

Pooling : joint effort for performance optimization

Since the nineties the evolutions of the fast-moving consumer goods supply chain pose to the manufacturers an equation a priori hardly solvable:

- Retailers seek to reduce inventory and financial fixed assets levels and at the same time they request smaller volumes to be delivered more often
- Under the pressure of consumers, these same retailers require an irreproachable quality of service (respect of the schedules of delivery, freshness of the products,...) within shorter lead time
- Within the framework of inflation -particularly due to the increase of oil price- transport costs must be controlled
- Environmental awareness - as upcoming taxes and laws - obliges manufacturers to think out solutions contributing to CO2 emissions reduction.

Most manufacturers have led on their own number of ambitious improvement programs in an attempt to address these issues. Why not implementing a collaborative logistics approach between manufacturers and retailers?

Pooling : an innovative solution

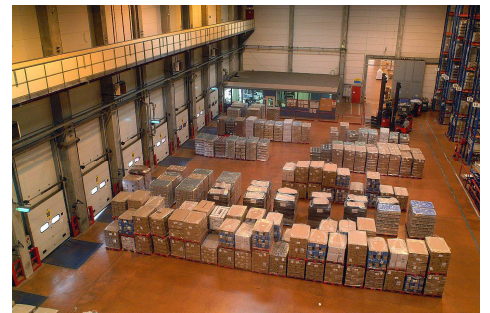
In order to meet common - to manufacturers and retailers - expectations over the last 10 years FM Logistic has been developing with its customers the concept of industrial Pooling.

This concept is quite simple: it is about consolidating in one single truck the volumes of several manufacturers having a common distribution network and which products are compatible. A real virtuous circle is created:

Increased number of deliveries – by volumes consolidation it's economically possible to improve services quality whilst reducing inventory levels;

Regular deliveries in full truck load without transshipment – by allocating fixed delivery windows goods unloading is made in a smooth and reliable way. By using one single full truck, distribution costs are mastered and carbon footprint reduced.

Even if the concept seems simple and stakes obvious, its implementation is complex and requires a real know-how.



Coordinate, Control, Synchronize flows; Arbitrate, Manage data confidentiality, Follow pools KPI's – these are the new missions assigned to FM Logistic as Pooling Coordinator.

A complementary service: VMI

In order to guarantee flow synchronization of several manufacturers and to optimize the fulfillment of trucks, FM Logistic proposes to its customers the cooperated vendor managed inventory service.

The management of retailers warehouses replenishment is entrusted to the pool (manufacturers and FM Logistic) based on the information transmitted by retailers (stock levels, outbound volumes to shops...) which takes into account:



- Customers and retailer's marketing campaigns (product launch, advertisement, promotions, pallet pattern changes...)
- but also of the pool's constraints in terms of trucks fulfillments
- ... as well as objectives defined by manufacturers and retailers on stocks and service levels.



FM Logistic is pioneer in France in the field of Pooling and cooperated vendor managed inventory service and rewarded for this reason by the Logistic Innovation prize of the SITL in 2005 – we offer a full range of services enabling the set-up of a Pooling and VMI organization:

- The dedicated Supply Chain Lab - able to evaluate potential financial and service level improvement within a pooling configuration but also to carry out barycenter analysis and to evaluate the needs in terms of transport coordination
- FM warehouses are designed – by our own engineering - to be multi-customers. They have an optimized configuration and a storage capacity of more than 100,000 pallets places
- A Transport service of Less than a Truck Load and Full Truck Load combining the reliability of an own fleet and the flexibility of a referred partners network
- Transport coordination centers are in charge of supervising transport flows, coordinating the communication between warehouse operations and the carriers, dealing with claims, optimizing delivering tours and managing prebilling and supplies procurement
- A Co-VMI center - experienced and recognized for its know-how – which controls and synchronizes multi-manufacturers flows and plays a key role in facilitating information exchange between manufacturers and retailers during the pooling implementation
- Experienced and dedicated project managers for the implementation of all listed services whose success relies on accuracy and responsiveness.



"CHANGES" : a real-life example

In September 2005, Henkel (Cosmetics Division), Colgate-Palmolive (Personal & Care Home Division) and GlaxoSmithKline (Mass market division) decided to pool their deliveries to retailers' warehouses, under the coordination of FM Logistic.

It was initially done by multi-pick - picking then consolidating volumes- in 3 different warehouses located at Paris and Orleans region.



After a successful start-up, in June 2006 the 3 companies decided to consolidate their stock into a single warehouse and to set up a VMI organization using common tool. Located at Chateau-Thierry this pool was gradually implemented in 2007.

Sara Lee (Cosmetics Division) and Eugene Perma (Beauty and Personal hair care) joined the pool in 2009 and 2011 progressively. After 3 years operating the benefits of this pool are self-explaining:

- Daily deliveries (2 to 5 more frequent than if managed by each manufacturer on their own)
- Full trucks deliveries (33 pallets versus 8 to 20 pallets on average without pooling)
- Transport quality rate was improved by 7% thanks to regular deliveries without transshipment
- Retailers warehouses stock levels were reduced by 15% to 20% - what contributes to storage and immobilization costs reduction as well
- Total service rate was improved from 0.2 up to 1.5 point
- A very positive impact on the carbon footprint – reducing up to 35% of greenhouse gas emissions.

Development perspectives

Thanks to the success of these pools initiated and managed by FM Logistic (currently operating 4 in France and 1 in Poland), the concept of Pooling and collaborative logistics is recognized as a supply chain value-creating organization for fast-moving consumer goods Europe-wide.

This trend is confirmed by the implementation of "GILDE" in 2011 – a pool named "« Groupement d'Industriels pour Livrer la Distribution Ensemble »" grouping volumes of Mapa Spontex, Bourjois, Else and Energizer consolidated in Crépy-en-Valois. Also, 2012 announces the consolidation of 7 manufacturers' volumes near Paris – with more than 100 000 stored pallets and 1 Million pallets dispatched per year - the biggest industrial pool in Europe.

About FM Logistic Corporate

FM Logistic is a company with 14,000 employees and total sales turnover of 744 million Euros. This turnover is spread over warehousing activities 58%, transport 27%, co-packing and co-manufacturing 13% and Customs/ Supply Chain Management 2%.

FM also has more than 2,300,000 sqm of warehouse space, 900 million packs prepared per year, 200 million consumer units produced per year, 1 975 000 packages prepared per day and 1 300 000 deliveries per year. Among FM Logistic customers are food industries, Home and Personal Care, Health, High-Tech, and consumer goods companies, as well as retail giants.