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No Excuses! Why Optimizing Transportation Management is Within the Reach of Every Company

July 2008

~ Underwritten, in Part, by ~

Executive Summary

Optimizing transportation management in any organization is getting more difficult with the seemingly daily increases in the price of oil. The manual processes that once thrived in the stagnant pace of change in transportation costs are no longer adequate to keep up with today's decision making requirements. Even though solutions have added functionality and deployment options to suit a wide range of business categories, only 39% of companies surveyed are using any type of transportation management solution. In addition, over 40% of respondents are achieving less than 90% on-time delivery performance.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Best-in-Class Performance

Aberdeen measured the metrics that drive warehouse agility in order to determine which companies are outperforming the others when it comes to transportation management; namely, on-time delivery performance. Survey respondents were ranked according to three key performance criteria including:

- The percentage of domestic shipments that are expedited. Best-in-Class companies have reduced their domestic expediting to less than 3% compared to almost 28% of Laggard shipments.
- On-time delivery performance (compliance to customer request). Over 99% of Best-in-Class companies are hitting on-time performance of 95% or more, while 48% of Industry Average performers are under 95% and 83% of Laggards are under 90%.
- On-time delivery percentage change over the past two years. While Best-in-Class are attacking opportunities and increasing their on-time performance by almost three percentage points, Laggards have slowed and only increased performance by one percentage point.

"Collaboration and communication-leading to a clearer understanding of opportunities and challenges, combined with a genuine commitment to improving processes are the keys to successful partnerships-especially in the current business climate. This type of collaboration - especially a deep operational knowledge of our transportation model - allowed a key shipping partner to propose an inter modal alternative on our Midwest-East coast freight lanes, saving between $300 and $350 *and* over 155 gallons of diesel fuel per roundtrip. That is significant over the course of five to 10 trips per week."

~ Pat Johnson, Transportation Operations Manger, Michael Foods

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- Best-in-Class companies are more likely to have better integration and visibility across internal and external partners, especially with key partners like the warehouse, helping to decrease inventory carrying and shipping costs, as well as labor costs.
- Best-in-Class companies are three-times as likely to have invested in transportation management solutions and almost twice as likely to have invested in technology to automate and manage the parcel shipping side of their business.
- Best-in-Class companies are almost 50% more likely than Industry Average companies to share performance management information

on a daily or weekly basis, and more than 10-times likely than Laggard companies to do so.

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Operate on the premise that the transportation methodologies of yesterday are not efficient enough to support the changing energy and environmental conditions of tomorrow.
- Take data visibility to the next level and utilize simulation and scenario planning techniques to leverage that information and find the most optimal decisions available, understanding that the wrong decision can raise costs even higher.
- Utilize technology and integration options to automate outdated and manual processes. With more deployment options available today's leaders can deploy seamless solutions more quickly and provider greater ROI to the bottom line.

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Table of Contents

Figures

Tables

Chapter One:
Benchmarking the Best-in-Class

Business Context

Best-in-Class Fast Facts

Managements request to review opportunities to improve transportation management:

