



# Pitching

BY **BRIDGET MCCREA**, CONTRIBUTING EDITOR

**As the number of TMS-related success stories grows, so too does shipper interest in using the technology to streamline transportation operations. But while you may understand the benefits of TMS, your CFO probably doesn't. Here's how to make the pitch.**

**F**or shippers, transportation comprises a significant portion of total logistics costs as a percentage of sales, and those fees aren't getting any lower. To offset those costs, the Aberdeen Group reports that more companies are making resources available to find tools that bring better visibility and control to the transportation component.

Nearly 70 percent of companies surveyed by Aberdeen for the firm's second quarter 2009 AXIS report on TMS say that they currently have a mandate from management to make technology recommendations for transportation-related solutions. According

to Aberdeen, 54 percent of respondents plan to adopt a related solution in the next 18 to 24 months. "Despite planned spending decreases as a result of the current economic conditions, investment in TMS offers the opportunity for considerable gains in business value through the removal of costs from the system and the increase in overall supply chain visibility," says Nari Viswanathan, the research firm's vice president and principal analyst.

In his June 2009 *Transportation Management Under the Looking Glass* report, Greg Aimi of AMR Research says that shippers should have little trouble making the case for a robust TMS based on the results that other firms are already reaping from such solutions. According to Aimi, TMS has proven valuable for companies that implement them, with key savings potential including freight budget cost reduction, route and mode optimization, more competitive delivery options, and reduced network inventory levels.

"Actual values differ from company to company, depending on how refined and effective their existing practices were prior to the TMS implementation," Aimi says. "For example, by using systems to tightly manage the transportation function, some companies have been able to create more aggressive delivery programs, which can be used to gain an advantage over competitors."

As the number of TMS-related success stories continues to grow, so too does shipper interest in using the technology to streamline the transportation component while saving both time and money. Over the next few pages, we'll look at how shippers can justify the case for TMS investment with corner office executives, and also examine how one logistics team worked through the pitch process and emerged more efficient.

**THE WINDUP...**

At their core, TMS solutions help companies rapidly reduce transportation spend and take the logistics operations to the next level. Viswanathan says this goes beyond basic payment, auditing, and route scheduling to include functions like carrier and bid optimization, collaboration across departments, and effective fleet management. With fuel costs once again creeping up to unmanageable levels, the need for such strategic initiatives is high.

For logistics managers that haven't obtained TMS approvals yet, Adrian Gonzalez, director of Boston-based ARC Advisory Group's Logistics Executive Council, says the first step is to identify the company's short-term transportation objectives, and then match up those goals with TMS features and functions. From there, consider longer-term objectives (five years out, for example), including global initiatives that might dictate the need for a more complex TMS.

To sell the corner office on the idea of a new or replacement TMS, Gonzalez says logistics managers must translate

**TMS Cost Reduction Opportunities**

TMS Operation/Capability	Relative Savings Potential
Route and Mode Optimization	\$ \$ \$ \$
More Competitive Delivery Options	\$ \$ \$
Reduced Network Inventory Levels	\$ \$ \$
Electronic Communications with Supply Chain Partners	\$ \$
Carrier Assignment Optimization	\$ \$
Rate Negotiations and Compliance	\$ \$
Continuous Moves and Dedicated Fleets	\$ \$
More Efficient and Automated Operations	\$

Source: AMR Research, 2009

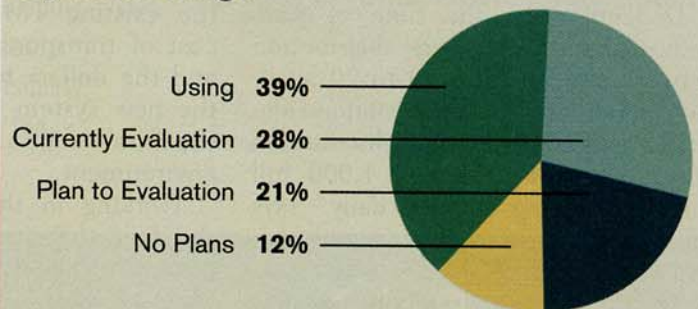
supply chain metrics into CFO-speak. "Telling upper management that a TMS will improve on-time delivery by 20 percent, for example, means nothing to the typical CFO," says Gonzalez. Tell that same "numbers guy" that a TMS will shave 20 percent off the \$60 million a year that the firm is spending on transportation and you will likely get the thumbs up.

