
THE TENDER FOR PROCUREMENT OF LOGISTICS SERVICES AND DEVELOPMENT OF LOGISTIC PARTNERSHIP

Marina Ristić ^{a,*}, Jelena Davidović ^b

^a University of Belgrade, Faculty of Transport and Traffic Engineering, Serbia

^b University of Belgrade, Faculty of Transport and Traffic Engineering, Serbia

Abstract: *The logistics partnership is a very current topic and most of the companies are trying to achieve a good partnership with the other party so that everyone would benefit from it. The selection criteria are multiple and the process of evaluating them is extremely long and complex. The tender process can be viewed from two different perspectives: foreign companies that have a need for a logistics service or companies that offer their services. In this paper, the focus is on a company that is interested in selling its logistics service to a customer. The tender procedure is presented in the logistic company offering its service. All steps in the realization of the concrete tender are described in detail. The aim was to point out the procedures that the company, as an interested party that has an interest in concluding a contract with the buyer, should take.*

Keywords: *tender, logistics services, logistic partnership.*

1. INTRODUCTION

Today is the era of modern logistics and continuous contracting, partnership and communication. Companies compete by reducing costs and improving service levels in order to create added value in the supply chain. In order for this to succeed, the companies must achieve a high level of cooperation and trust with their partners. This refers to companies that aim to find long – term partners with whom they will cooperate in the field of logistics. Improving cooperation between business partners increases the efficiency of transport networks and enables fast exchange of information, which increases the success of business and market success. An excellent choice of supplier and a history of relationships can positively affect the quality of the service. Since there is the lack of research in the existing literature dealing with the selection of suppliers, meeting, history of relations, logistics cooperation, companies are more inclined to decide on the conclusion of long – term business relationships. The two most important factors affecting the decision with which to enter into a contract may include earlier experience or recommendations and positive opinions about a particular company, and the second factor are some operational options such as geographical coverage, response speed or

* marina.risticsfbglo@gmail.com

providing value – added service. One way to find a good business partner is a tender. Tenders are often used in state institutions, but today they are often present when it comes to purchasing logistics service most often from 3PL providers.

The paper is conceived so that it consists of three entities. At first it is an introduction to the work itself and explanations of certain terms. In the second part, the focus is on logistic partnership and realization of logistical partnership relations. The second part describes the tenders as one of the ways to establish partnership relation. In third part, there is an example of a tender conducted in a logistics company. The tender procedure is presented from the aspect of the logistical service provider.

2. LOGISTICS RELATIONSHIP AND TENDERS

This part of the paper discusses logistic partnership and tenders as one of the ways to achieve long – term partnerships. Tenders are frequent occurrences in business today and are applied in logistics mostly in the procurement of logistics services.

Partnership can be defined as a relationship characterized by openness and trust where risks, rewards, and expenses are shared between the two sides (Aharonovitz M, Vieira J, Suyama S, 2018). Companies operate with supply chain partners to manage internal and external organizational processes in order to optimize resource utilization, share information, risks, and rewards in order to improve performance and profit generation. In addition, in cooperation of two or more independent companies, they are working on planning and carrying out operations in the supply chain, which is a better and more efficient way than an independent one. “The Logistic Partnership was created in 1980 as an important tool for improving the efficiency of the supply chain.” (Maloni and Carter, 2006). In the logistics partnership, activities include joint planning and information exchange, and the focus on strategic planning is smaller. These logistical activities include all services provided to users, operations related to planning and demand forecasting, mode of transport, vehicle types, order realization, warehouse services, inventory tracking, packing services and return logistics. Logistic partnership can be viewed from three different aspects: strategic partnership, tactical partnership and logistic partnership based on interpersonal elements. Strategic Logistic Partnership is a relationship that is based on the fact that both company leaders are involved in projects that are related to long – term decisions. The Tactical Partnership includes common information related to the sale of logistics services, plans, communication, existing information sharing technology, the formation of teams to work on projects, actions to address unforeseen situations. Partnership based on interpersonal elements is based on open communication and shared values that increase trust. Research shows that trust and dedication lead to improved performance of both side (Aharonovith M, Vieira J, Suyama S, 2018).

