

Whitepaper



5 Ways

a Transportation Management System (TMS) Can Reduce Costs and “Green” Your Business This Year



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To say logistics managers are under pressure is an understatement.

You're fighting the same cost reduction wars and customer service issues as all the other departments, but now you also have to think about greening your emissions and carbon footprints? What if you could significantly cut your transportation costs and improve your service to customers, while reducing carbon emissions without any added effort? Better get set for that Employee of the Year parking spot.

A transportation management system (TMS) manages the processes around the shipment of freight, helping you select the right carrier across all modes, rate the movement, tender the load, print the shipping documents, track the load, bill others for the freight and pay the freight bill from the carrier. The savings opportunities with a TMS are undeniable. ARC Advisory Group has shown that companies can reduce their transportation costs by five to 25 percent or more by using a TMS to streamline and automate their transportation planning and execution processes¹. With savings like that, you can expect to achieve a return on your TMS investment very quickly. Here are some common areas of savings with a TMS:

“If you can’t get a TMS justified now, good luck.”

*“fuel prices – cry, panic, or act?”
Supply Chain Digest, May 15, 2008*

Intrigued?

Read on to learn five key areas where a next-generation transportation management system can quickly bring value to your business.



Optimized LTL to multi-stop truckload or pool carrier consolidation

Freight spend savings of 5-20%

Improved efficiency in operations

Reduced overhead of 10-30%

Improved freight settlement/audit

Freight spend savings of 2-5%

Real-time visibility into inventory and shipment status

Reduction in safety stock 10-15%

Optimal mode and carrier selection

Freight spend savings of 2-5%

¹ARC Advisory Group Brief, “The Economy as a Catalyst for Change: The Role of TMS and Managed Services.” Adrian Gonzalez. May 2009.

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1 Automating Shipping Processes: Mode and Carrier Selection, Route and Load Optimization

Sometimes doing things the old-fashioned way is worth the effort – like baking cookies from scratch and building a soapbox derby car. But in business, the old-fashioned way is often slower and more error prone. Controlling transportation costs is difficult to accomplish manually. You have a multitude of criteria to consider when analyzing the “who, what, when, where and how” of moving goods, and managing these rules by paper can often leave you coming up short.

Automating transportation processes such as mode and carrier selection and compliance requirements can save a lot of time and money. A transportation management system drives efficiency by automatically finding the most efficient mode, route and carrier for each shipment. The complex daily task of routing is done automatically through sophisticated optimization algorithms that provide the least cost solution while meeting customer requirements.

Using static rules, like choosing mode of transportation strictly on weight, won't always determine the most efficient way to send goods. And choosing the right carrier is challenging because there are many customer requirements and internal policies to consider, in addition to finding the least costly alternative. A transportation management system can be configured to meet any number of customer demands and exceptions, facility configurations, business rules and distribution strategies. So the transportation solution will automatically analyze all the options with advanced load planning and optimization tools to select the most efficient mode of transportation. The system will also select carriers automatically based on your pre-negotiated lane rates and carrier availability. For example, a customer might want to deliver only on three particular days of the week during certain time windows and using certain carriers. All the business rules are established in the TMS, giving you the capability to plan hundreds of orders in minutes rather than hours.

Leveraging multi-modal optimization is another area for savings. You can quickly plan hundreds or even thousands of shipments into the optimal combination of consolidated loads, continuous moves, pooled shipments and backhauls - across all available

modes. The TMS can analyze each leg of a shipment and assess the situation for more efficient shipment mode options. Perhaps you are using less than truckload (LTL) going from point A to point C. There may be opportunities to combine shipments to turn that into a full truckload (TL) from point A to point B, then shifting to LTL from point B to point C to provide monetary and environmental savings.

2 Shipment Tracking and Visibility – For You and Your Customers

When you need to see the most updated balance in your personal checking account, do you rush to the file drawer and pull out a hard copy of last-month's bank statement? No, you probably go online to your bank's website to find the most up-to-date information. The same logic applies when tracking shipments: With a manual email and fax approach, you're just not getting the most updated, accurate information.

92% of companies said their transportation management technology would not meet future needs. 69% said their transportation solution doesn't meet all of their current needs.

