



Logistics Outsourcing Guidance

**A global good dedicated to enhancing logistics
outsourcing in the public health sector**

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Framework introduction

The framework is made up out of two key elements: a readiness scan followed by the twelve-step outsourcing process. It presents a comprehensive, step-by-step approach to facilitate effective logistics outsourcing in the public health sector.

Readiness scan

Before starting the logistics outsourcing process, you can perform a readiness scan to ensure your organization possesses the necessary outsourcing skills and capacities and identify areas that may require external expertise.

Outsourcing process

The process encompasses twelve meticulously detailed steps, each supported by relevant resources, to help you execute a thorough and strategic outsourcing process that fosters intentional and informed decision-making.

You can navigate your way through the twelve steps on this website and jump into all the details.



Readiness scan

To evaluate your organization's readiness to execute the logistics outsourcing process efficiently and proficiently, you can conduct the readiness scan. The scan is designed to help your organization evaluate their current capabilities such as organizational structure and governance, operational review, market assessment, sourcing & procurement, contracting & legal frameworks, and change management. It allows you to identify strengths and areas needing intervention, such as capacity building, process adjustments, or strategic realignments.

The best time to perform the readiness scan is before starting the logistics outsourcing process, to ensure your organization possesses the necessary skills and capacities and highlights areas that may require external expertise. It also provides visibility for decision-makers on the baseline from which their team is starting, allowing for informed decision-making throughout the outsourcing process.

Step 1. Review current operations

Purpose

The purpose of this step is to thoroughly assess your current logistics operations to understand existing capabilities, identify areas for improvement, and establish a baseline for performance and cost. This step is essential for making informed decisions about logistics outsourcing and optimizing supply chain management.

Key activities

The key activities for this step include:

1. **Document customer requirements:** Understand current logistics requirements and anticipate potential future logistics needs
2. **Document demand:** Review past, current, and forecasted demand to guide planning and resource allocation
3. **Review network design:** Map and evaluate whether logistics facilities are optimally located, have sufficient capacity, serve the right geographic scope, and meet quality standards
4. **Analyze performance:** Measure service performance, quality, efficiency, and effectiveness of logistics processes to identify strengths and areas for improvement
5. **Determine costs:** Compile the total costs of logistics operations to evaluate overall cost-effectiveness as well as understand the cost to serve specific customers, channels/products
6. **Routine data collection & analysis:** Standardize the approach to routinely gather and analyze data to support decision-making

See detailed activity descriptions on the following page.

Key output

By completing Step 1, your organization will gain a comprehensive understanding of its current logistics operations, including customer requirements, demand, network design, performance, and costs. This review establishes a baseline, enabling more objective decision-making when comparing in-house logistics with potential outsourcing. Having this clear picture of current operations is critical to ensuring that any outsourcing strategy is based on accurate data and tailored to your organization's goals and logistical needs.

Detailed activity descriptions

1. **Document customer requirements**
To ensure your logistics operations are aligned with both current and future needs, begin by documenting your customers' logistics requirements. This involves understanding what logistics

support is currently required (e.g., delivery timelines, product handling needs) and anticipating how these needs may change. For instance, if customer demands are likely to shift due to expanding health services or more patient centric, climate adapted and sustainable systems, capturing this information upfront is critical. Engage with key stakeholders to gather insights on both current needs and anticipated changes. This forms the foundation for ensuring that logistics operations are flexible enough to adapt to evolving demands.

2. Document demand

Once you understand the customer requirements, the next step is to analyze the demand for logistics services. Begin by assessing historical data on demand trends (e.g., shipment volumes, seasonal fluctuations). This provides a clear view of how much volume is being handled and where. Next, assess current demand by examining orders, inventory levels, and regional needs. Forecasting future demand is essential for preparing your logistics operations, particularly by considering factors like population growth, policy changes, or health crises. This step provides clarity on both current needs and long-term projections, ensuring that resources are appropriately allocated.

3. Review network design

Before optimizing the logistics network, it's critical to first map and fully document the current network. This includes the locations of warehouses, their capacities, transportation routes, distribution points, and any other logistics assets. Having this foundational map will ensure that the organization understands the full scope of its network, which is necessary for making informed decisions later. Once the current network is mapped, you can evaluate whether it supports cost-effective and timely delivery of goods and is fit for expected future needs. Map the flow of goods and information across the network to identify bottlenecks or inefficiencies. After understanding the current structure, consider potential improvements, such as relocating, adding and/or removing storage facilities or optimizing transportation routes to enhance service performance and/or reduce costs.

4. Analyze performance

Assessing the performance of your logistics operations involves measuring both service performance and operational efficiency. Evaluate Key Performance Indicators (KPIs), such as on-time, in-full delivery rates, order cycle times, product loss, and inventory turnover, as well as operational metrics like regular & non-regular (emergency) orders, excess & insufficient inventory, and truck capacity utilization. For example, monitor the condition of goods upon arrival and whether delivery timelines are consistently met. By measuring these metrics, you can identify areas for improvement in both service and operational performance. Regularly tracking performance data helps ensure that logistics operations remain efficient and meet your organization's service-level goals.

5. Determine costs

Now that performance metrics have been assessed, it's important to evaluate the costs associated with logistics operations; both the overall costs as understanding the cost to serve specific customers, channels and/or products. Assess both direct and indirect costs, including transportation, warehousing, labor, and any value-added services like packaging or quality assurance. Include costs that arise from inefficiencies, such as non-regular (emergency) shipments

due to insufficient planning, to capture a full picture of financial performance. Develop a cost analysis framework to calculate the cost-to-serve specific for distribution channels and/or product categories. Combining the cost analysis with the analyzed performance allows you to evaluate (overall) cost-effectiveness. This cost analysis is essential for understanding your logistics operation's financial performance and identifying areas for potential savings.

6. Routine data collection & analysis

To support all the above assessments and enable routine analysis going forward, standardize the approach for continuous data collection and analysis. It ensures that you have the right data in place to make informed decisions about every aspect of your logistics operations. The ideal scenario is to collect data (near) real-time for the most accurate information and establish a continuous improvement culture. If this is not (yet) feasible, consolidate data from various sources to form a comprehensive picture. For example, gather shipping records, warehouse inventory logs, and customer feedback to assess the effectiveness of your logistics operations.

Step 2. Define outcomes & needs

Purpose

The purpose of this step is to clearly define both organizational and customer needs, establish desired outcomes, and determine whether outsourcing or insourcing logistics activities can best meet these needs. By setting specific goals and understanding the desired future state, your organization can evaluate if outsourcing will help achieve these outcomes more effectively than insourcing, or vice versa. This process is critical in deciding where the organization wants to be in the future and assessing the capabilities of the market to meet those needs better than internal resources.

Key activities

The key activities for this step include:

1. **Define outcomes:** Establish specific, measurable outcomes that logistics outsourcing or insourcing should achieve
2. **Identify organizational needs:** Assess both current and future logistics needs, focusing on core competencies, customer service, and risk management
3. **Determine performance requirements:** Establish performance metrics and standards that align with the organizational goals
4. **Assess technology & innovation needs:** Identify technology solutions and innovative practices to enhance logistics operations
5. **Engage with stakeholders:** Gather input from key stakeholders to ensure alignment with organizational priorities

See detailed activity descriptions on the following page.

Key output

By completing Step 2, your organization will have clearly defined logistics outcomes and a thorough understanding of current and future needs. This clarity ensures that logistics outsourcing or insourcing aligns with your strategic goals and enhances operational efficiency. Additionally, by engaging stakeholders and leveraging technology and data, you can make informed decisions that support continuous improvement and long-term success in your logistics operations.

Detailed activity descriptions

1. Define outcomes

Start by defining the specific outcomes you want to achieve through logistics outsourcing or insourcing. These outcomes should be SMART (Specific, Measurable, Achievable, Relevant, and

Time-bound) to provide clear direction and accountability. For example, you might aim to reduce the distribution time to rural health clinics by 30% or improve inventory accuracy by 20% within the first year. Clearly defined outcomes help align logistics activities with both organizational and customer objectives, ensuring that efforts contribute to the broader goals of the organization and meet customer expectations.

