

Protea Chemicals Case Study

Identify, Implement and Measure the Most Optimal Distribution Solution

Protea Chemicals was seeking the most optimal, client centric and compliant supply chain solution to meet their specific, chemical distribution needs. This case study is based on the Cornerstone assessment, recommendation to meet these needs, implemented solution and results.

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High level summary

Protea Chemicals, with a transport portfolio in excess of 120 million per annum, had a service provider compliment of **39 transporters**, based on relationship and service. Service was measured on noise levels and not Key Performance Indicators (KPIs), and no formal contracts, rate agreements or Service Level Agreements (SLA) were in place. There was a definite need to identify the most optimal service provider who would meet all identified criteria, and to implement the desired solution against an agreed project plan, SLA and KPIs.

Cornerstone Lead Logistics Provider was appointed the task of assessing Protea Chemicals' complete logistics needs per product category in South Africa and Africa and to measure these requirements against the supplier offering as presented to Cornerstone through the assessment. The 39 existing service providers were pre-qualified, and the market was assessed to identify and select 20 transporters for the assessment.

It is recommended to review logistic suppliers at least every two years to ensure the most optimal solution, given specific needs, is obtained.

When Riël Marais was tasked with improving Protea Chemicals logistics service delivery in 2019, he was presented what turned out to be a **great introduction to Cornerstone**.

This journey was and remains based on the principal that this tri-party relationship must be a win-win for all. The key take away from this process for me is **the power of data converted into Business Intelligence. The ability of Cornerstone to do this has been exceptional** and when I saw glimpses of our Transport partners actually taking some learning from the regular engagement sessions, I knew we have something unique here that we **MUST continue to grow on.**

Renier Liebenberg, General Manager Operations and Logistics Protea Chemicals, a division of Omnia Group (Pty) Ltd



Cornerstone Methodology

Cornerstone offers:

- Continuous supplier research.
- Industry specific logistic solutions.
- Client specific criteria.

to (1) identify opportunities for improvement that delivers business, strategic and financial results; and

(2) identify and recommend the most optimal service provider given the identified criteria.



More about the client, Protea Chemicals

Protea Chemicals, (<http://www.proteachemicals.co.za/>) Omnia's Chemical division, operating under the Protea Chemicals brand, has a wealth of experience and a reputation for excellence in the distribution of specialty, functional effect chemicals and polymers in sub-Saharan Africa.

Protea Chemicals is more than just a chemical supplier, specialising in value-added chemical solutions which touches lives daily. Quality products supported by strong and reliable local and international suppliers enable Protea Chemicals to be one of the leading companies in almost every sector of the distribution market.

They are proud to say that their market includes personal care and cosmetics, food and beverages, water treatment, engineering, paints and inks, textiles, plastics, rubber, chemical manufacturing and formulation, petroleum and lubrication, packaging and paper, pharmaceuticals and healthcare and animal feeds.



Cornerstone starts all client engagements with a high-level supply chain discussion to identify all areas in the supply chain with business releases that drive business, strategic and financial results.

Assessment approach

Process to identify the most optimal supplier

- Workshop with Protea to identify criteria for optimal service that will drive their business, strategic and financial results.
- Research market to identify 3rd party service providers whose unique value propositions and ideal client profile match those of Protea's.
- Write a Protea specific assessment based on these criteria.
- Launch the assessment to the identified suppliers.
- Measure service providers against an agreed scorecard.
- Present recommendation to Protea, including risks and opportunities identified in changing service providers.

Criteria assessed

The following **12 criteria** have been identified to measure the different service providers' offering to Protea Chemicals.

1. Market Competitive Rates
2. Compliance
3. Risk Management
4. BBEE
5. Current Client References
6. Chemical Distribution Know-how and Experience
7. IT Systems and Support
8. Innovation
9. Supplier Support
10. Service Levels, KPIs & Penalties
11. Ethics, Values & Integrity
12. True Client Centricity

Criteria Detail

The following **2 criteria** have been selected as examples for further discussion.

