

Making the case for TMS

DRIVING SUPPLY CHAIN ROI



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You don't have to look far to find savings, value and improvements driven by transportation management systems (TMS). Best-of-breed TMS solutions (like Manhattan's TMS) are game changers and deliver a range of competitive advantages for companies of all shapes, sizes and levels of complexity. They are more powerful, scalable, connectable, affordable and justifiable than ever before, with rapid implementation timeframes as well. In fact, TMS solutions can provide one of the strongest returns on investment (ROIs) among all supply chain solutions on the market — an average of about eight percent according to a recent study done by ARC Advisory Group.* It makes sense for any company, of any size, shipping products to and from anywhere in the world to take a hard look at today's TMS solutions.

Whether you are looking to centralize and digitize your transportation procurement processes, improve collaborative opportunities with your partners, optimize your entire transportation network, gain shipment execution efficiencies and visibility or implement best-practice solutions for freight audit and payment, a TMS is one of the most critical solutions for achieving savings, value and efficiencies and fully future-proofing your supply chain.

WHAT AFFECTS ROI?

When it comes to ROI, there are many "buckets of opportunity" that can be measured and achieved over the course of time. Each company that implements a new TMS solution has unique characteristics, dynamics and challenges — as well as unique strategies for the deployment of a TMS. These differences can have an impact on the amount, speed, frequency and reach of ROI directly achieved. Factors include:

- The level and extent of TMS capabilities implemented and deployed
- How the TMS is directionally deployed (i.e., inbound/import, outbound/export, supplier enablement, etc.)
- How the TMS is rolled out (i.e., business units/divisions, single project/single phase, multiple phases over time)
- If the TMS is deployed across a more dynamic, omnimodal network (TL, LTL, Fleet, IM, Parcel, Ocean, Air) versus a more simplistic logistics network
- Whether the TMS is a new, transformational technology or an upgrade of existing solutions

Technology alone will not ensure success and ROI. A successful TMS initiative requires executive sponsorship, proper planning and expectation-setting, identifiable roles and responsibilities and a solid partnership with your TMS partner.

In this document, we will focus on areas that consistently deliver savings, value and continuous improvement in your supply chain and across your business.



*Transportation Management Systems Market Research, ARC Advisory Group, April 2, 2018

SETTING THE STAGE

As you collect information and solidify your business case for TMS, it's important to ask questions holistically.

1. Which needs and challenges am I trying to solve or address?
2. What is my current state in terms of processes, workflows, systems, risks, etc.?
3. What is my desired future state, and how do I get there (considering stakeholders, priorities, resources, desired goals and results, costs, timeframes and expectations)?
4. And ultimately — How do I ensure and measure success?

Proper planning, input and readiness are critical. Involve other departments and stakeholders, especially those affected by transportation decisions. Identify their transportation and supply chain-related pain points and challenges, and understand their business or departmental goals and strategies. Finally, consider involving your preferred TMS vendor in the process of building a business case, leveraging years of experience around best practices. This cross-departmental collaboration and the inclusion of your preferred TMS vendor will help ensure that you build a compelling case that delivers solid details and a well-defined plan around:

- The common vision and goals for the initiative across departments
- The savings and value (ROI) tied to the TMS investment
- The investment associated with the initiative (internal/external costs, timelines, resources)
- The change management impact on teams, processes, systems, partners and the supply chain
- The cost of inaction

ENSURE A SHARED VISION

Understanding your corporate objectives is key to justifying any project. Whether it's cost savings, margin performance, premium levels of customer service or speed to market, it's important to align with the stakeholders and key decision makers responsible for executing the business strategy. Here are some examples:

- **CHIEF SUPPLY CHAIN OFFICERS** — Attuned to issues like order sizes and velocity, increasingly demanding customers, supplier volatility and supply chain risk, these professionals need reliable, robust systems and partners that help them work smarter, better and faster
- **CHIEF INFORMATION OFFICERS** — With technology evolving at the speed of light, mobile technologies coming to the forefront and budgets constantly under scrutiny, CIOs want to be able to illustrate the ROI of their investments while also balancing the needs of users
- **CHIEF FINANCIAL OFFICERS** — Today's CFOs are concerned about budgets, interest rate changes, high labor costs, high inventory costs and rising costs of transportation — nearly 11 percent of sales at the typical one to two billion dollar company. CFOs see their supply chains as extremely important to business success and understand their impact on corporate objectives



JUSTIFYING YOUR TMS INVESTMENT

Without question, transportation management solutions can deliver value and ROI. That's been clearly established over the last 20 years via research studies, case studies and more. In its recent TMS Market Research Study, ARC Advisory Group said companies report an average savings of approximately eight percent with the use of a TMS. For nearly 60% of these TMS implementations, the total TMS-related costs were less than 10% of the documented savings. These gains can be attributed to better and smarter execution around simulation and network design, load consolidation, lower cost mode and carrier selections, better visibility and multi-stop route optimization.

In a research study from 2019, Gartner provides information on the areas of cost improvements and productivity enhancements achieved with TMS solutions. The table on the right side of this page shows the different areas of productivity and the potential cost improvements as identified by Gartner.

With 20+ years of evolution around SaaS technology and innovations delivered in the cloud, TMS solutions have become progressively more powerful, scalable, affordable and justifiable. Higher ROIs are being realized faster. Once seen as "nice-to-have" for companies with extremely large

and complex transportation networks, a TMS is becoming more of a necessity within companies of any and all shapes, sizes, complexities and geographies.

FIND THE RIGHT PARTNER

Technology is just a piece of the puzzle. Companies need a partner that offers customer-centric services beyond software, a partner that will support and help manage change as well as user acceptance of the new technology. The right company will have a history and heritage of innovating, delivering success and finding new ways to drive value for customers — at the start of the project and throughout the relationship.

For nearly two decades, Manhattan has helped deliver significant TMS transformations for customers of all sizes and complexities, across a myriad of industries like food and beverage, manufacturing, retail, grocery, consumer goods and wholesale/distribution. Leveraging the feature-rich functionalities of a best-in-class solution like Manhattan TMS, companies achieve new levels of cost savings and service-level improvements. By automating processes, workflows and communications that drive optimization, shipment execution, supply chain partner collaboration, control tower visibility and exception management, companies gain incredible advantages from one end of their supply chain to the other.



“Partnering with Manhattan gave us the capability to move to a much more efficient, sustainable, holistic transportation model, which allowed us to gain greater efficiencies across our entire supply chain.”

– ANN-MARIE DAUGHERTY, GIANT EAGLE VICE PRESIDENT LOGISTICS

Savings opportunities average about **8%**

AREAS OF COST IMPROVEMENTS OR PRODUCTIVITY ENHANCEMENTS IN TMS

AREA OF PRODUCTIVITY	RANGE OF PRODUCTIVITY*
Optimization – Lower-cost mode selections – Better rate selection – Better load optimization – Continuous moves and dedicated fleets	5% – 15%
Procurement Savings	3% – 10%
Increased Usage of Preferred Carriers	2% – 5%
More Efficient, Automated Operations	1% – 5%
Freight Audit Savings	1% – 4%
Collaboration	1% – 4%
Appointment Scheduling	0.5% – 1%

*Percentage of Freight Under Management

Source: How to Calculate the Return on Investment for a Transportation Management System, 16 July 2019 by Brock Johns, Bart De Muijnck and Oscar Sanchez Duran

IDENTIFYING ROI OPPORTUNITIES

No two supply chains are identical, and nobody starts from the same point. Therefore, the opportunities for savings, value and continuous improvement differ from company to company, based on a myriad of variables such as:

- Level of importance executives place on a TMS initiative
- Maturity, complexity, hierarchy and reach of supply chain
- Directional strategy (inbound/import, outbound/export, modes of transport, private fleet inclusion)
- Systems, processes and teams in place prior to/during the deployment of a TMS
- Strategy and timing, from implementation to rollout

Although there are a multitude of ways a TMS adds significant benefits, there are five key areas that fundamentally drive ROI by future-proofing your supply chain and positioning your company for sustainable improvement and value creation. Based on the constant state of change of the transportation and logistics market — a growing economy, supply and demand, driver shortages, tight capacity, higher freight costs, tighter regulations — these estimates are likely on the conservative side:

CAPABILITIES POWER ROI

In order to maximize ROI, it's critical to find a best-in-class TMS that can offer the right mix of functionality and capabilities. The following includes the capabilities you should look for in each of these five key areas to get the most benefit.

