

CASE STUDY

The Next Step in the Evolution of SaaS–Managed TMS®

TMC | A DIVISION OF
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Shippers who subscribe to the idea that transportation management systems (TMS) and logistics outsourcing only come in two colors – purchased software or the traditional 3PL model – are misreading the market, and could be missing some major opportunities to take their freight networks to higher levels of efficiency and cost management improvement.

A unique category of solutions, Managed TMS[®] service has emerged for shippers. It combines the strengths of the established 3PL models with software as a service (SaaS) technology, business process outsourcing, global optimization, and consulting expertise. The amalgam of analysis, communications, technology, and deep domain knowledge can be tailored to the needs of each individual shipper. Furthermore, the speed at which the Managed TMS service can be implemented at the shipper's location makes an impact on operating performance that leads to immediate savings and sustains the savings long term in a cycle of continuous improvement.

What is Managed TMS?

Managed TMS represents the next evolutionary step in transportation management systems. It contains all the benefits of SaaS, such as no-to-low capital investment, quick deployment, hard cost returns, and operational flexibility, that makes the technology an attractive option for companies competing in a “new normal” business environment. A report titled *Best Practices in Transportation Management* published by the research firm Aberdeen Group found that 28 percent to 39 percent of the 180 companies surveyed were outsourcing in an SaaS model for TMS. “We have seen a growing willingness to use hosted services or an SaaS model from a logistics service provider,” the firm said.¹

In addition, Managed TMS moves past traditional software by virtue of its ability to maximize the benefits of the investment and ensure ongoing cost savings as well as performance improvement. Thus, shippers are able to successfully answer two key questions that the freight industry is currently grappling with:

1. How can the enterprise ensure savings from a TMS after the first year?
2. How can companies that are open to outsourcing portions of their transportation management requirements make sure that carrier selection and rate negotiation remain a core part of their strategy?

¹Aberdeen Group. <http://www.aberdeen.com/Aberdeen-Library/6016/RA-integrated-transportation-management.aspx>, October 2009.

In summary, Managed TMS service offers benefits that build on SaaS advantages such as:

- Minimal capital investment
- Rapid, non-disruptive implementation
- Best-in-class technology
- Best-in-class power users
- Proven ROI
- Pay-as-you-go model
- Control over carrier selection and rate negotiation

Also, Managed TMS service incorporates the best of 3PL outsourcing:

- Documented, hard savings plan—not just year one, but year over year
- Performance-based pricing aligned with customer success factors
- Dedicated, expert teams that maximize software benefits and free up precious resources
- Six Sigma process engineers to ensure year-over-year improvements

Where Does the Managed TMS Service Fall in the Service Spectrum?

Figure 1, below, more broadly represents the transportation management options available to shippers in the marketplace. On the left-hand side is the software-only category, and on the right is complete outsourcing. These two options alone represent the more traditional, somewhat simplistic view of the TMS and 3PL outsource market. However, as the figure indicates, there are actually many different choices available that combine elements of TMS software, services, and 3PL solutions. These solutions vary and aim to align with the degree of insourcing or outsourcing a shipper wishes to pursue as a byproduct of their enterprise strategy.

Managed TMS service was developed in response to changing market demands, and most specifically aims to provide an option to shippers

who wish to outsource their TMS. However, Managed TMS takes a step beyond the SaaS model, providing dedicated teams of power users to maximize software benefits and process engineers to ensure ongoing savings. This model differs from traditional 3PL outsourcing because shippers still retain control of carrier selection and carrier management. Similar to an SaaS model, Managed TMS also offers the benefits of a pay-as-you-go fee for both the technology and the dedicated personnel.