√ 69% technology enhancements

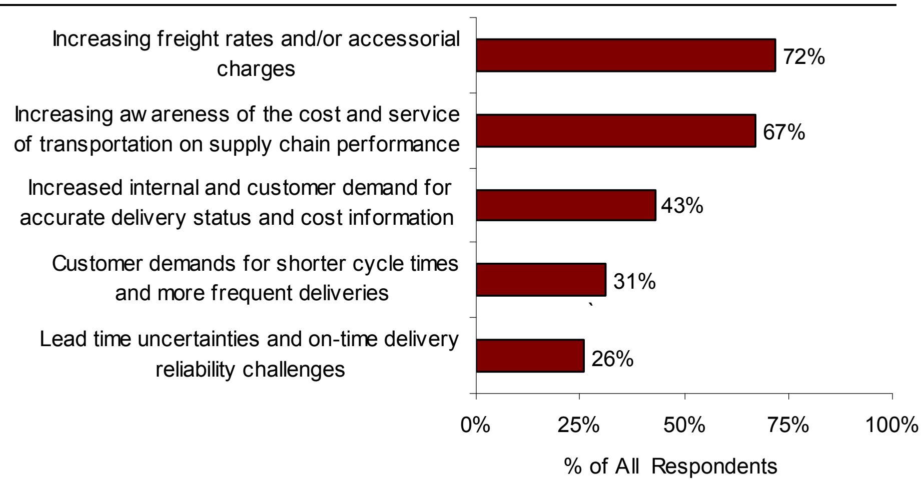
√ 71% organizational changes

√ 89% process changes

With the rising cost of fuel becoming a part of everyday life, an increasing number of people are beginning to realize the impact on a wide range of daily activities beyond their commute to work. From additional charges with each taxi hailed or each airline ticket booked, to the rising cost of avocados from Mexico and two-day delivery of that new novel, the rising cost of transportation has affected everyone that depends on the global supply chain. Today's transportation managers are working in parallel to drive down one of the most fundamental costs of doing business while, at the same time, diligently strategizing for tomorrow. This Aberdeen Group Benchmark Report takes a look at the other pressures being faced by today's transportation organizations, their plans for action, and the capabilities they feel will best guide them down the road of success for world of tomorrow.

Based on a survey of over 200 practitioners in their organization's transportation management group it's clear that the focus on improving the role of transportation in the supply chain (on average, over 73% of respondents site increased awareness of the cost and service impact of transportation versus only 54% in 2007) has continue to grow since the launch of the June 2007 Aberdeen Group report, *Integrated Transportation Management: Best-in-Class Companies View the World Differently*. In fact, the rising cost of fuel and other charges isn't the sole focus of today's managers (Figure 1), but the awareness that has arisen due to the cost of transportation and the demands from other groups within the organization to have visibility to this information is putting a new level of pressure on today's transportation managers.

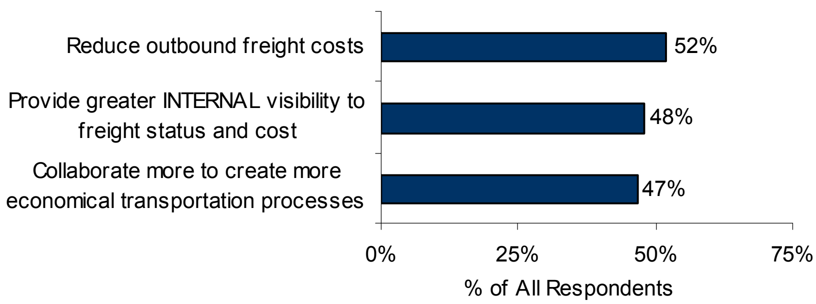
Figure 1: Pressures Facing Today's Transportation Managers



Source: Aberdeen Group, July 2008

It's the demand for information from inside and outside of the company that has taken the focus of transportation managers and driven their efforts to bring together technology and process improvements that can help others to answer questions in a timely fashion, thus helping to reduce decision making time and transaction time. Table 2 outlines the actions, that when considered together, will help companies better control and reduce their transportation costs, in spite of the rising costs associated with fuel and other charges.

Figure 2: Actions Today's Managers are Focusing On



Source: Aberdeen Group, July 2008

Over 50% of the respondents to the survey indicated that reducing the costs of "outbound" freight is an action to be taken in order to manage the increasing rates and accessorial charges. Combining the ability to provide greater internal visibility and increase the level of collaboration with other groups can have a tremendous impact on helping to reduce those freight costs (improved shipment scheduling, more time to negotiate rates, leveraging optimization techniques like less-than-truckload and multi-stop truckloads) reduce overages and costs associated with lack of communication or knowledge.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. Table 1 shows the performance of each class in those areas:

- **On-time delivery.** The percentage of orders (domestic and international) that arrive at the customer as scheduled.
- **The percentage of shipments that are expedited.** The percentage of orders that do not meet original shipping time and require expediting via another shipment or third-party carrier.
- **On-time performance over the past two years.** The percentage change in on-time shipping performance over the past two year timeframe.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	▪ 96.6% on-time delivery ▪ 2.9% of all shipments expedited ▪ 2.9% increase in on-time performance over the past two years
Industry Average: Middle 50% of aggregate performance scorers	▪ 90.8% on-time delivery ▪ 9.5% of all shipments expedited ▪ 1.9% increase in on-time performance over the past two years
Laggard: Bottom 30% of aggregate performance scorers	▪ 83% on-time delivery ▪ 27.3% of all shipments expedited ▪ 1.0% increase in on-time performance over the past two years

Source: Aberdeen Group, July 2008

Identifying the PACE of Best-in-Class

Being aware of and strategizing to improve transportation processes is the key differentiator between Best-in-Class and the Industry Average and Laggard companies. Using transportation management to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies. This report outlines the key capabilities and enablers that today's organizations should focus on to improve their transportation management. Table 2 summarizes the Pressures, Actions, Capabilities, and Enablers (PACE) as defined by the Best-in-Class.