STRATEGIC AND TACTICAL TRANSPORTATION MODELING

Transportation Modeling empowers you to challenge assumptions, test new ideas about transportation policies and, perhaps most importantly, quickly and optimally adapt to changes in your transportation network. After a TMS go-live, change continues to happen. Modeling provides the mechanisms to ensure those changes are recognized, impacts are identified and tuning is performed to ensure you are optimizing on a continuous basis. Utilizing stale data and configuration in a TMS is a leading cause of sub-optimal results and diminishing ROI. Modeling allows you to always understand the current state of your ever-changing supply chain, design alternative solutions, evaluate savings opportunities and quickly adapt to and implement improvements.

Transportation modeling incorporates:

- Proactive and holistic multi-echelon network optimization in a sandbox environment
- Measuring network efficiency to discover improvement opportunities with real savings
- Simulating policies with high-accuracy and confidence
- Performing what-if analysis for network disruptions and preparing for them before they are realized
- Exploring policy and network changes with regard to facility locations, product mix, fleet sizing and usage, ordering patterns, delivery schedules and more
- Historical demand analysis to extract and include patterns and seasonal fluctuations in the demand model



Modeling
3% – 5%

Procurement
1% – 4%

Planning & Optimization
3% – 10%

Execution, Visibility & Event Management
3% – 6%

Settlement
1% – 4%

5–15% TYPICAL SAVINGS RANGES

TRANSPORTATION PROCUREMENT

Centralized, systemic aggregation of shipping data for the simplification of strategic procurement analysis and decision making is essential. Selecting the right carriers has a direct impact on profitability and customer satisfaction. But with the dynamic nature of supply chains, the best combination of carriers today may be different tomorrow. Manhattan Transportation Procurement allows you to determine the ideal combination of carriers and balance price against other factors, such as capacity, service and quality. Dynamic supply chains require a powerful and flexible solution that will streamline the sourcing process and that helps respond to changes. For example: new vendors, DCs, stores and customers; changing customer demands and service requirements; varying shipment volumes; carrier mergers and acquisitions; new regulations; contract expirations; and fuel prices.

The right TMS includes:

- Automated, strategic sourcing
- Incremental bidding for continuous improvement
- Analysis and selection of the most-optimal carrier, mode, service and rate
- Competitive rates for all lanes
- Improved durable rates and capacities to move freight
- Improved “stick rate” for routing guides
- A rationalized list of carriers with contracted rates and capacity commitments for consistent service at known cost
- Measurement of performance and rate escalation, compared to bid commitments
- A reduction of brokerage dependencies
- I.D. bleeder lanes rates against industry benchmarks (i.e., DAT)
- Elimination of manual processes and inefficiencies — i.e., contracted rates, resource efficiency gains (productivity gains/reallocations)
- Shipper of choice status reserved for shippers that systemically use a TMS for transportation procurement, execution and settlement processes
- Reduced labor costs due to significant efficiency gains

A TMS cannot run optimally if configurations and parameters are based upon stale data. Your supply chain is dynamic: your TMS must be as well.



TRANSPORTATION PLANNING & OPTIMIZATION

Optimize and execute inbound, outbound and intercompany shipments in real time, whether domestic or international, using transportation planning and execution. No matter how complex your network, you can secure capacity for shipments across all modes and locations, whether freight forwarders, parcel providers, common carriers or dedicated and private fleets. By systemically identifying optimal modes, carriers, service levels, rates and routes, companies are able to analyze shipments, rates, carrier contracts and other variables/constraints. This results in load plans and routing efficiencies that boost service, improve asset utilization and reduce overall freight costs and carbon footprint.

