

ROI is Driving Next Generation TMS Adoption

By Chris Cunnane

Summary

A transportation management system (TMS) helps companies efficiently, reliably, and cost effectively move freight from origin to destination. Failure

A TMS is a mission critical technology component for today's shipper. It is driving a strong ROI, most notably in the form of an 8.5% reduction in shipping costs. The next generation of TMS's are providing new forms of optimization to continue to drive the ROI higher.

to get goods to and from a destination on time can lead to significant losses in revenues as well as customers. The key to achieving success is to have a robust TMS in place, one which has a powerful optimization engine and reporting capabilities. Additionally, the TMS must be easy to use, highly adaptable, fast to implement, and deliver a measurable ROI. This article will explore each of these

more in depth and describe how a next generation TMS can improve your transportation management.

TMS Hot Trends

The transportation industry is certainly growing as commerce becomes more global in nature. There are a few major growth trends that are driving the TMS market. First is the fact that TMS has a strong and proven ROI. A recent ARC survey on the ROI of TMS found that respondents indicated freight savings of approximately 8.5 percent with the use of a TMS application. Of these savings, 84 percent of users indicated that less than 25 percent of the net savings were absorbed by the TMS. These freight savings can be attributed to lower cost mode selections, better routing, and better procurement negotiations.

A second major trend driving the growth of TMS is lower barriers to entry. Historically speaking, without a freight spend in the \$20 million and over range, implementing a TMS was not an option. However, now, there are more options, especially cloud-based offerings, that allow companies with



This paper was written by ARC Advisory Group on behalf of 3GTMS. The opinions and observations stated are those of ARC Advisory Group. For further information or to provide feedback on this paper, please contact the author at ccunnane@arcweb.com.

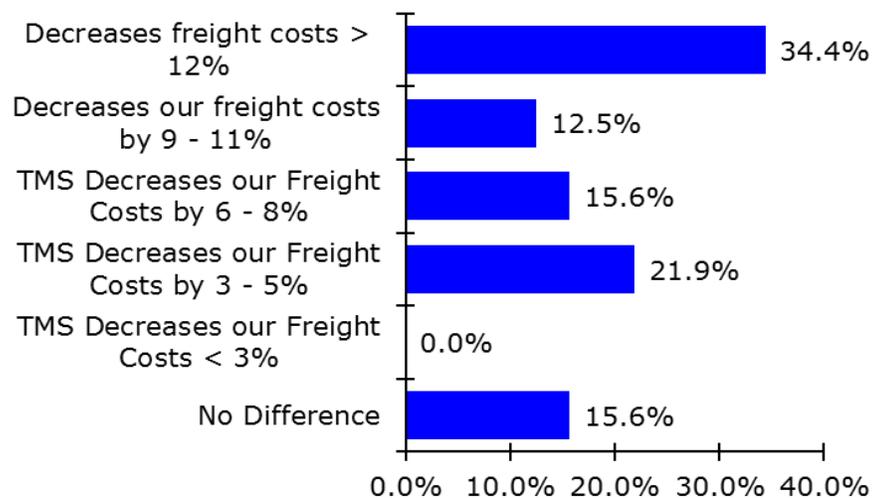
significantly lower freight spend to take advantage of a TMS. Moreover, these solutions are certainly not cut-rate applications. They provide the same robust features and functionality shippers need and expect from a TMS.

A third major trend that is driving TMS adoption is the fact that suppliers are simply offering better solutions. Next generation solutions are being built from the ground up to accommodate the complexities of today's global economy to meet the needs of shippers. These improvements include new forms of optimization, mobility enhancements, improved usability, and better analytics.

So what is driving purchases of TMS today? The main features that are coming to the forefront today are optimization and integration. Shippers need to have a robust optimization engine. Many companies can help you match your shipment with the appropriate mode. However, the key is to maintain service levels that ensure profitability and high customer satisfaction.

From an integration standpoint, shippers today want everything to run as seamlessly as possible. Whether a company is upgrading or replacing their TMS, integration is vital. This includes EDI, load boards, order entry, and logistics platform integrations.

