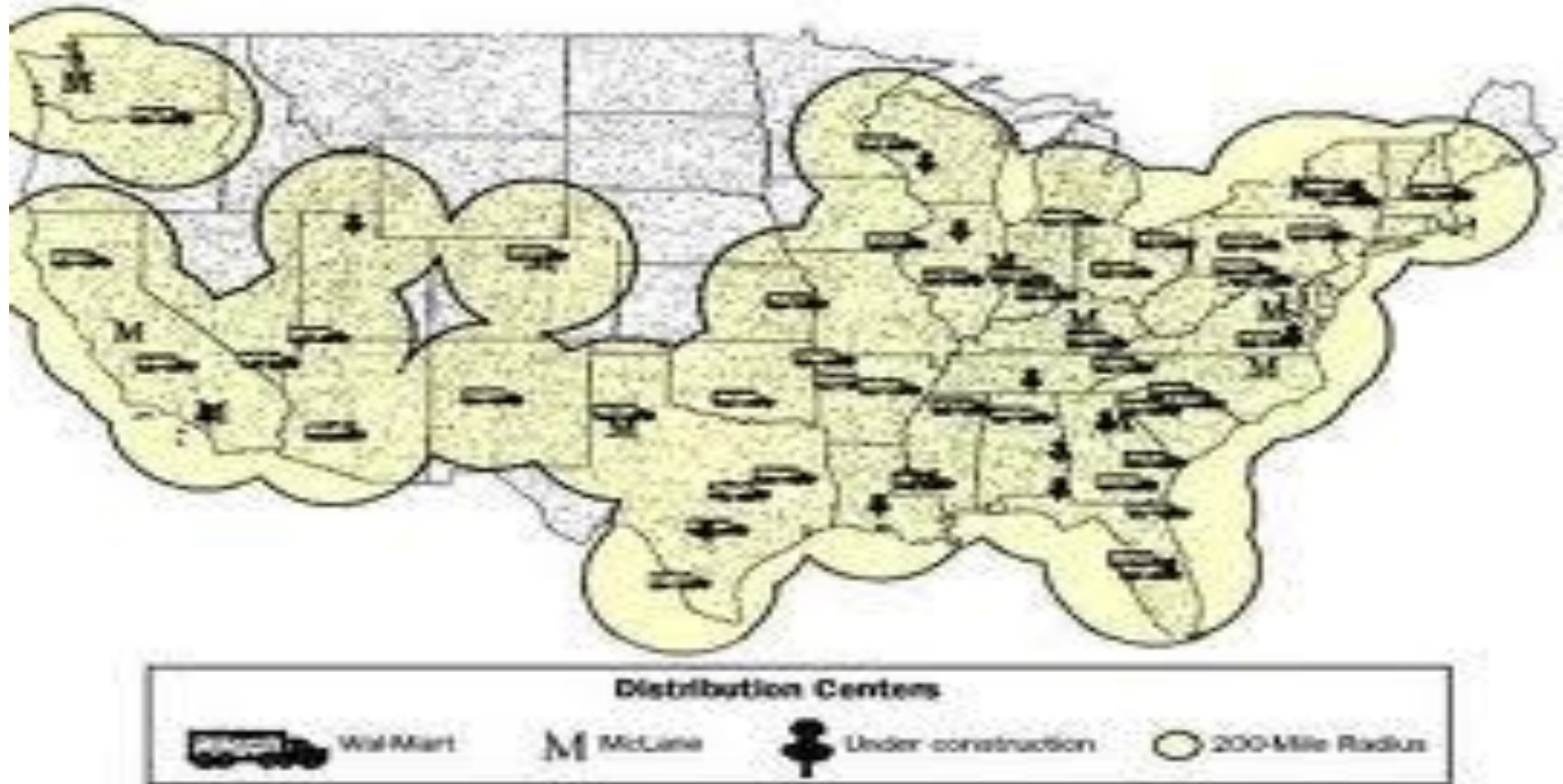
- Distribution Networks,
- Role of Technology,
- Outsourcing (*or is it insourcing*),
- Clusters or “Hubs”,
- Green Logistics.

Less is More at Walmart...

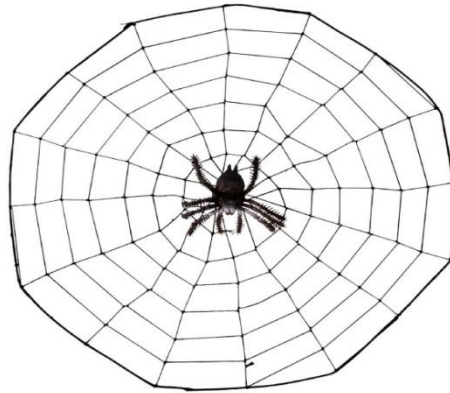


- Consolidators manage inventory for Walmart,
- Demand for smaller more frequent deliveries with inventory available at the Consolidation Centres,
- Shippers deliver products in “truckloads” to Distribution Centres,
- Small improvements have a huge cumulative effect.

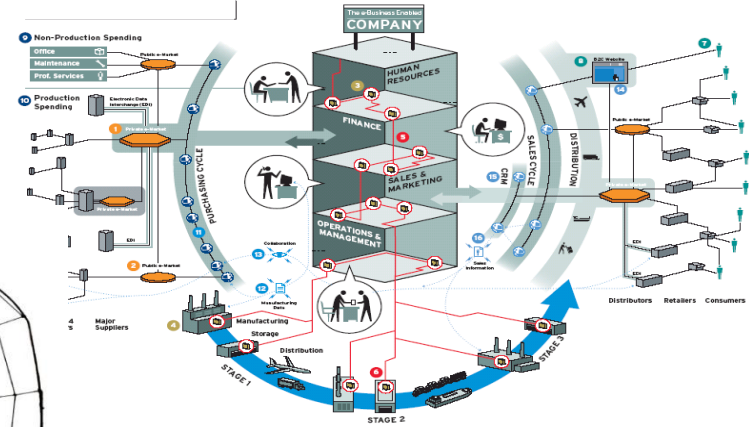
Location Coverage Model



The Evolving Supply Chain



The Line56 e-Business Ecosystem



Line6 Extended Supply Chain

XPLANATIONS™ by XPLANE

Supplier Management



The rise of supplier management applications has mirrored the increased emphasis on optimizing the performance of supplier networks. These tools assist internal decision making in areas such as: Who are our best- and worst-performing suppliers? Are their prices and performance consistent? How can I decrease risks associated with supplier failures? In addition, these applications provide strategic tools to share select information with suppliers and extend mutual business processes.

Supply-Chain Planning



The supply-chain planning function is the recipient of information from the entire extended supply chain. Enterprise resource planning (ERP) systems have, and will continue, to form the backbone of companies' production planning efforts. But the evolution of Web-based applications and the development of real-time inputs have improved the accuracy and timeliness of production decisions, particularly in the areas of supply-chain design, production performance monitoring, and exception management.

Decision Support

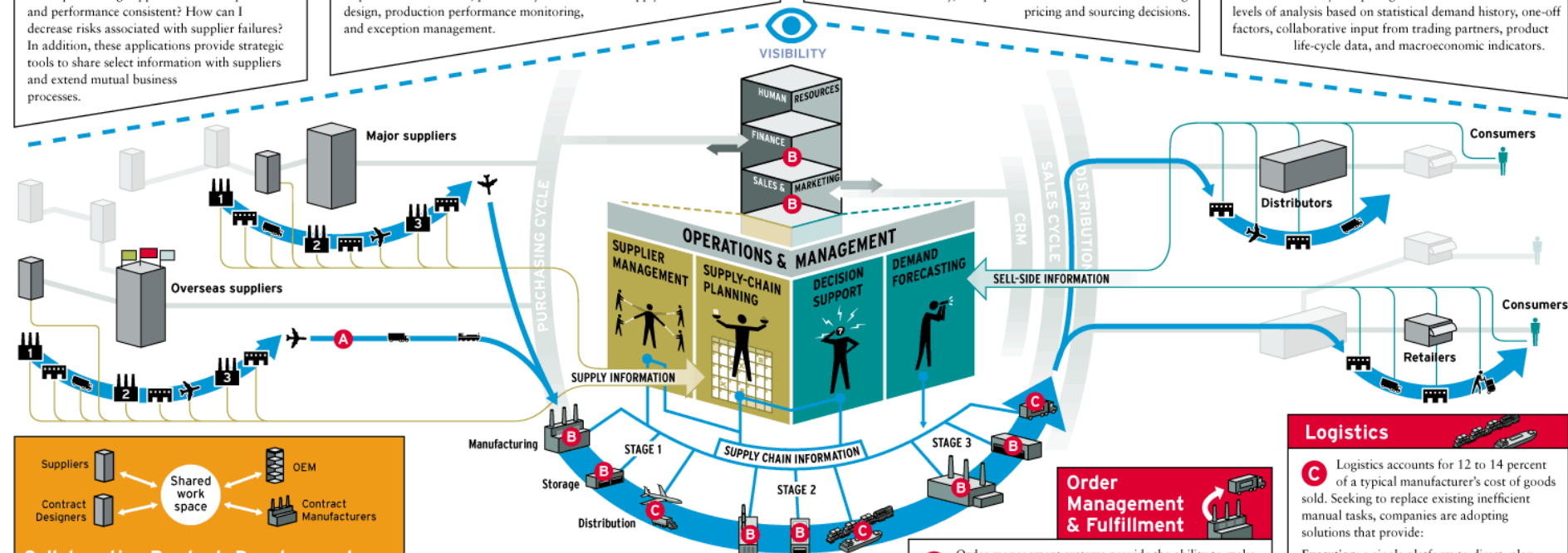


One by-product of real-time information is the gathering of voluminous amounts of data. Decision support software is playing an increasing role on both the buy and sell sides of companies by capitalizing on this data. Rules- or algorithm-based technologies assist companies in balancing factors such as price, quality, availability, and product characteristics when reaching pricing and sourcing decisions.

Demand Forecasting



Demand forecasting tracks all current and future sales information and is the key driver in supply-chain planning, production, and management tasks. The process is not, and never will be, a perfect science due to the inherent uncertainty involved. However, the role of technology is to minimize errors by computing forecasts with additional levels of analysis based on statistical demand history, one-off factors, collaborative input from trading partners, product life-cycle data, and macroeconomic indicators.



Collaborative Product Development

Let's take a look at the numbers: 70 percent of final production costs stem from the design and engineering processes, and 60 percent of components used by OEMs come from outside the enterprise. Needless to say, improving the sharing of information and expertise among all parties throughout the entire product development process can result in significant time and cost savings. Applications in this area include traditional design programs (such as CAD/CAM) and project management and virtual work-space tools.

