Progress of HiB Warehouse

Work continues apace on the new warehouse for HiB. Progress is good and all is on schedule with the handover of the new building having taken place in early November 2007.

Davies & Robson continues to work with the HiB management team to make sure that they are ready for the move. All the new storage and handling equipment was ordered and is now being installed. The racking contract was awarded to Linpac following a competitive tendering process.

Davies & Robson
The Coach House, Watling Street, Weedon, Northants NN7 4QG
Tel: 01327 349090 Fax: 01327 349820
E-mail: info@daviesrobson.co.uk Web: www.daviesrobson.co.uk

D & R CLIENT LIST includes

- ACCANTIA
- BARCLAYS
- BPB ARTEX
- BRITVIC
- CORPORATE EXPRESS
- DANIELS CHILLED FOODS
- EAT
- FARILLON
- GRAMPIAN
- HARROD HORTICULTURAL
- JACOBS
- JET2.COM
- JOHN LEWIS
- KODAK
- MACPHIE OF GLENBERVIE
- PZ CUSSONS
- RANK HOVIS
- ROCHE PHARMACEUTICALS
- ROYAL MAIL
- SC JOHNSON
- SAMSUNG
- SERICOL
- TARGET EXPRESS
- THE HIGHWAYS AGENCY
- WICKES

Davies & Robson
LEADING SUPPLY CHAIN CONSULTANTS
Logistics Update
WINTER 2007
visit our website www.daviesrobson.co.uk

Supporting business development at Culina Logistics

Not all customers are equal and in the context of providing distribution services it is clear that some cost significantly more to serve than others.

Cost-to-Serve is thus a key concern for any company delivering value-added services and this particularly applies when a multi-user network is in operation.

Davies & Robson has been providing consulting services to Culina Logistics for a number of years, during which time this specialist provider of logistics solutions for chilled food and drinks manufacturers has grown to become a key player in the UK contract logistics market with clients including big name brands such as Tropicana, Kraft, Kerrygold and Müller Dairy.

With three hi-tech temperature controlled distribution centres providing a total network capacity of 44,000 pallet spaces, a fleet of satellite tracked vehicles and over 750 staff they provide both dedicated and shared-user warehouse and distribution operations and award winning levels of customer service.

As part of an ongoing strategy to provide customers with optimally cost efficient operations, Culina's Managing Director, Rien Brakel, recently approached **Davies & Robson** to assist in the development of analytical software to help Culina calculate their cost to deliver

continued overleaf...

at both a client level and by individual customer order. Such a tool would then enable the development of menu based pricing of delivery services and facilitate robust 'what if' modelling capability.

Davies & Robson determined a methodology and prepared a structured project plan following initial meetings with key Culina personnel. In the first instance, delivery volume and operational cost data was obtained to provide a base-line cost per delivery unit.

Next a delivery cost matrix was prepared which applied to the entire UK delivery network and apportioned cost relative to order size and delivery location. Following testing and validation the model was tailored to suit Culina's operational requirements and provided to Culina along with comprehensive instruction and training in its use to enable ongoing development and the import of future delivery and cost data to be undertaken by Culina in-house.

Following a successful implementation, the software has provided Culina with a number of significant opportunities, including the ability to:

- DEVELOP timely and accurate pricing of new business opportunities
- DETERMINE potential operating cost changes with differing activity profiles
- ACCURATELY trace the cost of providing delivery services at order and customer level and by delivery point
- PERFORM customer segmentation enabling Culina to incentivise and reward those customers who migrate to lower cost service models

In conclusion, the improved clarity of operating costs at activity level provided by the software developed by **Davies & Robson** has enabled Culina to maintain its objectives to minimise costs, optimise service and develop operational flexibility, thus ensuring Culina is well placed to support ongoing retailer initiatives and other business changes.

The right ingredients for Tragus

Tragus Group Ltd is the company behind some of the best known restaurant names in the country, including Café Rouge, Bella Italia and Strada.

Critical to the success of all Tragus Group companies is an effective supply chain, to ensure the timely delivery of ingredients in peak condition. Products include chilled and ambient items with both long and short shelf lives.