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Increasing freight rates and / or accessorial charges (e.g., fuel)	▪ Provide greater internal visibility to freight status and cost ▪ Reduce outbound freight costs ▪ Collaborate with carriers / suppliers / customers to create more economical transportation process	▪ Connectivity with external parties for visibility into shipments and orders ▪ Process alignment with other departments (e.g. customer service) to create efficiencies ▪ Collaborate with external parties to create more economical transportation processes ▪ Providing accurate online information to other departments (e.g. shipment status, costs)	▪ On-premises transportation management software ▪ EDI communication with carrier and suppliers ▪ Web-portal communication with carriers and suppliers ▪ Supply chain visibility software

Source: Aberdeen Group, July 2008

Best-in-Class Strategies

The key focus areas for today's Best-in-Class companies are around the area of increasing visibility and creating tighter collaboration with internal and external partners to continue to drive down the cost of outbound shipments. Many Best-in-Class companies have moved beyond the implementation of transportation management solutions and are now looking for ways to utilize the valuable data and processes that are now automated to effectively extend their collaboration lines and provide greater insight to the business partners they work with on a daily basis. This increase in collaboration and visibility will help decrease the time in the decision-making process and allow managers to be more strategic.

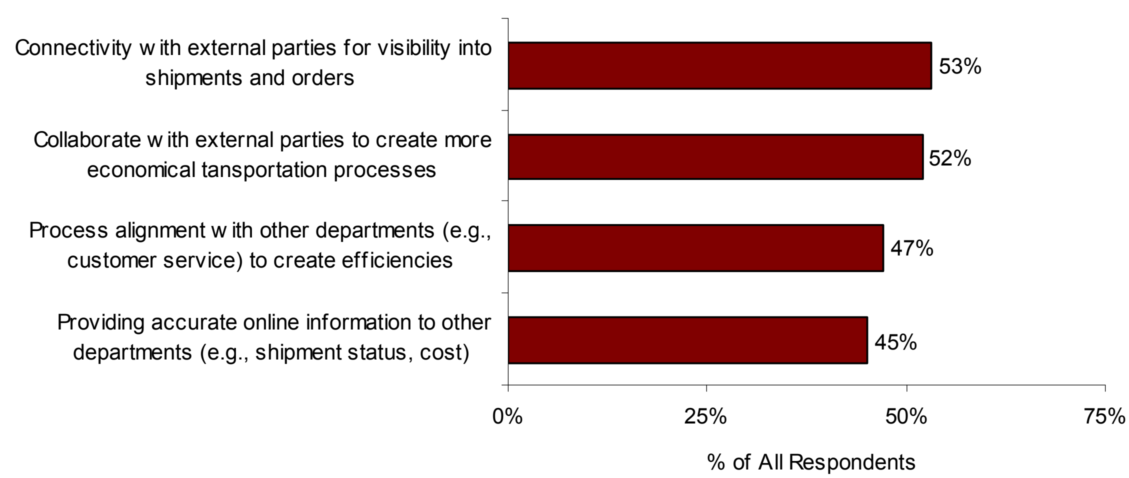
The top three actions that today's Best-in-Class companies are taking to reduce the overall pressures associated with rising freight costs are:

- Provide greater internal visibility to freight status and cost (53%)
- Reduce *outbound* freight costs (53%)
- Collaborate with carriers / suppliers / customers to create more economical transportation processes (42%)

Turning on the Lights for Better Visibility

The top four capabilities that today's transportation managers see as most important to succeeding in truly integrating transportation with the rest of the organization are focused on visibility and connectivity. Figure 3 shows that connecting and collaborating with external partners are the most important capabilities to helping control freight costs.

Figure 3: The Capabilities Most Important to Taking Action



Source: Aberdeen Group, July 2008

It's clear that today's managers are focusing on setting up processes that allow them to better interact with the right people along the way in order to help reduce shipping costs, specifically on the outbound side as noted in Figure 2.

Aberdeen Insights —
Bringing Transportation Management to the Boardroom

The number one pressure facing today's organizations is the increase in freight rates and surcharges (i.e. fuel). The good news is that it's on the mind of over 70% of the respondents to Aberdeen's study on integrated transportation management. While most companies have been relying on manual processes to track and manage their product shipments (both inbound and outbound, domestically and internationally), the complexity and variability of shipping the same products has increased from yesterday.