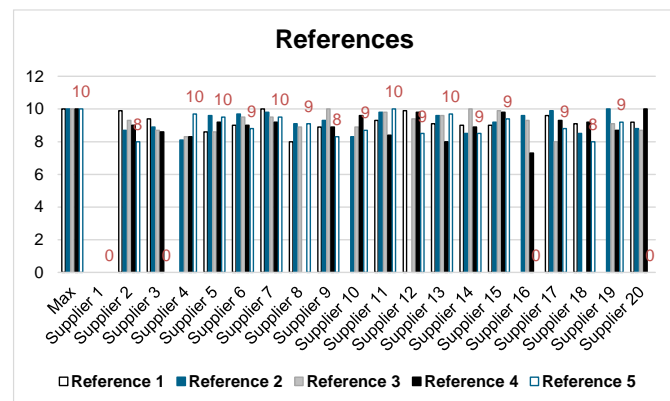
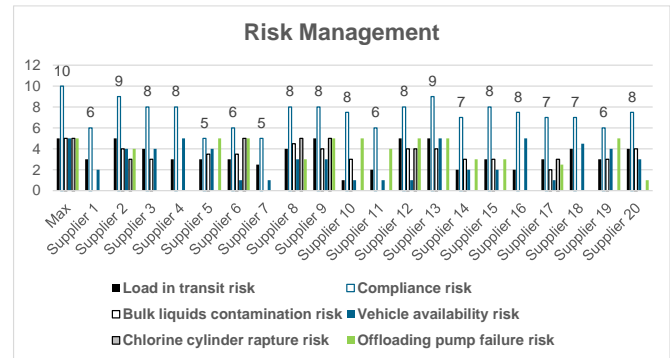
1. Risk Management: Suppliers had to motivate how they will mitigate the following risks for Protea Chemicals: load in transit risk, compliance risk (SQAS), bulk liquids contamination, vehicle availability and offloading pump failure. Each criterion was measured against market standards and the other 19 service providers to attract a related score.

2. Client references: Each supplier had to provide five references of their existing clients. Cornerstone conducted an interview with each of these clients. Each question and the overall view attracted a score and were compared against the other service providers to measure client centricity and client service.

The following questions were included in the interviews: Communication/ Exception reporting; Overall service; Integrity: how is it different from between what they say and what they do; How important do you feel as a client to X; Is your account manager knowledgeable and makes a positive contribution to your business; Based on your awareness of logistical services, is it better, the same, or worse than other suppliers you have used; If you contacted X for customer service, have all problems been resolved to your complete satisfaction; Compliance; and Quality of documentation.

Example Scorecard

| | 100,0 | 100,0 | 100,0 | 10 |
|---|-------------|-------------|-------------|----------|
| 2.3 Compliance | | | | |
| 2.3.1 Letter of good standing from Department of Labour | 5,0 | 5,0 | 5,0 | |
| 2.3.2 Proof of public liability cover | 5,0 | 5,0 | 5,0 | |
| 2.3.3 Signed Occupational Health and Safety agreement | 5,0 | 5,0 | 5,0 | |
| 2.3.4 Proof of Goods in Transit insurance | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.5 BEE certificate | 5,0 | 5,0 | 5,0 | |
| 2.3.6 SQAS certificate | 20,0 | 20,0 | 20,0 | 2 |
| 2.3.7 VAT certificate | 5,0 | 5,0 | 5,0 | |
| 2.3.8 Driver documentation (for all drivers) | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.9 Safe Working Procedures/ Work Instructions | 5,0 | 5,0 | 5,0 | |
| 2.3.10 Incident and accident investigation procedure | 5,0 | 5,0 | 5,0 | |
| 2.3.11 Risk assessment | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.12 Route assessment | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.13 Route plan | 5,0 | 5,0 | 5,0 | |
| 2.3.14 Emergency response plan | 5,0 | 5,0 | 5,0 | |
| 2.3.15 Driver fatigue management plan | 5,0 | 5,0 | 5,0 | |
| 2.3.16 Personal Protective Equipment (PPE) | 5,0 | 5,0 | 5,0 | |
| 2.3.17 Access to pumps for all deliveries | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.18 Cleanliness certificates | 5,0 | 5,0 | 5,0 | |
| 2.3.19 SDG | 5,0 | 5,0 | 5,0 | |
| 2.3.20 MSDS compliance | 10,0 | 10,0 | 10,0 | 1 |
| 2.3.21 SANS compliance | 5,0 | 5,0 | 5,0 | |
| 2.3.22 National Road Traffic Act and Regulations | 5,0 | 5,0 | 5,0 | |
| 2.3.23 Public Road and Miscellaneous By-laws/ province | 5,0 | 5,0 | 5,0 | |
| 2.4 Risk Management | 35,0 | 29,0 | 27,5 | 3 |
| 2.4.1 Load in transit risk | 5,0 | 5,0 | 4,0 | |
| 2.4.2 Compliance risk | 10,0 | 9,0 | 8,0 | |
| 2.4.3 Bulk liquids contamination risk | 5,0 | 4,0 | 4,5 | |
| 2.4.4 Vehicle availability risk | 5,0 | 4,0 | 3,0 | |
| 2.4.5 Chlorine cylinder rapture risk | 5,0 | 3,0 | 5,0 | |
| 2.4.6 Offloading pump failure risk | 5,0 | 4,0 | 3,0 | |
| 2.5 BBEE | 40,0 | 35,8 | 27,7 | 3 |



