

A responsive and customer focused multi-country supply chain

It has been some time since the concept of European distribution center to deliver central European countries has been considered by major fast moving goods manufacturers as a potential organization.

This organization was made possible by the Schengen Agreement which overcame customs clearance and border crossings related constraints as well as the gradual improvement of the road network in these countries.

Another key point is that – excepting Poland - none of the countries in the region has more than 11 Million inhabitants, what proportionally increases fixed costs related to a national distribution organization.

Even if the concept is very well known, only few companies decided to venture such organization set-up as many challenges might be faced: reorganizing internal services, keeping responsiveness levels, customer proximity and definitely selecting a logistics services provider able to offer consistent and integrated service.

This is the challenge that decides to make a major American manufacturer, leading oral and personal care products markets. Launching 800 new products every year in 200 countries, our customer is also innovative while organizing its logistics scheme.

After a first warehouse rationalization project, it is in 2009 that the customer decides to completely review its regional supply-chain by in-depth analysis covering Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia and Hungary. The final objective is bringing together on a single distribution center all warehouses and co-packing operations until then assigned to several local operators.



Such restructuring offers many advantages:

- Reducing inventory levels, thereby improving working capital and reducing financing and storage costs, thanks to postponed identification of products
- Better activity variation management and run out stock risk reduction
- Simplifying procurement and stock management
- Simplify logistics provider relationship management and liability transfer

Avoiding pitfalls

At the same time, it is essential to ensure that such changes have no negative impacts on sales or performances – timely deliveries must be guaranteed and customer services must keep its responsiveness and customer focus.

In addition, project time frame was extremely ambitious for such a large-scale project. By the terms of existing contract and rental services 50% of central European countries should be covered 9 months after logistic provider selection, progressively to 100% within 12 months.

Provider selection

An invitation to tender was sent in September 2009 in order to select most reliable and capable supplier among the main logistics providers already set in the region. At that time we were already well known partners working together since 1996 in France and 2004 in Poland.

The key element of FM Logistic selection as preferred partner for this restructuring was our strong presence in this region – the distribution network includes Poland, Czech Republic, Slovakia and Hungary and a dozen logistics platforms a total of over 500 000 m² and 3 500 employees. It means that we capitalize a strong knowledge of local specific characteristics and that we have a proven ability of optimizing and timely mobilizing required resources.

Also, as we provide a comprehensive offer including storage, co-packing, in-bound transport and flow coordination services based on proven processes, using consistent tools and on an efficient project management program (multi-cultural, multi-activity and multi -levels with a skill transfer from existing operations) the customer decided to select FM Logistic as unique logistic provider in central Europe by signing a letter of intent in April 2011.

The chosen solution

FM Logistic proposition was based on five key elements:

- The extension of existing site in Olszowa in southern Poland due to its proximity to main roads - E40 (east - west) and E75 (North - South) – enabling 75% of deliveries within 24 hours and 25% within 48 hours. This site, like most FM Logistic platforms is multi-customer, allowing greater flexibility and efficiency through the pooling of resources and optimization of fixed costs.
- Its existing cross-border as well as local domestic transport network in each country. By organizing daily shuttles departing from Olszowa towards strategically located hubs in each country and then grouping transported volumes with other customers' deliveries, costs and environmental impact of the activity is reduced. This coordination and the flow management are made possible thanks to proven and standardized process and a consistent Information Systems deployed in all countries where FM Logistic operates.
- The daily definition of the transport plan. Contrary to common practices of groupage, the transport plan in this case is defined in a day to day basis ensuring a perfect respect of customers' delivery requirements while optimizing activity costs. It is thus common that a customer is directly delivered one day and via an X-docking operation the following. The organization depends on the customer requirements, the volume generated by the order but it also depends on the orders placed by all retailers located in the same region.
- A dedicated multilingual customer service in order to keep customer focus. Its role is to define every day the best way of delivering our customer retailers, to be the unique operational interface for any queries retailers may have – information, litigation management, statistics, and billing – and to promote synergy by coordinating information exchange from warehousing to distribution in each country.
- The implementation of "e-SCM" – an IT tool allowing online tracking of order progress, accessing delivery notes and full visibility on litigation resolution.

Moreover, thanks to the other existing platforms in the region FM Logistic is able to provide back-up solutions and meet temporary storage needs during the transition period.

Project management, a key competence



Because of a large number of required skills, the complexity and the tight time frame the project was joint managed by the two companies' teams. Customer services, Supply chain, Finance, IT, Engineering, Logistics experts, HR, all required services exchanges were steered by a transverse project manager.

Systematic project management reviews were set in order to bring together both companies project managers as well as general management and supply chain experts in order to promote and facilitate information sharing and quick decision making whenever necessary in order to keep the project moving forward securely.

Our successful cooperation in France and Poland were capitalized by setting -up an experience exchange program that put together activities managers not only on project review by also on start-up stage - on-site.

After a few months operating performance targets have been achieved and the model has amply proved its relevance.

Next step of this restructuring may be the adaption of a pooling organization – flow massification between different manufacturers via the alignment of delivery schedule - to this Multi-country distribution center.

About FM Logistic Corporate

FM Logistic is a company with 14,000 employees and total sales turnover of 744 million Euros. This turnover is spread over warehousing activities 58%, transport 27%, co-packing and co-manufacturing 13% and Customs/ Supply Chain Management 2%.

FM also has more than 2,300,000 sqm of warehouse space, 900 million packs prepared per year, 200 million consumer units produced per year, 1 975 000 packages prepared per day and 1 300 000 deliveries per year.

Among FM Logistic customers are food industries, Home and Personal Care, Health, High-Tech, and consumer goods companies, as well as retail giants.