In much the same way companies began to transfer their manual warehouse processes over to automated solutions to provide more flexibility and visibility, today's transportation managers are beginning to investigate various options and implement solutions to help automate more complex processes. Relying on quarterly and yearly data to review new contracts and carrier relationships does not provide the savings opportunities because the costs are changing daily and weekly. Companies need to find new solutions to automate and streamline processes and open the lines of communication with all parties involved in the shipping process.

Best-in-Class companies have begun to turn the corner and increase the visibility of information and the level of collaboration, inside and outside of the company. From the boardroom down, today's companies must be aware of the pressures in order to create a strategy for success in the existing world of transportation management.

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

The selection of transportation management software and integration with BI and BPM systems plays a crucial role in the ability to turn these strategies into profit.

Reasons for Not Investing in Technology Solutions:

√ **30%** indicated that the upfront costs are too high

√ **28%** indicated that the software integration is too difficult / expensive

√ **23%** cannot get executive level support

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure their results to improve their business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Routing or scheduling of inbound freight		
	37%	27%	21%
	The warehouse has visibility of outbound freight schedules		
	44%	27%	25%
	Able to tender payment electronically		
	50%	43%	23%
	LTL / TL consolidation to maximize mode shifting		
	70%	56%	52%
Organization	Transportation planning is centralized and execution is localized		
	31%	27%	25%
	Transportation management is integrated with the warehousing group, financials, and sales / customer service		
	65%	54%	46%
Knowledge	Automatically share tactical capacity forecasts with carriers		
	42%	34%	25%

	Best-in-Class	Average	Laggards
Technology	Technology enablers to support a integrated transportation management:		
	▪ 46% domestic TMS software ▪ 24% private and / or dedicated fleet mgmt system ▪ 44% parcel / small package management	▪ 44% domestic TMS software ▪ 17% private and / or dedicated fleet mgmt system ▪ 36% parcel / small package management	▪ 15% domestic TMS software ▪ 8% private and / or dedicated fleet mgmt system ▪ 25% parcel / small package management
Performance	Measure and update transportation performance daily or weekly		
	25%	18%	2%

Source: Aberdeen Group, July 2008

Case Study — KDL Freight Management Has "All The Right Moves"

Pressure to maintain customer service levels while maintaining profits and trying to grow the business, all the while watching fuel costs and surcharges, impacts everything about the business. That's exactly what KDL Freight Management was faced with until they took charge and attacked the situation and decided to redefine their way of doing business.

Located in Pittsburgh, Pennsylvania and recognized as one of the top 100 Logistics Companies in North America, KDL Freight Management has spent the past 10 years providing strategic freight management solutions to clients throughout the Continental United States.

"We provide a valuable service to our customers, the ability to help companies reduce and control the global transportation management needs. That's something on the mind of every executive in today's economy," says Richard Coyner, VP and General Manager.

In 2003, a change in the business structure and a focus on providing additional value to their customers, combined with growing the business, led KDL to investigate taking advantage of their existing Transportation Management Solution (TMS) to better serve their customer base, and provide a competitive advantage when attracting new clients.

continued

Case Study — KDL Freight Management Has "All The Right Moves"

KDL immediately began to work closely with their solution provider to ensure that the uniqueness of their 3PL model could be accurately depicted in their solution, and therefore support the needs of their customer base. The result was an automated answer to the manual processes they'd been using to manage their customer's shipments, and leveraging the technology beyond simple freight payment.

Their goal was to create a more visible and collaborative environment for their customers to manage their shipments. Not only does KDL have visibility to all of their customers, but each customer can view and manage their own shipments. This takes operations such as invoicing from almost 30-days to less than a week, even providing daily updates from the carriers to the customers. Companies that require daily and weekly billing can now provide that service, improving their own customer service levels.

The competitive advantage for KDL is the ability to show their prospects the level of connectivity and visibility that comes with the total solution, not just the logistics services of KDL, but the total solution that provides the management and visibility of the entire process.

According to Coyner, "We would not be able to grow this fast without leveraging technology to automate our processes. And we wouldn't be as successful as we are if we didn't provide value to our customers that they in turn can provide to their end customers. It's about end-to-end value and creating opportunity from the pressures facing today's business leaders."

Capabilities and Enablers

Based on the findings of the competitive Framework and interviews with end-users, Aberdeen's analysis of the Best-in-Class shows that there are approaches that have demonstrated the ability to reduce freight and transportation costs.

