

Selecting the Most Optimal Freight Forwarding Partner

Cipla Medpro

Cipla was seeking the most optimal, client centric Freight Forwarding service provider to meet their specific, pharmaceutical import and export needs. This case study is based on the Cornerstone assessment and recommendation to meet these needs.

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High level summary

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

Cipla was not dissatisfied with their existing freight forwarding service provider, but also needed to review their procurement spend with suppliers and were therefore interested to measure price, service levels and BBBEE ratings. Therefore the most optimal supplier with regards to service and price with the most attractive BBBEE rating would receive preference in the assessment.

Cornerstone Lead Logistics Provider was appointed the task of assessing Cipla's freight forwarding needs, and to measure these requirements against the supplier offering as presented to Cornerstone through the assessment. A total number of six (6) suppliers were identified, including the existing incumbent.

'Cipla Medpro has been using the services of Cornerstone for the past 2 years and has always been completely satisfied with their performance. They do an excellent job, are always punctual and are very professional. Cornerstone assisted us by helping us appoint the clearing and forwarding agent that is most suitable for our business, based on our requirements, costs and culture. The most impressive part was in the timelines that we had available to choose and to implement, and we are currently still with the same agent. I'm happy to recommend the services of Cornerstone.'

Pieter van Gent Operations Executive Cipla Medpro Distribution Centre

Cornerstone Methodology

Cornerstone offers:

- Continuous supplier research;
- Industry specific logistic solutions; and
- 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, Cipla

Cipla Medpro (<http://www.cipla.co.za>), owned by Cipla India (100%), is one of the country's leading pharmaceutical companies that produces world class medicines at affordable prices. Today the company is one of the largest pharmaceutical companies in South Africa by volume and third largest by value. Cipla Medpro's (hereafter referred to as Cipla) vision is advancing healthcare for all, which is supported by their mission to become the preferred partner in medicine.

One of their key values is to offer service excellence.

They must go beyond simply delivering their products and develop strong bonds with their clients. It is essential that they provide a unique client experience by proactively anticipating their clients' needs and expectations and exceeding them at every opportunity.

This **service** needs to be underpinned by **excellence**. Service excellence is an attitude engrained in every department and it begins and ends with the organisation's people.

Cipla's service providers need to have the same culture of excellence, and therefore **client centricity** was one of the **criteria** included in the assessment.



Criteria Assessed

BBBEE

Market Competitive Rates

Client References

Clearing Expertise

Pharmaceutical Freight

Forwarding Experience

Preferred Trader Status

Support

Innovation

Supplier Support

Estimate Process

Service Levels and Penalties

Ethics, Values and Integrity

True Client Centricity

Assessment Approach

Process to identify the most optimal supplier per client

- Identify criteria for optimal service to the Client 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 the Client's;
- Write a Client specific assessment based on these criteria;
- Launch the assessment to the identified suppliers;
- Measure service providers against scorecard; and
- Present recommendation to Client, including risks and opportunities identified in changing service providers.



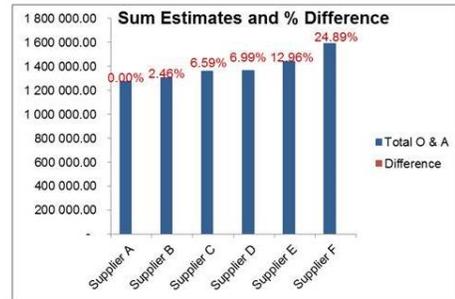
Cornerstone starts all engagements with a high level supply chain discussion to identify the business releases that would bring the quickest and highest ROI for our clients.

Criteria Assessed

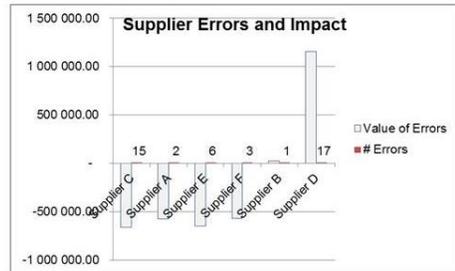
Outcomes

Below are 5 examples of the 12 criteria assessed:

- Market competitive rates:** Due to the complex way of quoting and the different rate structures available in the Freight Forwarding Industry, Cornerstone requested the information of 14 actual historic shipments from Cipla. The shipments took in consideration different product descriptions (all of whom attracted duty percentages), different modes of transport, different Inco terms etc. to obtain a relative sample of the type of freight costs Cipla can expect.