International Trade Management

A Currently, 10 percent of shipments into the U.S. encounter fines and delays, and 7 percent of today's global trade spending goes toward trade compliance costs. International trade management solutions, accommodating multilingual and multinational requirements, seek to minimize these costs and increase velocity of international trade. Functionality includes: landed cost calculation, shipment tracking, import planning, and document and trade compliance.

Order Management & Fulfillment

B Order management systems provide the ability to make accurate and reliable order promises to customers, while ensuring a profitable transaction. Such a system gathers and integrates data from multiple enterprise systems, providing the ability to track a product through the production cycle. It should react immediately to unforeseen problems and allow companies to direct upstream activity in order to fulfill 100 percent of customer orders. Order fulfillment is inextricably linked to logistics execution as companies look for an optimal way to pack, ship, and deliver the final product as promised.

Logistics

C Logistics accounts for 12 to 14 percent of a typical manufacturer's cost of goods sold. Seeking to replace existing inefficient manual tasks, companies are adopting solutions that provide:

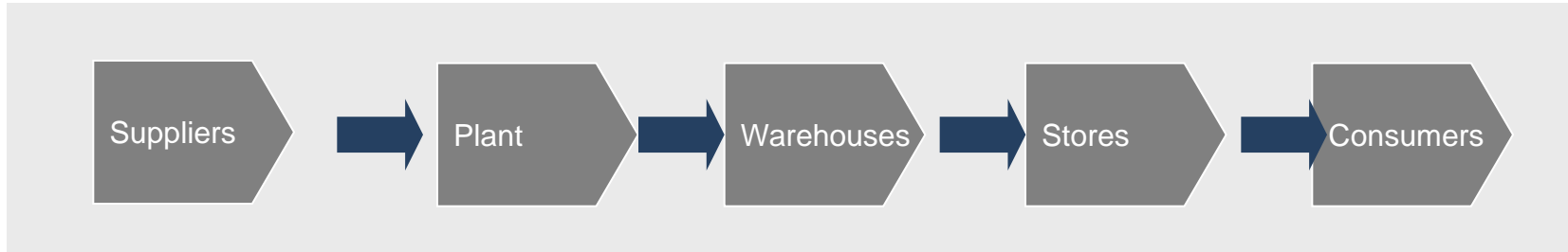
- Execution:** a single platform to direct, plan, and control inventory movement
- Visibility:** real-time visibility of goods in transit across multiple carriers
- Event Management:** allowing immediate response to exceptions
- Performance:** accurate and available measures of the extended network performance
- Optimization:** the ability to purchase the optimal mix of transportation services

What do Other Sectors Do?

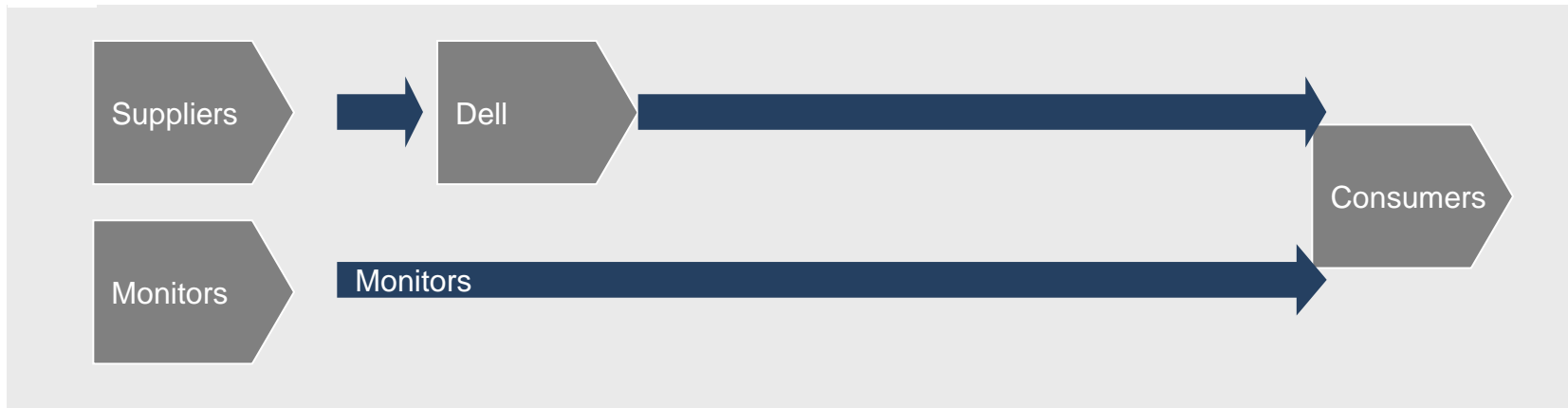
- Dell – changed an industry!
- Amazon – availability *and* service?
- Supermarket Model – ECR

Dell – changed the PC industry

Traditional

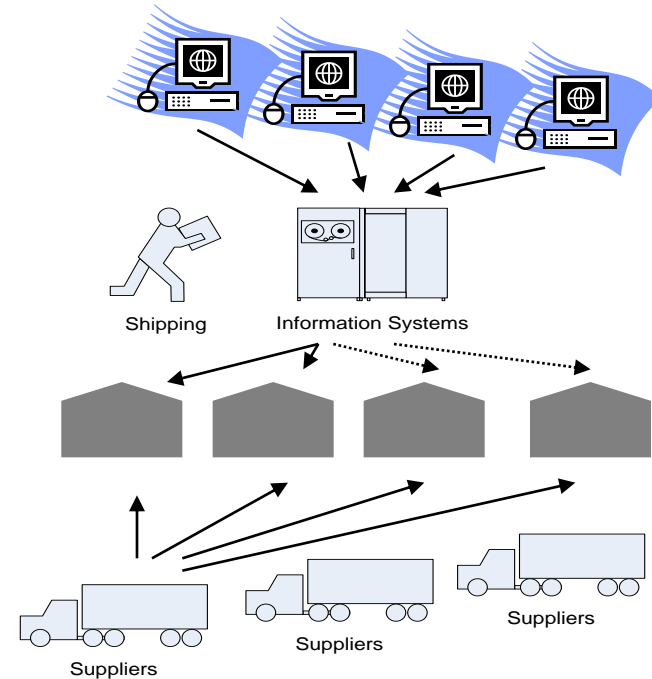


Dell



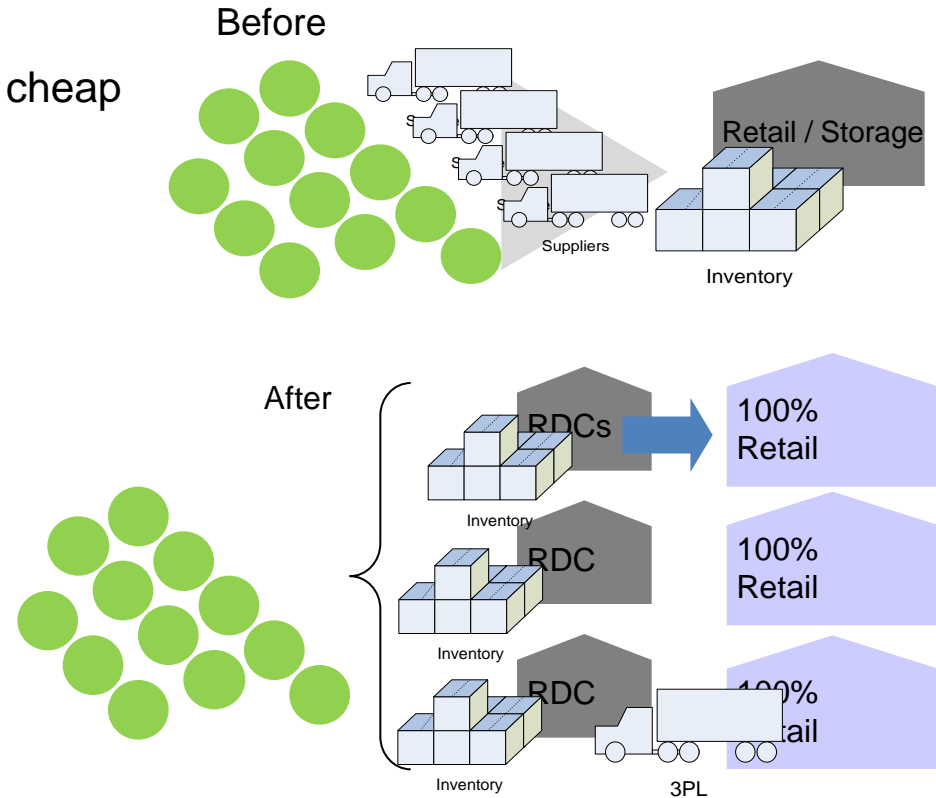
Amazon – flexibility and responsiveness

- Before
 - 12% inbound material routed to wrong storage location
- After
 - 12% reduced to 4%
 - 40% of shipments on full truckloads direct to destination cities
 - 18% reduction in inventory
 - Removed \$31 Million of inventory
 - 17% reduction in fulfilment costs



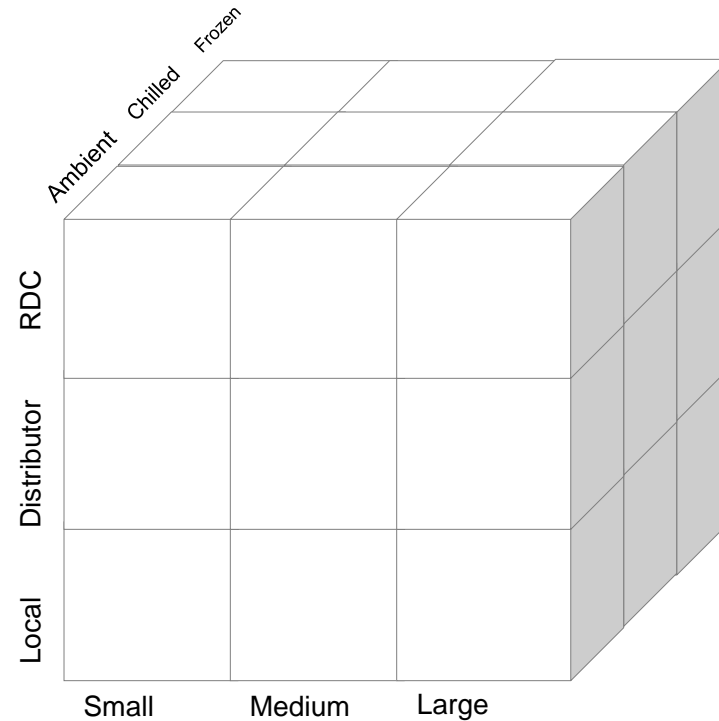
Supermarket Model – managing Demand and Supply

