



## Parking value

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It has been quite a long time since some companies started to demand from their suppliers the fulfilment of delivery time windows. Until then, suppliers had the chance to choose whichever date and time they were going to deliver. It was in this context that a penalty system has been created, rescheduling late suppliers (those that did not deliver within the agreed date and time delivery window) to the end of the queue - end of the day, or next day. This was quite a practical and effective penalty.

This requirement has brought some discipline to the companies operations, having direct impacts on operational efficiency - from shorter unloading vehicle queues to inventory management (fewer inventories since the inventory manager has less uncertainty regarding the date and time of the next delivery). However, this is only a part of a larger and much more interesting issue. The other part is still missing, which is the penalty to the customers who fail to unload within the agreed delivery date and time. In fact, this part of the issue has been disregarded for years, although its importance is high and still growing! We shall see why.

The transport system has always been the most expensive component of a logistics system, often being responsible for half of the total logistics costs. Over the last few years, there have been trends making the transport costs more important: higher delivery frequencies, increasing number of delivery points, rising fuel costs and increasing number of deliveries in refrigerated vehicles. For all these facts, it is fundamental that the delivery process be as fluid as possible.

Without trusting the delivery process, how can vehicle routing and scheduling be done? In case of a late delivery, who should support the costs of keeping the vehicle standing? The transport service provider? The supplier? The client? What about the failed deliveries

to other costumers on the same vehicle? It can easily be understood that inefficiency is being injected into the most expensive part of the logistics system!

For all this, we can admit that, most of the times, suppliers deliver part of their value at the parking yard of their customers, waiting for their vehicles to be delivered. This part of the value does not even get to the goods-in area. In fact, all hidden costs from suppliers and transport service providers have to be passed down through the supply chain. The alternative is bankruptcy!

Taking this into consideration, we propose that delivery scheduling be done in the correct way, which is with responsibilities to both parts. Because there is no end of the queue for customers, we suggest that after an agreed period of time, the customer compensates the supplier (and the supplier compensates the transport service provider) for an agreed value per hour (or fraction) he or she has been kept waiting.

We are convinced that companies who adopt this practice, are adopting reciprocity and transparency, and demonstrating a true willingness to improve. Those will have very positive results at their logistics operation. After all, "you only manage what you pay!"

Lastly, we would like to point out the following: if one company receives 50 suppliers per day and delays each unloading by one hour (some companies have two and three hour delays), and if each hour of delay costs €30, this company is generating a cost to their suppliers of €1.500 per day! Therefore, we have a challenge to our readers who still do not control this aspect: for two weeks, log all the delays that occurred at the unloading, and mark those that created problems to the other deliveries that the vehicle has on its load. If the results are irrelevant, please tell us. Otherwise, you will know what to do.

By Joaquim Pereira