

Bringing Cultures closer together

The role of Consultants in reviewing supply chain provision by Third Party Logistics (3PLs) service providers is usually either:

- a) To Market test the efficiency and cost effectiveness of the incumbent service provider by means of a structured ITT process or
- b) To examine the existing operation with a view to identifying operational weaknesses and areas for service improvement and potential cost reduction.

In the case of b), Consultants will often depend on dubious benchmarks for the purposes of comparison and leave the client and the 3PL to fight it out. There is an alternative and potentially more constructive approach. The Consultancy works with the 3PL not only to identify areas where the 3PL can provide increasing levels of service and value, but to help with developing the methods and means by which to deliver those benefits for the mutual client.

Bisham frequently adopts this approach and a particular assignment earlier this year presented an opportunity to deploy it in new and challenging circumstances in Eastern Europe.

In these troubled economic times, the financial stability of some of the former Eastern Bloc countries may be envied by the rest of Europe. Poland is a case in point. During 2008/ 2009, when most other countries were in recession, the country achieved positive economic growth (circa 3.25% p.a. on aggregate)*.

The scale of the market and Poland's reputation for having a highly educated and motivated workforce have been significant factors in the growth in inward investment. The controls on Banking and financial institutions, a legacy from an earlier regime, ensured that Polish Banks did not become mired in the type of "sub prime" problems experienced in the USA and elsewhere. The increase in economic activity in Poland and rising living standards and disposable income have changed the supply and demand characteristics in this rapidly developing retail market-place. There has been a marked rise in car ownership which is up from 138 per 1,000 of population in 1990 to 420 per 1,000 in 2009 (with the fastest developing area around Katowice registering 700 per 1,000)**. In common with many other markets, Poland has seen a rapid rise in convenience stores offering consumers a wider choice.

BP operates over 200 convenience stores at its petrol stations across the country and is a market leader in the field. For those less familiar with Poland, it is large country (UK x 6). The population is widely dispersed with long distances between population centres and a poor, though developing, road network. The challenge is how to achieve a high quality retail service operation while remaining cost effective.

Following a similar successful project for BP in the UK, Bisham was commissioned to carry out a full review of its inventory and logistics operations in Poland which are underpinned by a 3PL. The objectives were to identify opportunities for efficiencies and service improvement while ensuring there was capacity to meet the growth aspirations of the business.

Bisham's team includes senior managers with strong backgrounds in international 3PL commercial and operational management. This helps the process of engagement with local 3PL management, for we understand their commercial and operational pressures. We find the best results come from working together on solutions that work, and credibility with the operators, whether 3PL or in-house, is an essential starting point. Bisham effectively acted as an honest broker in the process, also identifying several areas where improvements in the client's processes would facilitate an improved performance by the 3PL.

By close engagement with the 3PL management team in each area, Bisham delivered a suite of solutions that produced a "Road Map" for the 3PL to deliver the following:-

- i) Significant improvements in the levels of inventory
- ii) A marked improvement in warehouse productivity
- iii) Improvements in vehicle utilisation and operating costs

As importantly, Bisham helped clearly define, in a very pragmatic way, the priorities and timescales for the sensible development of the BP supply chain to meet the anticipated levels of growth. While the solution for growth was far from immediately obvious, the selected option involved making best use of existing assets and avoided the necessity of bringing

on new external capacity before it was really necessary. This is where the operational and commercial experience comes into play to support our modelling and analytical techniques to make “Solutions that Work”.

**Polish Government **the Economist*