Post recommendation

After Protea Chemicals accepted the Cornerstone recommendation, Cornerstone implemented and supported the following:

1. Drafted 14 x supplier specific **implementation project plans**, ensuring deliverables against the agreed criteria in the assessment.
2. Project managed 14 x **implementation workshops** with Cornerstone, Protea, and the Supplier.
3. Drafted 14 x supplier specific Service Level Agreements (**SLA**), including agreed Key Performance Indicators (**KPIs**) and agreed **Tariffs**.
4. Protea Chemicals specific **contracts** per supplier.
5. Supplier **SHEQ audits**.
6. Designed Protea specific supplier **performance dashboards**.

Ongoing assistance

Cornerstone manages the overall relationship to ensure improved service levels, reduced costs, and improved client centricity for Protea Chemicals as well as profitable growth for the service provider. Ongoing support further includes:

1. Calculate **monthly savings** report.
2. Monthly **performance dashboards** and **monthly performance review sessions** by supplier.
3. Monthly **tenders** to ensure all routes attract a route specific route code, awarded to a 1st, 2nd and 3rd preferred supplier for data capturing and management.
4. **Management of the 1st, 2nd, 3rd preferred supplier status** to ensure optimal savings attracted.
5. **Ongoing improvements of the KPI Dashboard**, e.g. August 20 inclusion of Protea order optimisation to ensure most optimal rate per ton achieved (minimum order quantities).
6. **Innovative support** i.e. development of staggering loading time tool.
7. **Monthly tariff adjustments** based on the government's monthly fuel changes are managed by Cornerstone, and **rate cards** send to all suppliers and Protea Chemicals.



Riël Marais

Supply Chain Logistics Manager
Protea Chemicals, a division of Omnia Group (Pty) Ltd

Cornerstone was appointed to perform a complete assessment of the existing third-party transport business being conducted by Protea Chemicals. By incorporating some **non-negotiable parameters** into the assessment criteria, Cornerstone performed an unbiased review of all existing and potential service providers. The aim was to **professionalize** and to **add structure** to the Protea Chemicals third party transport business, while also exploring **potential savings** in the monthly transport bill.

Through a very intensive process **the goals as set out, were achieved**. Throughout the whole process, Cornerstone managed to **balance the needs of Protea Chemicals with the capabilities of the various transport service providers**, to enable a **win-win** situation for all parties involved.

For their **dedication, exceptional drive, and hands-on approach** I would recommend Cornerstone for any future projects.

They have become an essential partner in the way Protea Chemicals conducts its third-party transport relationships.

