

A New Take on Logistics Procurement

Study Provides Recommendations for Action by the Chemical Industry

In light of strained supply chains, logistics is increasingly becoming a competitive factor for the chemical industry. A recent study entitled “Procurement of logistics services in the chemical industry”, which was supported by Dachser Chem Logistics, offers concrete recommendations. The authors of the study are Christian Kille, Andreas Backhaus and Constantin Reuter.

Times have changed. Supply chain disruptions, which result in delays and material bottlenecks, as well as reductions in the available capacity in logistics have demonstrated to companies in general, and particularly in the chemical industry, that they can only do so much. Until a few years ago, it was common practice when procuring logistics services to go with the cheapest provider and still expect excellent service. Such is the nature of a typical buyer’s market.

In the past three years, however, the market has morphed into one driven by supply. And despite a looming recession, this is unlikely to change. Reasons for this include a lack of qualified personnel, particularly drivers. In addition to soaring energy prices, this often presents a much greater challenge to chemical companies than to other industries. After all, chemical companies produce special goods—including dangerous goods. Handling these requires special equipment and know-how.

The recent study clearly shows that chemical logistics procurement needs to adapt to these challenges if it is to continue to contribute to corporate success in the future. This

means that those procuring chemical logistics services need to expand their knowledge so that they can select the right logistics solutions and partners. But they also need to tailor the procurement process to each situation—in short, a more customer-oriented approach is called for. In many sectors and corporate divisions, this is a well-established notion. In many areas of procurement, however, it is still quite new. After all, many procurement officers believe that customer orientation is the job of the sales department.

With a view to developing such a tailored procurement process and providing concrete recommendations, the study featured the customary market and process analyses, but also asked the chemical companies themselves what they think. The result is a procurement process that involves seven steps and poses 30 questions specifically about the procurement of transport services. It provides guidelines that help procurement officers choose the best solution in these challenging times and thus continue to enhance corporate competitiveness.

Overall, the study’s analyses call for a change in perspective in the procurement of chemical logistics:

Customer orientation: The user is the procurement officer’s customer for whom the logistics service is organized. Potential users are from production, sales, and purchasing. The user’s requirements need to be understood and woven into the tender to guarantee security of supply in a tailored manner.

Overall-process orientation: Not only are the user’s requirements diverse; unless they are understood and embedded in the overall process—in particular to avoid follow-up costs caused by, say, quality losses—supply efficiency can be compromised.

If procurement officers understand every aspect of how this works, the procurement of chemical logistics is prepared for the altered environment.

“Bad” Procurement Costs Money

The study also shows that the quantifiable KPIs of the costs or prices of purchased logistics services do not reflect the total costs for the company. This is because errors in the logistics chain can disproportionately affect a chemical company’s total costs. The less attention paid to a logistics partner’s performance and quality, the more likely it is that errors will occur. Furthermore, an overall assessment of the logistics process that takes all parties into account enables cost savings that can be neither recognized nor increased if transport logistics is viewed in isolation. In fact, insufficient coordination or synchronization can even lead to additional costs elsewhere.



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These findings can be distilled into six recommendations for the procurement of chemical logistics:

- Building specific logistics expertise should play a fundamental part in the procurement of chemical logistics.
- All procurement activities ought to focus on the chemical logistics user.
- Sufficient time and effort should go into creating the tender, especially when it comes to identifying goals, requirements, and general conditions.
- Comprehensive knowledge of the market is crucial for implementing a competitive logistics solution.
- Narrow scopes of implementation and rigid contractual conditions are to be avoided.
- An exchange of information between the parties in the value chain should be an integral part throughout the term of contract.

Keeping an Eye on the Entire Logistics Process

So what does bad procurement cost? The study does not quantify costs because they vary from case to case. However, it does offer tips for cutting existing costs down and avoiding additional ones. Ideally, procurement helps raise logistics performance while reducing overall process costs. If you’re interested in reading more of the study, please contact Dachser Chem Logistics: chemlogistics@dachser.com

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