- Move away from pile it high sell it cheap
- Customer Focus
- Efficient Consumer Response
- Avoid Stock Out = Lost Sales
 - Availability not Inventory
- Flexibility of supply chain
- Coordination across supply chain
- Factory Gate pricing



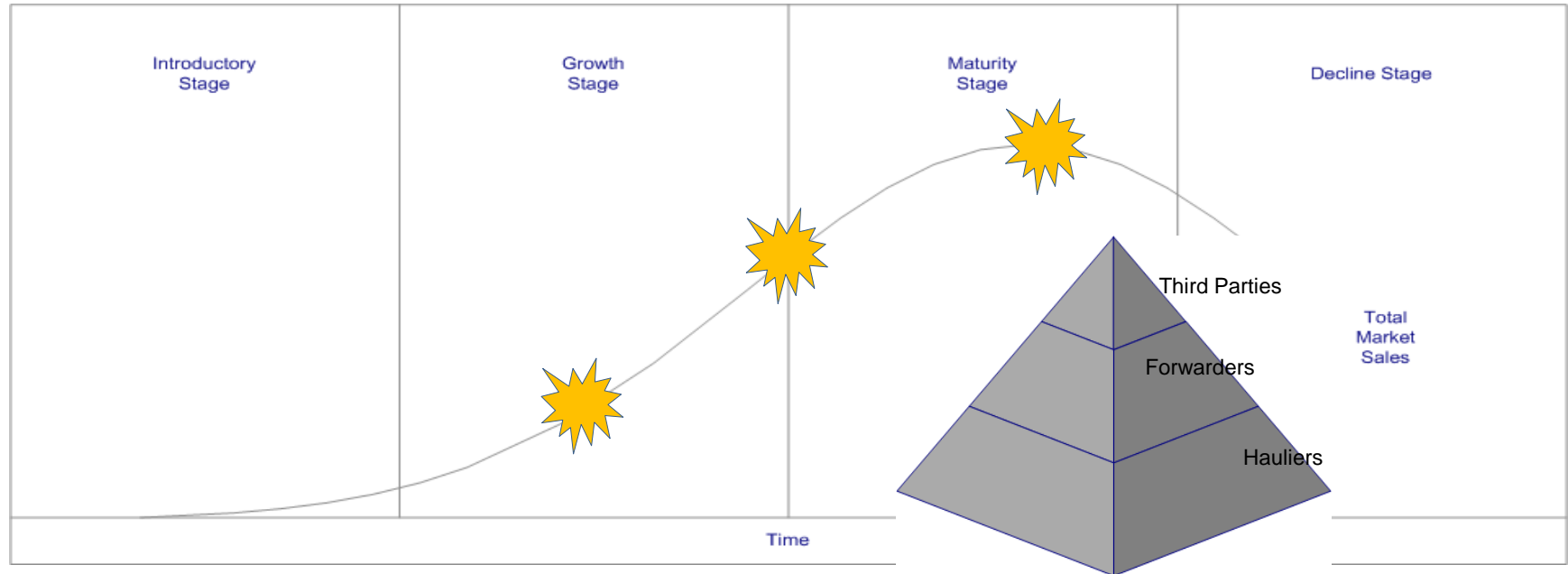
Strategic Choices?

- Businesses have strategic choices to make,
 - Stage of business development or product lifecycle?
 - Temperature requirements?
 - Customer type?



Business Development Cycle

1. Small and local
2. Reach extends to Regional and National
3. International

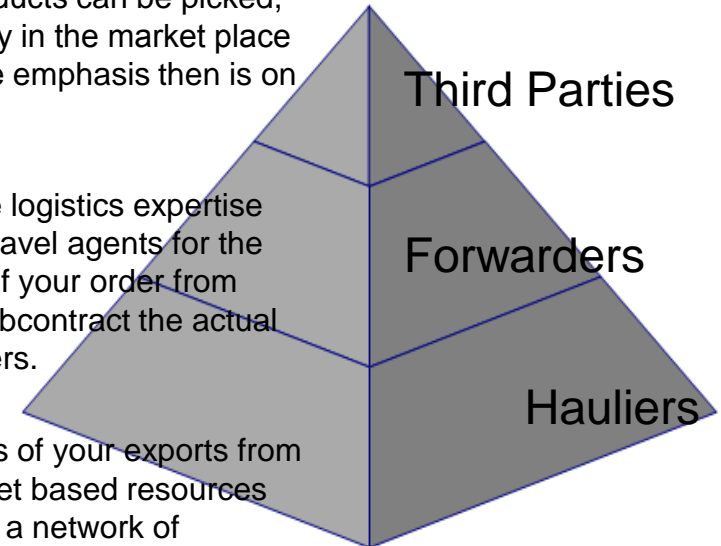


Logistics Requirements mirror Business Development Cycle

Stage	Typically	Consider
Small and Local	All customers with one day travel?	Own transport?
Regional & National	More and different types of customers including retailers and multiples?	At what point does own transport become disproportionately expensive?
Exporter	Customers 24 to 96 hours and one (or two) ferry sailings away?	Type of LSP? <ol style="list-style-type: none"> 1. Haulier? 2. Forwarder? 3. 3PL?

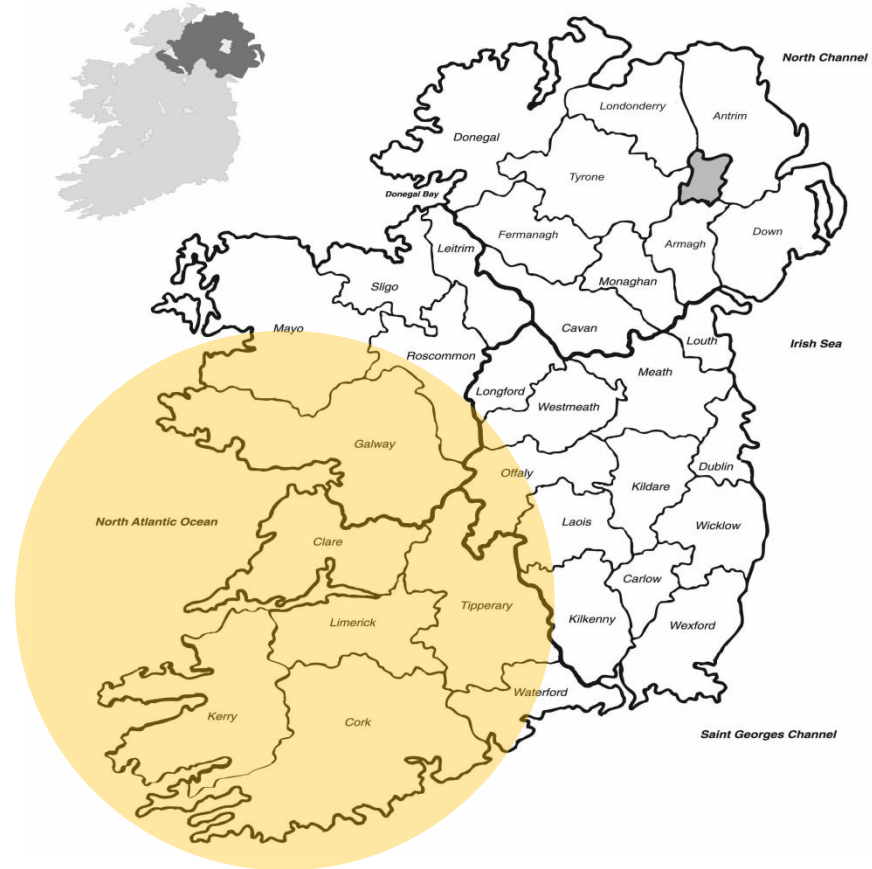
LSP Types

- Hauliers
 - A haulier might be most appropriate when you and your customer or distributor have your own warehouses and storage facilities where products can be picked, packed and despatched to your customers' equivalent facility in the market place for onward distribution to the end user or final customer. The emphasis then is on getting a point to point transport provider.
- Forwarders
 - A forwarder would be most appropriate when we need some logistics expertise not available within our own company. Forwarders are like travel agents for the logistics sector. A forwarder can or will manage all aspects of your order from collection to delivery to the final customer. They will often subcontract the actual carriage of the freight to hauliers and other transport providers.
- Third Party Logistics (3PL)
 - A 3PL or third party logistics provider will manage all aspects of your exports from one end of the supply chain to the other using their own asset based resources including infrastructure and transport and often working with a network of partners. They thus combine the functions of both forwarders and hauliers. They also provide what a haulier or forwarder might describe as value adding services as "standard".



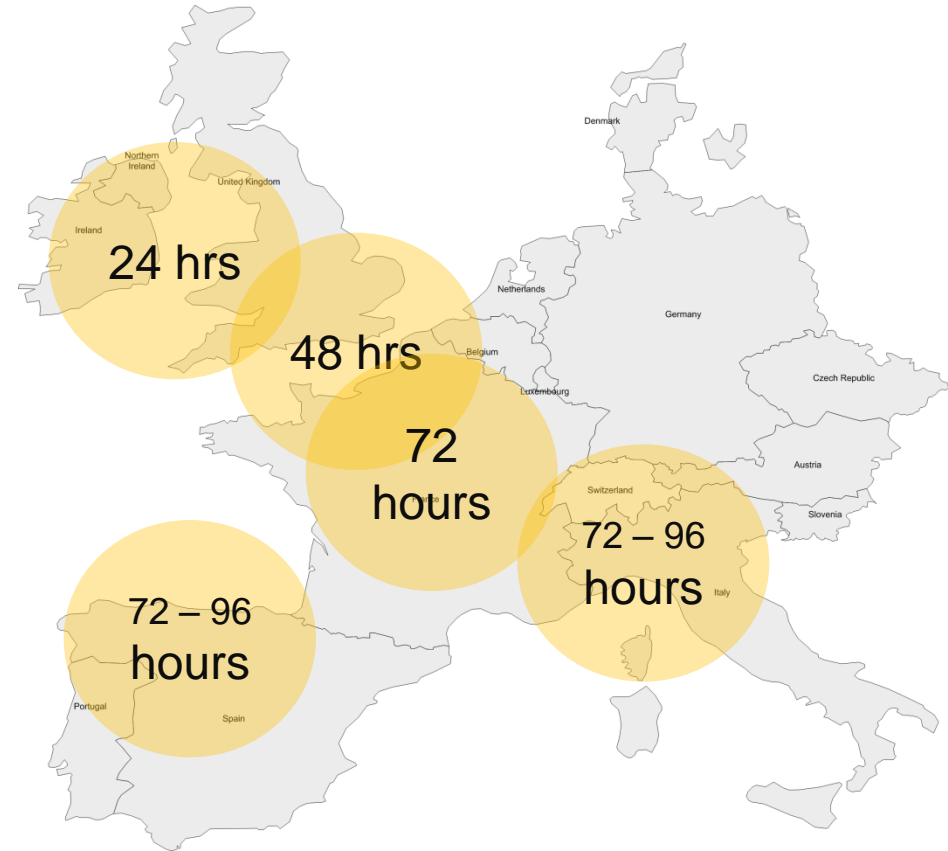
Regional / National?

