

Your Guide to Routing Guides

Fulfillment and Distribution in a Routing Guide Environment

What is a Routing Guide?

Routing guides are published by retailers for manufactures and wholesaler/distributors to establish a set of rules and requirements when fulfilling orders and shipping product to the retailer's location or distribution system. If this guide is not followed exactly, the retailer can deduct a percentage of the invoice, percentage of the purchase order or a set amount from their remittance as a penalty.

A Brief History

Routing guides first surfaced as retail chains began to broaden their geographic reach through more locations, and simultaneously increased the variety of products they offered within their stores. This increase of stores and vendors created a logistical challenge as product needed to be efficiently routed to various locations but was shipped, labeled and packed in an infinite variety of ways. Think about a Wal*Mart. Imagine how many different vendors they must coordinate with to stock the shelves of a single store.

Then imagine adding hundreds then thousands of stores. It is easy to realize the need for product being delivered to their stores and distribution centers to arrive in a uniform manner – packaged, labeled and shipped the same – no matter who the vendor is. To achieve this, retailers created a document for vendors that details how they want product to arrive; the **Routing Guide**.

“*Routing guides are the biggest hidden challenge vendors face - surfacing after the sale, at the last minute and potentially costing a fortune.*”

The Vendor's Point-of-View

Sounds reasonable and straight-forward right? As a retailer getting product from hundreds, if not thousands, of different vendors, you want it all to arrive in a uniform fashion so you can easily distribute to your stores and stock your shelves. But now lets look at it from a vendor point of view. Say you just landed a sale to Wal*Mart. You get the purchase order, spend time to learn the routing guide and have all your product packaged, labeled and shipped exactly how the routing guide dictates. Things are good and your fulfillment is flawless, then you land a purchase order from Target, then Lowe's and then Walgreens! Sales are great, only they have routing guides too. Furthermore, their standards within those routing guides are different than Wal*Marts' and are all different from each other. Each of your retailers now needs product packaged and labeled differently, creating a fulfillment nightmare.

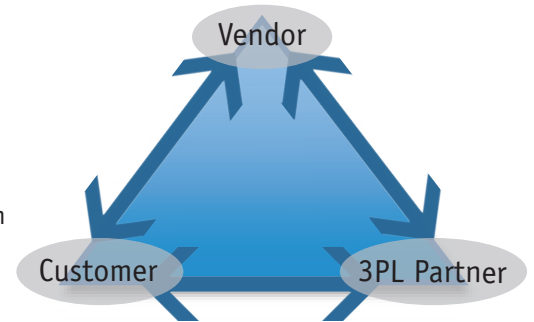
As you can imagine, it is a significant challenge for vendors/manufactures to fulfill and distribute orders to multiple retailers while staying in compliance with detailed routing guides. Vendors often found themselves understaffed to learn all the specific requirements and undercapitalized to pay for the variety of packaging and labeling needs. It got easy to skip corners and fulfill orders not completely to the routing guide specifications. Retailers needed a solution to force compliance. The answer was **chargebacks**.

In a purchase order from a retailer, it is often stated that if a routing guide is not followed exactly, the retailer can deduct a percentage of the invoice, a percentage of the purchase order or a set amount from their remittance as a penalty. This penalty can be assessed to each specific infraction and can add up to hundreds, even thousands of dollars.

The Solution to Routing Guides

Routing guides add a significant level of complexity to your supply chain. However, with a little planning and the right approach, there is no reason the requirements of your customers cannot be met effectively and efficiently.

Your first step is to develop a **triangle partnership**. At the top of the triangle is a designated resource within your organization to understand shipping requirements across your customers. This person will then have responsibility to deal with the resources that exist within your customer base to help vendors with routing guides. The last part of the triangle should be your shipping partner. If you plan on growing your business and ship to multiple customers (read multiple routing guides!) you have a choice to either invest in an in-house distribution center with the knowledge, manpower and IT systems to comply with vendor requirements, or outsource to a third party logistics (3PL) firm. Obviously, TAGG is a bit biased!



“ **Outsourced fulfillment and distribution should be approached as a triangle partnership where both the vendor and the 3PL work together with the customer to understand the routing guides and avoid chargebacks.** ”

3PLs manage the fulfillment and distribution needs of a variety of clients and therefore, learn the routing guide requirements for multiple retailers. As a vendor, you can leverage this knowledge and use your 3PLs capabilities to more confidently sell to multiple retailers.

A strong 3PL should also have the capabilities of repackaging, labeling and managing information flow according to a retailer's routing guide and EDI standards. In essence, by outsourcing your warehouse, you have expanded your fulfillment capabilities allowing you to expand your sales!

This 3-way partnership will continually work together to develop the processes and procedures necessary for vendor compliance. Some of the common requirements include:

1. Plan manufacturing schedules and inventory levels to accommodate your customer's demand schedule, stocking times and holidays to avoid backorders.
2. Individual carton labeling requirements can include EDI (Electronic Data Interchange) labeling such as UCC 128 labels and serial labels (i.e. 'package 1-of-40'). These labels are explained in the routing guide and the information on these labels is typically communicated via the customer's EDI process.
3. Packing lists and bills of lading must be completed to provide the information your customer requires.
4. Shipping method is outlined in the routing guide and needs to be fully understood. For example, if premium freight needs to be used, obtaining authorization is needed to avoid chargebacks for expedited services.
5. Often delivery times and schedules are strictly enforced and communication with your customer is essential if your carrier cannot pick up freight or meet requested delivery times. Further, ASN (Advanced Shipping Notification) is typically required through a customer's EDI.

For those selling product through retailers, routing guides can be a necessary evil of doing business. For those same retailers, routing guides are essential to be able to operate multiple locations and provide product from a large variety of vendors. Supply chains can be complex, but through a partnership approach and some understanding, retailers, vendors and 3PLs can work together to synchronize the flow of product.

Notes:



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