



Issue Date: October 2008 e-news, Posted On: 10/21/2008

Putting the Right Routing Guide in Place

Why It Matters to Shippers Seeking to Lower Costs through Compliance

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Chances are that your company has a corporate routing guide that was designed to help your operations staff interpret and process routing instructions in a manner that ensures compliance. Unfortunately, regardless of the extent to which this routing guide specifies the rules of engagement for shipping products from suppliers to customers, there is also a very great chance that it isn't being utilized effectively by all operations and associated departments or personnel.

The purpose of a routing guide is to specify the modes and carriers that are to be used in specific lanes, in addition to providing pre-determined rates and service requirements. An average routing guide will provide clear directions for selecting carriers and solving potential or expected problems in order to reduce freight expense and non-compliant shipments.

But what is an above-average routing guide? How do you really achieve the goals that were ultimately the catalyst for the design of your routing guide? How do you maintain excellence in terms of compliance, and then not only meet—but exceed—expectations when it comes to your company's bottom line?

An above-average routing guide is one that is not only informative and accurate as a result of the careful study and analysis of your company's shipping characteristics, but one that is well-established throughout all operations and associated departments as the "absolute" reference for locating methods that will regulate shipping charges for which each referrer should be accountable. You can create a routing guide, but if it isn't being used regularly either because it doesn't work, or because, for whatever reason, it hasn't become a part of your company's culture, it doesn't take much insight to realize that it isn't going to work as effectively as intended, much less allow you to exceed bottom-line expectations.

Ask yourself whether you are able to regulate shipping charges for your department. If the answer is no, or, only in part, it is time to take steps to ensure that your staff is using the routing guide in accordance with your company's logistics guidelines. When you have done so, you will be able to find that you can not only regulate your department's shipping charges, but gain control over the movement of your company's shipments—all of your company's shipments. With a routing guide that contains predetermined charges for each shipping lane solidly in place, shippers at all levels have the potential to excel in terms of increasing the possibility lessening shipping charges.

Unfortunately, there is no magic wand that will help you to make your routing guide a permanent part of your company's everyday culture. There are, however, processes, tools, solutions, systems and software that may help you to integrate it into your company's culture at a faster rate than you may currently think possible.

Before you begin to think that applying new technology would just be too big a task, or not worth the trouble, quiz yourself on your current capabilities. Do you currently have the tools and solutions you need in order reduce or eliminate excess shipping charges? In most companies, a few simple answers to the question of why a routing guide isn't being applied effectively to everyday situations are: 1. a lack of training of new personnel, 2. a lack of communication between departments and/or locations, and 3. an inability within the company to monitor routing guide compliance. Solve the problems associated with these three answers by using the right technology, and you will be on your way towards making your company's routing guide work effectively for your company.

Of course, you are bound to experience some growing pains as you work to ensure that your routing guide is being used in a way that ensures success. You may even find that your own department is responsible for exceeding established charges of which you were previously unaware. Initially, this may come as a shock, especially if the excess charges are adding to your company's logistics expense in a much bigger way than you'd anticipated. Don't let this blow deter you from your goal. You are likely to find that while your superiors may question why these charges weren't discovered earlier, they are more likely to rejoice in the fact that they have, at last, been found, and that you, with your keen business sense and eye for detail, have figured out how these charges can be lessened or avoided altogether. In short, it is better to uncover loss and stop it from happening than to ignore it and hope that no one else will notice.

The important thing to remember is that discoveries of this type are all part of the process—and even a good thing—as they will empower you to make significant, noticeable improvements as you move forward. Enforcing a routing guide can even allow you to add volume which will increase the amount you spend with your preferred carriers, giving you important, inarguable leverage when it comes to discussions and negotiations regarding reducing carrier costs.