Tenders are used in the procurement of logistics services. Procurement of services refers to all activities necessary to obtain products from suppliers to end users, including purchasing, transport and quality control. Terms of supply chain management are often used in connection with procurement (Taneli L.). The current market insecurity affects the company by increasing its level of flexibility to satisfy the client. However, in today’s environment, the time is very dynamic and requires companies to constantly make efforts to strengthen and position themselves on the market, while ensuring that the level of flexibility is at a high level. The companies can no longer be limited to their own resources,

but they must seek suppliers with specific capabilities that meet their needs and help them achieve a high level of customer satisfaction. The most common are 3PL providers who take certain segments of the supply chain and perform certain services. In order for the company to achieve successful cooperation, in the beginning it has to select an adequate supplier. The choice of suppliers is not easy, as many criteria have to be taken into account.

The need for procurement of logistics services is growing and comes from the decision to sell the services to the logistics companies, which is the key decision. One of the ways to find a good and reliable partner is tendering. Tender is a procedure in which the suppliers are selected on a competitive basis. He is a single process where the customer of a logistics service has the need for it and it defines its requirement. The buyer presents his request to the potential partners who are mutually competitive. Tenders made out in order to save the costs for both parties so real business partners are needed to do the business. However, there is no tender procedure that is defined and universal for all (Suominen M., 2018). Each tender varies depending on the type of service, needs and requirements of the buyer (<http://www.mcentar.rs/faq/21.ht>). The second part of the paper presents a practical example of a tender that was realized in a company in Serbia.

The key part of each tender is the choice of suppliers. The choice of suppliers is a process that is mostly long – lasting and requires the greatest attention. In other words, this is the process of making multi – criteria decisions. The multi – criteria decision is based on a variety of criteria on the basis of which suppliers are ranked. Fairness, reliability, price, service offered, tender quality, technology and reaction to changes are some criteria that are most commonly used in making decisions. In addition to these criteria, the reputation of the company, culture, delivery speed, transport security, global network, innovation, quality, relationship orientation, reliable performance, support, capacity and flexibility in the supply chain are also important. Companies that try to keep these criteria at a high level have predispositions to maintain strong ties with their business partners and to maintain their high performance (Aharonovitz M, Vieira J, Suyama S, 2018).

3. ANALYSIS OF THE TENDER PROCEDURE

This section will show one complete tender procedure. It is about a logistic company that offers its service and sales through tenders. The description of the tender is defined on the basis of the real case from practice.

There are two types of tenders in a company: local and multinational. The multinational tender is realized by sending a request for a bid to the central tender management team. The team, based on the user's need for service, forward the request to a particular branch office in a particular country. The local tender implies that a request for a bid from a client is sent directly to the local branch office. This request is sent via e – mail in the form of excel tables directly to the person responsible for the sale of services in the company or the person in charge of tenders in the logistics sector. After receiving the excel table, the procedure is in line with the multinational tender procedure.

The following section describes the detailed procedure of a multinational tender. The example shows the successful tender procedure for which the company received the job. The process consists of six steps (Figure 1):

1. Indication of the buyer – tender announcement;

2. Downloading the request and preparing the offer;
3. Acceptance of offers, consideration and selection criteria;
4. Obtaining work and activities after the completion of the tender;
5. Negotiation, service delivery and control;
6. Activities after the completion of service delivery.