Outcomes

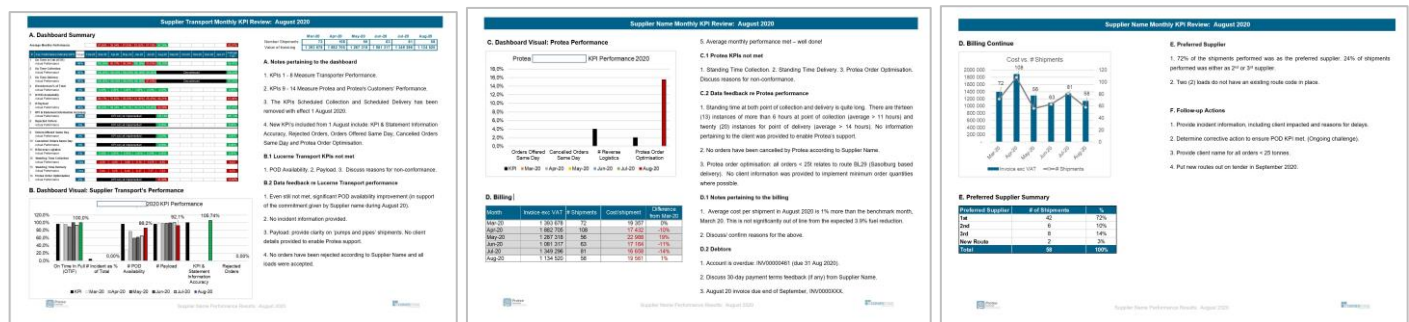
The recommended Cornerstone solution was implemented effective **1 March 2020**. The main outcomes include:

1. 6-month trading has resulted in a saving of circa **7.3 million**.
2. 80% of all shipments are being measured against historic costs. Average saving achieved of **10.86%** (against the forecasted saving of 10.15%), excluding the annual increase savings (a further 3.1 million of the 6-month period).

| Month | Monthly Saving % | Total Monthly Spend | Monetary saving | Monetary 8% saving (No Annual increase) | Total Saving |
|--------|------------------|---------------------|--------------------|---|--------------------|
| Mar-20 | -9,39% | 5 027 515 | - 474 523 | 404 365 | - 878 888 |
| Apr-20 | -9,03% | 5 054 561 | - 474 523 | 402 201 | - 876 724 |
| May-20 | -8,64% | 5 227 330 | - 451 395 | 418 186 | - 869 582 |
| Jun-20 | -11,85% | 6 087 472 | - 721 514 | 486 998 | - 1 208 512 |
| Jul-20 | -13,87% | 8 634 474 | - 1 197 683 | 690 758 | - 1 888 441 |
| Aug-20 | -10,19% | 8 910 982 | - 907 910 | 712 879 | - 1 620 789 |
| | -10,86% | 38 942 334 | - 4 227 548 | 3 115 387 | - 7 342 935 |

3. All routes have been allocated a route specific route code, and data is being captured in a database.
4. All rates have been put out on tender and are signed off monthly by the suppliers.
5. Service level agreements are in place, holding suppliers accountable to agreed KPIs and tariffs.
6. All supplier performance is being managed monthly through the Cornerstone dashboards, example below.

Note: during the COVID-19 period, volumes have reduced considerably.



Example Monthly supplier dashboards

About Cornerstone LLP

Cornerstone Lead Logistics Provider coordinates the end to end logistics and supply chain functionality in accord with the client's strategic business plan. Our core focus is to:

- Deliver true client centricity.
- Accelerate business performance through supply chain optimisation, most optimal solutions and business process optimisation.
- Oversee and manage all tactical logistics functions, including collaborating with the client to select or up skill specialised logistics service providers.
- Reduce costs by improving our clients and their suppliers' efficiency and service levels.
- Free up working capital through trade finance solutions and inventory optimisation.
- Reduce customs risk and penalties.

Vision

Our vision is to make a difference that matters for our employees, our clients, and our suppliers.

Mission

To inspire hope and contribute to leadership, growth as well as optimisation by providing client centric solutions through integrated high-performance leadership development, focus on business, strategic and financial acumen, effective optimisation solutions and research.

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