



## Who's in control here?

By John A. Gentle, DLP

YOU MUST BE KIDDING! Who approved that? Are these phrases that you've uttered when you learned that you're over budget because costly changes had been made in the supply chain or customer service guide without your knowledge?

It's a challenge to accurately forecast and successfully execute a bid/negotiation program with your carrier base; but when changes occur indirectly within your company without your knowledge, and it negatively impacts your Key Result Areas (KRAs), that's not only frustrating but it's a warning sign that your transportation team has been passive in terms of its internal leadership.

Scratching your head? Here are some examples:

**1.** The carriers are reporting that the warehouse leaders have decided to reduce a shift to control cost and require your carriers to make appointments. If the drivers are late they must go to the back of the line. Your cost effective carriers now don't want to go back to those plants.

**2.** An initiative to significantly reduce inbound transportation has hit a snag at a plant. The plant has decided

not to proceed with your project because they don't have a budget for the pump and the electricity needed to operate a special unit that you negotiated for. So, your planned transportation annual savings initiative of \$500,000 was scrapped because the plant wouldn't budget for \$15,000/year in additional energy.

**3.** Other plant initiatives to reduce inbound freight are on hold because one plant wanted to split the savings but their accountant said "no." The second plant insists that only their local carrier knows how the plant works and any other carrier (especially a lower cost carrier) will cripple their operation. Company cost savings are lost.

**4.** The marketing team has announced a new package design. Unfortunately the new design takes up more weight and cube than the last one. In turn, the damage claims have increased and the transportation cost per pound has increased by 5 percent. This negated the savings that you had committed.

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**5.** You've missed a meeting with the purchasing team and they have decided that they don't want to upset their suppliers by asking them to break out freight from their purchase price. This initiative would have allowed the company to force the supplier to adjust price or allow us to shop the freight and reduce cost.

**6.** In an endeavor to enhance the service offering, the marketing team sent out a letter to all customers increasing the number of stops on the truck. This reduces the minimum release and increases the CPU allowance. Now, the accessorial and linehaul costs are higher and may lead to a loss of purchasing power if your house carriers lose out to CPU carriers.

So, how could some of these situations be avoided or at least mitigated? It has become my belief overtime, and reinforced since I retired, that the transportation leader must be the most active member of the supply chain and almost to the point of acting as its de facto leader.

The examples cited above could have been avoided if there was a "greater good" policy rule in place. My counsel is

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that transportation leaders must write this policy/rule with guidelines, protocols, and with sufficient illustrations to demonstrate how everyone in the company wins. I would start selling it to the controller's office.

Relative to the customer service guide, I am surprised at how many companies don't have a formal document that clearly outlines in writing the company's service options and commitments relative to servicing customer orders as well as what customers are expected to do to avail themselves of certain services.

The absence, or incompleteness, of this formal working document leads to excessive and unpredictable transportation costs. Here, too, the transportation leader must take the lead position with the marketing team to help them create and manage this platform. You just cannot assume that people understand the ramifications of their actions.

The best thing to do is to frame and lead the discussions, helping the parties recognize the cost and practical implications of their thoughts and how they can transition from that point if they decide to change their minds in the future. Transportation leaders must be the lead dog on every team. It's hard to explain what just happened to your KRAs when your view is being blocked by a fuzzy tail. ■