2. Identify organizational needs

Assess your organization's current and future logistics needs to determine which activities are best suited for outsourcing or insourcing. Focus on identifying the following needs:

- **Core competencies:** Identify areas where the organization excels and should retain control. For example, if your expertise is in providing health services, outsourcing logistics can free up resources that would otherwise detract from core functions
- **Improved customer service:** Enhance reliability and information accuracy, such as upgrading track-and-trace systems to provide precise delivery timelines to clients
- **Distribution channel segmentation:** Segment your network by customer characteristics, geographic locations, or product types to improve logistics performance tailored to specific needs
- **Improve logistics performance:** Focus on improving efficiency and cost-effectiveness across your logistics operations, from warehousing to last-mile delivery. For example, improving the distribution in remote areas to expedite emergency orders
- **Optimize logistics spend:** Identify opportunities to reduce costs without sacrificing service quality. This may include analyzing total cost-to-serve or minimizing unnecessary expenditures
- **Reduce asset capital:** Evaluate whether outsourcing can reduce capital investments in logistics assets, such as transportation fleets or warehousing infrastructure
- **Reduce risks:** Assess how outsourcing can mitigate risks in logistics operations, especially when handling sensitive health products like vaccines or lab samples
- **Improve visibility:** Increasing visibility into logistics operations can enhance monitoring and real-time adjustments, enabling proactive decision-making during disruptions or service failures
- **Enhance flexibility:** Focus on improving your ability to adapt to changes. This could involve scaling up logistics operations during a sudden increase in demand for critical health products
- **Build resilience:** Ensure that your logistics operations can handle unexpected disruptions, such as outbreaks affecting the movement of lab samples
- **Embrace innovation & new technology:** Explore how Internet of Things (IoT) devices or predictive analytics can improve logistics operations and decision-making processes
- **Acquire additional expertise:** If your team lacks the expertise for advanced logistics management, outsourcing can fill these gaps by bringing in specialized knowledge

3. Determine performance requirements

Utilize the performance metrics evaluated in the previous step (or expand / establish them) and set targets that align with your desired outcomes and organizational goals. These metrics should include Key Performance Indicators (KPIs) and other operational metrics, and focus on the broad

spectrum of logistics performance, including service performance (e.g., delivery timelines, on-time, in-full targets), product quality (e.g., product loss targets), asset utilization (e.g., inventory turnover, inventory accuracy targets), and cost. Performance requirements must be clear to ensure continuous improvement and the ability to hold providers accountable through objective data

4. Assess technology & innovation needs

Evaluate the role of technology in enhancing logistics operations. Consider solutions like warehouse management systems (WMS), transportation management systems (TMS), and IoT devices to support real-time tracking of shipments and inventory. Identify opportunities to integrate innovative practices, such as predictive analytics to forecast demand and optimize transportation routes

5. Engage with Stakeholders

Engage with key stakeholders, including internal teams and external partners, to gather and validate insights and ensure alignment with organizational priorities. Conduct stakeholder meetings and workshops to discuss logistics needs, expectations, and potential challenges. Document stakeholder feedback and use it to refine your logistics strategy, ensuring that all perspectives are incorporated and that your approach aligns with both organizational goals and customer expectations

Step 3. Assess LSP market

Purpose

The purpose of this step is to identify potential Logistics Service Providers (LSPs) that can serve your geographic scope and assess whether they have the capabilities to deliver the outcomes and meet the needs you have defined. This market assessment will help determine if the private sector can better meet your logistics needs compared to insourcing. Understanding the capabilities and limitations of potential LSPs enables you to make an informed decision on the best approach for your logistics strategy.

Key activities

The key activities for this step include:

1. **Understand LSP types:** Differentiate between various types of LSPs and their respective roles
2. **Identify potential LSPs:** Determine which LSPs, both local and international, have the capacity to meet your logistics requirements
3. **Evaluate LSPs & set shortlist:** Assess the capabilities, strengths, and weaknesses of potential LSPs against your specific logistics needs and finalize the LSP shortlist

See detailed activity descriptions on the following page.

Key output

By completing Step 3, you will have a thorough understanding of the LSP market and the types of providers available, and your evaluation has resulted in a shortlist of LSPs you can further engage with in seeking to outsource logistics activities. This knowledge is crucial for determining the next steps in your logistics strategy, such as further evaluation or more detailed discussions with potential providers. The insights gained from this assessment will prepare you to make informed decisions in later steps, ensuring that any logistics solution aligns with your organization's goals and logistical requirements.

Detailed activity descriptions

1. Understand LSP Types

Different LSPs offer various services and have different strengths. Understanding the type of LSPs available and what they specialize in helps in identifying the right fit for your needs. Consider the following types of LSPs:

- **1PL:** Refers to organizations that handle their logistics in-house, managing transportation, warehousing, and distribution using their own resources and assets
- **2PL:** 2PLs typically offer specific logistics services (e.g., managing transportation networks, providing shipping solutions, storing goods in warehouses, and basic inventory management) to clients using their own assets
- **3PL:** 3PLs offer a more comprehensive range of logistics services compared to 2PLs. They handle various logistics functions, including warehousing, transportation, inventory management, order fulfillment, reverse logistics, and possible value-added services like packaging and labeling
- **LLP:** Asset-owning companies that manage full-scope logistics services by coordinating multiple LSPs, including themselves
- **4PL:** Providers that manage resources, technology, infrastructure, and coordinate external 3PLs to design and run integrated supply chain solutions

Practical considerations: 3PLs can provide comprehensive logistics solutions, including reverse logistics and value-added services like packaging, while 4PLs offer strategic oversight and manage other LSPs. For example, a 4PL might be the best choice if your logistics strategy requires coordinating multiple providers across a complex supply chain, such as a national distribution network. Knowing these distinctions helps you choose a provider that aligns with your logistics strategy and specific requirements.

2. Identify potential LSPs

Start identifying potential LSPs that can meet your logistics needs. This includes looking at both local and international providers who operate within your geographic scope. It is crucial to understand the market landscape and identify LSPs that have experience in managing logistics for similar organizations or sectors, particularly in public health supply chains. Conduct thorough market research to gather relevant data on potential LSPs. Use a combination of approaches, such as:

- **Past responses:** Review past outsourcing responses and/or partnerships with LSPs, examining their performance and lessons learned to identify potential matches
- **Desk study:** Conduct research on LSPs using online search engines, logistics industry reports, or more advanced AI-enabled supplier discovery solutions
- **Interview colleague organizations:** Speak with organizations with similar logistics needs, such as local health ministries or non-governmental organizations, for insights into the LSP market
- **Interview private sector entities:** Engage with industries reliant on (partly) outsourced logistics services to understand how LSPs can adapt to complex supply chains

- **Industry day:** Organize an event for direct interaction between potential LSPs and your organization
- **Share a Request for Information (RFI):** Depending on the sourcing approach you use (see more details in Step 6), you can decide to issue an RFI to gather general information on potential LSPs' capabilities and services. This is particularly useful for new or lesser-known LSPs

Ensure that the assessment approach, or a combination of approaches, aligns with the size, scope, and complexity of your logistics needs. Below are examples that can guide this process:

- **Rural health distribution:** Consult local non-governmental organizations for insights into LSPs capable of managing logistics in challenging terrains
- **Distribution to urban hospitals:** A desk study might reveal LSPs with advanced technological capabilities for efficient inventory management and optimized routes
- **Outsourcing a nationwide distribution network:** Consider combining approaches, such as RFIs and industry days, to gather a comprehensive understanding of potential LSPs
- **Outsourcing a nationwide immunization program:** Engage with LSPs experienced in cold chain management, ensuring vaccines are stored and transported at the appropriate temperatures

3. Evaluate LSPs & set shortlist

After identifying potential LSPs and gathering initial information, assess their capabilities against your specific logistics needs. The assessment will result in a shortlist of LSPs that can potentially meet your logistics needs. Key evaluation criteria include:

- **Service Capabilities:** Can the LSP provide the range and quality of services required?
- **Geographic Reach:** Does the LSP operate in all required areas, including remote or hard-to-reach locations?
- **Technological Capabilities:** Does the LSP have the technology needed for efficient logistics management (e.g., real-time tracking, data analytics)?
- **Compliance and Risk Management:** Does the LSP comply with all relevant regulations, particularly in handling sensitive health products, and have robust risk management practices?
- **Past Performance:** If possible, review LSPs' performance in previous contracts, particularly in health supply chains, to assess reliability and service quality. For example, an LSP managing cold chain logistics for vaccines can demonstrate their ability to maintain temperature-sensitive environments

Step 4. Make outsource decision

Purpose

The purpose of this step is to make an informed decision on whether to insource, outsource, or use a combination of both for your logistics operations. This decision should be based on a thorough analysis of your organization's core competencies, future network design, potential LSPs, and the overall business case. This step is critical to ensuring that your logistics strategy aligns with your organizational goals and delivers the required service levels efficiently and cost-effectively.

Key activities

The key activities for this step include:

1. **Evaluate core competencies:** Determine which logistics functions are integral to your organization's mission and which could be better executed externally
2. **Assess future network design:** Define ideal logistics network options and evaluate how it aligns with your organizational strategy and logistics needs
3. **Determine if a 4PL is necessary:** Evaluate the potential benefits of using a 4PL for strategic oversight and coordination of multiple LSPs
4. **Develop business case:** Build a comprehensive business case that analyzes the costs, benefits, and risks of insourcing versus outsourcing
5. **Make insource or outsource decision:** Using detailed criteria, decide whether insourcing, outsourcing, or a combination of both will best meet your strategic logistics objectives

See detailed activity descriptions on the following page.

Key output

By completing Step 4, your organization will have made a well-informed decision on the best strategy for your logistics operations. This decision will be based on a comprehensive evaluation of your core competencies, future network design, potential LSPs, and a detailed business case. It is important to recognize that a mixed approach, where some logistics functions are insourced and others outsourced, can offer the flexibility needed to optimize performance and manage resources effectively. The outcome of this step is critical to ensuring that your logistics strategy aligns with your organization's overall goals and is capable of meeting current and future logistics needs efficiently and effectively.