FIGURE 1 Continuum of Transportation Management Options



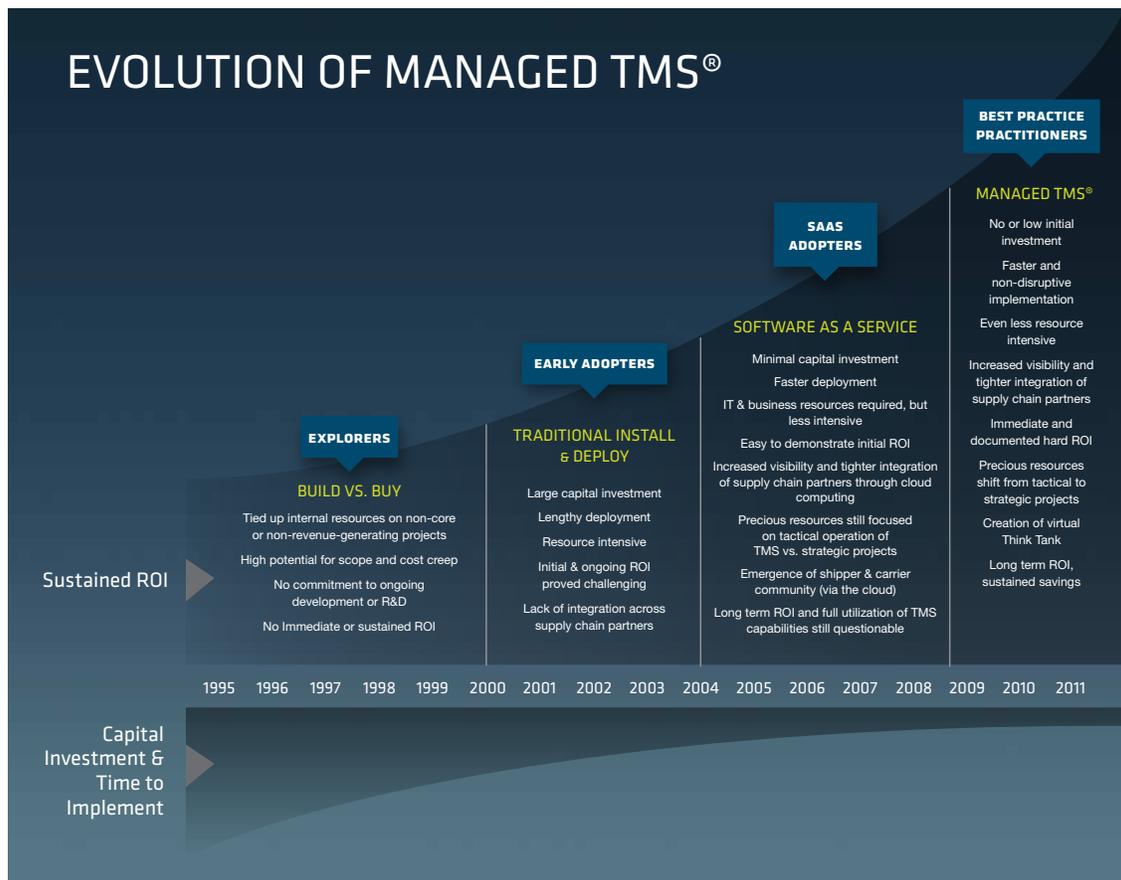
NOTE: The continuum above does not imply that one solution is better than the other. The illustration represents the broader spectrum of choices within the marketplace.

In addition to the above marketplace dynamics, Managed TMS was designed to address increasingly volatile markets and more exacting delivery schedules, where shippers are expected to deliver higher service levels at a lower cost. To compete in such a testing commercial environment, companies need agile supply chains that can be reconfigured on the fly. The Aberdeen research confirmed that “on-the-fly decision making” is a feature of firms that perform at a best-in-class level.²

Companies also need flexible transportation management systems that are not capital intensive and deliver real returns in relatively short periods. In extremely dynamic markets, shippers cannot afford to be encumbered by unwieldy technology that requires a lot of investment and lengthy implementation.

