

Carriers: Lead Times, Measurements & Controls Green Paper

Introduction

The Customer Service Committee of the Canadian Association for Pharmacy Distribution Management has the objective of improving service and efficiency for all members of the drug store supply chain. Shippers and consignees require a consistent standard of service with predictable lead times and consistent procedures appropriate for the pharmaceutical and healthcare industry. The Committee has developed a list of best practices which it considers necessary to the delivery of acceptable service standards. The Committee wishes to identify the practices of carriers that are able to provide such service to the industry.

The attached document lists the parameters of most concern to the members of the Committee and those behaviours that constitute best practices. To encourage improvement leading to adoption of these best practices, the Committee has developed a scorecard methodology that can be used by individual businesses to help measure carrier performance. A sample copy of this scorecard is attached.

Best Practices - Key Performance Indicators

The Committee considers the following performance indicators as exhibitiv of an acceptable standard of service:

On-time Delivery

On-time delivery is the most important criteria of the supplier/carrier/consignee “Best Practices” process.

On-time delivery of the order shipped by the supplier occurs when the consignee receives the order on the requested delivery date as provided in their purchase order.

If the shipment is available for delivery at destination and the consignee is not prepared to accept delivery on the “requested delivery date”, the shipment is considered to be delivered as on-time.

Shipments that are not available for delivery on the requested delivery date or the date and time set by the consignee are not on time.

Completeness of Order Delivery

All shipments tendered to the carrier must be delivered to the consignee as a complete shipment.

Multiple deliveries to complete the delivery of a single shipment are generally unacceptable.

Processes used in shipment sortation and loading must ensure that the entire shipment remains intact.

Shrink wrapping of multiple pieces on a pallet or combination of smaller pieces into a larger repack, taping, banding or other packaging means can be employed by the supplier to ensure completeness of delivery and must be accurately described on the bill of lading (see section on Documentation).

All incomplete delivery of shipments must be immediately communicated to the consignee and the supplier upon the carrier becoming aware of the shipment's details.

Carriers should submit the following information quarterly: Total shipments delivered as a complete delivery as a percentage of total shipments delivered.

Electronic Track & Trace

In the ever-changing world of commerce, electronic processes that are in place today are quickly being replaced tomorrow. As ECRx has established EDI Version 4010 as the standard for use in our industry, this document is written in that context. The technology referred to within this document at the time of writing could be replaced in the future with equivalent or improved industry recognized standards e.g. XML or other web based technologies.

To ensure efficient electronic processing, the Committee recommends:

Supplier should be capable of transmitting 204 (Bill of Lading) transaction set to the carrier at the time of pick up.

The carrier should be able to accept 204 Transaction set and automatically populate Pro-bill Data Entry, Invoicing and Track & Trace without re-keying the data.

The carrier should be able to transmit 214 (Shipment Status Update) transaction set with the following status updates:

- AF—Confirmation of Pick up—Date & Time & Reason Code (if applicable).
- AG—Anticipated Date of Delivery based on the carrier's published transit times.
- AB—Delivery Appointment Scheduled—Date & Time & Reason Code (if applicable). For example, once an appointment has been scheduled, if the appointment date is later than the AG date, then the corresponding reason code is to be sent. For example, if the customer requested the later delivery date then the reason code AD would be sent. If the carrier will miss the appointment that was booked, then a revised AB status would be sent along with the corresponding reason code.
- D1—Delivered—Date & Time & Reason Code (if applicable) The name of the person signing for the freight should be attached to this transaction. Any exception codes such as Overages, Shortages or Damages (O S & D) and explanation or note lines should be sent.

All communications should be sent as close to real-time as possible, avoiding overnight batch programs.

For shipments not delivered directly by the originating carrier but by an interline carrier or delivery agent, the 214 status' for the beyond movement must also be sent from the originating carrier to the supplier. The originating carrier cannot send the "D1" status when the freight is transferred to the beyond carrier.

Carriers are to send invoices to the supplier using the 210 (Invoice) transaction set.

Payment to the carrier is to be sent using the 820 Electronic Funds Transfer.

Carriers should use a GPS (Global Positioning Satellite) system that monitors the movement of freight at all times. Suppliers should have access to shipment updates via the Internet.

Signature Proof of Deliveries (POD) should be accessible via the Internet.