Detailed activity descriptions

1. **Evaluate core competencies**

Start by determining if logistics is one of your organization's core competencies. You can break down this evaluation into specific logistics capabilities, such as fulfillment services, warehousing, transportation, and reverse logistics. For many organizations, logistics may not be a primary area of expertise, so outsourcing can free up resources to focus on core competencies such as public health policy development.

For instance, if a Ministry of Health (MoH) has strong capabilities in managing laboratory services or forecasting medical supplies, these functions may be best retained in-house to ensure accuracy. Conversely, logistics functions like non-critical transportation could be outsourced to reduce internal resource strain. Balancing internal expertise with outsourced support can optimize logistics performance while maintaining control over strategic operations.

2. Assess future network design

Using insights from previous steps, define one or multiple ideal future network design options. This involves outlining improvements to your current logistics network, such as potential distribution channel segmentations, or operational improvements based on route optimizations. Key logistics components to assess include warehousing facilities, transportation assets, and information technologies. Evaluate these against their fit, effectiveness, and ability to adapt to future demands & changing needs. This will give you a clearer idea of which logistics functions to keep in-house and which to outsource.

For example, if your current network lacks scalability to meet future demands (e.g., expanding rural health delivery), outsourcing transportation and warehousing might provide access to more adaptable and efficient solutions.

3. Determine if a 4PL is necessary

If your analysis points to the decision to outsource some or all logistics activities, it is important to determine whether engaging a 4PL provider is necessary for managing the outsourced operations. A 4PL can be highly beneficial if your logistics needs are substantial and require strategic planning and coordination, particularly in segmented distribution networks or large-scale health programs such as nationwide health campaigns or emergency response initiatives. The 4PL acts as a logistics integrator, managing multiple 2PL and 3PL providers, ensuring efficient collaboration and streamlined operations. This approach offers flexibility and responsiveness in dynamic public health environments where logistics demands can fluctuate rapidly.

Key considerations when engaging a 4PL include:

- **Complex, multi-regional operations:** Ideal for logistics needs spanning multiple regions that require integrated management and strategic oversight
- **Specialized expertise:** Beneficial when specific logistics expertise or technology (such as advanced tracking systems) is required, but not available in-house
- **Flexibility and scalability:** Useful when logistics operations need to quickly scale up or down to respond to varying demands, such as during emergency health responses or unpredictable market conditions

However, there are also key situations where engaging a 4PL might not be suitable:

- **Simpler logistics needs:** For organizations with straightforward logistics needs that can be effectively managed in-house or with minimal external support, the complexity and cost of a 4PL may not be justified
- **Direct operational control:** If retaining direct control over logistics processes is a strategic priority, or if there are significant concerns around data sharing and control, a 4PL may not be the best fit
- **Budget constraints:** If budget limitations do not support the additional cost of a 4PL, particularly when in-house logistics capabilities are adequate for your needs

For example, a 4PL may be the best option for managing logistics in a nationwide health supply chain, where multiple providers are responsible for different aspects such as warehousing, cold chain management, and last-mile delivery. A 4PL can ensure seamless coordination between these providers and integrate advanced technologies for tracking and reporting. This approach is particularly beneficial if the organization lacks experience in managing a variety of LSPs across different levels of the supply chain. On the other hand, if the logistics needs are more straightforward, such as managing a single distribution channel for routine medical supply deliveries, a 3PL may provide sufficient capabilities at a lower cost.

4. Develop business case

Build a comprehensive business case comparing insourcing and outsourcing options. This analysis should include cost comparisons, performance evaluations, and risk assessments to quantify the potential benefits and challenges of each approach. Use both internal and external data sources, such as historic logistics data and insights from the LSP market assessment, to underpin the business case.

- **Cost analysis:** Compare the total costs of insourcing (fixed and variable) with outsourcing costs, considering direct and indirect expenses
- **Performance evaluation:** Assess current logistics performance and compare potential improvements from outsourcing
- **Risk assessment:** Evaluate risks of both options, such as operational risks, compliance issues, and potential impacts on service levels
- **Strategic alignment:** Analyze how insourcing or outsourcing logistics aligns with long-term organizational goals and public health outcomes

For instance, if outsourcing warehousing for cold chain management can improve service reliability and reduce product losses, this should be clearly highlighted in the business case.

5. Make insource or outsource decision

Apply detailed criteria to decide whether to insource or outsource specific logistics activities. Please consider:

- **Strategic alignment:** Does the logistics function align with your organization's strategic objectives? If not, would outsourcing better meet these goals?

- **Capability & expertise:** Does your organization have the necessary capabilities to manage logistics in-house, or would an external LSP offer superior expertise?
- **Cost & efficiency:** Which option—insourcing, outsourcing, or a combination—provides the best value for money while maintaining or improving service levels?
- **Impact on service delivery:** How will the decision impact your ability to deliver services to your customers? Will outsourcing improve or disrupt service delivery?
- **Flexibility & scalability:** Does outsourcing offer greater flexibility to adapt to changes in demand or future growth?

For example, outsourcing transportation for nationwide distribution might reduce operational costs, while maintaining internal control over forecasting ensures accuracy in demand planning for essential medical supplies. These criteria will guide whether to fully outsource, insource, or adopt a mixed approach.

Step 5. Define scope & requirements

Purpose

The purpose of this step is to clearly define the scope of work and logistics requirements for potential LSPs based on the outcomes & needs defined in step 2. This involves detailing the specific services needed, performance expectations, technological requirements, and pricing format. By providing comprehensive specifications, you ensure that potential LSPs fully understand your logistics needs and can submit proposals that align with your organizational goals and operational requirements.

Key activities

The key activities for this step include:

1. **Detail scope of work:** Clearly outline the logistics activities to be managed, including any unique conditions or constraints
2. **Detail service requirements:** Specify the logistics functions required, including strategic oversight by Fourth Party Logistics Providers (4PL), and any standards or protocols that must be adhered to
3. **Establish performance management requirements:** Set clear performance targets and monitoring systems to ensure accountability and continuous improvement
4. **Detail technological needs:** Identify the technological infrastructure and capabilities required for effective logistics management

See detailed activity descriptions on the following page.

Key output

By completing Step 5, you will have clearly defined scope of work and logistics requirements suited to your outsourcing strategy. This will ensure that potential LSPs understand your needs and can provide proposals that align with your organizational objectives and operational requirements. It is crucial to provide enough detail in your specifications to avoid misunderstandings and ensure that the chosen LSP can meet your performance expectations, whether you choose to outsource all logistics functions or adopt a mixed approach.

Detailed activity descriptions

1. Detail scope of work

Clearly outline the scope of work for the LSP, including:

- **Current logistics operations:** provide an overview of your current logistics operations and – if you prefer – provide an overview of current logistics performance and your operating environment (e.g., poor infrastructure in remote areas) so LSPs can proactively propose solutions to resolve bottlenecks and/or improve performance
- **Outsourced logistics services:** include the logistics activities that will be outsourced, such as warehousing, transportation, inventory management, order fulfillment, and returns processing. Consider whether certain logistics functions will remain in-house while others are outsourced to provide a balanced approach that maximizes both internal strengths and external capabilities. For example, your organization might choose to retain forecasting in-house to maintain control over demand planning while outsourcing transportation to an LSP with a robust fleet for handling health commodities across multiple regions. Specify the boundaries of responsibility between your organization and the LSP to avoid any ambiguity
- **Geographic scope & locations:** provide information on the geographic scope, current locations in your network and your service delivery points (locations of e.g., hospitals, primary health clinics, pharmacy chains)
- **Volume:** provide information on the volume (in e.g., quantity, value, weight and/or volumetric weight) that have been processed in the past (i.e. past three to five years), are currently being processed, and what you expect to be processed in the future (e.g., three to five years ahead). Include relevant details such as the product portfolio and quality criteria (e.g., cold chain)
- **Future network design options:** you can decide to provide or withhold the information on the different network design options that you have evaluated, so LSPs can price out the specific option(s) of your preference, or have them propose solutions based on their own network

2. Detail service requirements

Provide a comprehensive breakdown of the service requirements for each logistics function. This should cover:

- **Warehousing:** Specify storage requirements, including temperature controls, security standards, and inventory turnover rates
- **Quality control:** Detail the standards for quality assurance, including inspections, audits, and compliance with local and international regulations
- **Inventory management:** Outline requirements for inventory accuracy, stock rotation policies, and reporting intervals
- **Transportation:** Specify transportation needs, including types of vehicles, delivery frequencies, handling protocols, and route optimization strategies. This is especially important for sensitive deliveries, such as transporting lap samples or cold chain products
- **Returns management:** Define the processes for handling returns, including timelines, inspection protocols, and restocking procedures
- **Value-Added Services (VAS):** Highlight any additional services required, such as packaging, labeling, or assembly
- **Customer service:** Establish expectations for customer service support, including response times, communication channels, and issue resolution procedures

- **4PL services:** If considering a 4PL model, specify the need for strategic oversight and coordination across multiple logistics functions, integration of supply chain activities, and use of advanced technology solutions to ensure a seamless and fully integrated supply chain solution

Ensure that each requirement is aligned with your strategic logistics objectives and any specific health service mandates.