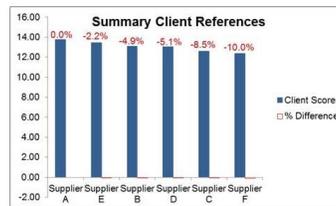
- Errors submitted by supplier:** Cornerstone conducted a thorough analysis of the estimate submissions to identify errors. The number and magnitude of the errors is something that should be taken into consideration when selecting a service provider, as this negatively impacts freight forwarding cost expectations versus actual invoicing received when dealing with the service provider.



- BBBEE:** Service providers' BBBEE level was measured, including current level, black ownership status, expiry date of current score, date when the revised codes will become applicable, forecasted BBBEE codes, fronting and strategy to improve rating.

	Supplier B	Supplier C	Supplier E	Supplier F	Supplier A	Supplier D
Current BBBEE	10	7.00	9.00	10.00	7.00	9.00
Expiry Date	5	4.60	0.00	5.00	4.60	3.50
Proposed BBBEE	5	4.00	4.50	3.50	3.00	2.50
Fronting	5	5.00	5.00	2.50	5.00	5.00
Average Score	25	20.60	18.50	21.00	19.60	22.00

- 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.



- Clearing expertise:** Suppliers had to motivate their clearing expertise. Focus was placed on their ability to reduce customs risk and penalties, relationships, processes, status, innovation, geographic etc. relating to SARS, Ports and Internal (company).

	Supplier B	Supplier C	Supplier E	Supplier F	Supplier A	Supplier D
Summary offering 1						
Summary offering 2						
Summary offering 3						
Summary offering 4						
Summary offering 5						
Summary offering 6						
Summary offering 7						
Innovation						
Score	0.00	0.00	0.00	0.00	0.00	0.00

Summary Results

Given the different suppliers' submissions, and interactions with the various suppliers, Cornerstone has assessed the criteria and submitted the following summary evaluation. The results were rated in terms of the suppliers' overall score and ranked from the highest to the lowest score.

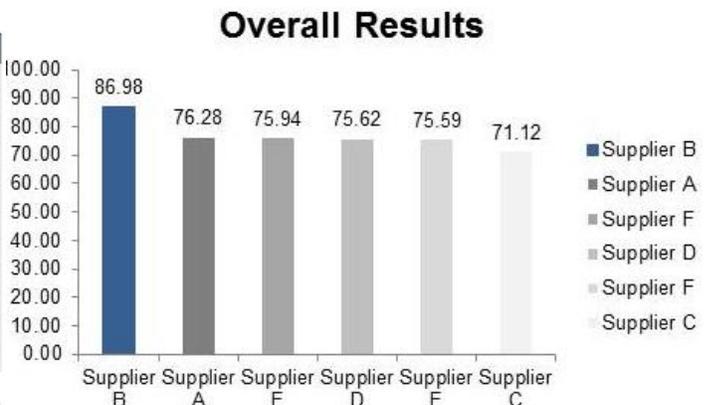
Each one of the 12 criteria received a summary score, and the components of each score are broken down and presented in the criteria specific section of the assessment.

Please note that the Supplier names (A to F) are randomly selected throughout the case study to ensure confidentiality secured.

Snapshot View

The table and graph below presents a high level summary of the 12 criteria assessed, and the suppliers ranked relating to their ability to meet Cipla's Freight Forwarding needs.

