



Recommendations BABM & COMEOS

CODE OF GOOD LOGISTIC PRACTICE

I NTRODUCTION

The "Code of Good Logistic Practice" has been made by the COMEOS-BABM Working Party "Unit Load Identification & Tracking / Transport Optimisation" in the frame of ECR Belgium. These recommendations emanate from the striving for a continuous quality improvement in the relations between distributors and manufacturers (members of COMEOS and BABM). Hence, the members of the Working Party are convinced that this objective instrument will prove its value in the near future.

O BJECTIVE

Over the years logistics have become an increasingly important element in the commercial relations between manufacturers and their buyers because of various reasons, viz. continuous renovation and enlargement of the assortment, the request for shorter delivery

periods and improved delivery service in the total chain, pressure on stocks, and a continuously increasing traffic congestion. If today something goes wrong in the process, the consequences in terms of inefficiency are usually very large.

By measuring one another with facts & figures and objective criteria and by linking to this the necessary measures for action we can jointly improve the total process step by step.

In the "Code of Good Logistic Practice" the crucial moments in the total ordering process have been turned into KPI's (*Key Performance Indicators*). These objective definitions constitute the basis for concrete benchmarks to be bilaterally laid down between the individual retailer and supplier. The aim is of course to use these measurements in a constructive way and to set up common action plans, in case of deviations, to achieve the required quality level. It is of course not the intention to act in a penalising way if deviations occur.

T ERMINOLOGY

Columns (indicating where the measurement takes place) :

- **Supplier** : performance measurement **of** the supplier; the quality level achieved by the supplier in the implementation of his part of process.
- **Retailer** : performance measurement **of** the retailer; the quality level achieved by the buyer in the implementation of his part of the process.

Rows (defining the major steps in the order processing) :

<i>Process step</i>	<i>Supplier</i>	<i>Retailer</i>
Announcement	Delivery service in time	Backhauling service in time
Unloading	Delivery service in quantity	Unload service in quantity
	Delivery service in quality	Unload service in quality
	Total delivery service	
	Pallets : Quality	Pallets : Quality & Time

D EFINITIONS

1

KPI : **Delivery service in time**

Definition : Number of shipments within +/- ... minutes v-à-v delivery hour agreed / total number of shipments

Who measures : Retailer & supplier

Explanation : The delivery hour and the deviation allowed on this delivery timing are to be determined in advance in common agreement. This KPI is of course closely linked to the "Unload service in time". A correct delivery in accordance with the agreements made namely constitutes the basis for a correct unloading. If one truck has to go to one retailer, but on different unload locations, the delivery addresses should be different.

2

KPI : **Backhauling service in time**

Definition : Number of backhaulings within +/- ... minutes v-à-v the time frame agreed / total number of backhaulings

Who measures : Supplier & retailer

Explanation : The time frame and deviation allowed are to be determined in advance in common agreement.

3

KPI : **Delivery service in quantity (Out of Stock at the moment of order entry)**

Definition : Number of packages, order or order lines delivered / Total number of packages, orders or order lines ordered

Who measures : Supplier

Explanation : The unit of measurement - packages, orders or order lines - is jointly determined in advance. In order to facilitate a constructive analysis afterwards possible adaptations need to be mentioned on the initial order for eventually avoiding OOS:

- wrong barcodes
- other formats, delivery of other packaging units than the ones ordered
- promotions : delivery of another SKU for a product in folder.

4

KPI : **Delivery service in quality (Out of stock after the logistical chain)**

Definition : Number of packages, orders or order lines correctly delivered (no breakage, quality problem, with best-before date) / total number of packages, orders or order lines delivered

Who measures : Supplier

Explanation : The unit of measurement - packages, orders or order lines - is jointly determined in advance. It is recommended to list the various reasons for deviation in detail in order to enable the set-up of action plans afterwards.

5

KPI : **Total delivery service**

Definition : Number of packages, orders or order lines fully delivered as ordered / total number of packages, orders or order lines ordered

Who measures : Supplier & retailer

Explanation : The unit of measurement - packages, orders or order lines - is jointly determined in advance.