3. Establish performance management requirements

Define clear performance metrics and set targets to measure the effectiveness of the LSP. These should include:

- **Strategic metrics:** High-level indicators that align with your organizational goals, such as overall cost reduction, service level improvements, or customer satisfaction
- **Tactical metrics:** Measures that track the efficiency and effectiveness of specific logistics functions, such as order accuracy, inventory turnover rates, and on-time delivery
- **Operational metrics:** Daily performance indicators that monitor key logistics activities, such as pick-and-pack times, vehicle utilization rates, and real-time delivery tracking

For example, if one of your strategic goals is to reduce stockouts in remote clinics, a tactical metric could track on-time delivery performance to ensure health products reach those clinics as scheduled.

Develop a performance monitoring system that includes dashboards and real-time data integration to provide continuous visibility into logistics operations. This will enable you to quickly identify and address any issues, ensuring that the LSP meets agreed-upon service levels.

4. Detail technological needs

Clearly outline the technological infrastructure and capabilities required to support logistics operations. This includes:

- **Order Management Systems (OMS):** Software that tracks the coming and going of all inventory and the orders tied to it
- **Warehouse Management Systems (WMS):** Software and hardware needed to capture and record the day-to-day warehouse operations such as inventory management, receiving, picking & packing, and billing
- **Transportation Management Systems (TMS):** Solutions for planning, executing, and optimizing transportation operations, including route planning and proof of delivery (POD) functionalities
- **Data exchange & integration:** Requirements for data exchange between your organization's IT systems and the LSP's systems to ensure seamless communication and coordination
- **Advanced tracking technologies:** Consider integrating technologies such as GPS, IoT sensors, and RFID for real-time tracking and enhanced visibility of logistics activities

Ensure that any technological solutions align with your existing IT infrastructure and are capable of scaling to meet future needs. For example, if expanding cold chain logistics, ensure the TMS can monitor temperature compliance in real-time.

Step 6. Plan sourcing activities

Purpose

The purpose of this step is to develop a comprehensive plan for all sourcing-related activities, ensuring that every phase—from initial planning to contract management—is strategically prepared. This includes understanding internal procurement procedures, finalizing necessary documentation, ensuring adequate resources are in place, and securing stakeholder buy-in. Proper preparation at this stage ensures a smooth transition to the sourcing phase.

Key activities

The key activities for this step include:

1. **Secure buy-in:** Engage stakeholders to ensure commitment to the sourcing process
2. **Understand procurement procedures:** Familiarize yourself with internal procurement procedures, identify the necessary templates and annexes, and prepare for document development
3. **Select the appropriate sourcing method:** Choose the most suitable sourcing method for your logistics needs based on complexity, scale, and desired outcomes
4. **Develop sourcing plan:** Outline the overall sourcing approach and timeline, including objectives, key milestones, and decision points in all phases of the sourcing process, from initial planning to contract management
5. **Assess contract mechanism & requirements:** Determine the type of contracts needed and evaluate legal resources required for drafting or modifying contracts
6. **Allocate resources:** Identify and allocate necessary resources to execute the sourcing process and following process steps
7. **Establish communication plan:** Set up a communication plan to ensure alignment and transparency among all stakeholders throughout the process

See detailed activity descriptions on the following page.

Key output

By completing Step 6, you will have developed a comprehensive plan that prepares your organization for the sourcing process. This includes completing the internal SOW, understanding internal procurement procedures, aligning resources, planning documentation needs, and securing stakeholder buy-in. Effective planning at this stage ensures that all necessary preparations are made to support successful implementation and ongoing performance, laying a solid foundation for the sourcing phase in Step 7.

Detailed activity descriptions

1. Secure buy-in

Conduct meetings, workshops and/or presentations with department heads, procurement teams, and frontline staff to communicate the benefits of outsourcing and align expectations to secure buy-in. Ensure to keep engaging key decision makers through the process.

2. Understand procurement procedures

Familiarize yourself with the internal and local procurement procedures to ensure compliance and alignment with organizational policies:

- **Identify internal templates & procedures:** Understand which procurement templates and procedures are required by your organization's procurement department or external agencies
- **Coordinate with the procurement department:** Engage early with the procurement department to align on timelines, documentation, and templates
- **Prepare supporting documents & annexes:** In addition to the Scope of Work (SOW), identify additional annexes such as technical specifications, data reports, or relevant background information
- **Complete the internal SOW:** Building on the SOW created in Step 5, ensure the document is refined to reflect any updates from stakeholders and aligns with your strategic objectives. This internal version of the SOW will serve as the foundation for final adjustments before being issued to potential bidders in Step 7

This ensures you are prepared for the next step, where the final SOW and supporting documents will be issued to potential bidders.

3. Select the appropriate sourcing method

Decide on the sourcing method that best fits the complexity and scale of your logistics needs, and is aligned to the internal procurement policies:

- **Request for Quotation (RFQ):** Used when requirements are clear and specific, such as transport services or straightforward warehousing contracts. This method focuses on price and basic service capabilities
- **Request for Proposal (RFP):** Best suited for complex needs requiring LSP input to define the solution. This method allows for flexibility and encourages innovation in proposals. Ideal for logistics operations that require detailed plans, such as integrating technology solutions or optimizing supply chains
- **Request for Tender (RFT):** Suitable for services with well-defined requirements where a formal, structured bidding process is needed. Used when the organization has a clear understanding of its needs

When selecting the sourcing method, consider factors such as geographic reach or specialized handling requirements. For example, if you are managing the distribution of health products across remote regions, an RFP would allow LSPs to propose tailored solutions addressing specific challenges such as difficult terrains and cold chain management. Engage key stakeholders in this decision to align with broader organizational needs.

4. Develop sourcing plan

Begin by developing a sourcing plan that outlines your organization's overall approach to outsourcing logistics services. This plan should include clear objectives, such as cost reduction, service improvement, scalability, or enhanced focus on core competencies. Develop the timeline, set key milestones and decision points throughout the process, from the initial planning stages through to contract management. It should include the following key elements:

- **Key activities & milestones:** Identify specific activities such as completing the internal SOW, developing procurement documents, issuing requests for proposals, receiving and evaluating bids, conducting negotiations, and contract signing. Each activity should have a clear deadline to ensure the process stays on track
- **Sourcing phases:** Map out each phase of the sourcing process, vendor selection, contract negotiations, and the transition of services. Ensure there are clear decision points to guide progress throughout these phases
- **Allow for contingencies:** Include buffer periods to account for potential delays or unexpected issues that may arise. For example, legal reviews or contract negotiations can take longer than anticipated, and incorporating extra time will help maintain the overall timeline without causing disruptions
- **Transition & implementation phases:** If outsourcing involves a handover of services, such as warehousing or transportation, make sure the timeline includes realistic deadlines for transitioning logistics operations to the selected provider(s). This should cover essential activities such as system integration, technology setup, and staff training
- **Stakeholder approvals:** Build in checkpoints where key stakeholders will review and approve documents or decisions, such as finalizing the proposal, evaluating responses, or approving contract terms. These checkpoints ensure alignment with organizational goals and prevent delays due to miscommunication

5. Assess contract mechanism & requirements

Plan for the contract mechanism and requirements based on the scope and nature of the outsourcing:

- **Determine contract type:** Decide whether the procurement will follow standard terms and conditions, use national or international frameworks, or require a specific contract negotiation stage. This decision impacts the level of legal support needed and the complexity of the contracting process
- **Evaluate the need for contract drafting or modification:** Assess whether a new contract needs to be drafted or if an existing template can be modified. For example, if your organization already uses standardized logistics contracts, minor modifications may suffice. However, for complex multi-regional operations, custom contracts might be required to address specific needs
- **Strategic services & contract management:** Ensure that contract management and strategic alignment clauses are clearly defined. Consider including key KPIs, Service Level Agreements (SLAs), and terms for managing strategic relationships

This ensures your organization is legally prepared and that contracts are tailored to your specific logistics outsourcing needs, while also making sure the internal SOW is completed and ready for further adjustments in the next steps.

6. **Allocate resources**

Determine the internal resources needed to support the sourcing process, including personnel required for planning, evaluation, and ongoing contract management. Assign key staff, such as project managers, logistics specialists, and procurement officers, to manage the sourcing process. For example, a dedicated contract manager could oversee compliance with SLAs once the LSP is operational.

Subsequently evaluate the organization's capacity to manage the transition to outsourcing, including staff training needs and possible restructuring.

7. **Establish communication plan**

Develop a comprehensive communication plan to maintain alignment and transparency throughout the sourcing process. The communication plan should include:

- **Regular updates:** Schedule regular meetings or updates to keep stakeholders informed about progress, timelines, and any changes in the sourcing process
- **Feedback mechanisms:** Establish clear mechanisms for gathering feedback from stakeholders, such as surveys or regular check-ins, to ensure their needs and concerns are being addressed
- **Change management strategy:** Develop a change management strategy to guide the transition and address any resistance. This strategy should include clear communication about the impacts of outsourcing, particularly on roles and responsibilities, as well as providing training and support to staff adapting to the new model. Regular feedback sessions can help address concerns and ensure smooth implementation.