*source: the aberdeen group 2006
“The Transportation Management Benchmark Report”*

Reliable data isn't always available when you are using labor-intensive and paper-based processes that are prone to errors. Many next-generation transportation management systems are available as web-based applications that can be shared across a community of shippers, customers and transportation departments. Many of these even have mobile applications so users can view shipment status from an iPhone or other mobile device. Shipment tracking in a TMS will give authorized users shipment status at any time because the system captures EDI information from carriers on a real-time basis. Searches can be performed by bill of lading, order number, purchase order number, consignee or carrier. In-transit visibility gives you the option of making changes when necessary, as managers are notified of exceptions before they can cause a problem.

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3 Freight Billing: Stop Leaving Cash on the Table

“Excuse me; did you drop this \$20 bill?” If you dropped money on the ground, you would take the time to pick it up. The same is true for your business, and it’s probably a good time to look at the money you may be leaving behind in your billing process. Working with many shippers with a multitude of rules and rates that are constantly changing is a challenging task. When you receive an invoice, how do you know if you were charged the correct amount? It’s often too arduous to go back and check, so you end up paying the extra amount. It adds up quickly, and it’s cash you could be spending elsewhere in your business.

With a next-generation TMS, the system streamlines the freight payment process. The majority of bills are automatically validated and approved for payment. If the bill is more than a specified tolerance, the system will flag the invoice and automatically send a note to the shipper announcing the problem and requesting a resolution. This functionality virtually eliminates manual pre-audits, automates the match-and-pay process, automatically applies general ledger account codes, and provides accurate transportation cost accruals and reporting capabilities.

4 On Demand TMS: Faster Implementation; Quicker Return on Investment

In the past, many companies put off implementing a TMS solution because the protracted deployment time and the strain on the IT department along with a huge up-front investment rendered the project too daunting. Now with the on-demand, software as a service (SaaS) TMS model, companies of all sizes can rapidly reap the benefits of a TMS without the up-front cost and IT drain.

On-demand TMS solutions are more affordable and faster to implement, bringing a quick time to value. Instead of paying a relatively large license fee up-front, you will typically pay a monthly subscription fee, converting what was previously a capital investment into an operating expense. Instead of being installed on servers at your location, the software is hosted in a secure data center at the software provider to minimize installation and maintenance time and cost. No infrastructure or software has to be deployed or administered by your IT department, and all ongoing software updates and infrastructure maintenance are performed by the TMS provider. The software implementation time is reduced from many months, or even years, to weeks or a few months.

With the SaaS model, there is a “network effect” where the service becomes more valuable to you as more people use it. You have relationships with many different carriers and once they are hooked into the system, communication and rules are simplified for everyone involved. In fact, in most cases the majority of your carriers are built into the TMS carrier network, dramatically reducing your implementation time. All that is left for you is to load in your pre-negotiated lanes and corresponding rates.

5 You? Green? Yup, It’s Easier Than You Think

Carbon footprint. Greenhouse gases. Carbon dioxide emissions. Maybe you’ve heard the terms but aren’t sure what to do about it or where to begin. For freight transporters, the pressure is on to reduce your carbon emissions. Freight transportation is cited as the most polluting and fastest growing transportation sector, and a recent study² on national surface transportation noted that freight is responsible for about eight percent of the total U.S. carbon dioxide emissions. The same report noted that the answer lies in modernizing freight systems to make them more efficient to reduce emissions while simultaneously improving freight movement.



A transportation management system can have a substantial effect in managing your company’s carbon footprint. The first step comes with the efficiencies gained through optimized route planning, mode selection and carrier choice. The second savings comes via

²The Environmental Defense Fund, “The Good Haul: Innovations that Improve Freight Transportation and Protect the Environment,” Denning and Kustin.

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the full, real-time visibility into shipments that a TMS provides. With real-time information and optimization, you have the option to redirect shipments to a more efficient option. Consider inbound shipments coming from Asia. You have to contend with port issues, drayage, rail cars and trucking. With real-time carrier information, you have the flexibility to make routing changes on the fly if more efficient modes become available.

So How About That Employee of the Month Spot?

Chances are you are getting pressure to decrease transportation spending as a percentage of your company's supply chain expenditures. Rising freight and fuel costs and customer demands for better shipment visibility make reasons for automating processes all the more evident. With a transportation management system, managing your transportation becomes more strategic – and simpler. The right TMS solution will give you real-time insight into the status of your shipments, automate manual processes and cut freight expenses. The days of managing your transportation options with spreadsheets and a fax machine could soon be a thing of the past – and as the party responsible for this new efficiency and environmental responsibility, you may just get a little more recognition around the office.

The answer The answer to lowering your carbon footprint lies in modernizing freight systems to make them more efficient to reduce emissions while simultaneously improving freight movement.