The right TMS includes both operational and strategic planning capabilities. Operational planning provides dynamic optimization for today's supply chain while strategic modeling, as touched upon before, allows you to quickly test for, and adapt to, changes that will take place in the future — allowing for truly proactive transportation management.

“The new realities of the logistics environment have made transportation optimization more important than ever. There's a relatively small percentage of firms that don't need optimization at this point. Most companies would benefit from it—even those that are still using spreadsheets and human intuition. With each shipment, the company that's not optimizing its transportation is leaving money on the table.”

– ADRIAN GONZALEZ, ADELANTE SCM

Benefits include:

- Simultaneous optimization across inbound and outbound logistics, including carrier vs. fleet
- Load optimization and mode consolidation/conversion (i.e., LTL to multi-stop TL)
- Zone skipping, mode shifting and multi-point/multi-leg optimization
- Significant improvement of driver and equipment management and utilization
 - » Static and dynamic routing, relay and tandem considerations
 - » Administrative efficiencies
 - » Driver determination/adherence to hours of service/equipment selection
 - » Continuous moves/backhauls
- Overall reduction of routes, miles and fuel costs
- Reduction of accessorial fees
- Impact analysis of pooling or cross docking scenarios
- Decision support for transportation procurement (leverage spend, more intelligent bids)
- Labor reduction due to significant efficiency gains

TRANSPORTATION EXECUTION, VISIBILITY AND EVENT MANAGEMENT

Planning and optimization lay the groundwork for significant savings and efficiency gains. But the best plans need to be executed and proactively managed, with visibility and event management across the transportation lifecycle. Automated execution and visibility capabilities — combined with the benefits of an optimized plan — help elevate overall supply chain effectiveness.

The right TMS includes:

- Execution and visibility across the entire network to support all types of fulfillment, including omnichannel
- Optimal carrier, mode and service level selection increasing the use of preferred carriers
- Capacity finder capabilities
- Contract management and spot market utilization (or last minute tendering)
- Rate/accessorial management
- Shipper-carrier-supplier-customer communications and collaboration
- Inbound supplier management (ready-to-ship and PO management)
- Freight terms conversion (plan and control more of your supplier inbound moves)
- Auto-load building and tendering processes with exception management
- Routing guide management and compliance
- Carrier score carding and KPIs (i.e., OTP, OTD, CTS, turn-downs)
- Automated fleet routing and driver dispatch
- Systemic dock/appointment scheduling
- Warehouse and yard efficiencies/inventory reductions
- Shipment tracking and event management
- Labor reduction due to significant efficiency gains
- Reduced carrier overcharges
- Increased speed of inventory turns and reduced inventory carrying costs
- Actionable business intelligence, reporting and insights
- Reduced COGS and improved service levels and customer satisfaction
- Standardized integration with partners to enable extended visibility capabilities





TRANSPORTATION SETTLEMENT — FREIGHT AUDIT, PAYMENT AND CLAIMS

The case for automating freight audits and payments is a compelling one. Global shipping operations simply generate too much data, detail and variance for manual processes to absorb. By systemically automating communications and processes that reduce overhead and costly errors, and improving pre/post audit carrier contract compliance, freight audit and payment solutions can help offset your entire TMS investment. Even with third-party FAP providers, shippers still have to manage carrier relationships, update contracts, resolve discrepancies and more. So the best practice is to manage this process in-house through a leading TMS.