For example, weekly status meetings with the procurement team could be scheduled to discuss progress and flag any risks, ensuring proactive issue management.

Step 7. Execute sourcing process

Purpose

The purpose of this step is to – based on the plan set in Step 6 – execute the sourcing process by finalizing and releasing the sourcing documents, managing communications with potential LSPs, and receiving their responses. This step ensures all administrative handling is in place to move forward with a transparent and effective outsourcing approach.

Key activities

The key activities for this step include:

1. **Finalize sourcing documents:** Finalize the SOW and supporting annexes based on the internal versions developed in Step 6, and prepare all necessary documents for external release
2. **Specify pricing format:** Define how you want the LSPs to provide their pricing to ensure transparency and comparability
3. **Publish sourcing documents:** Distribute the finalized sourcing documents to potential LSPs, ensuring an adequate posting period and structured communication plan
4. **Manage communications & clarifications:** Set up a process for addressing questions and providing clarifications to potential bidders
5. **Receive LSP responses:** Collect and document all responses from LSPs in preparation for the evaluation process

See detailed activity descriptions on the following page.

Key output

By completing Step 7, your organization will have effectively executed the sourcing process, laying the groundwork for evaluating and selecting the best LSP(s). This step ensures transparency, fairness, and strategic alignment with your organizational goals, setting a strong foundation for the next steps in the logistics outsourcing journey.

Detailed activity descriptions

1. Finalize sourcing documents

In Step 6, you finalized the internal SOW to ensure it aligns with your organizational goals and is reviewed by key stakeholders. In this step, you will finalize the external SOW and supporting annexes for release to potential LSPs. This version is finalized for external use and includes all necessary details to ensure that LSPs can submit comprehensive and accurate proposals. Focus on:

- **Finalizing the SOW for external release:** Ensure the SOW is fully detailed, clear, and ready for potential LSPs to review. This includes refining the SOW to provide precise instructions, performance expectations, service-level agreements (SLAs), and timelines for delivery
- **Integrating supporting documents & annexes:** Ensure any annexes—such as technical specifications, reports, or datasets—are clearly referenced within the SOW and included in the final documentation package. These documents should provide LSPs with all the necessary information they need to submit accurate bids

Clearly communicate the contract period length in the SOW. Shorter contracts may deter providers, especially those needing to make significant upfront investments or those based outside the region. Consider offering longer contract durations when feasible to attract a wider range of capable LSPs and allow for more competitive pricing, as this will increase participation and ensure you receive strong proposals.

2. Specify pricing format

Define the pricing format you require from the LSPs to ensure that pricing proposals are clear, comparable, and aligned with your budgetary constraints. This might include:

- Fixed pricing for specific logistics services (e.g., warehousing costs per square meter)
- Variable pricing based on activity volume or usage (e.g., cost per kilometer for transportation)
- Cost-plus pricing where a fixed percentage is added to the actual costs incurred
- Performance-based pricing that ties compensation to achieving specific performance metrics (e.g., on-time delivery rates)

By specifying the pricing format, you can better compare proposals from different LSPs and select a provider that offers the best value for money. For example, performance-based pricing might be advantageous if your focus is on improving service levels over time

3. Publish sourcing documents

Distribute the finalized sourcing documents to potential LSPs. Please consider:

- **Establish a publication plan:** Determine the appropriate channels for releasing the documents, such as direct invitations to LSPs, posting on procurement websites, your organization's website, or relevant industry platforms
- **Set posting duration:** Provide a sufficient posting period before responses are due. For simpler RFQs, a shorter period may be adequate, but more complex RFPs or RFTs may require a longer response time. For example, if your tender involves complex logistical requirements such as multiple level of the network and/or large numbers of delivery locations, allow additional time for LSPs to develop comprehensive proposals that demonstrate how they will meet your needs. Consider a minimum of 30 days for complex tenders
- **Set clear deadlines & instructions:** Provide a detailed timeline for submissions, including deadlines for questions, clarifications, and final proposal submissions. Include a structured communication plan that outlines how updates and responses to inquiries will be managed. This ensures all bidders have equal access to information and understand the process

4. Manage communications & clarifications

Establish a process to handle questions from potential LSPs and provide necessary clarifications:

- **Centralize communication:** Use a centralized platform for all questions and answers, such as an online portal or dedicated email address, to ensure transparency. Maintain a log of all questions and responses to share with all potential bidders
- **Organize a bidder conference (if applicable):** Consider holding a bidder conference to provide an overview of the sourcing process, clarify expectations, and address any initial questions. Regularly update bidders on any changes or additional information, maintaining transparency and building trust throughout the process

For instance, in complex, multi-region operations, a bidder conference would allow potential LSPs to ask specific questions regarding the logistics network and expectations, which helps them submit proposals better aligned with your needs.

5. Receive LSP responses

Collect and document all responses from LSPs:

- **Adhere to submission deadlines:** Ensure all responses are received by the specified deadline. Document any late submissions according to your organization's policy
- **Secure documentation & storage:** Use a secure repository to store all received documents, ensuring they are easily accessible for the evaluation process. Develop a scoring system or set criteria for evaluating proposals to ensure objective and comprehensive decision-making

Allow for sufficient lead time before the LSP is expected to start operations. LSPs coming from outside the region may need additional time to set up operations, procure assets, or train staff. Specifying a realistic lead time can attract a larger pool of qualified bidders and reduce the risk of operational issues during the transition.

Step 8. Evaluate bids & select LSPs

Purpose

The purpose of this step is to evaluate received bids against predefined criteria, conduct negotiations, and select the preferred LSPs – can be one or multiple depending on your logistics strategy and the sourcing results. This ensures a transparent, well-documented, and objective assessment process, aligning with your logistics needs.

Key activities

The key activities for this step include:

1. **Conduct bid evaluations:** Review and score proposals based on set criteria
2. **Hold bid negotiations:** Clarify terms and negotiate with shortlisted LSPs
3. **Develop bid evaluation document:** Summarize and compare bids to provide clear recommendations
4. **Select preferred LSP(s):** Finalize selection, notify all participants, and provide feedback

See detailed activity descriptions on the following page.

Key output

By completing Step 8, your organization will have thoroughly evaluated and selected the most appropriate LSP(s). Through transparent negotiations and careful assessment, this step ensures that your logistics goals are aligned with the capabilities of the chosen LSP(s). This process sets a strong foundation for the next phase – contracting – with clear justifications and internal consensus.

Detailed activity descriptions

1. Conduct bid evaluations

Once the bids have been received, assess the LSP proposals against predefined criteria such as cost, service quality, technological capabilities, geographical coverage, and flexibility. It is essential to involve a cross-functional team (e.g., logistics, IT, finance, legal) to ensure a thorough assessment.

- **Scoring system:** Create a matrix with weighted criteria (e.g., 30% cost, 30% service quality, 20% flexibility, 20% innovation)
- **Evaluate technological compatibility:** Ensure the LSP's technological capabilities, such as warehouse management systems or tracking solutions, integrate smoothly with your organization's systems
- **Evaluate long-term flexibility:** Assess whether the LSP(s) can scale their services or adapt to new requirements over time, such as changes in demand or the introduction of new technology
- **Site visits & references:** Direct interaction through site visits or meetings can provide valuable insights into LSP capabilities. Additionally, perform reference checks with the LSPs' past clients to verify performance
- **Example:** For a nationwide vaccine distribution contract, weigh cost savings against the provider's experience in cold chain logistics and their ability to scale during emergencies
- **Internal discussions:** Before finalizing scores, conduct internal discussions with key stakeholders to review preliminary evaluations and ensure alignment on priorities
- **Hiring a 4PL:** When hiring a 4PL, pricing evaluation (aside from management costs) is less critical, as the 4PL will source competitive pricing from 2PLs/3PLs after they are contracted. Focus should be on their ability to manage the network and ensure transparency in vendor selection

2. Hold bid negotiations

After initial evaluations, negotiate terms with the shortlisted LSPs. Focus on refining the bids and addressing any concerns, such as cost, performance metrics, and terms of service.

- **Clarify terms & conditions:** Ensure key terms, such as payment schedules, penalty clauses, and delivery guarantees, are clear. Seek flexibility where needed (e.g., handling emergencies, rapid scaling, and ensure continuation of services in unpredictable events like border closures or transport disruptions)
- **Leverage competition:** Use the presence of multiple bidders to negotiate better terms
- **Internal review:** After completing negotiations, consult with your legal, procurement, and logistics teams to ensure that the adjusted proposals align with internal policies and organizational expectations
- **Multi-stage negotiations:** In complex logistics contracts, consider multi-stage negotiations to ensure alignment on both short- and long-term logistics goals

3. Develop bid evaluation document

To support decision-making, summarize the evaluation results in a bid evaluation document. This document should provide a clear comparison of each bid, highlighting strengths, weaknesses, and alignment with logistics needs.