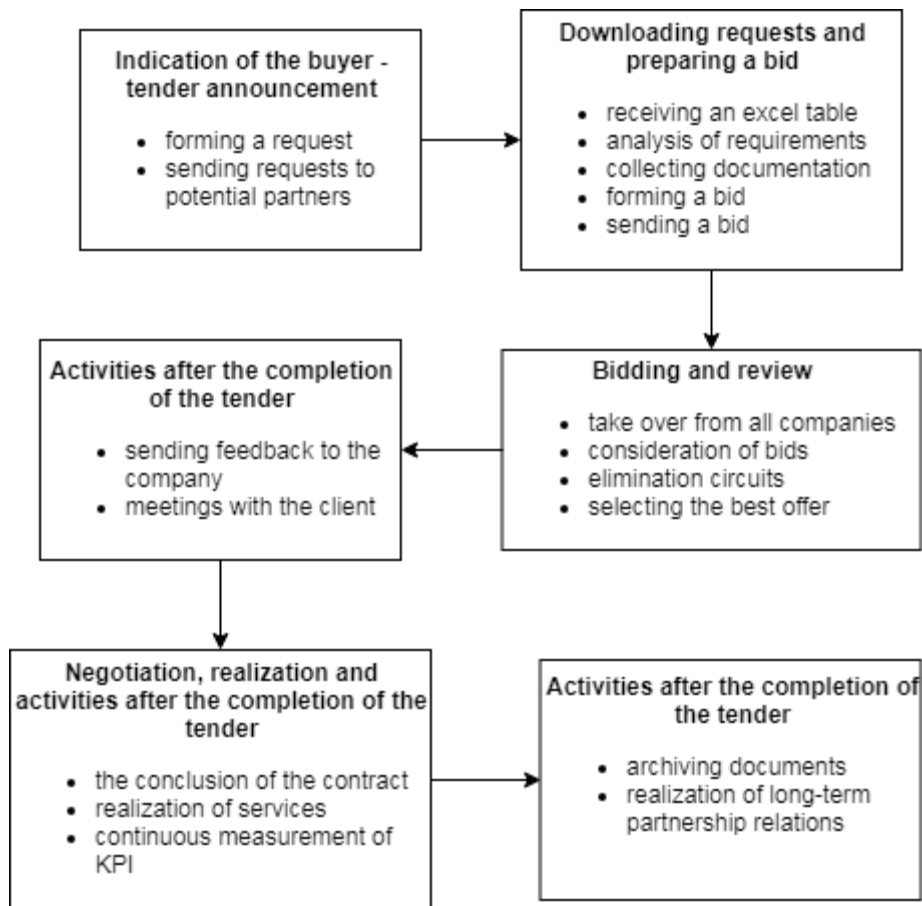


Figure 1. Procedure for the realization of the tender

Indication of the buyer – tender announcement is the first step in the entire tender procedure. A tender occurs as a result of the customer’s need for a particular type of service for a defined period of time. The buyer defines his request, conditions and deadlines. He is obliged to provide clear and detailed descriptions of what he expects from the service provider. As it is the multinational tender, the user using the appropriate IT tools puts his request on the platform. The deadline for submission of bids must be accurately and precisely defined. The service provider is obliged to notify the supplier and which documents and certificates must be attached to the offer, as well as a detailed description expected from the supplier.

3.1 Download requests and prepare the offer.

The central management team accesses the platform and takes over the user’s request. Since the company owns branches around the world, the central tender management team, based on the location where the service will be provided, is obliged to submit the

request to one of the affiliates in the world. The team from the local branch office takes over the request. This request is displayed as an excel table. In this table there is a part that is filled in by the company and it is necessary to enter the price charged for the requested service. In addition to the price sometimes, it is necessary to write some additional solution or proposal. Entering data and prices into the table is followed by obtaining the documentation required by the client. It's mostly in question some certificate (depending on the type of the goods) and the ownership structure of the company. Once the offer is ready, feedback is sent to the buyer.

3.2 Receipt and evaluation of the offer.

The offer is placed again on the platform, and the client removes the platform from the offer. The tender closes exactly when it is defined. All bids sent after the expiration of the deadline will not be considered. The buyer receives more offers from different suppliers. Thereafter, consideration is given to access and decision making. Mostly tenders are cyclical and there are several selection and elimination circles. After a certain number of circles, the buyer decides on the supplier whose offer he accepts, that is, the supplier that he considers satisfies his requirements. Criteria for choosing a supplier can be multiple, but one of the main criteria is reliability. In order to have reliability, many buyers are willing to pay higher service costs. In addition to reliability, the client's experience can be an important criterion. If the client has already cooperated with the company that had applied for the tender and has a positive experience, it is more likely that this company will be selected. The next important criterion is the name of the company, a company that is known as a reliable partner in the market has more chances to win a tender. The quality of the tender process is also an important criterion, as the company strives to process the request in a more detailed way and in that way achieve the trust of its client.