For the supplier this score is the result of 3 x 4. The retailer only measures the total result. Both figures are compared and the reasons are laid down in detail.

6

KPI : **Unload service in time**

Definition : Number of deliveries unloaded within +/- ... minutes after announcement / total number of deliveries

Who measures : Supplier & retailer

Explanation : A correct unloading also implies the checking and signing of the delivery documents. However, suppliers need to look to it that in case of transport outsourcing drivers are specifically asked to wait for the documents signed. It is clear that this KPI is closely linked to "Delivery service in time". A correct delivery in accordance with the agreements made namely constitutes the basis for a correct unloading.

7

KPI : **Unload service in quality**

Definition : Number of deliveries for which no over-stacking is needed / total number of deliveries

Who measures : Supplier

Explanation : This measurement takes into account the possible agreements between client and retailer and measures the number of deliveries that do not need to be over-stacked on the spot. If this is done because of bad pallet quality, the over-stacking is not taken into account.

8

KPI : **Pallets : quality**

Definition : Number of correctly delivered pallets (according to EPAL standards) / total number of pallets delivered

Who measures : Retailer & supplier

Explanation : This measurement only applies to pallets that are not delivered in a pool system such as CHEP, LPR,... . The EPAL directives are objectively determined European pallet standards. They can be obtained at the secretariats of BABM and COMEOS.

9

KPI : **Pallets : quality (supplier)**

Definition : Number of correctly returned pallets (according to EPAL standards) / total number of pallets returned

Who measures : Supplier & retailer

Explanation : This measurement only applies to pallets that are not delivered in a pool system such as CHEP, LPR,... . The EPAL directives are objectively determined European pallet standards. They can be obtained at the secretariats of BABM and COMEOS.

10

KPI : **Pallets : quality (retailer)**

Definition : Number of correctly returned pallets (according to EPAL standards) / total number of pallets returned

Who measures : Supplier & retailer

Explanation : This measurement only applies to pallets that are not delivered in a pool system such as CHEP, LPR,... .

The EPAL directives are objectively determined European pallet standards. They can be obtained at the secretariats of BABM and COMEOS.

11

KPI : **Pallets : quality (correct labelling)**

Definition : Readable and correctly applied labels following the instructions of the "Manuel for the labelling of logistic units and for data communication in the framework of traceability" / total number of pallets delivered

Who measures : Retailer

Explanation : In the framework of traceability, guidelines have been issued regarding position of the label, number of labels and scan ability of the labels.

12

KPI : **Pallets : timing (retailer)**

Definition : Number of correctly and on-time returned pallets (according to EPAL standards) / total number of pallets returned

Who measures : Supplier & retailer

Explanation : This measurement only applies to pallets that are not delivered in a pool system such as CHEP, LPR,... .
The EPAL directives are objectively determined European pallet standards. They can be

obtained at the secretariats of BABM and COMEOS.

13

KPI : **Order related complaints**

Definition : Number of complaints (administrative & logistical) / total number of invoices

Who measures : Retailer & supplier

Explanation : The way of measuring needs to be laid down in common agreement. A unit of measurement can be the number of credit notes that have been made for logistical and administrative irregularities. It is useful to give a separate follow-up to the various reasons in order to facilitate the set-up of correct action measures.

14

KPI : **Delivery related complaints**

Definition : Number of delivery notes legibly signed and definitively agreed (directly after unloading) / total number of delivery notes

Who measures : Supplier & retailer

Explanation : Suppliers need to look to it that in case of transport outsourcing drivers are specifically asked to wait for the documents signed. To sign fully conform means to sign without reservation and with name of the signer or stamp of the company.

Approved by the ECR Belgium Executive Board on 17/10/2006.

v.z.w. GS1 Belgium & Luxemburg a.s.b.l.

Koningsstraat 29 Rue Royale - 1000 Brussels - Belgium

Tel. +32 (0)2 229 18 88 - Fax +32 (0)2 217 43 47 - E-mail: LVandenbossche@gs1belu.org