- **Structured comparison:** Ensure your comparison is structured, listing key attributes (e.g., cost, service quality, compliance with the SoW) for each LSP
- **Bid evaluation matrix:** Use an LSP bid evaluation matrix to organize and present comparisons systematically
- **Example:** If LSP A is stronger on cost but weaker on service quality, the evaluation document should reflect how this factored into the final decision
- **Transparency & record-keeping:** The bid evaluation document serves as a transparent record of the decision-making process, ensuring fairness and objectivity
- **Senior management review:** Present the bid evaluation document to senior management for final approval before moving forward with the final selection

4. **Select preferred LSP(s)**

Based on the evaluation results, select the preferred LSP(s). This may involve choosing one provider or dividing services among multiple LSPs to capitalize on specific strengths.

- **Example:** For a large distribution contract, you might select one provider for urban areas and another for rural locations with more complex logistics needs
- **Document the decision:** Ensure the selection process is structured, transparent, and well-documented. Notify both successful and unsuccessful LSPs, providing feedback where appropriate to encourage future participation
- **Internal alignment:** Involve key stakeholders in finalizing the decision to ensure alignment with organizational needs and policies
- **Clarify implementation timeline:** Ensure that the LSP(s) provide a realistic timeline for service implementation, particularly for time-sensitive logistics operations. This timeline should include transition phases and deadlines for full operational capacity

Step 9. Negotiate terms & sign contract

Purpose

The purpose of this step is to negotiate the terms and conditions of the contract with the selected LSP(s), finalize the contract, and have it reviewed and signed by all parties. This step establishes the legal and operational framework for a successful relationship with your LSP, ensuring mutual agreement on expectations, responsibilities, and performance metrics.

Key activities

The key activities for this step include:

1. **Applying the contracting mechanism:** Based on the agreed contract mechanism, select the appropriate contract type.
2. **Initiate detailed negotiations:** Negotiate terms and conditions, including key performance indicators (KPIs), operational metrics, and service level agreements (SLAs).
3. **Draft the contract:** Prepare the contract, ensuring alignment with negotiations.
4. **Review & sign contract:** Review the contract with legal teams, finalize, and sign it.

See detailed activity descriptions on the following page.

Key output

By completing Step 9, you will have successfully negotiated and finalized a legally binding contract with the selected LSP(s). Through detailed negotiations, a transparent drafting process, and thorough legal review, this step ensures that both parties have clear expectations, responsibilities, and protections in place. This contract forms the foundation for a productive and compliant logistics partnership.

Detailed activity descriptions

1. Applying the contracting mechanism

Based on step 6.5, the type of contract(s) that will govern the relationship with the LSP can be set, considering local & organizational procurement policies. Depending on the complexity and scope of the outsourced services, you may need one or more types of agreements. The most common contracts consist of:

- **Master Service Agreement (MSA):** This is the overarching contract that sets out the general terms and conditions of the relationship, covering items like confidentiality, liabilities, dispute resolution, and overall responsibilities.
- **Service Level Agreement (SLA):** This document outlines specific performance standards, delivery timelines, technical requirements, and the metrics that will be used to measure the LSP's performance. The SLA is typically integrated under the MSA and is vital for day-to-day management of logistics services.
- **Additional considerations:** If the scope includes sensitive logistics services like cold chain management or emergency distribution, additional clauses may be required to address these specialized needs.

Bespoke contracts may also be necessary if the logistics services involve complex, multi-regional operations or if specific compliance regulations need to be addressed.

2. Initiate detailed negotiations

This stage involves negotiating the specific terms of the contract with the selected LSP(s). It is crucial to approach negotiations with a clear understanding of your organization's goals and constraints, and to ensure that the LSP is fully aligned with these objectives. Focus on key areas such as:

Scope of services: Define the full scope of logistics services to be provided, including service levels, delivery timelines, geographic coverage, and any additional responsibilities (e.g., value-added services such as packaging or inventory management).

Performance metrics: Ensure that all relevant performance KPIs, metrics and other data sources are outlined in the contract, even those not actively monitored as KPIs at any given time. This ensures that complete data is collected for overall logistics performance monitoring. Consider including customer satisfaction surveys as an additional metric for gauging service quality. These should be measurable and aligned with your organization's logistics goals (e.g., on-time delivery, order accuracy, inventory accuracy). Establish penalties and rewards based on performance outcomes.

- **Payment terms:** Negotiate payment terms, including schedules, payment methods, and any performance-based incentives or penalties. Ensure that payment structures are clear, with contingency plans for disputes or late payments
- **Risk management & flexibility:** Discuss risk-sharing mechanisms, such as how risks related to delays, product damage, or unforeseen events (e.g., natural disasters, border closures) will be

managed. The contract should include force majeure clauses and define responsibilities during emergencies or unplanned disruptions

- **Contract duration & renewal options:** Define the length of the contract and specify options for renewal or renegotiation. Consider including clauses that allow for flexibility in scaling services up or down depending on future needs
- **Cancellation due to poor performance:** Ensure that the contract includes clear language that allows for contract termination or renegotiation if the LSP fails to meet key performance standards or metrics. This provision ensures that the organization can exit the contract in cases of persistent underperformance or non-performance, safeguarding against being locked into a bad contract
- **Exit strategies:** Plan for potential contract termination or transition, whether due to underperformance, changing logistics needs, or strategic shifts. Define the conditions for early termination and outline the handover process to ensure continuity of service during transition phases

In more complex logistics contracts, multiple rounds of negotiations may be required to reach an agreement. Use these rounds to refine terms and ensure both parties are satisfied.

For a nationwide health supply chain, you might negotiate penalty clauses for delays in vaccine delivery or rewards for maintaining a zero-error cold chain management over a 12-month period.

Throughout negotiations, involve your legal, procurement, and logistics teams to ensure all terms align with internal policies and regulations.

3. Draft the contract

Once the terms and conditions have been agreed upon, draft the contract, incorporating all negotiated terms. Depending on the complexity of the negotiations, this step may involve several rounds of revisions to ensure that all details are correct and that both parties are satisfied with the terms. The contract should clearly articulate the following elements:

- **SOW:** Finalize the scope of work, outlining the logistics services, service levels, and any additional tasks the LSP will be responsible for. Make sure the SOW references the SLAs and any technical annexes appropriately
- **Payment terms:** Ensure that the agreed-upon payment terms are explicitly stated, including the schedule, currency, and any performance-based incentives or penalties
- **Risk and liability provisions:** Incorporate clauses that define risk-sharing mechanisms, liability limits, insurance requirements, and procedures for handling disputes
- **Performance targets, rewards & penalties:** Outline the KPIs and SLAs, detailing the exact metrics by which performance will be measured. Clearly define the rewards for exceeding expectations or consequences of underperformance (e.g., financial penalties)
- **Contract language for non-performance:** Ensure that the contract includes specific language detailing the process for addressing underperformance, including warnings, remediation periods, and the right to cancel the contract if performance does not improve. This gives your organization the tools needed to effectively manage the contract and avoid prolonged issues

- **Confidentiality & compliance:** Include any confidentiality clauses to protect sensitive information shared between parties. Ensure that the contract complies with any relevant national or international regulations (e.g., data protection laws, health regulations)
- **New project implementations:** Proactively include 'change request' procedures and prices for establishing new projects (e.g., implementing new technical solutions or process improvements) to manage future expansions or changes, ensuring both parties are aligned on (cost) expectations and operational processes at the start of the collaboration

Be prepared for a back-and-forth process in finalizing the contract, as the LSP may suggest revisions or clarifications to certain terms. Use this opportunity to ensure mutual understanding of all contract elements.

4. Review & sign contract

Before signing the contract, it should undergo a final review by the legal and compliance teams from both parties to ensure that it meets all regulatory requirements and organizational standards. Key considerations include:

- **Legal review:** Ensure that all contractual clauses are compliant with local and international laws, particularly those related to logistics operations (e.g., import/export regulations, transportation laws, and health product handling)
- **Final negotiations:** If there are any outstanding points of contention, use this stage to resolve them. Final negotiations might include minor adjustments to contract terms or the addition of clarifying clauses
- **Digital or physical signatures:** After the legal review, arrange for the contract to be signed. Depending on the circumstances, this can be done digitally or through a formal in-person signing ceremony. Both parties should retain signed copies for their records
- **Documentation & archiving:** Ensure that a final, signed version of the contract is stored in a secure location and accessible to all relevant parties within your organization

Once the contract is signed, communicate the finalized contract to key stakeholders, including procurement, logistics teams, and any other involved parties, to ensure everyone is aligned and ready for implementation.

Step 10. Operationalize contract

Purpose

The purpose of this step is to develop and execute an implementation plan to start the logistics operations in collaboration with the selected LSP(s). This step ensures a smooth transition into the contracted logistics services, laying the foundation for effective service delivery and partnership management.

Key activities

The key activities for this step include:

1. **Develop implementation plan:** Build on the implementation timeline from step 8 to create a complete plan for launching logistics operations
2. **Establish management structure:** Set up the framework for managing the LSP relationship
3. **Transition from previous operations:** Handle the handover from any existing LSP or internal team
4. **Execute 'go live':** Begin logistics operations with the LSP
5. **Monitor performance & troubleshoot:** Ensure immediate response to issues during the initial operational phase

See detailed activity descriptions on the following page.