Given the diversity of menus, and geographical coverage from Glasgow in the north to Plymouth in the south, and all major towns in between, it's no mean challenge.

In 2006, Tragus decided to review its supply chain outsourcing arrangements to identify a strategic partner to support the next phase of the Company's growth plans. Tragus engaged **Davies & Robson** to provide advice on the outsourcing process and the development of an agreement to reflect the high performance standards required.

Following a thorough tender process, Wincanton was chosen as Tragus' strategic partner. Wincanton has a proven track record in supply chain management within the food services sector, and provides a comprehensive supply chain service including order taking, warehousing, delivery and supplier reordering.

TRAGUS

To ensure the commercial agreement and charging mechanism met Tragus' requirements, **Davies & Robson** worked closely with both parties during the drafting process. The resulting agreement meets Tragus' needs while providing a fair financial return to the contractor.

Following the transfer of the stockholding to Wincanton, the operation went live on the 22nd September 2007.

Lisa Griffiths, Purchasing Director, Tragus, commented: *"We have been impressed by the knowledge and the style of working that **Davies & Robson** have brought to the process. As a result, we have a contract that we feel gives us exactly what we want as a growing business."*

Capita Fulfilment Services – warehouse audit leads to significant operational gains

Capita Fulfilment Services (until recently known as Two Ten Communications) specialises in direct marketing fulfilment. The company's services cover every aspect of direct marketing, from print and distribution to integrated call management solutions, customer data capture and integrated transactions services.

The operation is housed in a 140,000 sq. ft. warehouse on the Thorp Arch Estate near Wetherby.

CAPITA
FULFILMENT SERVICES

Capita Fulfilment is continually looking for ways to reduce cost and improve customer service. To this end, **Davies & Robson** was commissioned to carry out a warehouse audit.

The audit identified a number of different ways in which the company could improve its operations. Some of these were "quick wins", implementable very quickly and at low cost, while others were longer term.

Perhaps the most significant change was a recommendation that the company should introduce "wave picking". This required some changes to the system, but the outcome has been a far more planned and organised approach to the daily work load, resulting in improvements in on-time deliveries.

Davies & Robson continues to provide occasional advice and assistance to Capita Fulfilment to plan and implement further changes.

Bill Colman, Operations Director said: *"The team from **Davies & Robson** has provided insightful, practical 'hands on' consulting and advice. I am really pleased with the results we have achieved in a relatively short time."*

"Don't be afraid of the 'F' Word – many organisations swear by it."

"The 'F' word is, in this case, Franchising... and the above quote is from a Dublin-based client, where they have a lovely way of getting to the heart of things. The pronouncement came once they realised the power and potential of franchising for their business – and the frustration of not having appreciated it sooner.

Like many growing businesses, they had, for too long, discounted franchising as a means of expanding, thinking it was the preserve of cleaning companies or fast food joints. Yet many of the best known global brands distribute their products and services under some form of franchise arrangement – not always making a song and dance about it.

Indeed the last beer you enjoyed was most likely bottled under licence, the last business hotel you stayed in highly likely to be operated under franchise, and the train or rented car you used to get there probably also courtesy of a franchisee.

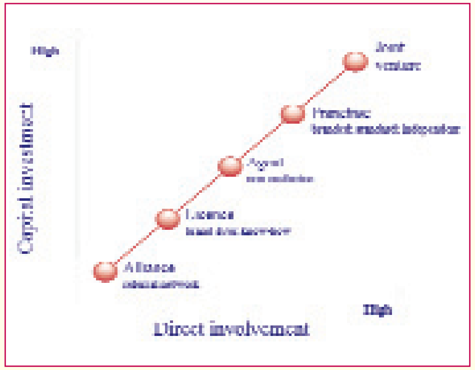
From the outside, and as far as the customer's concerned, there's no distinction between owned and franchised operations - and no detriment to service or product quality. If anything, service levels are significantly better given the focus of an owner manager on their own business performance, staff management and customer service.

What then is Franchising? In its most simple form it involves the distillation of a successful business model and its replication in the hands of a third party franchisee, licensee, agent or whoever. The grant of the licence will carry obligations on behalf of both parties to ensure that performance standards are upheld and that the partnership is a commercial success.