Carrier - Electronic Track & Trace Checklist

Minimum requirements are indicated in Italics and Underlined

204

Can the carrier accept 204's?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Automatic update for...				
Pro-bill Data Entry	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Invoicing	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Track & Trace	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

214

Can the carrier send 214's?	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>
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<u>AF Status</u>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Includes Date	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Time	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Reason Codes	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

<u>AG Status</u>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Includes Date	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Time	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Reason Codes	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

<u>AB Status</u>	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Includes Date	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Time	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Reason Codes	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

<u>D1 Status</u>	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Includes Date	<u>Yes</u>	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Time	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Reason Codes	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Receiver Name	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Note Lines	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Beyond shipments accounted for									
	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Real Time?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

210

Can the carrier send 210's?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Electronic Funds Transfer (EFT)

Can the carrier accept EFT?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Appointment Process

The original communication from the consignee's buyer i.e. purchase order, fax or phone call, should clearly express the due date and the date the product must be received in the buyer's distribution centre. A clear understanding of the transit time by both the buyer and supplier is critical to predictable service.

Shipments tendered to couriers, LTL or TL carriers must clearly indicate the accepted due date on the B/L, manifest and/or EDI communication.

Twenty (20) cases or less in a single shipment by a supplier does not usually require an appointment, however a carrier transporting multiple shipments of "20 cases or less" should still have to make an appointment with the receiver or use their regular appointment time.

In the event parcel couriers and LTL carriers have pre-booked scheduled delivery times and/or scheduled days, it is still required to supply a manifest to the receiver.

To promote efficiency, suppliers should not be booking appointments. This task should be left to the carriers. Local or next day delivery points do require the carrier to still make an appointment by advising the receiver of the arrival of the given purchase orders prior to delivery. The carrier must **not** wait until arrival at destination in order to make the appointment. This creates an extra day of lead-time.

A smooth communication process between buyer, supplier and the carrier should exist that will accurately and effectively indicate how, when and who signed for the delivery.

For deliveries that implicate a transit time greater than 48 hours, the carrier should be able to make the appointment **while** the goods are in transit and not have to wait until they have arrived at the destination terminal prior to phoning the receiver.

In situations, where delivery is capable in less than 48 hours, it is recognized that:

Should there be a core carrier, there will likely be a standing appointment, there will likely be ASN capability, and the due date on the purchase order will or should reflect this data.

For situations where there is not a core carrier, the carrier should still be required to call the receiver, get an appointment and meet the delivery due date.

Immediately on becoming aware of a potential to miss an appointment, the carrier should be obligated to inform both the supplier and receiver of the fact and reason.

Specific communication between the supplier, carrier, and consignee should use electronic communication (i.e. EDI). Refer to Electronic Track and Trace best practices.

The supply chain should be striving to fully integrate all elements of this procedure in the shortest period of time. As a minimum though, carriers should have in place a smooth flowing appointment process which will take the data as presented from the supplier, communicate this data to the consignee, deliver on the appropriate day and at the appropriate time and demonstrate or commit to improving in the near future as agreed to amongst the parties.

GLOSSARY

LTL.... less than truckload

TL...truckload

EDI...electronic data interchange

DC...distribution center

ASN.... advanced shipping notice

Customer Service

The Customer Service function should have the following attributes:

- Carrier should have a customer service or call center.
- Carrier's customer service should have a toll free number within their service coverage area.
- Carrier's calling center should be open at least from Monday to Friday
- 8:00 a.m. to 6:00 p.m. local time within their service coverage area.
- Holiday schedule should be published in advance (refer to Holidays Schedules Best Practices)
- Each call should be answered within 2 minutes.
- Carriers should provide an emergency after hour contact name & phone number
- Communication by e-mail should be available with Customer Service.
- Web site should provide specific information including:
 - On line tracking
 - Services available
 - Contact information

Tracking

If the information is not available immediately upon request, a reply within 1 hour should be provided.

Empowerment

Empower representatives with the authority to take immediate corrective action.

Proactive

Advice of service failure (damage, missed connections, delays etc) must be provided within 24 hours.

Proof of delivery

Should be available to shippers and consignees over the Internet. If not available, then the following standards should apply:

- Hard copies should be faxed within 1 business day (if less than 6 months old) ;
- Hard copies should be faxed within 3 business days (if over 6 months old); and,
- Hard copies should be available for 2 years after shipment (although provincial and federal legislation may require a longer period of retention).

Holiday Schedules

In order to ensure continuous, uninterrupted transportation service, it is essential that all parties in the supply chain, suppliers, carriers and consignees, communicate their holiday operating schedules.

No later than 60 days before any holiday, each party should finalize their holiday closing dates.

For the Christmas / year-end season, carriers should identify the scope of services being offered during this period. The carriers should identify any discontinuance of controlled temperature service and any limitations for picking up or delivering of such freight.