		Supplier B	Supplier C	Supplier E	Supplier F	Supplier A	Supplier D
2.1Market competitive rates	25	24.38	23.35	21.76	18.78	25	23.25
2.2BBBEE	25	20.60	18.50	21.00	19.60	19.40	22.00
2.3Current client references	15	13.09	12.60	13.46	12.39	13.76	13.06
2.4Clearing expertise	5	4.50	4.50	4.50	4.50	4.50	4.00
2.5Freight Forwarding experience	5	5.00	4.00	5.00	4.00	5.00	3.00
2.6Preferred trader status support	10	3.50	2.50	4.00	3.00	3.50	2.00
2.7Innovation	5	3.00	3.00	2.00	2.00	3.00	3.00
2.8Supplier support	10	10.00	5.00	6.00	8.00	5.00	6.00
2.9Estimate process	10	9.00	4.00	7.00	8.00	6.00	7.00
2.10Service levels and penalties	10	10.00	6.00	6.00	9.00	5.00	6.00
2.11Ethical, strong values and integrity	5	5	4	3	4	4	4
2.12True client centricity	5	5	5	5	5	5	5
	130	113.07	92.45	98.72	98.27	99.16	98.31
	100	86.98	71.12	75.94	75.59	76.28	75.62



Given the detailed assessment, the various criteria assessed and the interactions with the different service providers, Cornerstone made a recommendation to Cipla with regards to the most optimal service provider, as well as who the runner up should be.

Even though all six (6) service providers were able to meet the immediate, high level freight forwarding needs of Cipla, Cornerstone's assessment highlighted a number of challenges and obstacles that could be experienced on different levels, for all of these suppliers. It also measured the unique needs of Cipla as a pharmaceutical importer and manufacturer, and which of these service providers' unique selling propositions had the ability to meet, and even exceed, these needs.

An individual motivation and summary per supplier was included at the end of the assessment, highlighting the main contributing factors to the overall score obtained by supplier.

Post Recommendation

Once Cornerstone made the recommendation to the client, and the client agrees to move forward with the suggested supplier, Cornerstone introduce the service provider to the client, to ensure terms and conditions are signed, smooth transition from the existing to the new service provider and focus on building strong relationships between all relevant stakeholders.

Cornerstone further assists in writing the Standard Operating Procedure (SOP) with Key Performance Indicators (KPIs) specific to the criteria identified for the assessment, and the implementation thereof.

Ongoing Assistance

Cornerstone offers senior sales and director level support on the implemented account and serves as a direct contact for both the client and the service provider to assist in handling any operational, relationship or billing challenges.

They take part in monthly operations meetings and quarterly business reviews to ensure the client's needs are met according to the supplier solution offered through the assessment. Minutes of meetings gets distributed to all stakeholders involved.

Cornerstone has an on-going strategy to extract further wallet share for the service provider and to suggest innovative ways of working to cement the relationship and to continuously offer a differential to the client.

In closing, Cornerstone manages the overall relationship to ensure profitable growth for the service provider, as well as improved service levels, reduced costs and improved client centricity for the client.



Joseph Ludorf

Cipla Medpro Supply Chain Director

'All projects were completed and delivered ahead of time and expectations and the quality of work was immediately apparent. Cornerstone demonstrated over and over that it was their obligation to go above and beyond for us, as their client. Cornerstone always assists in a professional way with any questions and maintains a phenomenal business relationship.

Cornerstone offers good business foresight identifying risks and offering solutions.

Logistics and supply chain is becoming more and more integrated into the larger business as an important part of all businesses. The specialized part of the business do not always have specialized resources to address specific business risks. Cornerstone has a suitable solution to focus on these specific, specialized risk areas and to customize solutions.'

Cornerstone Lead Logistics Provider



About

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, software solutions and business process optimisation;
- ▣ Reduce costs by improving our clients and their suppliers' efficiency and service levels through distribution, network and load optimisation;
- ▣ Free up working capital through trade finance solutions and inventory optimisation;
- ▣ Reduce customs risk and penalties; and
- ▣ Oversee and manage all tactical logistics functions, including collaborating with the client to select or up skill specialised logistics service providers.

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.

Contact Details

28 Hawaii Avenue; Randjesfontein Country Estate; Midrand; Johannesburg; 1683

Registration number 2015/325711/07

VAT number 4780273233

Contact melanie.nel@cornerstonellp.co.za

+27 11 238 7031; +27 82 707 5737