The right TMS includes:

- In-sourced and centralized FAP using self-billing, auto-pay or match-pay processes
 - » Eliminate paper-matching and inefficient approval processes
- Elimination of the need for and expense of third-party FAP partners
- Significantly lower administrative costs related to manual document handling, auditing and payment processes (\$15-\$50 per invoice on average) and automated FAP (\$1-\$3 per invoice typically)
- Elimination of errors and duplicate payments
- A reduction in planned and unplanned accessorial charges through systematic accessorial management
- An automated audit and compliance process, which decreases overhead and errors
- Elimination of out-of-tolerance situations (rate/accessorial overcharges that should be contested/negotiated)
- A comparison of carrier rates against industry benchmarks
- Accuracy and improvements around cost allocations, accruals and GL account accuracies
- Historical views of lane-based freight costs for better forecasting and carrier negotiations
- Automated approvals and carrier payments — consistent payment-to-term, early-pay discounts, EDI billing and systemic processes mean better carrier relationships and tender acceptance rates

FINDING THE RIGHT TMS PARTNER TO ENSURE SUCCESS

It makes no sense to go to the effort of building a business case for TMS if you don't find the right partner. Take the time to fully understand TMS functionalities, capabilities and costs — but even more important — the partner's capabilities, experience, reputation and customer satisfaction in the marketplace.

Making the right choice starts with asking the best questions. Consider:

- What solution capabilities exist, and are they an overall fit for our goals?
- Will the solution scale as needed?
- Does the solution support my technology strategy — cloud, hosted or on-premise?
- Does the TMS supplier have a long history of successful customer deployments?
- What is the supplier's reputation in the market with customers, supply chain partners and supply chain analysts?
- What is the likelihood of a future disruption in the supplier's support capabilities through events like an acquisition or a merger?
- Is the supplier innovating, investing and keeping current with industry trends?

The solution you invest in should address your current business challenges and be flexible and adaptable enough to prepare you for the future. Supply chains are dynamic, so your TMS must have the capability to adapt and scale — at your pace of need. Whether you prefer a cloud-based, hosted or on-premise solution, with the right TMS, all deployment strategies can provide the desired levels of technology, functionality, architecture, extensibility and security that align with your future growth.

Manhattan understands that for most companies and transportation teams, purchasing a TMS is not a frequent activity, and developing a comprehensive and accurate business case to justify a TMS investment is challenging. To assist in your efforts to create this business case, our team can work with prospective and existing customers to perform a Manhattan Associates Value Assessment (MAVA). Collaborating with you throughout the MAVA process, we identify areas of savings, quantify the benefits, help develop the business case and assist in presenting the results.

If you would like to leverage our decades of TMS experience and the MAVA process, please visit manh.com/tms or email info@manh.com

IF NOT NOW, WHEN?

Logistics complexities and service-level expectations continue to change and increase. With capacity constraints, port closures, increased supplier and product demands, natural disasters and other challenges, supply chains risk failures that can wreak havoc on both brand image and the bottom line. To succeed, a powerful and dynamic TMS is no longer an option— it's a necessity. Companies of all sizes, industries and geographies can quickly benefit from the value of active, optimized transportation management.

Manhattan TMS offers end-to-end business process support for all transportation lifecycle functions. From strategic supply chain analysis, optimization and procurement, through operational planning, execution, settlement and claims management, our industry-leading solutions help improve service levels, streamline execution and lower operational risk.

Manhattan TMS simplifies even the most complex logistics operations, giving users the visibility and control to manage by exception. With our transportation suite, you can:

- Reduce transportation and logistics costs
- Drive control tower visibility and event management
- Automate processes across all logistics functions
- Lower administrative costs
- Enable adaptability to changing business and supply chain processes and requirements
- Provide premium levels of customer service

Technology alone will not lead to the realization of value. Manhattan is dedicated to helping customers achieve success and ensuring they Push Possible®. From planning and execution through to assisting with change management and adoption, our best-in-class experts deliver on the promise of TMS.

Visit manh.com/tms for more information about Manhattan Associates and our industry-leading supply chain software solutions and services. There, you'll find a number of valuable tools and you can:

- // [Download our TMS RFP Template](#)
- // [Request a TMS demo or conversation](#)
- // [Download the Gartner Magic Quadrant for TMS](#)
- // [Utilize our TMS ROI Calculator](#)
- // [View multiple TMS case studies](#)

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