Response to Performance Review

Carriers that will participate in the program should be presented, on a regular agreed upon basis, the carrier scorecard highlighting the important performance indicators for their company. Carriers should provide the verifiable data to measure the key performance indicators. A carrier should receive full points if they demonstrate that they are taking steps to achieve the identified targets.

A failure by the carrier to demonstrate an effort to improve performance that has been highlighted should result in no points being awarded.

Carriers should have their own internal formal quality improvement program.

Professionalism and Knowledge of Employees

Carriers should provide initial and continuous training (appropriate for their job duties) for existing and new employees. The training program for drivers should be documented, and be recognizable in areas such as safety, handling of hazardous material, controlled substances and narcotics, regulatory, temperature control and driver re-certification.

The carriers' drivers should wear a company uniform or have presentable attire.

The carrier should also have to report total km/miles during the review as well as total number of accidents in which the carrier's equipment is involved. This will permit a comparison with the industry averages.

The carrier's sales representatives should be knowledgeable in all of the performance criteria of the carrier scorecard and the services offered by his employer. The sales representatives should also be knowledgeable in the Canadian pharmaceutical and healthcare industry and the carrier's own internal business processes.

Market Fit and Consignee Relationship

The nature of a pharmacist's relationship with his patients is one that requires zero errors. Pharmacists expect a similarly high degree of service compliance from all of their suppliers and service providers. As a service provider to pharmacy, carriers should meet a very high standard of service and understand the special needs of this group of customers.

Carriers should be well aware of the service needs and participants in the drug store supply chain. They should be familiar with legal requirements associated with handling drugs including narcotics and controlled drugs.

In order to service the pharmaceutical and healthcare industry the carrier should be able to demonstrate that they satisfy one or more of the following criteria:

- Have a successful history servicing pharmaceutical / OTC suppliers;
- Have a successful history servicing pharmacies or pharmacy distributors;
- Have an exemplary reputation servicing other market sectors with highly particular and demanding requirements; and,
- Can provide other information satisfactory to the selection committee that they have made significant efforts to understand the pharmacy supply chain.

Specialized Services

Specialized services could include but are not limited to:

- Hazardous Materials
- Temperature Control
- Chain of Signatures
- Same day delivery

Carriers should be able to demonstrate adequate control procedures for the specialized services they have agreed to provide.

Control procedures should provide proof of integrity of service from the point of pick up through to the consignee delivery (inclusive of all interline carriers).

Carriers must adhere to Transportation of Dangerous Goods Regulations, Bureau of Drug Surveillance requirements and Good Manufacturing Practices.

Refused Goods/Returns Handling

Merchandise may be returned to suppliers for several reasons, including returned stock because of recalls, overstock returns or return of expired goods. Additionally, for various reasons consignees sometimes refuse shipments.

All refused or returned goods should be returned immediately.

Refused goods

In all cases, the carrier should immediately notify shippers if goods are refused, and follow instructions given by the shipper.

When consignees refuse goods, merchandise should always be returned to the shipper unless specifically instructed otherwise. This return must have the same service as the outbound shipment, i.e. if the outbound shipment required chain of signature, the return also requires chain of signature service. If the outbound shipment was heated or refrigerated, the return must also be heated or refrigerated.

Returned goods

When customers return products to manufacturers, the paperwork should clearly state required services including chain of signature, refrigerated, heated etc. Carrier staff should be trained to ask for instructions regarding service and follow those instructions clearly. Legal responsibilities relating to transport of narcotics are a serious concern and regulations must be followed without failure.

Billing and Documentation

Carriers should supply supplier and consignees the following information on all documentation:

Bills of Lading

Suppliers should include on the original bill of lading the following information:

- Consignor and address;
- Consignee and address;
- A third party billing name and address (if applicable);

- Shipping date;
- An accurate description of the goods including the number of pieces and/or pallets;
- An accurate weight expressed in either pounds or kilograms;
- Cubic dimensions of the shipment (if applicable);
- A shipper or purchase order number;
- A predetermined delivery date (if applicable); and,
- In the case of manifests produced by shipping platforms (either the carrier or the shipper's) the above information will be captured.

Pro-bill

Carriers should transpose all of the information found on the bill of lading (above) onto the pro-bill as well as:

- Rate (on the paying party's copy only);
- Extended charges (on the paying party's copy only);
- All surcharges (on the paying party's copy only);
- All applicable taxes (on the paying party's copy only); and,
- All special charges (on the paying party's copy only).