- Customer base define by ability to deliver products,
- Small companies tend to want to deliver own products,
- Footprint expands as business grows with new customers but bound by logistics coverage and ability to deliver product,
- Customers located with 24 hours travel of distribution point,
- Finite market and logistics costs increasing disproportionately as a function of sales,
- No economies of scope and scale.



Continental Europe?

- Customers are,
 - 24, 48, 72 and 96 hours away,
- Cost disproportionately high unless shipping large quantities,
- Logistics assets investment and infrastructure are beyond most businesses?
- Core business?
- Degree of influence over logistics,
 - How much ownership and control do you need?



Different Strategies in Different Markets

1. Own distribution in home market?
2. Agents and Distributors in key markets?
3. JVs in emerging or difficult to manage market?



ROUTE

TYPE

FREQUENCY
PER WEEK

OPERATOR

LEGEND



BELFAST



ROSSLARE



WATERFORD



CORK



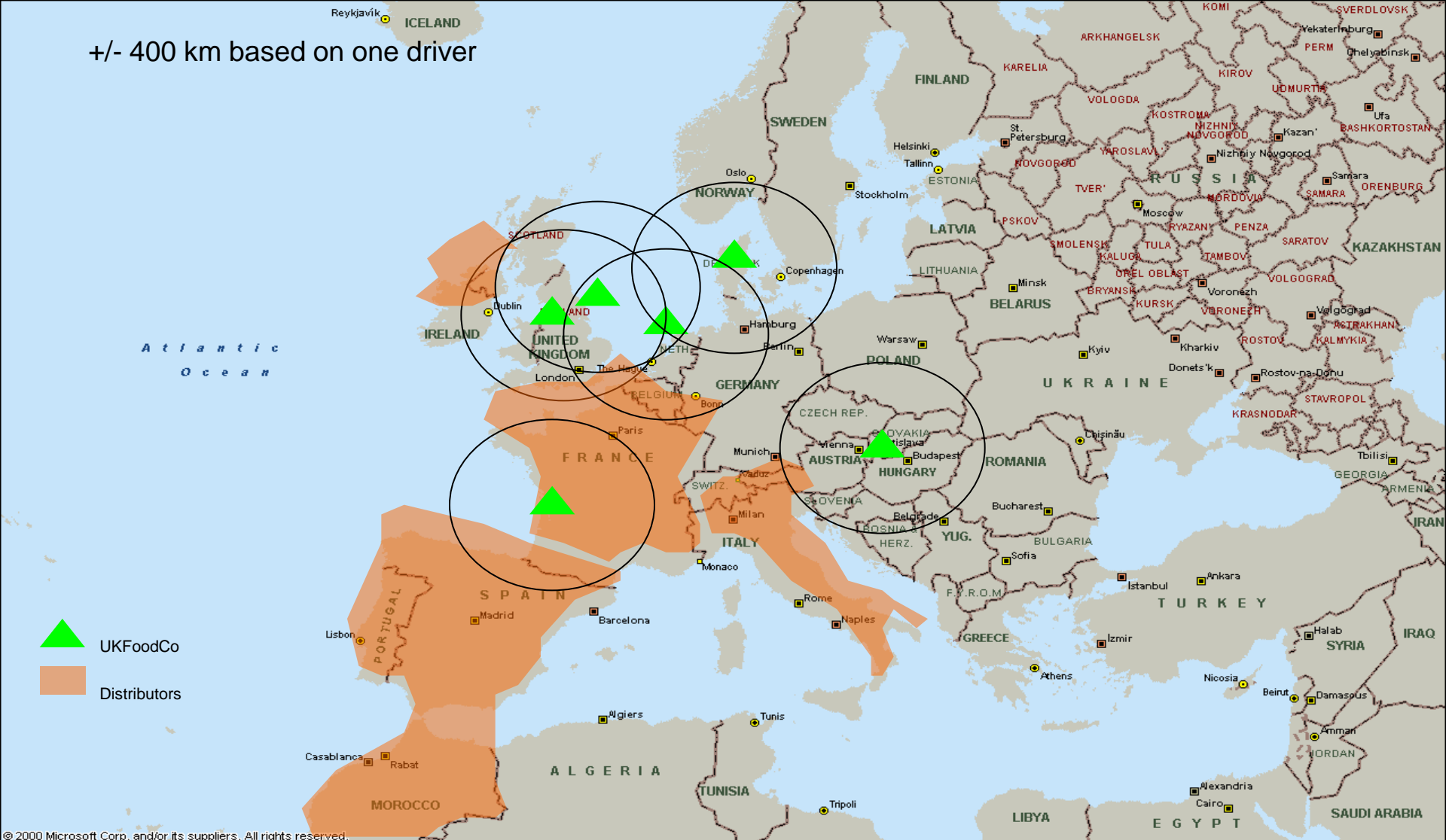
DUBLIN

Roll over a port to reveal the shipping destination of that port. To view the central corridor routes, click on the magnify icon on the bottom left corner of the map. To visit a operators website, click on their name.



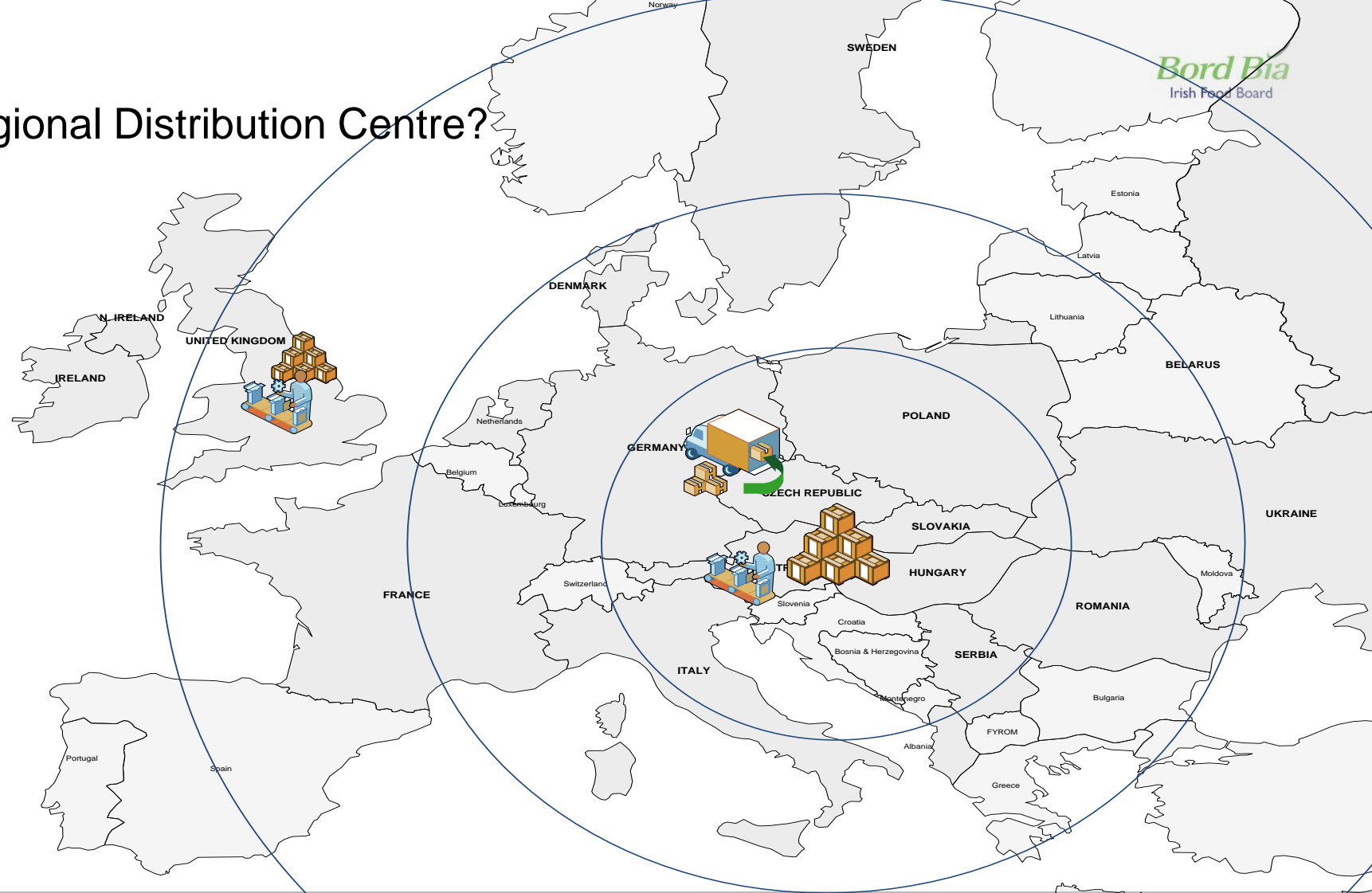
SHOW ALL
ROUTES

+/- 400 km based on one driver



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Regional Distribution Centre?