Key output

By completing Step 10, your organization will have fully operationalized the contract with the LSP, transitioning smoothly from planning to live logistics operations. This step ensures that both the organization and the LSP are aligned and ready to handle logistics effectively, laying the groundwork for a strong, long-term partnership. With proper monitoring and management, any issues that arise can be addressed quickly, ensuring high service quality and performance from day one.

Detailed activity descriptions

1. Develop implementation plan

Once the contract is signed, the first step is to jointly create a comprehensive implementation plan with the LSP. The plan should cover all critical elements required for a successful transition and launch of logistics services:

- **Transition strategy:** Determine whether the transition will be handled in phases or as a "big bang" changeover. A phased approach might reduce disruption, while a big bang ensures all new processes are in place at once. Consider the organization's capacity to handle either approach, along with the potential impacts on service delivery
- **Detailed timeline:** Create a timeline that outlines all necessary steps, including workstreams, milestones, and key decision points to ensure readiness for operational go live. Build in buffer periods for unexpected delays
- **Realistic timelines:** It is essential to develop a timeline that is not only ambitious but also realistic. Rushing the transition can lead to missed milestones, operational issues, and strained relationships. Ensure that both your organization and the LSP are aligned on the time needed for key activities, such as system integration, staff training, and inventory handovers. Account for potential challenges or delays and include contingency plans to adjust the timeline if necessary
- **Equipment & technology:** Specify any new equipment, technologies, or systems (e.g., Warehouse Management Systems, Transportation Management Systems) required by either party. Ensure that any required systems integrations, such as linking your IT systems with those of the LSP, are planned and tested. Ensure that the plan includes training for staff on new systems and processes to avoid operational bottlenecks
- **Standard Operating Procedures (SOPs):** Jointly develop SOPs or validate existing ones to ensure that everyone understands their roles and the procedures for day-to-day operations. SOPs should cover key areas such as inventory management, transportation, and quality control
- **Compliance & risk management:** Ensure that all compliance issues are addressed, including health and safety standards, regulatory approvals, and risk mitigation measures (e.g., insurance coverage, risk assessment)
- **Communication plan:** Set up a clear communication plan, both internally and with the LSP, outlining how updates, issues, and changes will be communicated during the transition period

2. Establish management structure

Before operations begin, a management structure must be put in place to oversee the relationship with the LSP and ensure that the contract terms are followed. This should include:

- **Regular meetings:** Establish a schedule for regular meetings, both at an operational level (e.g., weekly or monthly reviews) and at a strategic level (e.g., quarterly business reviews) to address higher-level concerns
- **Joint continuous improvement process:** Plan for a continuous improvement framework where both the organization and the LSP work together to identify and implement improvements over time
- **Performance management:** Set up the performance management system as outlined in the contract, ensuring that all KPIs and metrics are measured, reported, and reviewed regularly
- **Decision-making & issue escalation:** Clearly define the decision-making process, as well as how issues should be escalated to ensure quick and effective resolution of any problems that arise

3. Transition from previous operations

If logistics services were previously managed in-house or by another LSP, carefully manage the transition:

- **Handover plan:** Ensure that there is a structured handover from the outgoing team or LSP. This may include data transfer, physical transfer of inventory, and transition of responsibilities
- **Minimizing service disruption:** Use a phased implementation approach if necessary to ensure that there is no disruption to critical services, such as health product deliveries or cold chain management
- **Staff training & support:** Train your staff on the new procedures and tools being implemented with the LSP. This may include everything from IT systems to daily operational procedures

4. Execute 'go live'

The go live phase is when the LSP takes full control of the contracted logistics services. This is a critical moment where close monitoring is required:

- **Monitoring systems:** Ensure that the systems and processes set up to monitor KPIs, SLAs, and performance metrics are live from day one
- **Immediate troubleshooting:** Be prepared to respond quickly to any issues that arise during go-live. Develop a troubleshooting protocol with the LSP for addressing and resolving any operational issues that may emerge in real-time
- **Stakeholder communication:** Maintain transparent communication with internal and external stakeholders during the go-live phase. Keep them informed of progress, any challenges, and resolutions

5. Monitor performance & troubleshoot

After go-live, it's essential to carefully monitor performance and troubleshoot any emerging issues. This includes:

- **Real-time monitoring:** Use real-time data to track the LSP's performance against the agreed-upon KPIs and metrics
- **Problem resolution:** Ensure there is a clear protocol for addressing any problems that arise, such as missed deliveries or quality control issues

- **Continuous support:** Provide ongoing support to both your internal teams and the LSP to ensure that the implementation remains smooth

Step 11. Manage contract & performance

Purpose

The purpose of this step is to actively manage the (contractual) relationship with your LSP and logistics performance throughout the contract's lifecycle. This step ensures the relationship with the LSP is continuously aligned with organizational goals, addressing administrative, financial, and operational aspects to optimize service delivery and drive continuous improvement.

Key activities

The key activities for this step include:

1. **Monitor performance metrics:** Track KPIs, metrics, and overall service performance
2. **Manage financial & administrative aspects:** Oversee payments, invoicing, and financial tracking
3. **Handle change requests:** Establish and execute a formal process for contract changes or ad hoc requests
4. **Conduct regular reviews:** Engage in periodic performance and financial reviews
5. **Correct or remove underperforming providers:** Address performance issues promptly to avoid service disruptions

See detailed activity descriptions on the following page.

Key output

By completing Step 11, you will have a comprehensive framework for actively managing the contract and logistics performance. With the management structure established in Step 10, you can effectively monitor performance, manage finances, handle contract changes, and ensure that underperforming providers are addressed promptly. Ongoing reviews and a focus on continuous improvement ensure the contract delivers on its promises while adapting to changing needs over time.

Detailed activity descriptions

1. Monitor performance & continuously improve operations

Performance management is an ongoing process that involves tracking the LSP's compliance with both the MSA and SLAs, including KPIs and other relevant performance metrics. The management structure established in Step 10 will continue to support this activity.

- **KPIs & operational metrics:** Track all relevant performance metrics, not just KPIs. For example, monitoring metrics like delivery accuracy, transit times, and stock availability at key distribution points ensures timely delivery to remote areas. If these are consistently falling short, early corrective action is necessary
- **Performance dashboards:** Consider using real-time performance dashboards that allow both parties to track key metrics and adjust as needed
- **Continuous improvement & learning:** Encourage the LSP to suggest innovative solutions or process improvements during strategic reviews. This ensures that both parties remain proactive in improving logistics operations. Establish a feedback loop where performance insights and lessons learned are used to continuously refine the contract and service delivery
- **Penalties & incentives:** Ensure that the penalties for underperformance and rewards for exceeding performance goals, as outlined in the contract, are applied consistently. For instance, if an LSP consistently exceeds on-time delivery targets for deliveries, applying agreed-upon rewards can help reinforce positive behavior
- **Proactive issue identification:** Use data and metrics to identify early signs of underperformance. For example, if the LSP's data shows deliveries to certain health facilities are increasingly delayed, this is an early indicator that adjustments are required before a full-service disruption occurs

2. Manage financial & administrative aspects

Beyond logistics performance, managing the financial and administrative components of the contract is critical. This includes ensuring accurate and timely payments, processing invoices, tracking service costs, and managing any financial discrepancies.

- **Invoicing & payment:** Establish a clear process for managing invoicing, with defined timelines for submission and payment approval. For instance, in a contract for laboratory sample transportation services, if penalties for missed sample collection times are included, these should be reflected in the invoices submitted
- **Financial tracking:** Implement tools or systems for tracking contract costs, ensuring that the budget aligns with actual expenses. For example, if laboratory sample collection costs are consistently higher than projected due to fuel surcharges, financial audits can identify if these costs are justified or need renegotiation
- **Financial audits:** Schedule periodic financial audits to ensure transparency and accuracy in financial dealings with the LSP. Audits help verify compliance with the agreed pricing structures and service costs, preventing cost overruns

3. Handle change requests

As logistics needs evolve, change requests or ad hoc service requests may arise. It's essential to have a formal process for managing these changes to avoid disruptions and ensure transparency.

- **Formal change request process:** Establish a formal process for documenting, reviewing, and approving any changes to the contract, whether they involve scope adjustments, new services, or operational tweaks. For example, if there is a sudden demand surge for HIV testing kits due to an unexpected increase in testing initiatives, a formal change request would be initiated to assess additional costs and service adjustments required
- **Approval workflow:** Ensure that an approval hierarchy is in place for handling changes, with senior management involved for significant amendments to prevent unexpected disruptions or costs
- **Ad hoc requests:** Implement a process for managing smaller, one-off requests that fall outside the regular scope but may be needed for operational flexibility. For instance, if there's a need for temporary storage of medical equipment due to a delayed health facility opening, an ad hoc request can be submitted without triggering a full contract revision

4. Conduct regular reviews

Ongoing contract and performance management requires periodic reviews to assess overall performance, financial health, and strategic alignment.