Around the world, across all business sectors including retail, travel, transport, hospitality, financial services, business services and of course for the distribution of manufactured goods, the franchise business model has been used to fund and energise business growth and profitability. The sale and servicing of the trucks, trailers and materials handling equipment, not to mention the activities of freight forwarding organisations in the logistics industry - especially across regional and international markets - is a classic opportunity for the use of a franchise relationship.

McDonald's – one of the great franchise success stories

The world of Franchising is not a 'one size fits all' solution and the illustration below shows how differing degrees of investment and involvement lead to different types of relationship and structure.



In the parcels and courier sector alone, many of the well known brands have employed a 'franchise' approach to grow and improve their networks - including Amtrak, Parcelforce, Business Post, Initial City-Link, Parceline and ANC. But the nature of the franchise offer can vary from a full depot-based franchise business, to one requiring franchisees only to provide vehicles and delivery resource on a very local basis.

Some will expect their franchisees to fund, and be very much involved in, all aspects of the business – using third party investment to create their national capacity and infrastructure. Others seek third party involvement only where it adds to service capacity and flexibility – such as when agents are appointed, using their own vehicles, to fulfil the 'last mile' of a delivery.

The key to success is to tailor the approach to satisfy the aims and culture of the core business.

A franchise approach is not only deployed to grow a business. It can also be used to make existing operations much more cost effective.

Transferring directly owned and managed activities to a franchise structure can release capital for investment elsewhere in the business and create a low cost way of delivering high value operations.

Often their new motivated business partners are previous employees – high performers protected from the clutches of the competition or from setting up in competition, or even mediocre performers given a new lease of life as owner managers.

The view now held amongst top business strategists is that all organisations should consider whether some form of the franchise model ought to be incorporated within parts of the business to accelerate growth, improve efficiency.....or both.

If your organisation has not yet considered what franchising could do for you, then raise it at the next business planning meeting... because after all, as they say in Dublin, some people swear by it.

This article is by **Davies & Robson** Associate, Max McHardy. Max has been involved in the franchising sector since he joined the Budget Rent a Car Corporation in 1970. At Budget he rose to become UK Managing Director and ultimately international vice-president with responsibility for Europe, Middle East and Africa.

A past Chairman of both the British Franchise Association and British Vehicle Rental & Leasing Association (BVRLA), he has been advising organisations on the development and management of commercial partnerships since 1989. Max has a wealth of knowledge and first hand experience of developing and managing business alliances. He is particularly familiar with the nuances of operating in a variety of international markets with direct experience as a franchisor in the motor, financial services and travel industries.

Can we help you?
For further information on Franchising please contact Brian Templar on 01327 349090

Minimising Start-Up Difficulties – real insight into a notorious logistics problem

At a recent Davies & Robson seminar, Ranald Forbes, Chief Executive of Brakes, South & West, provided valuable insight into the operational difficulties routinely encountered in start-up and cut-over operations, and how best to minimise them.

Ranald spoke from experience of managing 15 operational start-ups in his eight years with Exel and, prior to Brakes, four years as a Business Unit Director with Wincanton. He provided an audience in Swindon with his views on the failings of many start-ups, their predictable chronology and how best to avoid them. The main causes of start-up difficulties, he pointed out, fall into seven main areas:

- Poor planning and execution of "cut-over"
- IT bugs, testing and training
- Stock integrity
- Process flows not understood
- Over-ambitious productivity targets (product recognition)
- Big-bang approach
- Lack of support resources

On many occasions a familiar pattern follows the mistakes resulting from poor planning and resourcing: fixing the service, changing the management team and stabilising the operation, all culminating in an unhappy customer and a cost overrun.

At the core of an approach to improve start-up delivery (after an often already poor planning phase) is putting the right additional management in place and, as important, getting the reporting lines right. There are many examples of insufficient additional resource, the wrong resource, or both. 'Non-doing' heavyweight managers, too many commentators,

Logistics Update
D&R LEADING SUPPLY CHAIN CONSULTANTS
www.daviesrobson.co.uk

IT can be a major source of problems

and incompatible IT specialists, are regular offenders, so that, often, a local management team ends up spending too much time organising misplaced and incorrectly specified start-up resource.