Discussions with Exporters – Lessons Learned

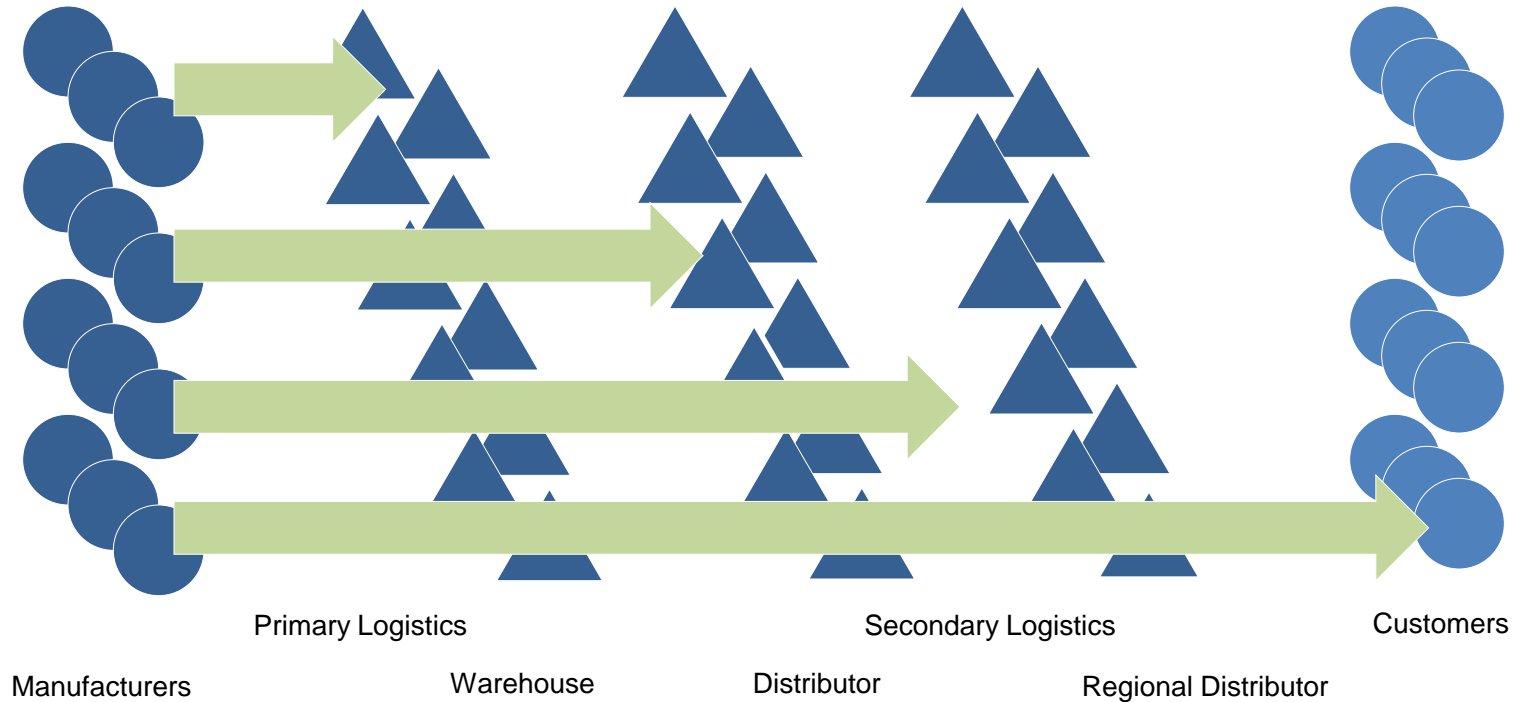
- Biggest challenge, and competitive disadvantage, is getting product off the island (although still often easier than moving product around the island),
- Wide variation with regard to number and types of LSPs utilised,
- Low level of review, lack of awareness of comparative costs,
- Significant use, relative to other sectors, of more traditional logistics solutions,
- High level of delegation to the chosen LSPs,
- Openness to “Co-opetition”?
 - LSPs not very proactive,
- Not much use of both backhaul capacity and overseas LSPs,
- Contracting economy is having an impact
 - for example service availability and equipment availability,
- Lack of a ‘logistics mentor’ for the sector.

Logistics Service Providers – Lessons Learned

- Sector attracts more traditional logistics solutions,
- Wide variation in terms of sector focus,
- Regional preferences and coverage very much a feature in terms of service provision,
- Significant role of forwarders,
- Weekends are still key time window for international movements.



Routes to Market

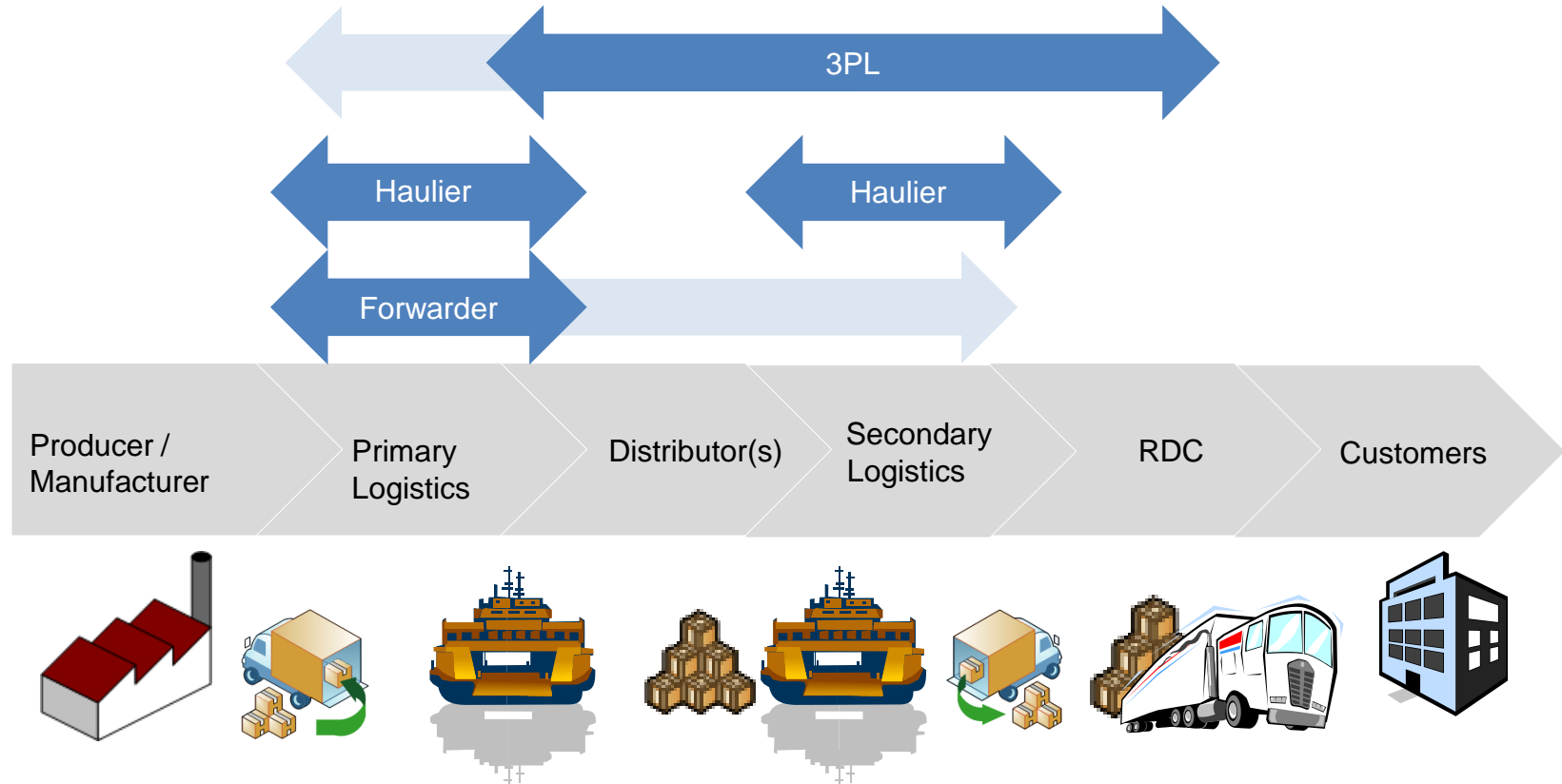


Continental Europe Routes to Market

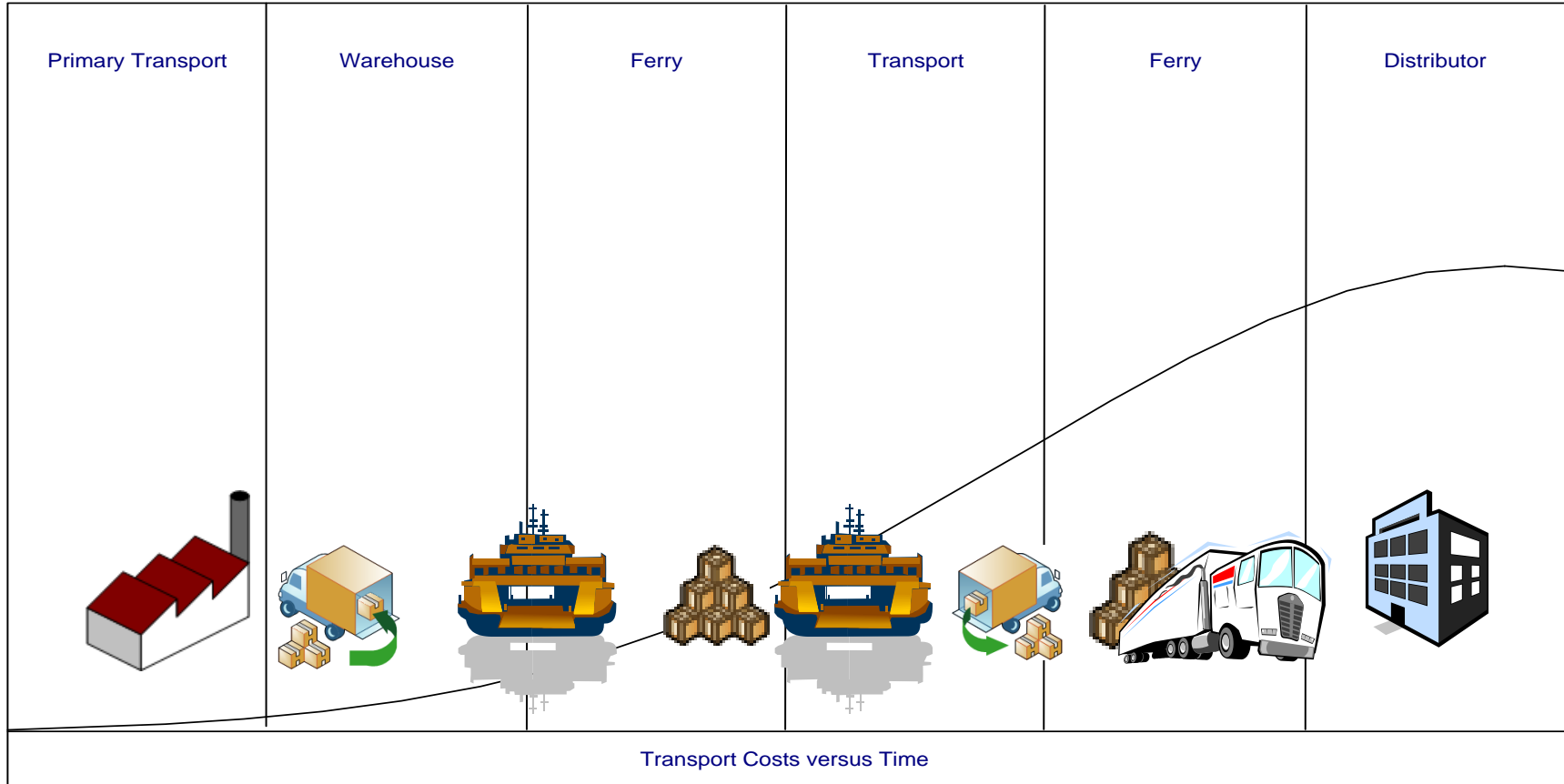
Primary Logistics						Secondary Logistics				Customer
Road	Warehouse	Ferry 1	Road	Ferry 2	Road	Distributor	Road	RDC	Road	
										Supermarket
										Food Service
										Independents
										Retailers

- For different customer types who is responsible and accountable for each leg of the journey,
- How much ownership and control do you need (or will you be allowed)?
- Where is your delivery point and does transfer of title take place?

