



## Do you contract what you intend?

### **Do you have elements and conditions to accurately calculate and check the invoice of the logistics service providers, in each invoicing period? Have you considered this your contract negotiation?**

The act of contracting logistics services is more and more frequent, given the increasing development of the market, with its adoption by companies with more and more specific needs.

For the sake of the rationality and the management of this type of contracts, the costing model is of extreme importance, since it is the basis for the service invoicing. Beyond costs themselves, transparency is also a critical issue, promoting a direct relationship between the operational activity and the contract invoice. In such a way, when conceiving a logistics service contract, the following aspects must be considered:

- Costing items by which the customer intends to be charged. Is it better to have a price for each of the operations of intake, retention and dispatch, or to be charged by the total volume throughput?
- Should transports be considered at the national level, with a single tariff, or should there be a different tariff for each geographic region?
- How should special resources and vehicle customization be considered? As an existing fixed cost and charged from the beginning, or as assumed responsibilities in case the contract finishes before the stipulated period?
- Is it more interesting, economically, to rent a fixed storage space, therefore assuming a fixed cost, or renting variable space according to varying needs?
- What is the price updating mechanism? It is clear? It is dominated? What is the weight attributed to fuel cost?

Beyond these aspects, there are others, not guided by the economic perspective, but equally relevant, such as:

- How does insurance work? Is the insurance value compatible with the product value? What happens

to salvage? What is its valuation mechanism?

- What mechanism exists to make the service provider accountable? By volumes? By weight? By concrete units of each article? What contractual support is there for stock losses compensation?
- How are delivery exceptions dealt with?
- Is there an allowance for stock differences? Is it advantageous?
- What is the agreed service level? Are there any rewards for exceeding it? Are there penalties for not reaching it?
- What is the contract validity and termination mechanism? Is it related to quality criteria?

All these aspects and others, not mentioned here for space reasons, are very important and must be considered at the moment of the contract negotiation. Thus, the question to be asked is: have you considered this in the contract negotiation?

One last question: Do you have elements and conditions to accurately calculate and check the invoice of the logistics service providers, in each invoicing period? Have you considered this in your contract negotiation?

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