



COUNCIL OF SUPPLY CHAIN MANAGEMENT PROFESSIONALS

THE DEFINITIVE GUIDE TO WAREHOUSING

Managing the Storage and
Handling of Materials and Products in
the Supply Chain

Council of Supply Chain Management Professionals and

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Key Terms

- Bill of Lading
- Capacity Utilization
- Counseling
- Customer Satisfaction
- Equipment Utilization
- Floor Loading
- Inventory Accuracy
- Inventory Carrying Costs
- Inventory Control Clerks
- Inventory Management Systems
- Inventory Turns
- Job Shadowing
- Key Performance Indicators (KPI)
- Order Cycle Time
- Order Entry Accuracy
- Order Fill Rate
- OS/D Clerks
- Outbound Shipping Clerk
- Overages, Shortages, and Damages (OS/D)
- Pallet Jacks
- Perfect Order
- Pickers
- Picking Cycle
- Product Handling
- Personnel
- Receiving Clerk
- Reserve Area

- SKU
- Supply Chain
- Supply Change Management
- Tie-high Configuration
- Warehouse Management Software

Suggested Readings

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WAREHOUSE NEGOTIATIONS, AGREEMENTS, AND CONTRACTS

Introduction

This chapter discusses the role that contracts have in warehousing services and the process involved in attaining a contract for warehousing services. You explore the tools that put a contract in place and the components within those tools.

Role of Contracts

All third-party warehouse agreements should be governed by a contract, whether a public or a contract type of warehousing approach is used. Contracts are designed to protect both the user and provider, and should facilitate a healthy partnership between the parties. Contracts codify the expectations of both parties, provide protection to both parties in the event of breach, and establish the foundation for any legal recourse actions if needed. Precontract negotiations should focus on defining the specific requirements and ensuring that both parties understand and agree to the makeup of the cost components so that it is clear how charges are defined and incurred and so it is clear what services are included in the charges. There will be enough operational issues to resolve during execution that are not anticipated initially, so it is advisable to include all service and cost aspects that are known at the time of negotiations and contract emplacement.

Request for Information (RFI), Request for Proposals (RFP), and Request for Quotes (RFQ)

After requirements have been defined, step one in the process of selecting a warehouse provider is to obtain information about the potential providers of warehousing services in the locations wanted by the user. This is accomplished by drafting a list of potential providers that have warehouse operations in the area wanted. Information may be obtained through industry association websites such as the Warehousing Education and Research Council (WERC.org) and the Council of Supply Chain Management Professionals (CSCMP.org). The area chamber of commerce may also have names and contact information of warehouse providers.

The objective at stage one is to obtain initial information about the potential candidates of warehouse operators. A request for information (RFI) is sent to each potential warehouse. In the RFI packet, the warehouse is informed of the user's intention to hire a warehouse services provider, and a brief description of the warehouse activities that will be required is provided to each candidate. Ideally, a Statement of Work (SOW) is provided in the RFI to provide more specific mission requirements to the warehouse operator thereby facilitating a more complete response. Following is a list of common components contained within the SOW. However, a SOW can be deferred until the Request for Proposal (RFP) stage:

- Description of services required
- Period of time
- Price structure
- Equipment requirements
- Licenses and certifications required
- Deliverables
- Additional technical requirements
- Reporting requirements
- Inventory control system requirements
- Personnel qualifications required
- QA/QC plan requirements

The respective warehouse operators then assemble an information packet specific to the services of each warehouse. Information should include services offered, size and condition of the warehouse, available equipment and personnel, type of products handled, license and operating information, and certifications and credentials along with any other

operating information that could be helpful to the user when making an initial down select. Contact information should be included, and the response to the RFI should be submitted by the deadline indicated in the RFI call. Failure to submit on time can be reason for disqualification from consideration.

After the deadline for RFI submission passes, the user reviews submissions to identify potential providers that seem to have the capabilities and facilities to effectively offer services required by the user. These providers are down-selected, and the other submissions are set aside as the user focuses on the potential providers. Stage two begins with the announcement and release of a Request for Proposal (RFP). In the RFP, users provide potential warehouse service providers with more detailed information about the service and space needs. The SOW is updated, using information gained during the RFI stage, and within the request, the user provides specific product information including product size and weight, number of SKUs and anticipated velocity, number and size of orders, and special handling needs which may include temperature controlled product or value-added services wanted. The RFP should also provide the potential warehouse providers with the criteria that can determine if respective bids are worthy of moving to the Request for Quote (RFQ) stage. Evaluation criteria may include elements such as overall experience, past performance providing the specifically stated warehouse services, industry certifications and quality assurance programs, and the estimated price to perform the stated services.

The user provides specific product and service information to allow potential providers the opportunity to evaluate their capabilities and interest in continuing on to the proposal and negotiations stages.

In the proposal response (bid) to the RFP, providers share with the user more specific information about their ability to handle definitive product volumes and propose plans to manage the potential client's business. Proposals should be specific to the expected volume, service expectations, and equipment and labor required to perform the operations. The submitting warehouse will also provide cost estimates and professional references at this point. Bidders must ensure that they address all the user's RFP stated requirements and respond to each of the stated evaluation criteria to optimize chances of being down-selected to enter the next stage of the process.

Providers making it past the RFP stage would then be asked to submit specific and final pricing to the potential client in response to a RFQ. This would be the stage in the process leading up to final negotiations. Fees should be communicated according to the units wanted by the client. For example, a client may be interested in evaluating costs at the pallet level including receiving, putaway, storage, picking, and loading. Another potential client may want a per-case cost including all the handling charges and then the storage charges per case quotes separately. It is important to convey pricing information in a straightforward and easy-to-understand manner. This enables ease of evaluation by the