Planning for and correctly sourcing additional resource can significantly improve start-up results.

For medium- to large-scale start-ups, a strong management team can save considerable sums in cost overruns further down the line.

Recommended additional resource includes:

- Project management
- IT support
- Implementation management
- Customer liaison
- Stock management
- Clerical support
- Supervisory

A detailed breakdown of who should be in these roles is available on request.

As well as the right people in the right place, the planning of their introduction is also critical. Planning of start-up resource should be done well in advance, with commitment to roles and individuals. The in situ operational team should be briefed on why the resource is there and to whom it reports, and these reporting lines should be clear. When the time comes for the implementation team to leave, their hand over should be planned.

Ranald's presentation on this notorious logistics problem was truly insightful. **Davies & Robson** has developed, and continues to enhance, a start-up capability to provide real added value resource to these operations.

To find out more...

For more details about Ranald's presentation or **Davies & Robson's** start-up team solution, please contact John Cashmore on 01327 349090

Pallet Storage Systems

PART 2

In the last issue of *Logistics Update,* we started to look at pallet storage systems. Here, we continue that overview, including block storage, drive-in racking, push-back racking, mobile racks and flow-through racks.

BLOCK STORAGE

Provided pallets will stack on top of each other without causing damage, block storage is perhaps the simplest method of storing a large number of pallets in a limited amount of space.

Block storage is effective where there are large quantities of pallets containing identical products. Variously, "identical" may be the same SKU, or the same production batch number, or date criteria.

Block Storage

What constitutes a "large quantity" of identical pallets? Consider a modest 16-pallet block storage lane arranged as 4 pallets deep x 4 pallets high. As the lane fills and empties, it will be on average half full. Therefore, if there is only sufficient stock to fill one lane, the lane utilisation will be low. As a guide, block storage requires at least 3 lanes: 48 pallets in this example.

Having multiple lanes for each SKU also enables a degree of stock rotation: one lane for filling, and another for emptying. But do note that block storage does not provide true stock rotation: the last item into a lane will be the first to be taken out.

Stacking heights will depend on pallet stability and the strength of the product packaging. Only rarely are block stacks higher than 4 pallets viable.

It is important to consider how product is being delivered into the system. If full loads of 24 pallets of a single SKU are usually received, the block stack lanes should be designed to hold the full load.

To prevent product damage, there is a need for reasonable clearance between lanes. Where there are very large stocks, this can be reduced by having the same product in adjacent lanes, and filling and emptying both lanes simultaneously.

A common block storage error is having lanes that are too long. Fewer aisles may look good on paper but, in practice, shorter lanes and more aisles often provide better overall utilisation. Simple spreadsheet modelling of the stock profile will help to determine optimum lane sizes.

The Warehouse Management System needs the functionality to manage block stacks. In particular, it needs to recognise locations with multiple pallets, and that the emptying sequence is the reverse of the filling sequence, especially where individual pallet tracking is required.

DRIVE-IN RACKING

Drive-in racking operates on a similar principle to block stacks, except that racking supports pallets above the ground level.

Lane size issues are similar to block storage: in fact, since drive-in permits higher stacking and hence greater lane capacities, the risk of having lanes that are too large is much higher. It is quite rare to see drive-in systems used truly effectively, but when they are, the storage density is excellent.

The pallets on the upper levels sit on "rails" running laterally through the racking structure. In order to enter the rack, the truck must be narrower than the distance between the rails or, more commonly, the first set of rails are set above the height of the truck body.

To minimise any resultant loss of capacity, many installations have two pallets block-stacked in the ground level location.

Drive-In Racking

The other disadvantage of drive-in is that, when placing pallets in at high level, the truck must drive the length of the lane with the load raised. This makes storage and retrieval at high levels very slow.

MOBILE RACKS

Mobile racks move so that one gangway can be used to access several rack faces. They usually consist of conventional pallet racking mounted on powered carriers, running on rails set in the floor. Racks are moved, usually at the push of a button, to open a required aisle.

Mobile racks give very high storage density and good accessibility, but floor loadings are very high, usually far exceeding normal design loadings. For this reason, mobile racking solutions are relatively rare.