Selling your staff on the solution will take a bit less effort. According to Paul Lord, research director at AMR, the efficiencies gained through more frequent bidding and maintenance of rate levels alone should get the crew interested. "If you're bidding on rates, maintaining those rates and paying vendors manually, then your staff's workload probably isn't very gratifying," says Lord. "The functionality associated with a TMS will surely raise the staff's productivity and effectiveness, making it a fairly easy sell."

**...AND THE PITCH**

With its TMS contract about to expire, and the original vendor no longer supporting the solution, Saint-Gobain

**Transportation Management Systems Usage**



Source: AMR Research, 2009

## TMS: Delay of game

**A**CCORDING TO ABERDEEN GROUP'S TMS AXIS report, organizations that are not currently investigating TMS reported three core factors preventing them from making the investment: perceived cost of integration, initial upfront expense, and a lack of executive-level support. It is clear that in the past year vendors have responded to these concerns by improving their solution architectures and deployment options. There is also a segment of the vendor market that has taken the next step and recruited and provided world-class transportation service experts to help customer's better leverage their TMS investment with more of a bundled technology and/or services offering.

Containers, Inc., knew it was time to find a newer solution to handle its vast transportation network.

"We've been centralized in procurement of our transportation service contracts since 1995, but we'd outgrown our existing TMS system, which was installed in 2002," says Peter Walters, the company's vice president of purchasing and distribution. "It lacked the functionality that we really needed to operate efficiently, so we set out on an extensive hunt to find a new one."

Based in Muncie, Ind., Saint-Gobain Containers is a producer of glass packaging for the food and beverage industries. Serving markets throughout North America from 13 plants, the company has operated in 24/7 mode

late 2007. "We commissioned a project team whose objective was to identify the best TMS solution for our business unit," says Walters. That project team included representatives from corporate distribution, IT, centralized load tendering, and other "subject matter experts from up and down the supply chain," he says.

The project team performed a thorough evaluation using Forrester Research's "The Forrester Wave" TMS selection criteria. Using the tool, the project team gained access to detailed analysis of vendors' products and services based on transparent, fully accessible criteria; an Excel spreadsheet that allows companies to compare products and get in-depth data and analy-

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for years utilizing the concept of just-in-time, according to Walters. "Our customers don't keep large inventories of glass packaging on hand but rely on us to manage it for them."

Depending on the time of year, Saint-Gobain Containers' distribution network also includes 50 to 70 auxiliary warehouse locations nationwide. "It's a pallet-in/pallet-out distribution operation, with a total of 1,000 full truckloads being shipped daily," says Bill Bolka, director of transportation and warehousing.

The process of selecting a new TMS to handle Saint-Gobain's complex transportation system kicked off in

sis about each one; and the ability to develop a customized shortlist based on a firm's unique requirements.

The first step involved a cost-benefit analysis that included details on the existing TMS cost, the project cost of transportation going forward, and the dollars to be saved by using the new system in conjunction with the firm's centralized, load-tendering environment.

Working in the team's favor was the fact that its first choice was a hosted, on-demand TMS from UltraShip. "It didn't require a big capital investment on the part of the user or the shipper," explains Walters. "This

long-term agreement required senior level approval, so we still had to walk through that process."

"We laid out the criteria and showed management that we were making the right choice, and that UltraShip had developed a solution with capabilities that best matched our well-defined requirements," says Bolka.

He adds that the company has benefited from a more reliable, automated freight-tendering process, a more timely interface within the carrier and shipper communities, and a more advantageous negotiating position when dealing with carriers. "That was over six months ago, and we've been operating successfully with our new TMS ever since."

### GETTING INTO THE GAME

To logistics managers looking to duplicate the success that Saint-Gobain Containers achieved in selling upper management on the purchase of new TMS, Viswanathan says a good first step is to look at the solution currently being used to manage transportation activity and costs. Consider the good and bad points of the system, highlight everything that the system isn't doing (or, that it isn't doing effectively) and come up with a wish list for your new system.

"Map out where the gaps are in your current system, and then take that map into the marketplace as you look at what vendors are offering," says Viswanathan, who suggests all shippers partake in pilot projects before making the ultimate investment in a purchase-and-install or on-demand system.

AMR's Lord adds that those companies that come to the table with a clear idea of what they want to accomplish with the TMS before going out and interviewing vendors will be best equipped to make the right decision—and to convince their CFOs of the importance of a new investment in today's tight economy.

"Once you get out there, you'll run into a lot of vendors who are trying to sell you stuff," says Lord. "If you don't know what you want, it can be a very confusing landscape to operate in." ■

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