Even though the more established TMS models have improved markedly over the last decade or so, they still have some of these drawbacks. Figure 2 is a basic evolutionary map of TMS since the mid-1990s. The Explorers pioneered the technology, and the Early Adopters took it a stage further with systems that

FIGURE 2 The Evolution of the Managed TMS Service



²Ibid.

shaped the traditional install and deploy configuration. More recently users in the Emerging Success and Best Practices phases have taken TMS solutions to higher levels of sophistication. While the first three phases achieved much, there was still a price to pay for using these iterations of the technology.

For example, acquiring and running transportation management software in-house gives shippers more operational control. But this option also consumes more internal IT resources and requires business processes that can take advantage of the technology and trained personnel. Outsourcing the work to a third party provider lowers the up-front costs and shortens the implementation phase but ongoing costs can be high, and the trading partners have to be well integrated and culturally aligned. Moreover, these options can lack a clear ROI in the short- or, in many cases, even the medium-term.

Where Should Shippers Focus Their Valuable Resources?

Finally, the traditional approach is becoming less tenable owing to an issue that is of increasing importance to the future of the freight industry: talent management. Long-term demographic trends point to serious skill shortages in key areas over the next decade or so. The supply chain field is no exception. Managed TMS offers a way to manage valuable talent more judiciously. Rather than employing skilled personnel to carry out tactical tasks such as day-to-day load planning, these functions can be outsourced, freeing up managers to do work that yields more strategic value. Moreover, companies can shift personnel costs from fixed to variable to reflect changes in the volume and types of freight being shipped—a compelling change for CFOs on the lookout for more efficient ways to do business. Many times, a model like this can increase compliance and operating efficiency at the tactical level, while providing to-line productivity gains at the strategic level.

Carrier Relationships as a Consideration

Many shippers want cost-effective transportation management systems that not only provide operational flexibility, but at times enable them to retain control over certain core capabilities within their businesses. The type of transportation management solution a shipper selects often depends largely on what they deem to be their core competency. For shippers who view maintaining control over their carrier relationships as critical to their success, Managed TMS service offers a compelling alternative.

For shippers looking to strike a balance between tactical and strategic control, the Managed TMS solution can be an ideal fit. Shippers maintain their role as strategic network managers and use embedded business intelligence tools to help improve service excellence. The technology eases the shipper's tactical burden in areas such as the monitoring of on time delivery, invoicing, and running a load plan after the transportation strategy has been laid out.

Still Moving Ahead

The Managed TMS service is emerging as a leading option for shippers, and its strategic value is increasing. For example, sustainability measures such as carbon footprint analytics can now be built into management programs.

Solutions are moving beyond the utility of SaaS and network optimization, to more advanced, global applications. Aligning the shipper’s performance with industry best practice by analyzing its KPIs and comparing these to industry standards is one example; another is building an ROI roadmap that provides a step-by-step savings program for shippers worldwide. Applications like these will deliver the performance enhancements and sustained savings that companies need to capture future growth in highly competitive markets.

Aberdeen’s TMS research study points to an increasing demand for innovation. The survey’s respondents ranked Best Practice Implementation (69 percent) and Shipment Monitoring and Problem Resolution (48 percent) as the top capabilities of a managed service. According to Aberdeen, forty percent of the best-

FIGURE 3 Current TMS Market Trends³



- Only 38 percent of companies have implemented a TMS solution; typically, these companies generate \$5 billion in annual sales or higher.
- Shippers cut an average of 10 to 25 percent from their annual freight spends in the first 6 to 12 months of a TMS deployment.
- Analysts predict that many shippers who have invested in a TMS solution are not using them to their fullest potential.
- The TMS sector is expected to grow at a steady rate of 8 to 10 percent annually over the next few years.
- When demand picks up and capacity tightens, shippers with a TMS will be at a distinct advantage. They’ll be able to offer more attractive freight because carriers will know where they fall on the routing guide and can receive EDI load tenders instead of continually calling for freight.

³ McCrea, Bridget. “TMS: Your key to the new economy.” Logisticsmgmt.com. February 2010.