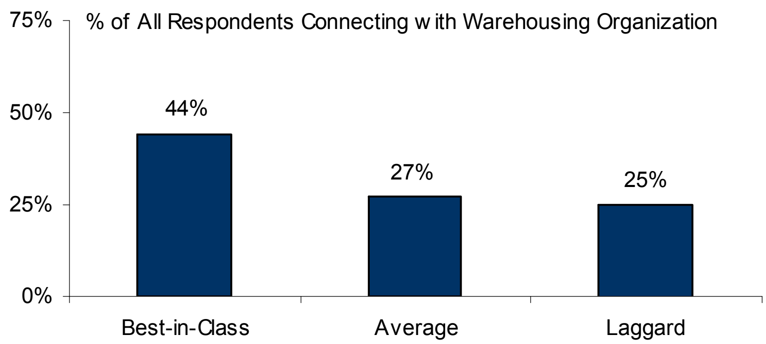
Process

Today's leaders and Best-in-Class transportation managers are looking beyond basic process implementation and making sure that visibility and collaboration are the focus. Figure 3 introduced us to the capabilities that survey respondents felt were the most important to driving efficiencies in today's transportation processes, and the Best-in-Class are even more focused (58% around connecting with external partners and 53% collaborating more with external partners as well as aligning with internal departments).

"At the moment planning is not connected to receiving, but it's critical for our planners to be able to view incoming shipments. We began implementing a company-wide Enterprise Resource Planning (ERP) solution last year. Our visibility is becoming more consistent as data becomes more consistent. We also now have visibility into the requested delivery date and the committed supplier delivery date."

~ Sr. Logistics Director, Global Cosmetics Corporation

Figure 4: Warehouse Visibility to Outbound Schedules



Source: Aberdeen Group, July 2008

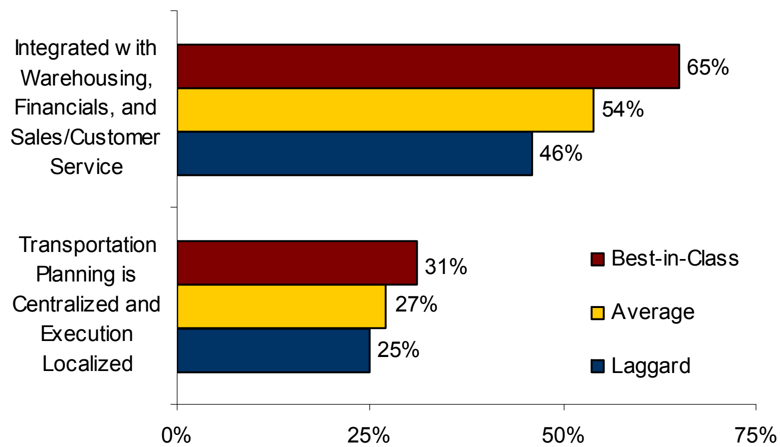
In Figure 4 we see that Best-in-Class are outperforming Industry Average and Laggard companies almost two-to-one when it comes to connecting and collaborating with their most important allies, the warehouse teams. In the May 2008 Aberdeen Group Benchmark Report, *Agile Logistics: Transforming the Distribution Center*, the third-priority action for survey respondents was improving visibility to warehouse activities and inventory and order status (36%), demonstrating that the more information that's available across the supply chain spectrum, the more agile and strategic companies can be in order to drive performance while reducing costs. In the case of transportation management, when it comes to putting together Best-in-Class processes, having carriers and orders aligned to the minute can be the difference between on-time delivery performance (96.6% Best-in-Class) and the need for expediting missed shipments (27% of all Laggard shipments).

The survey also uncovered another example of extending processes and collaborating internally (47% indicated this was an important capability), 26% of the Best-in-Class are sharing shipping schedules across divisions / locations. The ability to share this information across departments, including the warehouse, can have a positive impact on the Best-in-Class ability to also utilize transportation optimization techniques like LTL / TL consolidation (70%),

Organization

Today's Best-in-Class companies are connecting key departments in order to create effective process flow and ensure continuity for the management of transportation activities. Not only are they integrating departments to establish better visibility and connectivity, but they're also focusing on centralizing key planning activities to minimize uncertainty and overlap. By centralizing the planning function and localizing the actual execution, companies can better leverage differentiating criteria such as delivery routes, volume, carrier capacity, and consolidation. With tighter integration and increased visibility, today's Best-in-Class transportation organizations are better positioned to identify areas for reducing costs and maximizing resources.