FLOW-THROUGH RACKING

Flow-through racking, as the name suggests, is a system where pallets move through the rack on inclined roller conveyors. The pallets are placed in the racks at one end, and extracted from the other. The depth of the rack (length of each lane) can be quite long; an 8-pallet run is not uncommon. This gives excellent space utilisation, provided the racks are kept reasonably full. However, remember that, as lanes fill or empty, they will on average be only half full. Because of the way in which they are used, flow through racks offer strict FIFO.

Cost per location is quite high because of the "running gear", and some maintenance will be required to keep them flowing freely. Flow-through racking should only be considered where pallet quality is consistently high. There is a risk of sub-standard pallets getting stuck in the middle of the rack, and jams can be time consuming to clear.

A common application for flow-through is load accumulation on goods out. Pallets can be picked throughout the day and accumulated in the flow racking, with one or more lanes allocated to each load being despatched. The pallets are placed into the rack in the sequence they are required for loading. When the lorry is available, the pallets can be taken straight from the opposite end of the rack and loaded straight onto the vehicle.

PUSH-BACK RACKING

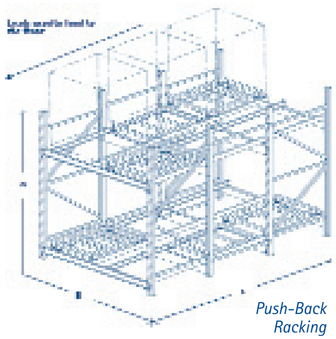
Push-back racking offers a versatile solution for increasing storage density.

Racking is arranged in blocks up to 4 pallets deep. Each level is a lane, with rails running through the lane back into the rack. Carriers run on the rails, and the pallets are loaded onto the carriers. The system is usually accessed using reach trucks.

To load the system, the first pallet in a lane is placed onto a carrier. When loading the second pallet, the fork lift truck "pushes" the first pallet back into the rack, and places the second pallet onto the next carrier. This is repeated until the lane is full.

To unload the system, the front pallet is removed, and all the pallets behind it move forward on their carriers, until the front pallet is at the front of the lane.

The advantage of push-back racking is block storage density with reasonable accessibility; only 4 pallets of the same SKU are required to fill a lane. Lane lengths can vary, enabling a variety of different lane lengths to suit a storage profile.



Push-Back Racking

Using different lane lengths also enables fine tuning of the racking layout, to "lose" the building columns inside racks.

The disadvantage of push-back racking is the price. It is two to three times as costly as equivalent conventional racking.

In the next issue of *Logistics Update*, we'll be looking at automated storage and retrieval systems.

The great 21st century trade route and the Christmas warehouse challenge

In the online retail channel the ordering is easy, but how quickly and smoothly do the goods hit the road... particularly at peak periods?

The online channel is the great trade route of the 21st century (in July 2007, UK online sales topped £4 billion in a month for the first time) but it cannot all be digital and virtual. The crucial final link in the chain is often a transient worker in a warehouse, and his or her ability to get something quickly picked, packed and despatched. And, this Christmas, as last, many warehouse facilities will be tested to their capacities and beyond!

If the warehouse isn't working at its best, whether that's because of poor management or poor design, coping with the peak in activity levels becomes a real challenge – an inefficient warehouse needs proportionally more resource to cope. It will soon spiral out of control.

Perhaps you had a problem in the run up to last Christmas, when you realised you weren't keeping up with demand; when your Finance Director was challenging you to get costs under control; or you had your Customer Service Manager in your office complaining that, yet again, customers were receiving the wrong product, or that stock received last week still wasn't available for despatch.

A well designed, well run warehouse starts off at a lower base and needs less resource to cope with the increase.

These kinds of problems often arise because management hasn't thought through the particular implications of online retail fulfilment. The essential difference between traditional warehousing and online order fulfilment (these warehouses are increasingly termed Fulfilment Centres) has to do with the fact that, in Fulfilment Centres, staff are, effectively, the consumers' personal shoppers, picking and packing individual items. So, at times of peak demand, the pressure just climbs.

