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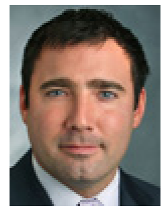
Back to benchmarking basics

BridgeNet executives reassure wary shippers of the process.



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If you don't know why you're ahead of the competition, it's likely that your competition will seek out that information for themselves, and then use it to surpass you somewhere down the line. Similarly, if you don't know why you're behind in the race to success, it stands to reason you're going to eventually be left in the dust. Simple as that.

Or is it?

Shippers, like everyone else, need to know whether they're doing better or worse than their competitors in order to stay in business. Yet despite recognizing the obvious benefits of comparing one's shipping characteristics to other companies, some shippers still shy away from the idea of benchmarking.

There are several reasons for this. One has to do with human nature, and the fear, whether conscious or unconscious, of finding out that perhaps we haven't been doing as good a job as we'd like to think we've been doing (or at the very least, that we'd like our bosses to think we've been doing). While such a fear may be understandable, I know that in many years as a supply chain professional, I have yet to see someone terminated because they initiated a benchmarking process that showed where cost savings could be achieved.

Another reason some shippers shy away from benchmarking is because they doubt that it will make a real difference. They believe they are already getting the best shipping rates the market has to offer, so they consider benchmarking to be an unnecessary rate negotiation tool. Yet in my experience, 97 percent of companies that think they're getting the best rates available find out that they are eligible for a significantly greater amount of savings once a detailed analysis of their shipping characteristics has taken place.

Shippers who've been burned by benchmarking analysts who incorrectly interpreted benchmarking measurements may also doubt the process. And who can blame them? When analysts do things like use the right information to make the wrong comparisons, and vice versa, or use faulty methodology to come up with their findings, they make everyone look bad. In the same way that a weak link in a supply chain can be detrimental a company's entire network, a misstep during the benchmarking process can lead to the implementation of unnecessary and costly "solutions."

Fortunately, there are a variety of things that one can do to ensure that measurements are correctly interpreted:

• Do your research prior to partnering with a third party.

• Make sure they are clear about what it is they are exploring on your behalf.

• Ask the questions: Do they have a proven track record of accuracy? Does their database contain the data of shippers with both similar and differing shipping characteristics? Is it expansive enough? Are you confident that they will be able to understand the relevance of their findings, and, without prejudice, to share their information in a sensible and concise format? Can they accurately reproduce their findings? Are they able to provide actual, manageable solutions?

If you plan on doing your benchmarking in-house, which generally isn't recommendable, since it is extremely difficult for in-house parties to remove bias from their equations, basic benchmarking principles should still apply. For clarity's sake, let's go over those principles in detail.

Shippers who are comparing their shipping practices with those of other companies in order to determine best practices must be able to ensure that all parties involved in the benchmarking process are able to:

• Maintain a clear understanding of the shipping practices that they are exploring/investigating.

• Ensure total accuracy by using proven methods to obtain and compare the correct shipping data.

• Access a significant database that compares line item detail and enables investigators to see how outcomes have been determined.

• Understand the relevance of their findings; that is, the effects their findings could have on all aspects of shipping operations, including: product development, product production, order management, and all other shipping-related operations, in addition to the budgetary effects of their findings.

• Without prejudice, present final information in a sensible/concise format that allows for the determination of best shipping practices and forecasting.

• Reproduce their findings.

• Turn quantitative data into actual, manageable operational and financial solutions.

Now let's say you've abided by the principles above in the past and still been unsatisfied with the outcomes. How can you be sure that the next time you launch a benchmarking initiative the outcomes will really be beneficial to your operations and bottom line? In other words, how can you be sure that the process won't be a big waste of time, resources and, well, money?

Undoubtedly, one of the most challenging problems shippers face when it comes to benchmarking has to do with the outcomes. Even if the right questions are asked, meaning that the large margin for error that can occur when you're dealing with reams and reams of line item detail is cinched and all other foreseeable variables have been appropriately considered, it can still be extremely difficult to come up with the right answers.

Part of the reason for this is that benchmarking itself does not actually yield answers; it yields results. It's up to the participants in the process to realize that benchmarking is a tool to be used to create a solution that will then have to be implemented, and not the solution itself.

That said, benchmarking is a powerful tool when used properly. In the end, whatever reasons some shippers might have for avoiding it are probably not nearly as compelling as the arguments they themselves could make for it.

So if you're a shipper who's worried that benchmarking will reveal that your division isn't as strong as you and your higher ups may have believed, remember: the person who figures out how to save the company a giant chunk of savings isn't usually the first to hit the chopping block. Think that benchmarking won't make that much of a difference when it comes to rate negotiations? Ask yourself how your carriers are coming up with the amount of incentives your company should receive, and consider the likelihood of your own quantitative data showing something different. Finally, if you're skeptical about the process due to bad past experiences with third party analysts, know that not all analysts are alike. If you do your preliminary research and make sure that all parties are able to follow the bulleted principles outlined in this article, your benchmarking story should be one of success.

BridgeNet Solutions Inc. is a Chicago-based firm specializing in helping companies to achieve supply chain cost reductions through data analytics software.

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