Figure 5: The Best-in-Class are Organizing and Integrating



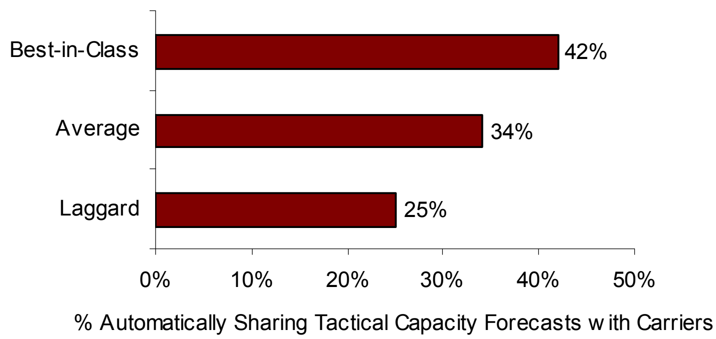
Source: Aberdeen Group, July 2008

As we've seen in the Aberdeen Competitive Framework (Table 3), the Best-in-Class leaders are 1.5-times to two-times more likely than Industry Average and Laggard companies to have visibility for warehouse managers on inbound / outbound information in order to better plan and staff to handle the shipments, and increase the flow of product through the warehouse and decrease inventory carrying costs. They're also outperforming Industry Average and Laggard companies when it comes to consolidation and backhauls, adding to the value created through effective organizational structure for the transportation group.

Knowledge Management

Providing carriers with forecast and planning information can greatly reduce confusion and variability in the delivery process. Not only is schedule visibility important for internal departments to help effectively reduce labor costs as well as inventory carrying costs, but it also helps to enable carriers to better mange delivery schedules and optimize their capacity in order to provide better service levels. While some companies fear giving total control over to carriers to manager delivery schedules (especially with concerns over routing guides and protocols), providing visibility to forecasts can greatly reduce the variability and improve the cost structure.

Figure 6: Carrier Visibility of Tactical Forecast Capacities



Source: Aberdeen Group, July 2008

Adding to the value of visibility and automation, Best-in-Class companies are leading the way when it comes to opening the kimono and allowing all parties involved to view and share information. In the end, everyone benefits from visibility and integration. With costs continuing to rise and fear of surcharges with every shipment, being prepared is a motto being echoed across the globe.

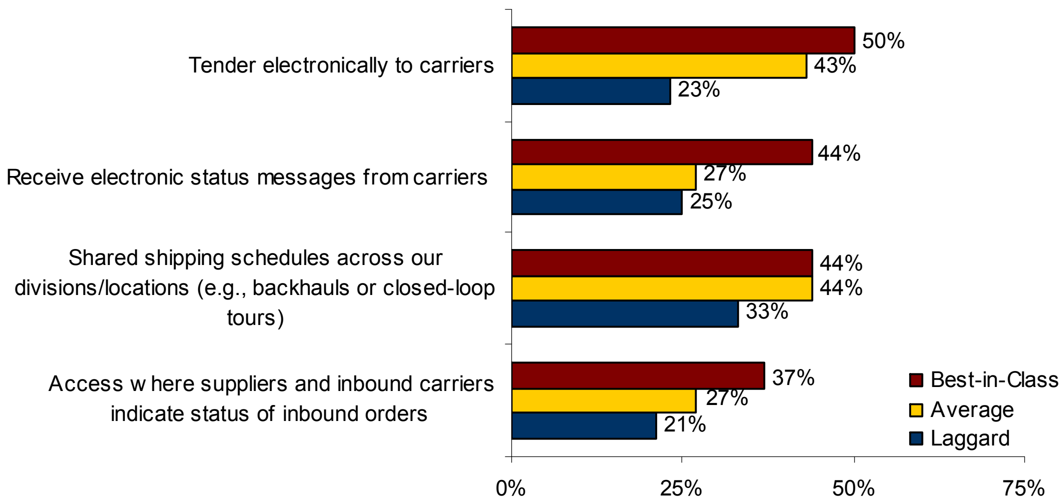
Technology

When it comes to bringing together best-practices in process improvements and technology available in the market today, investment in transportation-related solutions has a significant growth opportunity (with almost 50% of those surveyed yet to make the investment in commercially available TMS solutions). Most of today's transportation managers are putting time and investment into automating parts of their processes (tendering payment electronically, sharing shipping schedules, routing and scheduling)while investigating commercial solutions for larger deployments with farther reaching levels of capabilities to do these functions and much more.