IDENTIFYING THE DIFFERENCES

If a Fulfilment Centre doesn't run fast, efficiently and reliably, it quickly leads to dissatisfied consumers, reduced profits, and diminished reputations. And yet it is our experience that too few companies really recognise the added value of these specialist warehouse operations and the people who run them.

The principles governing the design and operation of traditional ware-houses and Fulfilment Centres may be the same, but the dynamics are quite different.

MANAGING THE DIFFERENCES

Because of the complexity involved, Fulfilment Centre operations are inherently less efficient than those of traditional warehouses. Design is, therefore, of paramount impor-tance. It is crucial that an operation is able to absorb variations of demand and, because many Fulfilment Centre staff are transient workers, the simplicity of the picking process is key. It should be possible to train employees to do the job within hours and have them up to full productivity within a couple of weeks.

The key to an efficient operation is to target the amount of time staff need to spend moving around the warehouse. There are two ways to do this:

Reduce the distance between locations

To reduce the distance between locations, a warehouse designer needs to know the range of storage and picking systems available, and the suitability of each for the product profile. Many solutions are available. Standard pallet racking, perhaps with shelving, is always going to be the easiest, but more companies are building mezzanine floors or installing carton flow systems. These increase the density

continued overleaf...

TRADITIONAL RETAIL WAREHOUSING	ONLINE FULFILMENT WAREHOUSING
Goods received from producers in quantity	Goods received from producers in quantity
Retailers' ordering patterns subject to agreed routines and schedules	Consumer ordering on demand and unpredictable
Typically, lower number of orders, each of high quantity	Typically, higher number of orders, each of low quantity
Picking in quantity, often of full cases	Picking of one or two individual items
Little or no additional packing for despatch	Full packaging required
Orders shipped to limited number of retailers as quantities of full cases	Orders shipped to unlimited number of consumers as individual orders
Staff levels relatively constant with usually predictable peaks	Staff levels higher because of number and complexity of orders, with less predictable peaks
Overall average picker's time spent travelling from one point to another in the warehouse = **65%**	Overall average picker's time spent travelling from one point to another in the warehouse = **more than 65%**

of pick locations and use space more effectively. Some previously specialist solutions are now becoming commonplace. For example, lean-lift technology has advanced to such an extent that it can be an extremely cost-effective solution for otherwise basic operations.

Increase the number of orders handled per metre travelled

Then there is the need to ensure that the space is used efficiently. Again, many solutions are available. Zoning the warehouse to locate products with similar profiles allows the use of different storage and picking systems. Pickers can go to the goods, the goods can go to the picker, or a mix of both methods can allow bulk and secondary picks to maximise the use of resource. Pickers can reliably assemble multiple orders through Batch Picking. Similarly, packing stations need to be well designed and equipped to make the process as effective as possible.

Many companies run their warehouses under ERP systems used for other functions. Generally, these are not up to the job.

The key to running a warehouse is Control with a capital C: making sure that stock is put in the most suitable locations; that replenishments are perfectly timed; that the release of orders for picking is coordinated; that the amount of work done and remaining to be done is clear. This requires more than most off-the-shelf ERP systems are able to provide. A specialist Warehouse Management System – and there is a large choice – is now a must-have option for efficient warehouse operation.

TOWARDS BRILLIANT PERFORMANCE

As shoppers flock, in ever greater numbers, to the mouse-powered super-mall, Fulfilment Centres are crucial links in the supply chain to consumer homes.

How well they operate is self-evidently important. So, it pays to ask yourself some questions. Is your Fulfilment Centre well run, efficient and under control?

Does your warehouse management team have the skills to design and maintain the layout, develop picking methods and select equipment?

Have you provided the systems to allow them to control the operation in terms of resource and inventory?

And, crucially, are your facilities and systems able to cope with the unpredictable peaks inherent in this kind of operation? If you cannot confidently answer 'Yes' to these questions, crises could be close.

And, remember, if you fail to impress the consumers you serve, next time they order, a search engine will take them swiftly to a competitor who does. And competitors are not in short supply.

Can we help you?
For further information on Warehouse Management contact us on 01327 349090

EasyNet Logistics Solutions

Easynet is an international managed network and hosting company, delivering superbly managed solutions for business and enterprises. Easynet is part of the British Sky Broadcasting Group with its total market capitalisation of £12bn.