The ROI of TMS

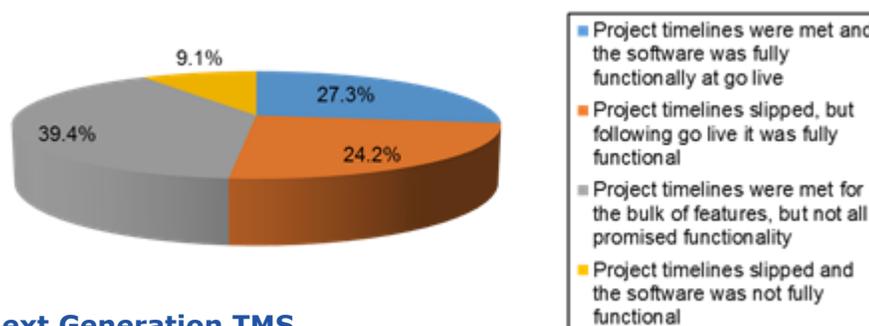


As stated above, the measurable ROI on TMS is a driving force behind the growth in the market. ARC recently completed survey-based research on

the ROI associated with TMS and compared these results to a similar survey from five years ago. The results indicate that the now-robust ROI has improved greatly over the last five years. In the original survey, 23 percent of respondents indicated a decrease in freight costs by more than 10 percent. Even after scaling the top segment to freight savings of more than 12 percent, nearly 35 percent of respondents in 2016 indicated the top level of savings. Giving these respondents a weighted average, the ROI on TMS has improved from 6.8 percent to 8.5 percent.

The better news for shippers comes in the form of service levels. Despite a decrease in freight costs, the savings did not come at the expense of service. We characterized “customer service” as the percentage of deliveries arriving within a designated four-hour delivery window. More than 37 percent of respondents indicated their service levels improved more than 10 percent even with the freight cost reductions.

The one area that needs improvement when it comes to ROI is the implementation timeframe. The good news is that according to ARC’s research, only 9 percent of respondents indicated that their TMS implementation project timelines slipped and the software was not fully functional at the project deadline. Additionally, 39 percent indicated that timelines were met for the bulk of the features, but not all promised functionality, and 24 percent said timelines slipped but following go-live, it was fully functional. That leaves only 27 percent of respondents that indicated timelines were met and the software was fully functional at go-live. This is an area that can make or break IT budgets, and certainly gets shippers thinking about alternative routes to take.

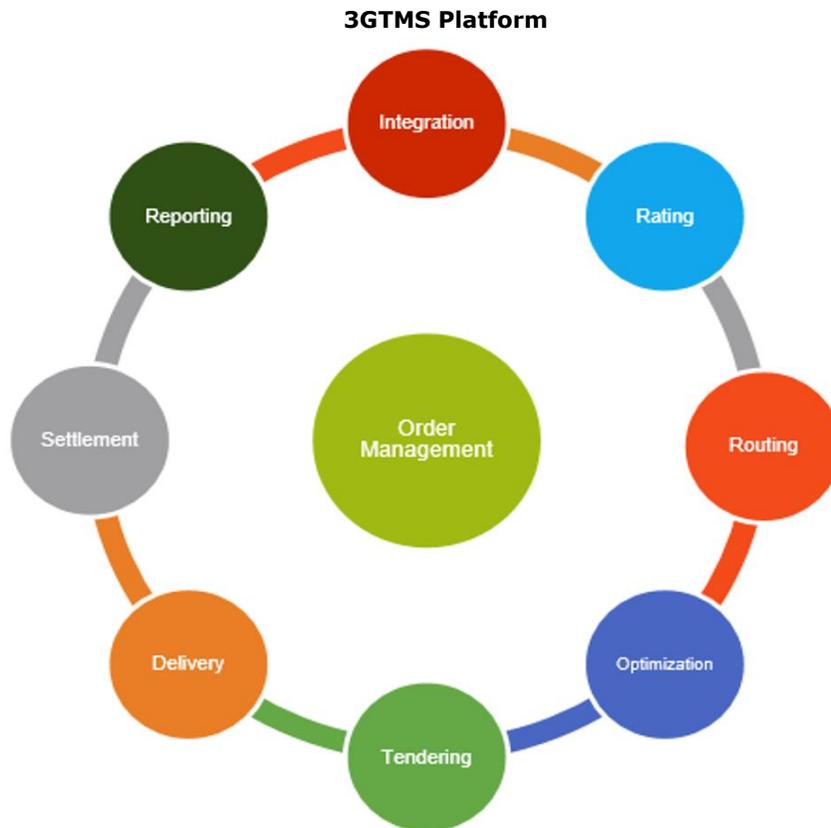


Next Generation TMS

There are a few requirements that today’s shippers, brokers, and LSPs need in order to fully compete in the evolving global economy. These requirements are also essential for the next generation of TMS suppliers. First, and foremost, the TMS needs to be multi-modal. As a result of complicated global shipping needs, moving goods between modes is essential. Secondly,