First, Turn Left Onto - Automation Drive

Automating processes is not a recommended practice. Automating good processes is recommended, and critical for success. The focus of survey respondents is on collaboration and extending processes. Those that have been able to capitalize on technology to extend key processes in real-time and involve more groups internally and externally are positioned to better leverage automation of these processes. In finding ways to combat the rising costs of transportation, the ability to see trends and information more quickly for each particular step of the process can be the difference of a few dollars, or a few thousand dollars.

Figure 7: Automated Capabilities as a Focus (Have in Place or Will Automate)



Source: Aberdeen Group, July 2008

Cutting time and resource requirements from any process leads to shorter transaction times and savings, but requires integration and data visibility.

Digging further into the alignment of process and technology, Figure 7 outlines the focal points of many of today's Best-in-Class companies. Much like starting any journey, understanding what technology to apply, and where, is as critical as creating the optimal process to automate. Often times, companies overlook this key planning step and focus only on the end of the journey. Optimizing Stage 4 without understanding its impact on Step 5 or what direction they're coming from in Step 3 can create more costs than savings.

Best-in-Class companies are choosing the right stages of the entire transportation process to apply automation and technology, understanding that incremental improvements in critical stages can have a greater impact on the entire process. In line with the focus on visibility and collaboration, being able to connect carriers to the various departments in the organization that are part of the shipping process can have a positive impact on key metrics like on-time delivery, reducing expediting costs, and reducing transportation spend year-over-year.

Turn Right Onto - Investing in Transportation Management Solutions

In leveraging the available commercial TMS solutions, Industry Average companies are neck-and-neck with the Best-in-Class, despite having more adoption of manual solutions today and for the near future. In the May 2008 Aberdeen Group report, *Agile Logistics: Transforming the Distribution Center*, 52% of the Best-in-Class respondents had leveraged a commercial WMS to help improve operations and visibility in the warehouse. It's clear that TMS investment is a factor in supporting Best-in-Class performance, but the

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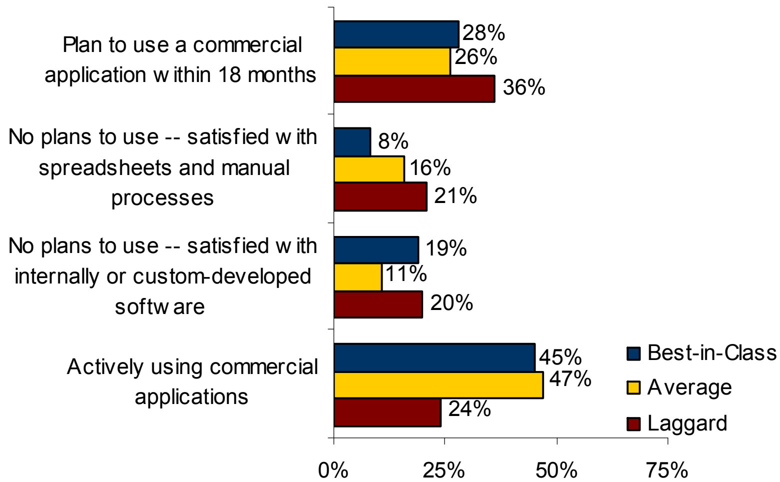
availability of automated point-solutions to address specific freight settlement and scheduling pressures have also positively impacted performance.