3.3 Getting work and activities after the end of the tender.

After several rounds, the buyer decides which bid he accepts. The company is selected and electronically or by telephone is informed that it has received the tender. After all, there is an agreement and more detailed consideration of the user's request. The team responsible for the specific tender analyzes the user's request. The mistakes and difficulties that later occur most often are due to poor understanding of the request, imprecisely defining the request, the responsibilities of both parties defined by the delivery parties, specifics of goods and the like. After the tender, and before the beginning of the realization, the company team meets with the user to clarify every doubt that can later be a problem. If during the conversation with the client it is determined that the request was not well defined or that it was ambiguous, the company has the right to cancel the tender and refuse the cooperation.

3.4 Negotiation, service delivery and control.

After the meeting with the client has been completed and after all the dilemmas have been clarified, it is time for the negotiation. However, contracts are not always necessary, that is, each tender does not have a contract. Mostly tenders are called in order for buyers to find their business partner with whom they will later cooperate. On the other hand, there are tenders that have contracts with them for a certain period of time. The length of the contract depends on the type of the service (1 year, 1+1 year). The next step is the

realization of extensions. The company does not accept payment of any penalties in case of delay or other irregularities. Instead, the company has KIPs that must be at the appropriate level. As a responsible business associate, the company performs KPI measurements during service delivery. Performance indicators in the realization of the service must be 95% or more. If this percentage is reduced even by 0.01% the company calls its client, informs that KPI has dropped and agreement with him finds a solution and returns the quality of service to higher level.

Activities after completion of service delivery. The service is performed, requests and expectations of the client are met and both sides are satisfied. In this case, the company proved to be a responsible and reliable partner. The users experience with the company is good and when choosing the next tender he will have a better opinion of the company which will separate it from the rest. The documentation which follows the tender from the very beginning until the end, the company keeps in the archive, because sometimes in the future for the realization of the next tender some historical data will be necessary. In this way, one tender is finished and concluded.

4. CONCLUSION

The goal of the tender is for a company to primarily earn profit by providing its services to the client. In addition, long – term partnerships can be achieved in this way. If the client is satisfied with the engagement of the company, next time he will not call tender but will immediately contact and engage the company. However, not all customers have the main motive to achieve the logistic partnerships. Many users call the tenders for benchmarking, in this way they learn from the leaders on the market and get new ideas and solutions that they later apply to their business. Also, the motive for inviting tenders can be an insight into the prices on the market.

In order to maximize profit and increase business efficiency, the company must be left to negotiating, contracting and partnerships with various clients, suppliers, distributors, freight forwarders. The company strives to increase its own network of clients and maximize the number of users, and in order to achieve this it has to enable negotiation with its clients and partners on a global level. It is very important that trends are monitored in order to achieve as much competitiveness as possible. Companies are in a position to satisfy the user, while at the same time earning as much income as possible. The logistics partnership is based on the confidence of the two sides. A successful company should have a good reputation and recognition on the market. In addition to the reliability and security that companies offer to their business partners, technology and continuous innovation, continuous investment in information technology and the possession of professional staff are also of great importance.

The choice of suppliers of logistics services is the hardest part of the deal when it comes to the procurement of logistics services, because it requires a lot of effort to choose a supplier who will manage to meet all the requirements of the customer. The customer of the logistics service must define the criteria that the supplier must possess. Today, the competition market is extremely large and it is not easy to choose an adequate partner. If a supplier is found the customer that meets all the requirements and needs of the customer, it is very important to keep it. The high frequency of regular meetings, trainings and visits can increase communication between logistics partners and provide the opportunity to avoid future problems and identify areas for improvement

REFERENCES

- [1] Aharonovitz M, Vieira J, Suyama S. „How logistics performance is affected by supply chain relationships“, International Journal of Logistics Management, 2018
- [2] Maloni, M. and Carter, C. (2006) Opportunities for Research in Third-Party Logistics. Transportation Journal, 45, 2, 23-38.
- [3] Suominen M. „Innovative approaches to transportation service procurement“, Applied sciences, US, May 2018
- [4] Taneli L. „Key success factors in procuring warehousing servise“, JAMK University of Applied Sciences, May 2017.
- [5] <http://www.mcentar.rs/faq/21.htm>