

# Key contract clauses

This supporting resource provides an overview of key logistics services clauses to consider during your negotiation with the Logistics Service Provider (LSP).

## 1. Scope of the Agreement

- Importance: Clear description of services and intended results to avoid misunderstandings.
- Example: Define the extent of 'warehousing' services.
- Negotiation Tip: Use a preamble for clarity and explicit service descriptions.

## 2. Business Model and Pricing Structure

- Importance: Understanding the pricing model is crucial for budgeting and cost control.
- Example: Pricing could be based on per pallet storage, per transaction, distribution weight, or per kilometer for transportation.
- Negotiation Tip: Select a pricing model that aligns with your service requirements and volume estimates. Ensure clarity on how prices are calculated and any conditions that may affect pricing.

## 3. Exclusivity and/or Minimum Volumes

- Importance: Volume commitments significantly impact costs.
- Example: Specify terms for minimum storage pallets or transaction counts.
- Negotiation Tip: Include implications for volume changes on tariffs.

## 4. Liability for Direct and Indirect Damages

- Importance: Balancing liability is critical.
- Example: Set liability limits per kilogram/shipment and consider insurance for indirect damages.
- Negotiation Tip: Clarify liability coverage and its impact on rates.

## 5. KPIs and Bonus-Malus

- Importance: KPIs ensure service quality, and bonus-malus systems motivate providers.
- Example: Use on-time delivery percentages as a KPI.
- Negotiation Tip: Define consequences for failing to meet SLAs.

## 6. Terms and Conditions

- Importance: General terms cover broader company policies.
- Example: Standardize terms for cargo handling and payment.
- Negotiation Tip: Ensure terms are balanced and relevant to logistics.

## 7. Contract Term and Termination Clause

- Importance: Sets the contract duration and termination conditions.
- Example: Specify fixed duration and termination conditions.
- Negotiation Tip: Clearly state termination clauses and grounds for cancellation.

## 8. Price Indexation

- Importance: Allows for tariff adjustments based on market changes.
- Example: Link price adjustments to a relevant index.

- Negotiation Tip: Avoid double indexation and choose a suitable index.

#### **9. Choice of Law and Venue**

- Importance: Determines legal jurisdiction for disputes.
- Example: Opt for the law of the country with most activities.
- Negotiation Tip: Consider implications of various legal systems.

#### **10. Lien and Retention Rights**

- Importance: Enables providers to retain goods for unpaid invoices.
- Example: Define conditions for exercising these rights.
- Negotiation Tip: Partner with financially stable providers.