the solution needs to meet the needs of not only smaller shippers, but mid to large size companies as well. While today's changing TMS landscape makes it possible for companies with as little as \$5 million in freight spend to invest in a TMS, the solution must be scalable for those companies with billions of dollars in freight spend as well. Third, optimization is no longer a "nice to have" feature. This means that the TMS should have its own algorithm for optimizing shipments. And finally, the solution needs to be end-to-end. This means that shippers can use the same solution for the entire shipping lifecycle, from when the order is cut to settlement, and everything in between.

One provider of a next generation TMS is 3GTMS. Headquartered in Shelton, Connecticut, 3GTMS develops software for shippers, brokers, and LSPs that aims to simplify complex transportation management. The company's transportation management platform places a focus on providing a feature-rich and flexible TMS application for mid-to-large shippers, 3PLs, and brokers. The 3GTMS platform supports tools for developing end-to-end TMS capabilities, including rating, routing (including multi-stop and pool distribution optimization), tendering, tracking, tracing and settlement. Two distinct features include the ability to calculate savings and margins during planning, and the fact that the application is designed to handle multi-leg pool moves and the associated cost and invoice allocations. One of the company's biggest strengths is experienced executive leaders who have successfully built strong TMS software companies in the past. The company boasts excellent customer service and a high customer satisfaction rate. Additionally, 3GTMS has been demonstrating strong growth and is winning deals against some of the largest TMS vendors in the space, including a number of replacements.



Case Study

I recently spoke to a few of 3GTMS' customers to get their take on the implementation of a next generation TMS. One company in particular stood out to me. This company is a US-based manufacturer of building products with operations in 20 countries around the world. I spoke with the company's Director of Logistics about the 3GTMS implementation and results they have seen. The Director said they were using a legacy TMS that, due to an acquisition, would not be supported moving forward. They looked at some of the larger TMS providers, but they did not see the benefit of those systems over their current system. After a conversation with 3GTMS, they realized they did not have all the functionality that was required - namely appointment times, round-trip routing, and multi-modes. However, due to the experience of the team at 3GTMS, they opted to implement the system, and all of this required functionality was built within a year.

As far as the implementation went, they had a project tracker they developed with 3GTMS, and they put it on super users. They went through the project tracker weekly to make sure they would hit a hard deadline to be

live on a specific date with specific functionality. The two companies also held weekly conference calls and follow-ups to ensure everything was on track. 3GTMS knew the deadline, and worked to make sure they hit it. In the end, there were no delays on the implementation, and the systems was fully functional at the go-live date.

Since implementing the TMS, the company has seen improvements. As an early adopter, it was able to steer some of the product specifications for what they needed. As a shipper that uses lots of different modes, an agile TMS was required. The dynamic routing in particular has helped to reduce their freight costs, although the company could not tell me by exactly how much.

Conclusion

A TMS is a mission critical piece of technology for today's shipper. It helps companies efficiently, reliably, and cost effectively move freight from origin to destination. The most powerful driver of TMS market growth is the associated ROI with using the technology. Based on a recent ARC survey, TMS users have seen an 8.5 percent reduction in freight costs since implementing the application. These savings come from a combination of lower cost mode selections, better routing, and better procurement negotiations.

An often overlooked part of the ROI, however, is the implementation process itself. Too many companies miss the mark on their implementations, from both a deadline standpoint as well as a functionality standpoint. From our recent survey, only 27 percent of respondents that indicated timelines were met and the software was fully functional at go-live. These misses mean wasted time and money, which then makes it harder to see a positive ROI.

The next generation of TMS applications are building upon years of experience and know-how to raise the bar on TMS offerings. This comes in the form of integrated platforms that include all aspects of transportation functions - order is cut, freight bill paid, rating, trending, tracking, tracing, settlement. The biggest differentiator for many buyers is the need for a proprietary algorithm for optimization. Without the optimization, many potential customers will look elsewhere.

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