Having operations in eight European countries and China, the company has recognised that it is well placed to provide its services to the logistics market, as companies involved in logistics tend to need to be able to transfer data quickly and effectively across the globe.

With their full portfolio of services, purpose built data centres and global reach, they can meet these needs.

As part of their research into the market, which included gaining an in-depth understanding of how the market works, they wanted to understand what were the high level issues that the key players in the market had on their radar.

This was not the day-to-day operational issues specific to the industry, but a higher level view of the issues taxing the boards of companies providing or using logistics services.

Easynet retained the services of **Davies & Robson** to research this and present the findings to their team. **Davies & Robson** arranged a series of interviews with directors and senior managers of retailers, manufactures, service providers and public sector bodies. At each interview the interviewee was invited to talk about the key issues affecting their approach to business.

And the number one issue: The Environment

It was staggeringly clear that The Environment is a key focus of boardroom discussions. Whether or not one agrees that it is a real issue, companies are taking it seriously and they are expecting their suppliers to take it seriously as well. Defra has set up the Food Industry Sustainability Strategy (FISS) project, with a number of workstreams one of which is Food Transport.

This group has set a target to reduce the environmental and social "cost" of transport by 20% by 2012. It is focussing on a number of target areas to do this: the use of systems to optimise the use of fleet, reducing empty miles travelled, widening the windows in which deliveries can be made, the use of engine technology to reduce emissions, etc.

Quite how it will develop solutions and implement them remains to be seen, but the pressure within the boardroom is already having effects.

The location of new distribution centres is being influenced by the number of miles travelled more than other considerations; Tesco is to start using the Manchester Ship Canal to carry wine to bottling plants in Manchester, saving 1.1 million kilometres per annum, taking 50 vehicles off the roads each week. Laurie McIlwee, Tesco Distribution Director, says: *"By 2012 we aim to halve the amount of carbon emitted per case of goods delivered."* For an already efficient supply chain, that is going to be a major undertaking.

And it remains to be seen how the focus of miles travelled will impact on the depot infrastructure. No one really seems to be calculating the carbon footprint of depot operations – carbon footprinting transport operations is relatively simple compared to warehousing.

Graeme Fraser, Corporate Marketing Manager at Easynet said, *"Business understanding is part of our service experience, and insight delivered by **Davies & Robson** really helped our team understand what makes the industry tick. Ongoing we can monitor and track these issues and understand the industry more fully."*

Mölnlycke Health Care – Ensuring supply chain is part of a positive customer experience

Mölnlycke Health Care is a leading supplier of surgical and wound care products to hospital wards and operating theatres across the world. Ensuring that the products are available in the right places at the right times involves a complex supply chain: some customers, for example, opt for central storage, while others require items to be delivered direct to individual wards.

Mölnlycke recognises that supply chain operations present an opportunity to positively differentiate their services from those of their competitors. In today's competitive marketplaces, this makes total, and profitable, sense. Competing solely on product specification risks allowing deals to be decided on price.

It is more profitable, in every sense, to think in terms of 'integrated solutions' with value adding points of positive difference... which is why supply chain can and should be a key value contributor, enabling a company to stand out against the competition.

Self-evidently, however, an 'integrated solutions' approach only works when all links in the chain understand where and why they fit in. When the whole team – and that includes the customer – understands the big picture and is aligned, many of the day-to-day challenges that beset so many businesses fall away. When sales

MÖLNLYCKE HEALTH CARE

teams understand some of the core tenets of supply chain management, and the relationship between service and cost, they appreciate why aiming for those few extra percentage points of service can have a disproportionate effect on costs. How customer behaviour impacts upon inventory is also important: erratic ordering patterns, emergency orders, and so on, all drive up inventory.

Payment terms, too: are they incentivising customers to order in ways that do not suit the overall supply chain? When the sales team knows how the supply chain works, what levels of service it can deliver and, critically, what the constraints are, they are able to make realistic promises that will be met. Freed from time-absorbing, 'put it right' distractions, the sales team is then able to focus on building more business.