Proof of Delivery

Carriers should use the pro-bill (unless other electronic means are available and agreed upon) as the proof of delivery. Such document will also include:

- An area for the receiver's signature;
- A space for date and time of delivery;
- A space for notations in regards to exceptions; and,
- Proofs of delivery must be available to the supplier and/or consignee for two full calendar years (although provincial and federal legislation may require a longer period of retention).

Invoice

Carriers should submit for payment to the paying party an itemized listing of pro-bills including all gross charges. In addition, a copy of each pro-bill will also be attached to the invoice.

Condition of fleet

The carrier is the conduit or link between the supplier and the consignee. Equipment type and condition of such equipment is an important component of the industry supply chain. The carrier should:

- Provide equipment in a condition that will ensure safe carriage and will not in anyway adversely effect the carriage of the lading.
- Have an ongoing documented preventative maintenance program in place that is open for review by the supplier and/or the consignee.

- Ensure that all agents and/or interline carriers used in the transportation of shipments have a similar preventative maintenance program in place.
- Be licensed and CVORs must be in good standing in all jurisdictions that they are operating within.

Suppliers in many cases select the carrier and are the initial contact in the relationship between the supplier / carrier / consignee. As such, supplier should ensure that the carriers' equipment is in a satisfactory condition to ensure safe carriage of the goods and is obligated to refuse the use of carrier equipment that is not in an acceptable condition.

Pallet Control

Pallet control deals with all pallets and returnable shipping containers (RSC). The following are recommended service standards:

Carriers must be able to demonstrate adequate control procedures for the handling and return of pallets and where applicable returnable shipping containers.

Such system should be able to provide outstanding pallet and RSC balances on an ongoing basis.

Suppliers should fill out separate bills of lading for the pallet or RSC portion of a shipment and present it to the driver at the time of shipment. The driver will be required to sign and acknowledge receipt of it.

Carriers will be required to provide return of pallets or RSC to the supplier at terms negotiated between the parties.

Provided that the shipper provides an adequate float for the carrier and that they use all reasonable efforts to enforce the retrieval process, carriers may be totally responsible in the event that they fail to return pallets or RSC's in a satisfactory manner to the supplier.

Claims Process

Claims Incidence

Carriers should adhere to the specific criteria highlighted below when dealing with claims and the subsequent process of review and settlement.

Unless otherwise negotiated and documented between the shipper and the carrier, the carriers should abide by all terms and conditions as outlined on the straight bill of lading consistent with the legislation applicable to the mode of transport being used at the time of shipment.

Claims Settlement

Carriers should acknowledge intent to claim within seven (7) days of receipt of such intent and resolve such claims within thirty (30) days, from date of receipt.

Notification of all refused shipments should immediately be communicated to the shipper upon the carrier becoming aware of the shipment's refusal. Communication relating to delivery exceptions (e.g. refusal) should use EDI practices.

All damaged or refused goods should be returned to the original shipper for handling in the same service and manner (e.g. refrigerated, heated, chain of signature) unless otherwise instructed by the shipper of the goods.

Carriers should be required to submit on a regular and agreed upon basis the following information:

- Total shipments and tonnage handled ;
- Total claims filed;
- Total claims paid;
- Total revenue; and,
- Total dollar amounts of settled claims and average settlement time expressed in days.

Evaluation Criteria

To aid in implementation, the CAPDM pharmacy distributors are encouraged to utilize the evaluation criteria chart below. Once implemented, the evaluation chart can be used to measure the performance of a manufacturer in regards to Carriers: Lead Times, Measurements & Controls.

Carriers: Lead Times, Measurements & Controls Green Paper Evaluation Criteria					
	Unacceptable	Acceptable		Best Practice	
Carriers: Lead Times, Measurements & Controls	No measurement system for carriers. Manufacturer is unaware of CAPDM Green Paper.	Awareness of Green Paper. Implementation of measurement planned.	Measurement system in place. Not necessarily consistent with CAPDM Green Paper.	Measurement system in place. Consistent with CAPDM Green Paper.	<i>CAPDM Green Paper recommendation and scorecard fully implemented with all key carriers. Available for review with distributors upon request.</i>
Comment/Action:					

Carrier Qualification Checklist - Exhibit A

Following is a checklist of the key performance criteria that have been established as a minimum or pre-requisite list of criteria that a carrier should meet before being qualified or selected to transport goods in the Pharmaceutical and Healthcare Industry. This checklist should be used to assess the minimum requirements any new carrier should meet, and should be used to review the capabilities of suppliers' existing carriers.

Carrier Scorecard - Exhibit B

The following is a scorecard that we recommend be used on a regular basis at agreed upon intervals, with all carriers used by suppliers of products to CAPDM member organizations.