- **Operational reviews:** Use the operational reviews established in Step 10 to conduct monthly or quarterly reviews. These reviews should focus on immediate operational issues, such as service disruptions, delays, or opportunities for improvement. For example, during a quarterly review of diagnostic kit transportation services, it was found that delays occurred at customs clearance points. A decision was made to work with the LSP on pre-clearance strategies for future shipments
- **Strategic reviews:** Conduct biannual or annual reviews to assess the broader success of the LSP relationship. For instance, during an annual review of a multi-country malaria commodity distribution contract, both parties discussed geopolitical risks impacting cross-border deliveries and revised contingency plans to manage potential disruptions
- **Celebrating successes:** Recognizing and rewarding successes throughout the contract term is critical for maintaining a positive relationship. Celebrating major milestones or exceptional performance builds trust and encourages continued excellence
- **Risk management:** Use these reviews to conduct risk assessments, ensuring that any emerging risks—such as supply chain disruptions or regulatory changes—are identified and mitigated proactively. For example, if a new regulatory framework for cold chain transport is introduced in a country where lab samples are regularly moved, the strategic review is an ideal moment to assess compliance risks

5. Correct or remove underperforming providers

Addressing underperformance promptly is critical to maintaining high-quality logistics services.

- **Early identification:** As soon as performance issues are identified through metrics or operational reviews, initiate corrective actions. For example, if the LSP handling HIV commodity distribution is consistently late in meeting delivery timelines, schedule an urgent review meeting and issue a formal notice of concern
- **Corrective action plans:** Develop a clear corrective action plan with the LSP, detailing specific improvements required, timelines for resolution, and consequences if performance does not improve. For instance, if an LSP is underperforming in delivering health commodities to remote areas, the corrective action plan might include revising transport routes or scheduling additional capacity
- **Contractual remedies:** If performance does not improve, use the penalty and remedy clauses within the contract. These may be outlined in both the MSA, which provides the legal framework for breach of contract, and the SLA, which focuses on operational metrics. This may include applying financial penalties, suspending payments, or issuing a formal warning. For example, if lab sample collections continue to be missed, the organization may opt to reduce payments until service levels meet the agreed performance metrics
- **Termination of contract:** In cases of continued non-performance or severe underperformance, activate the contract's termination clauses. The contract should outline how poor performance or non-compliance with agreed metrics can trigger renegotiation or termination of the contract, and the steps leading to termination, including notifications, corrective action plans, and final resolution stages. Ensure a structured exit process to avoid disruptions to logistics services. For example, if an LSP repeatedly fails to deliver shipments despite corrective action plans, the organization may begin the process of switching to an alternative provider while ensuring no interruptions in the supply chain

Step 12. Manage contract renewal / exit

Purpose

The purpose of this step is to manage the contract conclusion effectively, whether through renewal or exit. This step ensures that the transition is seamless, minimizes operational disruptions, and allows for informed decision-making on whether to extend the contract or engage a new LSP.

Key activities

The key activities for this step include:

1. **Assess performance for decision-making:** Evaluate the current LSP's performance against contract metrics to guide renewal or exit decisions
2. **Plan contract exit or renewal:** Establish a clear exit or renewal plan in advance of the contract end date
3. **Manage exit process:** Ensure a smooth and well-coordinated exit if choosing not to renew the contract
4. **Prepare for renewal or re-sourcing:** Begin the renewal process or re-sourcing activities for a new LSP
5. **Transfer knowledge & assets:** Ensure that knowledge, data, and assets are transferred without disruption

See detailed activity descriptions on the following page.

Key output

By completing Step 12, your organization will have managed the conclusion of the LSP contract – whether through a seamless transition to a new provider or a successful contract renewal. This step ensures service continuity, risk mitigation, and a structured approach to knowledge transfer and operational handover.

Detailed activity descriptions

1. Assess performance for decision-making

Before deciding to renew or exit the contract, it's essential to assess the current LSP's performance against the KPIs, service levels, and other contract terms. This evaluation should be thorough and based on quantitative and qualitative data. Please consider:

- **Performance review:** Conduct a detailed review of the LSP's performance. Ensure that all key metrics, such as service accuracy, timeliness, and cost efficiency, are measured against the agreed-upon contract terms
- **Stakeholder input:** Involve key stakeholders, including operational, financial, and strategic team members, in the evaluation to ensure the decision reflects all areas of importance within the organization
- **Cost-benefit analysis:** Conduct a comprehensive cost-benefit analysis to weigh the value the current LSP provides against potential benefits of switching to a new provider. Consider both direct costs and indirect costs, such as the time and resources needed to manage a transition
- **Long-term partnership assessment:** Evaluate whether the relationship with the LSP is still providing long-term value or if switching to a new provider could offer greater innovation, cost-efficiency, or service improvements

2. Plan contract exit or renewal

Whether the decision is to renew the contract or exit, it's essential to establish a plan well in advance of the contract end date. This will minimize disruption and ensure continuity of service. Please consider:

- **Renewal preparation:** If the decision is to renew, initiate discussions with the LSP about any adjustments to the contract, such as service updates, pricing revisions, or changes in scope. Prepare the renewal proposal to reflect any lessons learned from the current contract period
- **Exit strategy:** If the decision is to exit, the organization should prepare a structured exit plan that minimizes disruption and ensures compliance with the contract's terms
- **Timeline for decision:** Set a clear timeline for making the final decision on renewal or exit. Typically, this decision should be made 6 to 12 months before the contract's end to allow sufficient time for planning

3. Manage exit process

If the decision is to terminate the contract, managing the exit process requires clear planning and execution to avoid service disruption. Please consider:

- **Asset & knowledge transfer:** Ensure a structured plan for transferring assets (e.g., equipment, data, intellectual property) and knowledge between the outgoing LSP and the new provider, if applicable
- **Gradual transition:** In some cases, a phased exit may be necessary to prevent operational risks. For example, during a phased exit from an LSP providing warehousing services, gradual transitions of stock and responsibilities to the new provider can reduce the risk of stockouts or delays

- **Risk management:** Prepare for any risks associated with the transition by ensuring adequate contingency plans. This might include preparing internal teams for additional workloads or identifying backup providers to prevent service interruptions

4. Prepare for renewal or resourcing

If the contract is renewed, adjustments may need to be made based on performance or organizational needs. If a new LSP is sought, initiate the tendering or procurement process. Please consider:

- **Renewal adjustments:** Work with the current LSP to make necessary contract adjustments, such as refining KPIs, adding or removing services, or adjusting pricing models to better reflect current market conditions
- **Re-sourcing process:** If seeking a new LSP, begin the re-resourcing process in line with the organization's procurement policy. This involves updating the RFP to reflect any new or changing logistics requirements
- **Innovations & improvements:** Consider new technologies or innovations the LSP can introduce as part of the renewed contract. For instance, explore whether new tracking systems for shipments can be added to improve transparency and efficiency

5. Transfer knowledge & assets

To ensure continuity of service, especially if changing LSPs, a formalized process for transferring knowledge and assets is essential. Please consider:

- **Data & system transfers:** Ensure that all data related to inventory, service history, and performance are transferred securely to the new LSP or back in-house. Ensure system compatibility and alignment between parties
- **Handover of operational responsibilities:** Plan for a comprehensive handover of operational responsibilities, such as inventory management or distribution schedules. For example, in the case of laboratory sample collection, ensuring continuity in service scheduling and reporting is essential to avoid operational gaps
- **Ongoing support:** For a set period after the exit, the outgoing LSP may need to provide limited support to ensure a smooth handover and resolve any post-transition issues

Closing statement

The logistics outsourcing framework serves as a pivotal resource for navigating logistics outsourcing in the public health sector. Its structured, twelve-step process empowers organizations to make strategic, informed decisions to determine what, if, and when to outsource, and to do so proficiently and efficiently.

Please consider our five key takeaways:

- **Comprehensive framework:** each process step offers in-depth insights and practical tools, enabling you to confidently and accurately traverse the complex terrain of logistics outsourcing
- **Strategic alignment:** the framework underscores the need for logistics outsourcing solutions and decisions to resonate with broader public health outcomes, ensuring each steps contributes meaningfully to effective health service delivery and health outcomes
- **Collaborative relationships:** the framework emphasizes the importance of cultivating robust, cooperative relationships with LSPs, fostering mutually beneficial partnerships in line with the logistics operations commitments
- **Flexibility:** the framework accentuates the need for adaptability, flexibility and resilience in logistics operations, critical in the dynamic and often unpredictable field of public health
- **Capacity building:** the framework allows pinpointing areas needing capacity development, ensuring your organization is well-prepared and possesses the essential skills and knowledge for efficient logistics outsourcing management

In conclusion, the outsourcing framework transcends being merely a procedural guide; it is a strategic pathway that elevates logistics outsourcing to a key asset in public health service delivery. By diligently adhering to this framework, public health organizations can refine logistics operations, extend geographic coverage for better product access, improve service levels for better product availability, ensure product quality, and capture operational efficiencies for better value for money. And, ultimately, contribute more effectively to improving health service delivery and health outcomes.

This global good stands as a beacon, reinforcing the idea that – when utilizing a strategic approach – logistics can serve as a powerful instrument for positive transformation in the public health sector.