To provide this kind of training for Mölnlycke Health Care's Customer Support Team, the company engaged **Davies & Robson** to develop and run a two-day course tailored to the Mölnlycke supply chain. The course was run at Mölnlycke's European distribution centre in Waremme, Belgium. The training covered all aspects of the supply chain, and demonstrated how customer behaviour can dramatically impact upon the effectiveness of the supply chain. The topics discussed included product range, order size and frequency, delivery arrangements and payment terms.

Katja Rintala, Customer Support Manager for Mölnlycke said: *"The training enabled us to ensure that our Customer Support Team can understand the benefits of our Value Added Supply Chain Services to both customers and our own organisation, and can work with our sales team to ensure we can deliver on our promises."*

How much do your sales people understand the supply chain that delivers the goods? Do they know what is involved in getting goods out to customers and, most important, are they aware of the consequences of the promises they make?

Find out more... For more information about Supply Chain Training call Nick Weetman on 01327 349090 or e-mail: nickweetman@daviesrobson.co.uk

Logistics Update
D&R LEADING SUPPLY CHAIN CONSULTANTS
www.daviesrobson.co.uk

UK Logistics – Raising the skills and image in our Sector

With 1.7 million people in 65,000 companies, and a £55 billion annual contribution to the economy, logistics is the UK's fifth largest commercial sector. And yet, as we all know, the public perception tends to be poor, typified by derogatory comments about White Van Man, and lorries that get in everyone's way.

A key contributor to the poor image is often felt to be the sector's difficulty in attracting and retaining good people. But maybe we have only ourselves to blame.

All too often, logistics is regarded as a poor option, capable only of providing dead-end, minimally qualified jobs for drivers, warehouse operatives and the like, with little or no chance of career progression.

New initiatives in the form of improved driver training and qualifications from Skills for Logistics aim to change this.

The Driver Training Directive (EC Directive 2003/59/EC) is set to bring about the biggest change since the launch of the original HGV driving test in 1968.

The Driving Standards Agency is taking the lead in its implementation and the Directive comes into force across all European Union member States on 10th September 2008 for bus and coach drivers and 10th September 2009 for lorry drivers. The Directive has two parts:

AN INITIAL QUALIFICATION – the Driver Certificate of Professional Competence (CPC) that must be gained by new Large Goods Vehicle - LGV (C1, C1+E, C or C+E licences) and PCV drivers along with their vocational licence before they can drive professionally. This initial qualification will involve four hours of theory tests and two hours of practical tests. Existing LGV drivers who already hold a vocational licence on the 10th September 2009 are exempt from the initial CPC through "acquired rights".

and...

PERIODIC TRAINING – that requires all professional drivers to undertake 35 hours of training every 5 years. New and existing drivers must complete a total of 35 hours Periodic Training within the 5 years following their 'acquired rights' or initial Driver CPC to keep their Driver CPC valid. This obviously means current staff will not be exempt from the change and existing LGV drivers with 'acquired rights' will need to complete their first cycle by September 2014.

Although a key hoped-for benefit is road safety, better qualified drivers should also bring an improved professional and positive image to the logistics industry.

Many details of the Driver CPC have still to be decided, but a lot of information is already available. Two years will soon pass, so it makes sense to start preparing for its introduction now.

In other moves, Skills for Logistics, the Sector Skills Council for freight and logistics businesses, has set itself the ambitious target of reducing the number of people working in the sector without at least a Level 2 qualification by 40% by 2010. It estimates there are 272,000 drivers and 345,000 warehouse operatives without the qualification and that, to hit this target it will have to deliver 161,000 Level 2 qualifications by 2010.

One of the aims of Skills for Logistics is to move the logistics industry forwards to become a sector with a professional image that people want to work and stay in and which is seen as modern, progressive, attractive and central to the economic health of the UK. Laudable views we can all support, but will require logistics companies to make the investment commitment.

Find out more...
Find more information about these issues at: **www.skillsforlogistics.org, www.transportoffice.gov.uk, www.drivercpc.org** and, of course, here at **Davies & Robson**. Contact Nick Weetman on 01327 349090 or e-mail: nickweetman@daviesrobson.co.uk