Food and Drink *End to End* Supply Chain

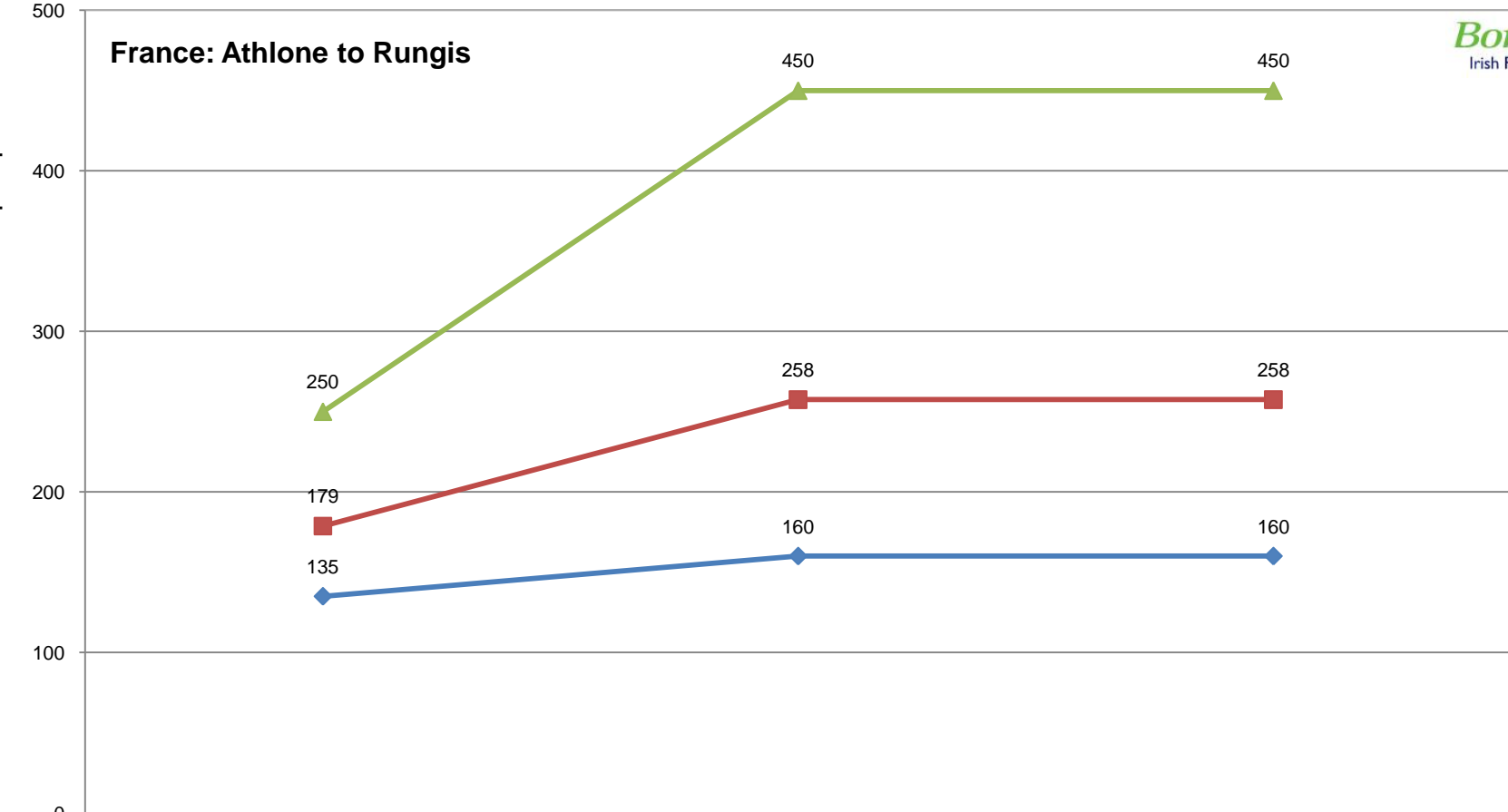


End to End Supply Chain



Cost per equivalent Pallet €

France: Athlone to Rungis

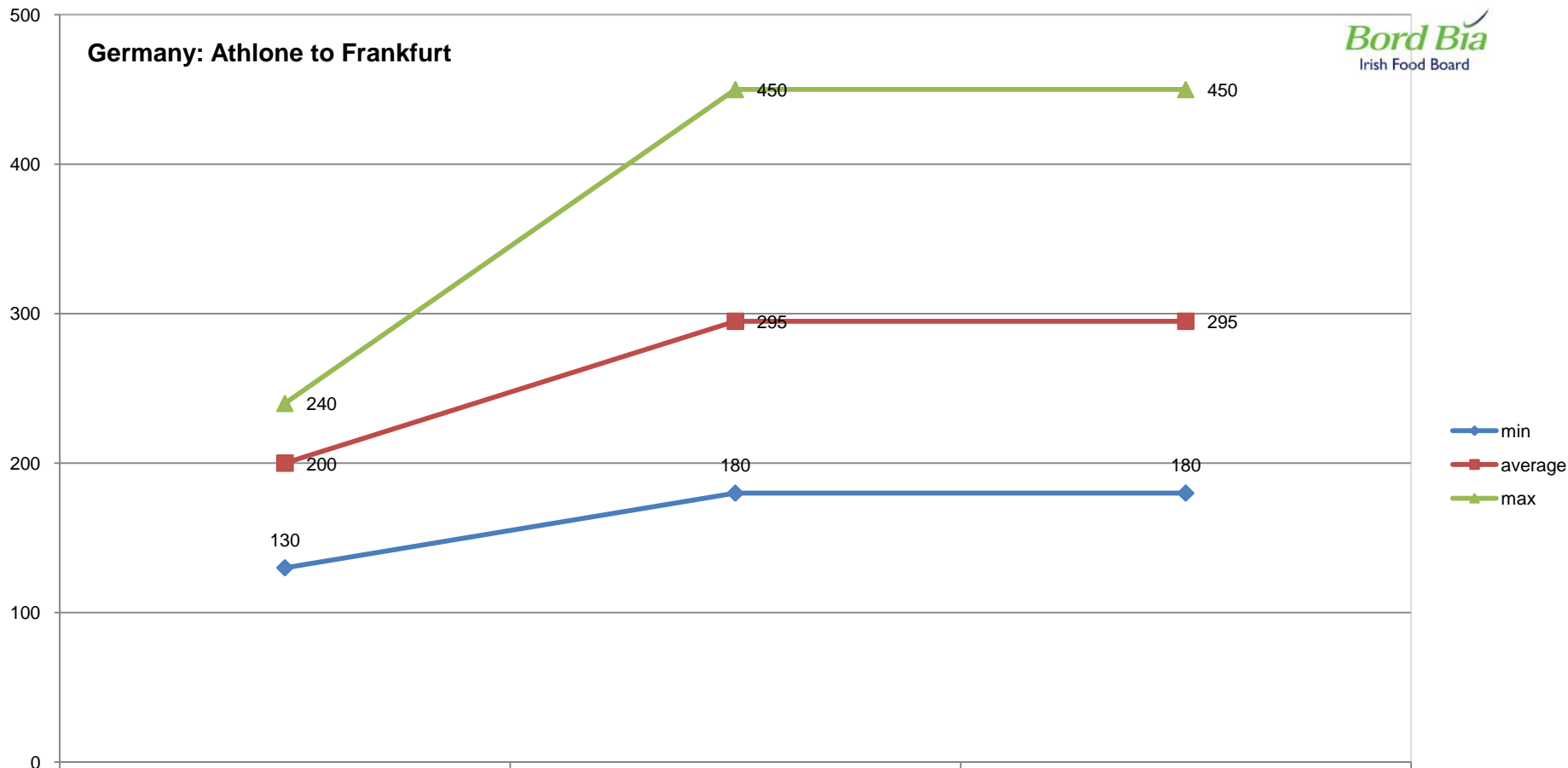


- min
- average
- max

	Ambient	Chilled	Frozen
min	135	160	160
average	179	258	258
max	250	450	450

Cost per equivalent Pallet €

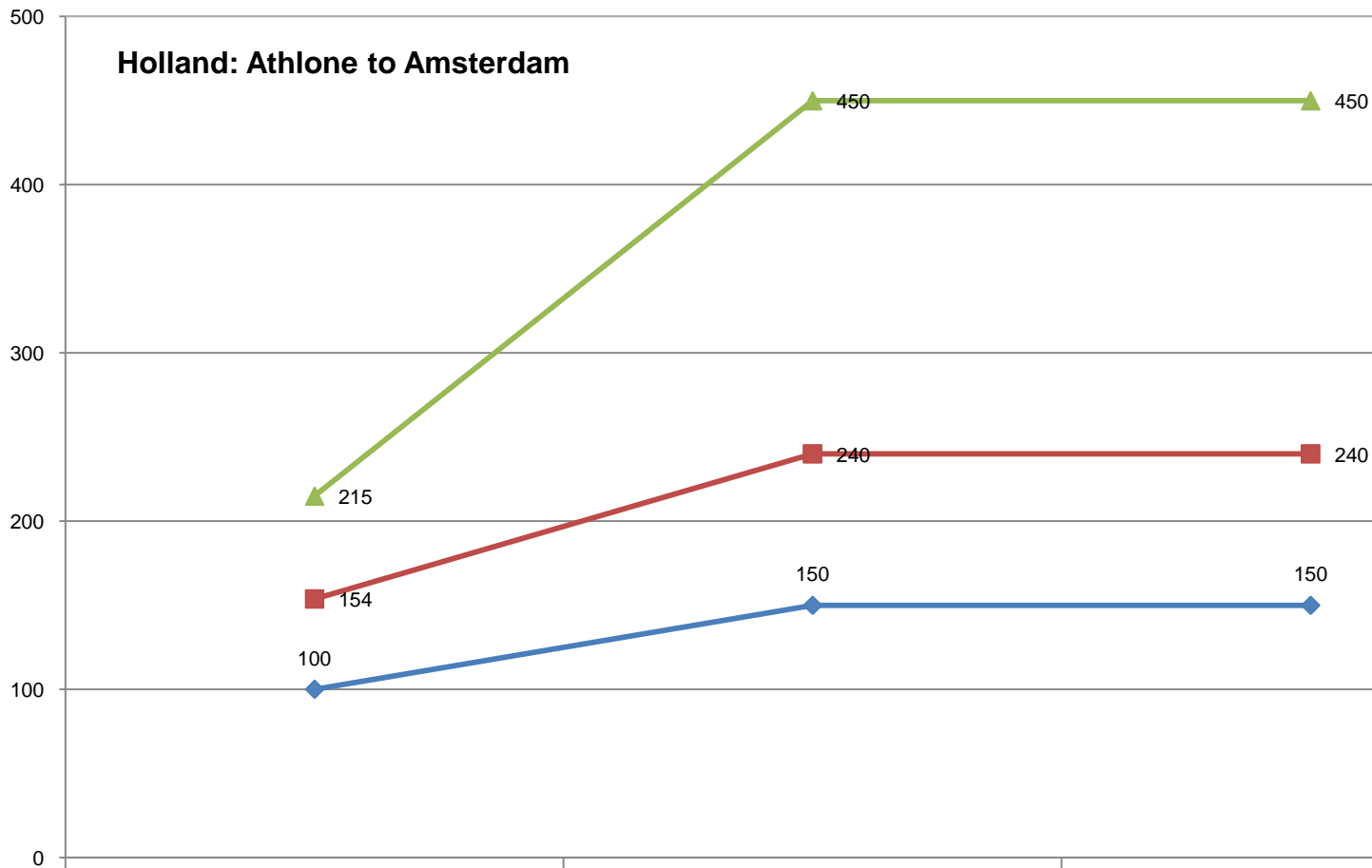
Germany: Athlone to Frankfurt



	Ambient	Chilled	Frozen
min	130	180	180
average	200	295	295
max	240	450	450

Cost per equivalent Pallet €

Holland: Athlone to Amsterdam

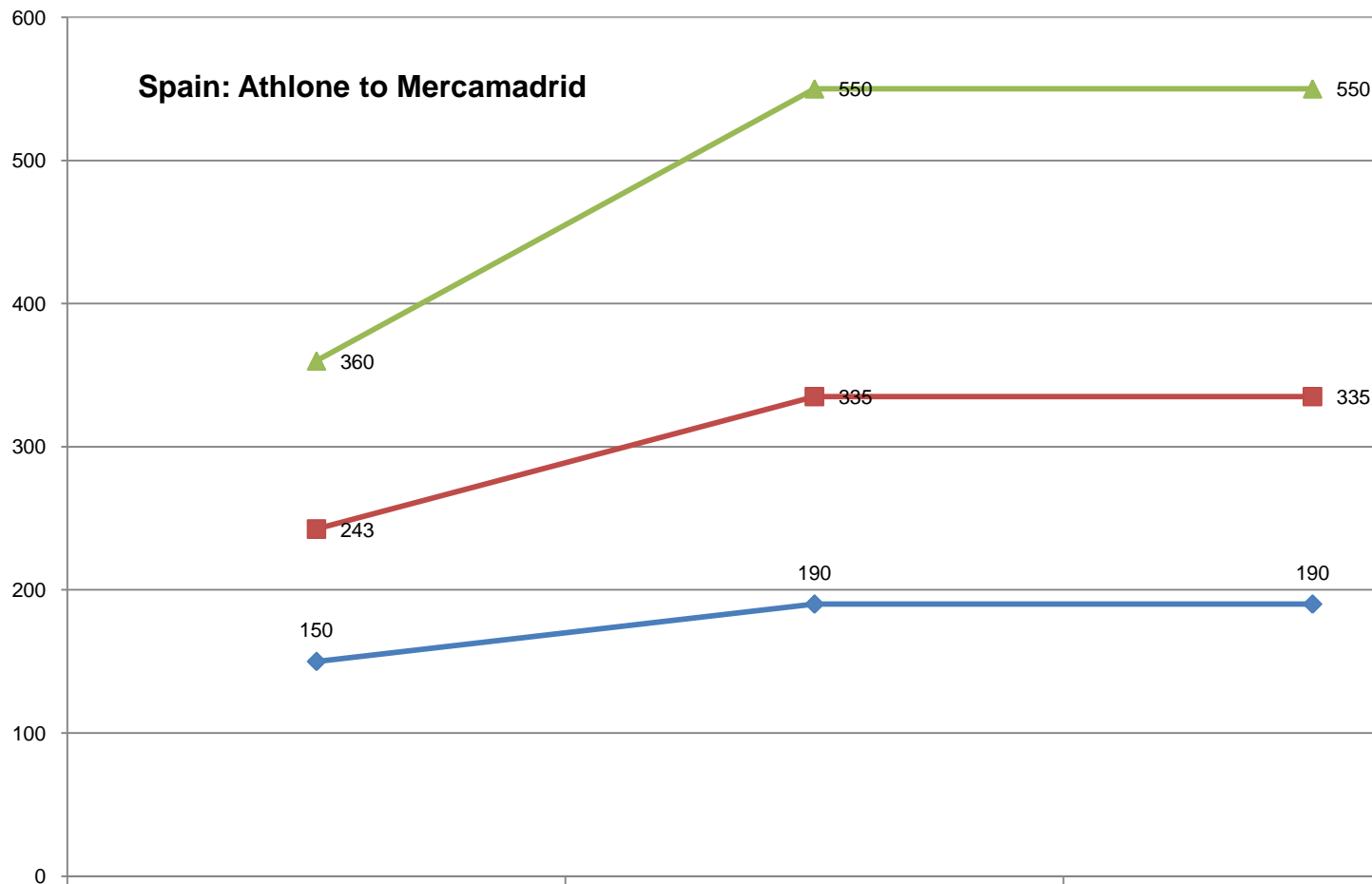


min
average
max

	Ambient	Chilled	Frozen
min	100	150	150
average	154	240	240
max	215	450	450

Cost per equivalent Pallet €

Spain: Athlone to Mercamadrid

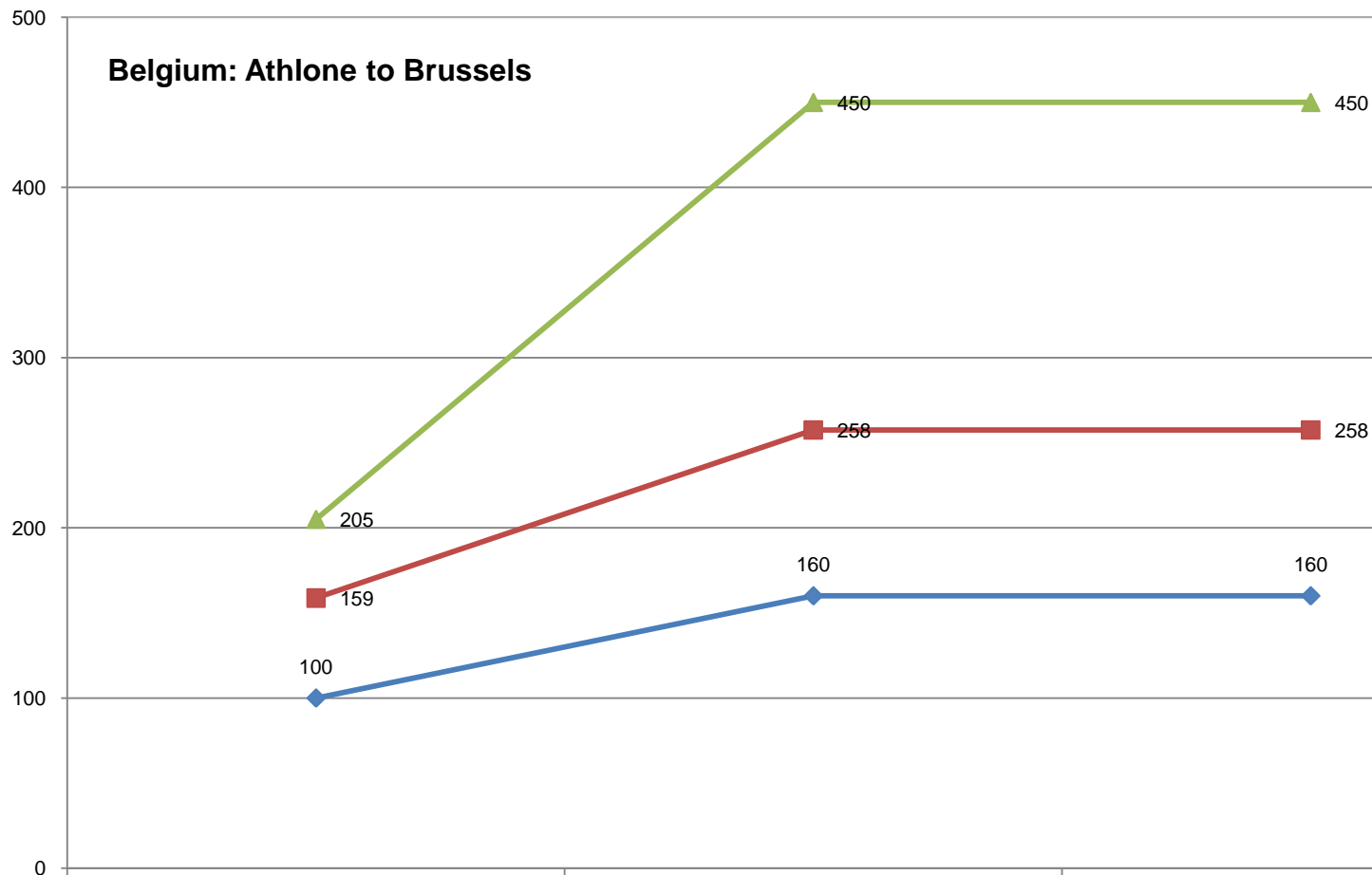


min
average
max

	Ambient	Chilled	Frozen
min	150	190	190
average	243	335	335
max	360	550	550

Cost per equivalent Pallet €

Belgium: Athlone to Brussels

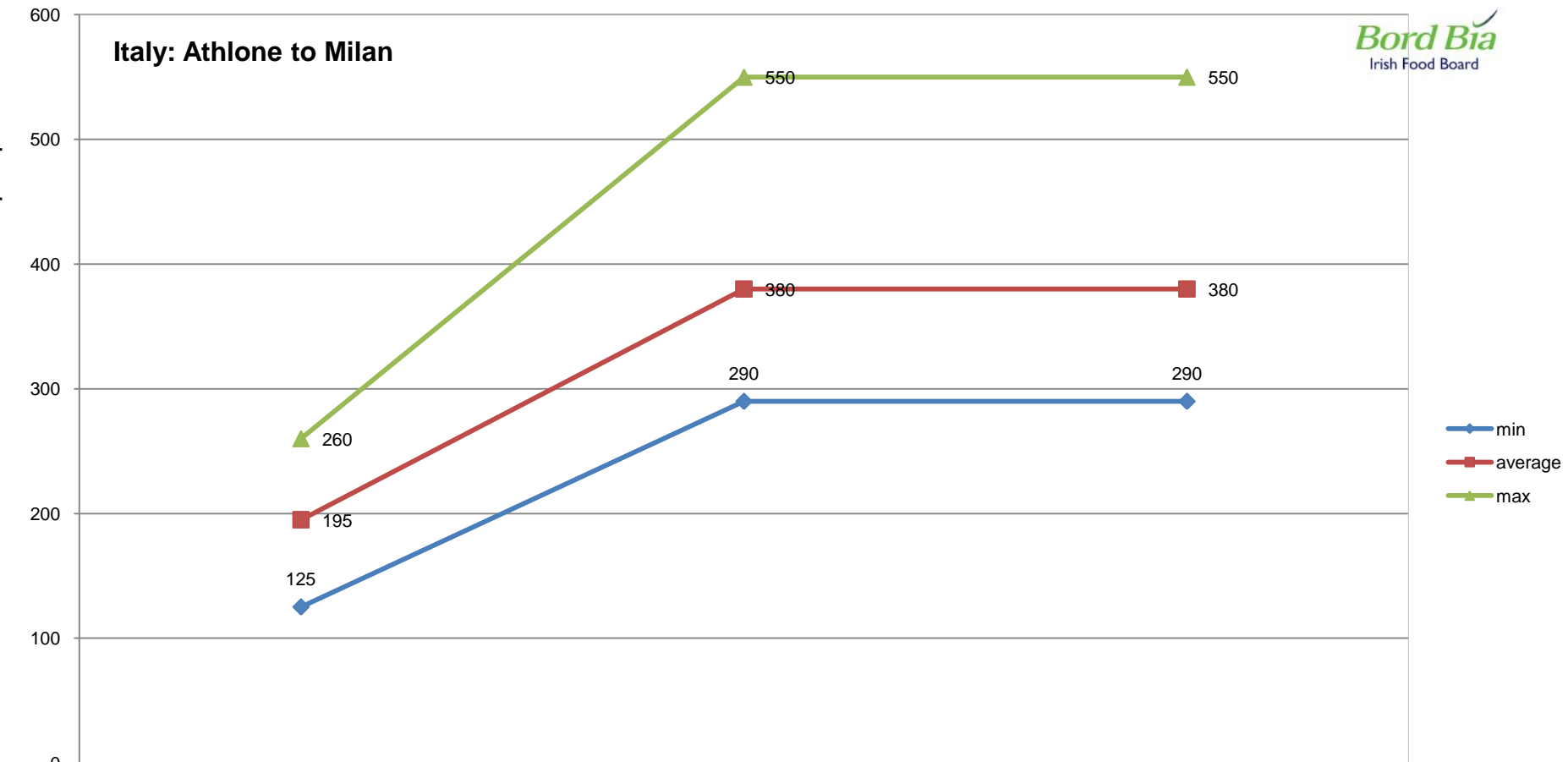


—♦— min
—■— average
—▲— max

	Ambient	Chilled	Frozen
min	100	160	160
average	159	258	258
max	205	450	450

Cost per equivalent Pallet €

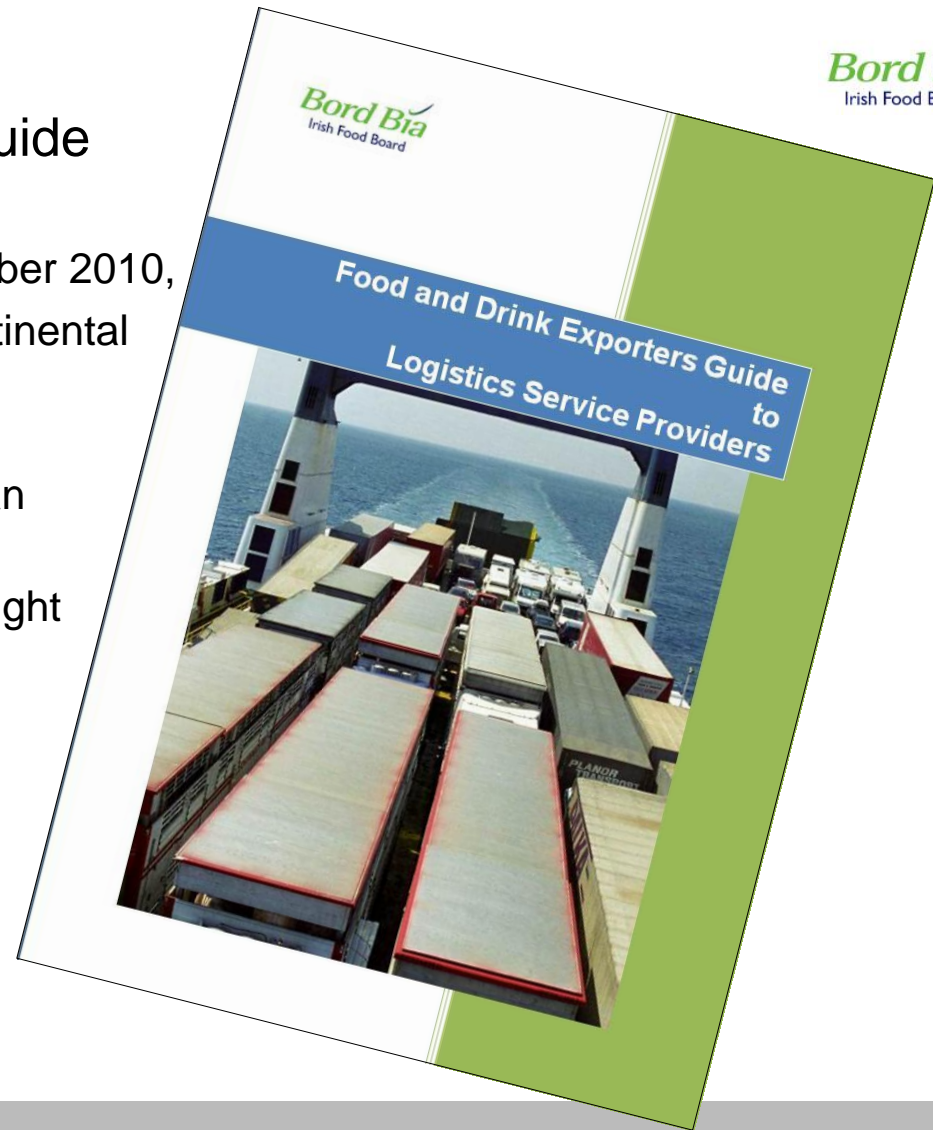
Italy: Athlone to Milan



	Ambient	Chilled	Frozen
min	125	290	290
average	195	380	380
max	260	550	550

Logistics Service Providers Guide

- Version 0.1 released 28th September 2010,
- LSP who provide services to Continental Europe,
