

The Cost of Short Routes: Rethinking Crude Sourcing in a Volatile World

How geopolitical chokepoints are forcing fundamental changes to logistics planning.

Supply Chain · Energy Sector · Geopolitics · Logistics

The newsletter for supply chain leaders who prefer honest diagnosis over the comfort of established routes.



The Problem: Why Short Routes Are No Longer Safe

For years, the logic of procurement was simple: find the closest source and secure the shortest path. In a stable world, this is how you keep costs down and margins high. But we are no longer living in that world. I have watched many operations leaders treat their supply chains like local delivery routes—assuming that if they could see the destination on a map, the path to get there would remain open.

This assumption creates what I call **The Proximity Trap**.

When you rely solely on "short" routes because of lower immediate costs, you aren't actually optimizing your process; you are simply deferring the cost of risk. When critical chokepoints like the Red Sea or the Strait of Hormuz become volatile, a "short" route suddenly becomes an impassable wall. A ship that is delayed three weeks isn't just a logistics headache; it's a production line that stops, a warehouse with no inventory to move, and a customer who eventually walks away.

A short route is not a reliable route if the path depends on geopolitical stability. If your supply chain relies on "just-in-time" delivery from a high-risk zone, you don't have an optimized process; you have a

fragile one. We must stop viewing these risks as "external factors" and start seeing them as fundamental flaws in our operational design.

Rethinking the Source: From Proximity to Resilience

To move past the trap of proximity, we have to change how we define "efficiency." In the old model, efficiency meant moving a unit from point A to point B at the lowest possible price per mile. In the new reality, efficiency means ensuring that the unit actually arrives, regardless of what is happening on the news cycle.

Take the recent shift in India's sourcing strategy as an example. They aren't just looking for "any" oil; they are moving toward Atlantic Basin sources to diversify their intake. This isn't a move away from logic—it is a movement toward **Hardened Logistics**.

We must differentiate between two types of routes:

1. **The Opportunistic Route:** Cheap, direct, and highly vulnerable to any disruption.
2. **The Resilient Route:** Potentially more expensive upfront, but designed with enough buffer and diversity that a single closure doesn't stop the line.

A move toward resilience is not an admission of defeat; it is an investment in continuity. We need to stop asking "How can we get this cheaper?" and start asking "What happens if our primary route disappears tomorrow?" If your answer is "We'd have to find a new supplier," you haven't planned for the crisis—you've just acknowledged that one exists after it hits.

Why Short-Term Contracts Fail in Crisis

When things get shaky, the instinct of many managers is to move toward shorter contracts and more frequent negotiations. They think this gives them "flexibility." In reality, it often creates what I call **The Paper Shield**.

A short-term contract provides a sense of control because you can renegotiate when prices spike or routes fail. However, in a true crisis, these contracts offer no protection. When the ground moves, everyone is looking for a way out at once. If your "flexibility" relies on an agreement that expires every 30 days, you are essentially trying to build a house of cards during a windstorm.

The Comfortable Rationalization	The Underlying Reality
"Short-term contracts give us the flexibility to pivot."	Short-term contracts mean we have no guaranteed priority when supply is tight.
"We'll just wait for the market to stabilize before committing."	Waiting for stability is a gamble that your production can survive another month of uncertainty.
"It's just a temporary detour in our logistics."	A detour caused by a chokepoint closure is often an indefinite shutdown until a new route is secured.

A contract should not be a way to avoid making hard decisions today; it should be the result of having made them months ago. If you are relying on "flexibility" as your primary risk management tool, you aren't managing risk—you're just postponing the moment when the lack of a plan becomes visible to everyone on the floor.

The New Operational Plan: Three Pillars of Hardened Sourcing

To move from fragility to stability, we must rebuild our sourcing strategy around three non-negotiable pillars. This isn't about adding more "options" to a spreadsheet; it's about building a system that can withstand a hit without breaking.

1. Multi-Modal Redundancy

We cannot rely on a single mode of transport or a single geographic corridor. If your goods move by sea through a volatile zone, you must have an established—and practiced—alternative via rail or air for critical components. This isn't about using the alternative every day; it's about having the contracts and the logistics "muscle memory" to switch gears instantly when the primary route is compromised.

2. Long-Term Offtake Agreements

We must move away from the "transactional" mindset of buying what we need for next month. A long-term offtake agreement secures your place in the queue. When a crisis hits and supply drops, those with established, multi-year commitments are the first to get served. You aren't just buying product; you are buying a guaranteed seat at the table when others are left waiting on the sidewalk.

3. Advanced Risk Modeling (The "What If" Audit)

We need to move from qualitative fears to quantitative data. This means mapping out your supply chain and identifying every single point where a physical blockage could stop production. We don't just look at the main ports; we look at the specific rail lines, the local trucking hubs, and the primary suppliers of raw materials for our suppliers. If you can't point to it on a map, you aren't managing that risk—you're ignoring it.

What You Must Do Next Week

The goal is not to overhaul your entire procurement department by Friday. The goal is to start identifying where the cracks are in your current foundation. Here is what I want you to do:

1. **Identify Your "Single Point of Failure" (SPOF):** Walk through your primary production line and identify every component that relies on a high-risk geographic corridor. Don't look at it as "logistics"; look at it as "the thing that stops the machines."
2. **Audit Your Contracts:** Look at your current sourcing agreements for these items. Are they based on volume, or are they based on commitment? If you don't have a long-term agreement in place for critical components, flag this as an immediate risk to leadership.

3. **Map the "Second Best" Route:** For your three most critical supplies, identify what the alternative route is today. Don't just say it exists—verify that the vendors and transporters on that path are active and ready to move if the primary route closes.
4. **Hold a "No-Filter" Meeting:** Sit down with your logistics team and ask them: *"If our main port of entry closed tomorrow, how many days of production do we have left?"* Their answer will tell you exactly how much lead time you have to build your redundancy.

Start small, but start now. A plan on paper is not a defense; a practiced move on the floor is.

Call to Action

What unexpected route or supplier have you had to vet in the last 12 months? Share your hard-won lessons with us at newsletter@sixsigmakaizen.com.

Newsletter replies: newsletter@sixsigmakaizen.com · X: [@kaizen_6sigma](https://twitter.com/kaizen_6sigma)

Stay curious, stay improving,

David Rodgers

SixSigmaKaizen.com

References: Supply Chain Brain: India Refiner Seeks Oil That Avoids Red Sea, Hormuz Chokepoints