

As the industry contracts and companies look to external sources, learning to work efficiently with Contract Logistics Service Providers may become essential.

THE PAST 12 MONTHS has brought great change to America's wind power industry. If I had to summarize it with one word, it would be "contraction." This affects every supplier within the wind supply chain. It may take years to get back to the a period of wind farm construction that matches its peak. So how does this affect developers, construction services, and equipment manufacturers concerning their logistics? They are going to be increasingly more reliant on outside providers of logistics services rather than using internal sources. I call these outside companies "Contract Logistics Service Providers" (CLSP). How you manage a CLSP will go a long way do determining your success going forward.

A CLSP can be described as a bundling of logistics services provided under contract to a manufacturer, retailer or wholesaler by an outside company. A capable CLSP can help companies compete more effectively by improving service, reducing costs and increasing efficiency. A CLSP can plan, implement, and control efficient, cost effective flow and storage of raw material, WIP, FGI and related information from point of origin to the point of consumption.

Successfully controlling a CSLP is dependent on the expectations and boundaries you set up for it.

CUSTOMER POLICIES

The CSLP is operating de facto as the company by providing logistics services to the consumer of the goods. The CSLP needs to know customer service expectations such as availability, demanded lead time, product mix, etc., to profile each line item. Also marketing and forecasting information is required. This profile will help in developing operating and labor hours.

INVENTORY POLICIES

Inventory policies such as amount, stock-out policies, and product mix, can be develop between the client and CLSP once the customer polices are determined. The objective here is to have the product availability expected by the consumer at the lowest possible inventory investment.

PROCUREMENT / OPERATION POLICIES

Supply policies can be developed to cover replenishment issues such issues as packaging, cross-docking, shipment consolidation, order fulfillment, paperless transactions, and stock put away schemes will likely be dealt with at this time. Also, contingency planning is developed during this analysis.

TRANSPORTATION POLICIES

Carriers are selected and contracts are negotiated based on customer, inventory and operation polices. This is the CLSP opportunity to create the customer policies of the carriers. Can carriers support the CLSP's information technology solution is a question that is dealt with in this segment. The cheapest rates may not be the lowest cost solution depending on overhead occurred. Other issues such as contingency planning, export/import issues, hazardous materials, and DOT regulations need to be considered.

DISTRIBUTION CENTER POLICIES

In most cases, a CLSP will need distribution centers. This segment develops policies based on customer, inventory, operation and transportation policies. Issues to be considered during this phase include warehouse location and layout, stocking methods, storage equipment, pick/pack/ship equipment, materials handling, security, return processing, safety, training, staffing and regulatory issues.

Although the sequence is important, proper project management can allow some of these actions to run concurrently. As the policies are being determined and documented, it is a good time to decide on what metrics to use. It is also critical to have marketing, operations, and information technology personnel involved in this process. This is just not a operations management project. Finally, this process allows a CLSP to develop solid contingency plans, before they are needed.

METRICS

Proper metrics are key to a successful operation. Too few measures do not allow the story to be fully told. Too many measures create paralysis through analysis. The proper metrics depend on each CLSP's needs. I would recommend that two metrics always be measured:

- Total Logistics Cost : TLC is a combination of inventory carrying costs, operations costs and transportation costs as compared to revenue. This metric allows for consistency during business cycles as well as comparison across industries.
- Perfect Order Performance: POP is a computation index of all the variables that make a perfect order, an order in which every facet is executed according to plan. What makes up POP is determined by the client and CLSP, but includes such items as inventory availability, order accuracy, shipment accuracy, delivery commitment, document and billing accuracy. ✈