⁴Ibid.

in-class companies it surveyed “recognize that solutions will not meet the needs of their business in the future and are hence planning to adopt new functionalities.” Advanced supply chain visibility and dynamic optimization are two capabilities cited by Aberdeen as characterizing best-in-class companies.⁴

Here are three real-world cases of our Managed TMS applications that demonstrate some of the benefits of the technology.

CASE 1: HIGH-SPEED ROI

After adopting a Managed TMS solution to improve on time delivery, the \$2 billion manufacturer Boise Inc. reaped savings and met its service performance goals much more quickly than expected. With the help of the Managed TMS project team, the company identified 12 criteria that make up what it defines as a perfect order. The team developed a plan to drive on time delivery from 88 percent to 95 percent across its customer base and 98 percent for key customers. As a result of the program, load consolidations and modal optimization alone accounted for six-figure savings each month.

CASE 2: DIVISION OF LABOR

Heavy equipment manufacturer Greenheck Fan Corp. decided that it could not tolerate the occasional delivery delays and some in-transit damage to shipments it was experiencing. It needed to minimize the number of times its products were handled in a supply chain that is not amenable to LTL transportation. Greenheck developed a pooling strategy that calls for the company to send one full truckload to Southern California every day. The shipment is then parceled into multiple LTL shipments for final delivery. The pooling arrangement reduces the number of touch points in the network. A crucial aspect of the program is how the responsibilities are divided between shipper and provider. Greenheck leverages Managed TMS technology and talent, but retains full control of customer relationships and the measurement of customer satisfaction.

CASE 3: TEAMWORK

Canned and bottled juice company Ocean Spray moved to a Managed TMS program. The company considered a number of other options before selecting a system. It decided that software-based solutions that could be implemented in-house were too costly, both in terms of the initial outlay and ongoing maintenance. A web-based solution proved inadequate because it was not integrated properly with outbound operations. The Managed TMS solution provides management reports that enable Ocean Spray to track a variety of important costs, such as cost per load delivered, transfer costs, utilization, miles traveled, and cost per mile. But key to the ongoing success of the program is the dedicated, onsite experts from the provider who work alongside Ocean Spray’s transportation team.

A New Best Practice

Established TMS technology has transformed transportation management for countless companies, and these traditional solutions will continue to be an attractive option for many enterprises. Every shipper has a unique set of operational requirements and must choose the combination of TMS capabilities that best meets its tactical and strategic goals.

But for a growing number of shippers, the traditional road to more efficient distribution networks is no longer adequate. A changing competitive landscape, the growth of global freight networks, and the arrival of new technologies require new approaches to TMS.

What is the future of TMS and logistics outsourcing? As customer expectations rise, more shippers will demand systems and services that help them to flex with ever-changing markets. They will expect ongoing value from a TMS and look to incorporating more advanced strategic management functions that redefine their relationships with providers and raise the performance bar. The Aberdeen study recommends that shippers should partner with TMS solution providers as a “best-in-class step to success.”⁵ Our Managed TMS service is the vehicle that is enabling shippers and solutions providers to make this step change in the way they manage transportation.

About TMC

TMC is a division of C.H. Robinson, one of the world’s largest providers of global freight services. Their global Managed TMS® solution offers TMS technology combined with managed services. Through Control Towers® in Chicago, Amsterdam, Shanghai, and Mumbai, TMC coordinates complex, global, multi-leg shipments, using all forms of transportation. With the Managed TMS solution—delivered through TMC—clients are provided a single global platform for shipment optimization and visibility, freight payment, and business intelligence. C.H. Robinson employs hundreds of transportation experts to support Managed TMS clients in North and South America, Europe, Asia, Africa, and the Middle East.

For additional information on Managed TMS and global Control Towers, go to www.mytmc.com.

For powerful new ideas in freight management, visit the TMC Connect blog at www.mytmc.com/blog.

⁵Ibid.