



BI and the bonus norm. What's it all about?

Standard BI at FloraHolland for 2011!

Growers regularly tell FloraHolland that people have many questions about the *BetrouwbaarheidsIndex* (Reliability Index or BI) and the bonus norm (reliability refund). So this newsletter gives you all the ins and outs of the BI and what's going to change at FloraHolland in the near future.

BI and the bonus norm in brief

The BI was set up at the beginning of 2000 as a means of inform and monitor the reliability of growers' supply information. This additional information is provided to buyers using the clock face. The BI is calculated according to the last 100 lots supplied. The ratio of the number of lots with correct supply information to the total number of lots delivered determines the BI. The auction carries out spot checks. If the (re)inspection leads to a correction, the BI drops one point. The BI value also determines the frequency of the inspections at each location. The higher the BI, the lower the number of lots submitted for spot checks.

The bonus norm was set up in addition to the BI. The bonus norm (reliability refund) determines by which level of reliability a supplier does not have to pay for his correction costs.

Due to differences in the BI system and bonus norm between Aalsmeer and the other FloraHolland locations several adaptations has to be made for a standard BI.

The implementation of the BI system and bonus norm at FloraHolland is expected to be standardised by the middle of 2011.

Adaptations for a standard BI

Planned changes to the BI system are:

- Updated list of product clustering (not yet available at FloraHolland Aalsmeer)
December 2010
- Standardisation of BI and bonus norm system
FloraHolland Aalsmeer will be consistent with the other locations
Mid 2011

Read on for more information on:

- New table on product clustering 2011
- Standardised BI system and bonus norm
- Questions and answers

If you still have any questions after reading this newsletter, please contact your account manager or your quality adviser.



Product clustering

The basis of the BI calculation is usually the supply of cultivars within one product group (such as Rose and Tulip). A number of smaller product groups have been combined for the BI calculation. Suppliers with a broad and diverse range, in particular, can get their BI for a 100 lots much more quickly by using product clustering rather than product type. The updated product clustering table has been compiled on the basis of VBN's crop level and market and growers' data. The new standard product clustering with product groups will be phased in at FloraHolland from 1 December onwards. From mid-2011, product clustering will also be introduced to FloraHolland Aalsmeer together with the standardisation of the BI and bonus system.

Click on the link on the website for the:
New product clustering table 2011

Standard BI scheme and bonus norm

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Standard BI scheme FloraHolland

| | FloraHolland Aalsmeer | FloraHolland (except Aalsmeer) | FloraHolland mid-2011 |
|--|--|---|---|
| Number of lots | 100 | 100 | 100 |
| Maximum duration BI structure | 52 weeks | 78 weeks | 52 weeks |
| BI-structure | Per product group | Per product group Per product cluster | Per product group Per product cluster |
| Correction fees (€10 per lot) is charged | On daily basis if BI lower than bonus norm | Per correction and refunded per period if BI higher than bonus norm | Per correction and refunded per period if BI higher than bonus norm |

What is the bonus norm?

The bonus norm determines the level of reliability at which the grower does not have to pay his correction costs. Aalsmeer and the other FloraHolland locations use different methods for this. At the other FloraHolland locations, the previous (four week) period is monitored. If a grower has supplied more than 95% of his lots with reliable growers' information during those four weeks, he is refunded the correction fees incurred during those same four weeks. At Aalsmeer, the current BI status is monitored: if this is 90% or higher, the grower pays no correction fees; if it is lower than 90%, he must pay them.

Daily BI

The daily BI is the BI shown on the clock at all locations. You accumulate your daily BI at each location and for each product group or product cluster. The daily BI is accumulated over the last 100 lots delivered. The BI's maximum accrual period is 52 weeks at Aalsmeer and 78 weeks at the other FloraHolland locations. This will be standardised on 1 January 2011 at 52 weeks. This means that seasonal growers, most notably, will no longer be faced with their failures of the previous season in the new season.

Bonus norm and the periodic BI

The bonus norm system is based on a measurement period, in other words the number of lots with correct supply information in relation to the total number of lots supplied in the same period. A fee is charged for each correction. If the periodic BI is higher than the bonus norm, the grower is refunded the charge(s) at the end of the period. Growers can start afresh in each period. Say, each period offers fresh opportunities!

Do you want to increase your BI? Do you want to improve your quality and reliability with the help of FloraHolland's Quality Advice services? Contact your account manager. Look for Quality Advice services on MyFloraHolland.com.

Questions and Answers

General

- *What is my BI?*
The **BetrouwbaarheidsIndex** (Reliability Index) has been a means of information and monitor the reliability of growers' information since 2000. See the explanation in the newsletter.
- *Why is a BI necessary?*
The BI is used as an inspection monitor to identify precisely those products that are not reliable enough. It also provides feedback for the grower and information for the buyer.
- *Why is a standard BI scheme necessary?*
Standardising the BI system is seen by the directors as a condition to increasing the bonus norm. This standardisation is especially important to smaller (seasonal) growers.
- *Why hasn't a new BI group system been organised?*
After extensive research with all interested parties, it was decided to introduce the existing BI scheme to Naaldwijk, Rijnsburg and regional locations in Aalsmeer in mid-2011. Setting up a whole new system was not feasible in the short term due to cost, ICT development resources and the organisation of broad support.
- *How is the standard BI actually calculated?*
The BI is calculated on the last 100 lots. The number of lots delivered with correct supply information is divided over all (100) lots. The maximum period to accumulate 100 lots will be a standard 52 weeks from next year.
- *Why is the 'old' FloraHolland going to use for its BI the 52-week accrual period instead of the 78-week period?*
The 78-week period included errors from the previous season. Small and seasonal growers in particular are affected by this. A '100-lot accrual period' of 52 weeks is the most advantageous group-wide and does not require any system adaptations.
- *Who determines the composition of the product clustering?*
FloraHolland and Plantion formulate them together based on VBN's crop level and market and growers' data.
- *Why wait until 2011 to introduce the standardisation?*
This is due to the available ICT hours and the prioritisation of various ICT projects.
- *What exactly are the advantages of standardisation?*
Suppliers ask FloraHolland to use the same method at all locations whenever possible. Therefore, the directors requested a standard BI and bonus system to be introduced throughout FloraHolland.
- *Do I have the same BI in Aalsmeer as in Naaldwijk? And vice versa?*
No. You have a BI for each location and per product group or product cluster.
- *Why does Aalsmeer have a different bonus norm?*
Because changes have to be made to the system first.



- *When will the bonus norm become standardised at all FloraHolland locations?*
After the changes to the system in Aalsmeer in the summer of 2011. This will be done in consultation with Aalsmeer and implemented only after permission of the management.
- *To what extent is the quality of the growers' information improved because of the tightening and improving of the BI? Are concrete figures available?*
The increase in the BI correction fees led to a clear improvement in reliability in the first instance. This fell slightly during 2010. It appears that growers with a lower reliability are now more motivated to change their quality system due to the higher fees.
- *Why did you choose the BI system of the 'old' FloraHolland?*
This system best meets our objectives and it is easier and cheaper to implement.
- *What is the biggest difference with the current BI system at Aalsmeer?*
The bonus norm per period and the product clustering.
- *What is the advantage of charging for each correction?*
Each mistake is brought to the attention of the grower, meaning he can make the relevant adjustments immediately.
- *How are the fees charged?*
Using the normal daily statement.
- *What is the biggest advantage for me as a supplier to Aalsmeer compared with the current system?*
The chance to achieve the bonus norm every period and the fact that product clustering makes it easier to achieve the 100 lots.