- Typical Providers including both indigenous Irish, UK and European providers,
- LSP Types includes Hauliers, Freight Forwarders and 3PLs.





Logistics Service Providers

Directory Website



What kind of Logistics Service Provider do you need?

#	Question?	Key Issues
1	Who is your customer?	<ul style="list-style-type: none"> Is your customer a distributor, an agent, a RDC, a local retailer or the final customer? Where are you expected to deliver to? Is delivery point determined for you?
2	What are your customers' requirements in that market?	<ul style="list-style-type: none"> Is the Logistics Service Provider nominated by the customer? What service level is required? Are there any special delivery requirements?
3	How much and how frequently will we be shipping goods?	<ul style="list-style-type: none"> Are your products temperature and / or time sensitive? Can you ship full loads or less than full loads or pallets to customers? Will you be shipping daily, weekly or monthly?
4	Markets	<ul style="list-style-type: none"> What Markets are you shipping to and where? Are there any special market requirements you need to consider? Are there established providers who service specific markets?
5	What are the terms of sale?	<ul style="list-style-type: none"> When does title of goods transfer? Ex works or fully delivered? What Incoterms apply?

What kind of Logistics Service Provider do you need?

#	Question?	Key Issues
6	Service Levels	<ul style="list-style-type: none"> • What service level expectations does customer require? • What service levels can LSP provide? • Are minimum orders or lead times required?
7	Accountability and Responsibility?	<ul style="list-style-type: none"> • Who is responsible and accountable from despatch to final delivery? • Do you require accompanied shipments? • Who is responsible for damage and deterioration of products?
8	Track and Trace?	<ul style="list-style-type: none"> • Is full traceability required? • Do you require temperature monitoring of shipments? • Do you require Proof of Delivery?
9	Value Add Service	<ul style="list-style-type: none"> • Do you require warehousing services? • Do you require inventory management services? • Do you require packing and repacking services?
10	Performance Management	<ul style="list-style-type: none"> • Do you have competitive rates from different providers? • Do you need delivery performance reports? • Do you need cost performance reports?

“Co-opetition”

- Collaborate to compete?
 - Can Exporters self organise to leverage LSPs?
 - Logistics is about scale and utilisation,
 - Economies of scope and scale for manufacturers and producers,
 - Target markets that are common to each producer or manufacturer,
 - Coordination, organisation and planning,
 - Who can take the lead?