Now, let's step back for a moment. How, exactly, do you put a routing guide in place? First, analyze your company's shipping data in order to determine the most cost-efficient method of moving product throughout your supply chain. To do this, you must look at all of the shipping lanes throughout your supply chain, determine the characteristics and services needed for each shipment, and find out the annual shipment frequency for each lane. Next, create a Request for Pricing (RFP) that will allow you to consolidate shipments under a select few global carriers. Finally, create routing instructions utilizing your chosen global carriers, and base those instructions according to cost and the quality of service you require or may be able to obtain. Distribute these routing instructions to any party who is involved in shipping product for your company. By doing so, you will be able to show all those who have the potential to affect your company's logistics expense that you have taken control of your company's processes, and are looking out for excess or unnecessary charges.

If all of this sounds like too much for your current logistics department to handle, you're not alone. Many companies are unable to dedicate the man hours required to do the analyses that will need to be performed prior to and throughout the creation of an RFP. In addition, natural biases or opinions that individuals may have about their departments, or even, about your company as a whole, can lead them to make assumptions about your company's shipping characteristics that are outdated or incorrect. Lastly, some departments or department heads may be so reluctant to perform the analyses required of them that they wind up providing you with inaccurate data. This is often unintentional. After all, it is human nature to fear analyses that are apt to reveal inadequacies that may reflect poorly on one's department and personnel. Nevertheless, inaccurate data isn't going to help you; the rather harsh reality is that inaccurate data can make the whole purpose of putting a routing guide in place, moot.

Don't despair. By now, you've probably heard how a third party or supply chain consultant can help you to successfully negotiate or renegotiate your carrier contract, and that good consultants will usually help you to save more money than you would have saved had you embarked upon carrier negotiations on your own. Well, a good supply chain consultant should also be able to help you to perform the analyses required to put a routing guide in place in an unbiased and timely manner.

Qualified, specialized consultants can provide you with the technology required to analyze your company's shipping data in an accurately and efficiently. Exceptional consultants can even effectively help you to create your RFP and routing guide in the process, saving you money and valuable man hours. Choose the right consultant, and you may just find that what you thought was going to be a three-step process has actually turned into a three-in-one-step process that works greatly to your benefit.

You may know what to look for when seeking out a consultant to help you during carrier contract negotiations, but what should you look for when seeking a consultant that will enable you to achieve routing guide compliance?

Prior to hiring a supply chain or parcel consultant for this particular purpose, first ask whether they have actually had direct experience in successfully completing the tasks discussed above. Lesser consultants will be quick to tell you that they can provide you with the technology you need, but they may not, in fact, have a proven solution in place. Too, they may not have experience in creating custom solutions, which may be what your company needs. The appropriate solution should work with and for you; you shouldn't have to work around a one-size-fits-all system or piece of software that serves you only partially. Your time is too valuable. Invest wisely. Secondly, ask how you will be aided in the creation of your RFP. How will your chances of consolidating shipments under a select few global carriers be improved as a result of the solutions and services that a particular consultant can provide you? Thirdly, ask what type of solution will effectively be able to act as a routing guide that ensures compliance when all is said and done. Will you be alerted when a shipment is sent via one mode when it should have been sent another? How will you be notified?

Remember that enforcing a routing guide can allow you to add volume which will increase the amount you spend with your preferred carriers, giving you important, inarguable leverage when it comes to discussions and negotiations regarding reducing carrier costs. Don't take any step in the process of creating and enforcing your routing guide for granted. Setting up things properly right now will save your company money in the future.

If while seeking to ensure routing guide compliance now and in the future, you become overwhelmed by the details associated with putting a routing guide in place, force yourself to remember the purpose of your routing guide, and you will be quicker to find your way around the bumps that you will inevitably discover in the road. Routing guides are meant to serve as a relatively simple and cost-efficient way to improving the management of your freight transportation and driving down the direct and indirect costs associated with it. The most valuable aspect of a routing guide is its ability to allow you to gain control over the shipments throughout your supply chain by getting vendors to comply with routing instructions. This can't be done without first ensuring that your own operations departments are adhering to the guidelines. Achieve internal compliance and external compliance can suddenly become well within your reach.

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