Figure 8: Leveraging Transportation Management Solutions



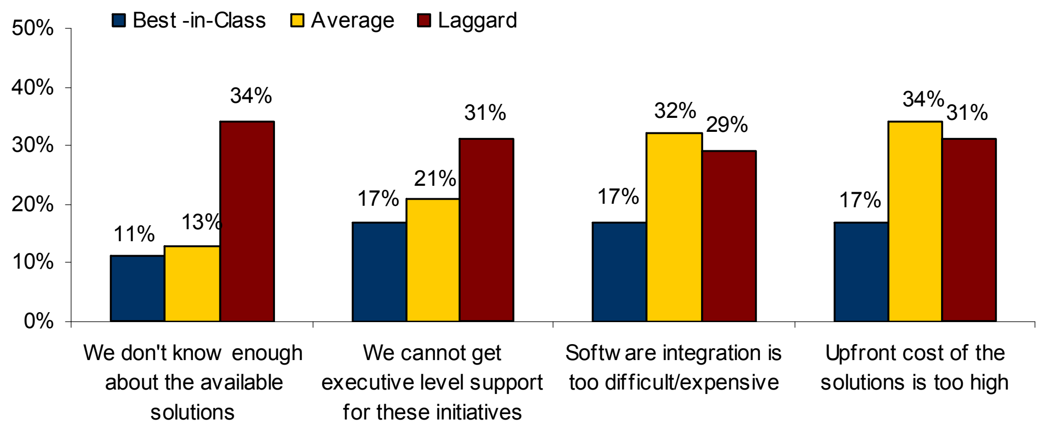
Source: Aberdeen Group, July 2008

Figure 8 outlines the level of investment in commercial TMS solutions for the different categories of companies with positive signs of future investment in commercial solutions across all three groups. However, of those surveyed, only 40% had secured budget to invest in a commercial solution, which provides an opportunity for companies to continue their due diligence and ROI identification in order to outline the additional value of investing in these solutions (integration, on-demand options, visibility, etc.).

Re-Checking Route - Continue Following Signs

Even though there are similarities in the amount of Industry Average and Best-in-Class companies that have invested in TMS solutions, of those not yet invested or planning for the future, there is much work to be done. Two of the top reasons that Industry Average and Laggard companies state for their lack of investment (Figure 9) have to do with the time / cost of integration and upfront costs. With even more deployment options available today (on-demand, hosted, on-site) proper investigation and cost analysis can help shed light on the options available and how to integrate solutions in order to support the collaboration and connectivity goals outlined in Chapter One.

Figure 9: Reasons Companies Have Not Invested in Commercial Solutions



Source: Aberdeen Group, July 2008

Over the past year, there have been signs of growth in the Industry Average and Laggard space. In our 2007 report *Integrated Transportation Management – How Best-in-Class Companies View the World Differently*, only 25% of Industry Average and 23% of Laggard companies indicated they use a commercial WMS solution. Continuing to dedicated resources to analyzing solutions available, understanding new deployment options, and investing in preparing for tomorrow, these numbers can continue to increase and have a positive affect on overall performance.

Caution High Travel Costs - Only Travel if Beneficial

Many companies have invested money and resources in transportation solutions including optimization and automation tools, and complete TMS solutions. Understanding the process the company has in place today to fit the business, where the business is going tomorrow, and what changes from a process and organizational perspective are required to get there are the keys to leveraging existing or additional investment.

The Best-in-Class companies understand the synergies around technology, process, and organization, and their impact on performance. The awareness in Figure 10 of what existing systems can do and what they'll need to do in the future has a very effective perspective that can be used for all companies looking to make investment in solutions. Less than 20% of even Best-in-Class companies realize that the solutions they have today can adequately support their business (likely to be associated with tomorrow's needs) going forward. Understanding today and tomorrow is critical for any improvement or investment and especially for buyers of TMS solutions. Of the Best-in-Class respondents, 75% indicated that the solution at least adequately supports a majority of needs today, but feel that future requirements will not be met with the solution today.

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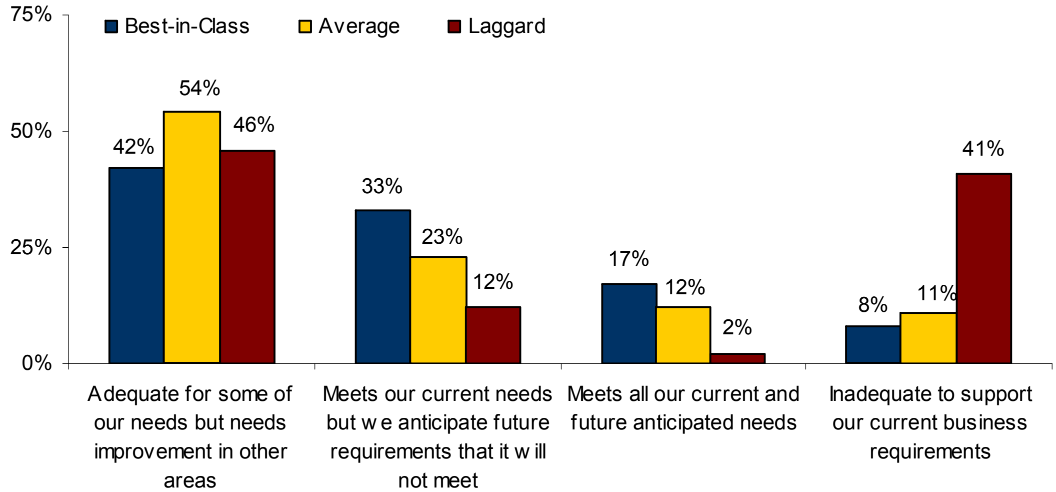
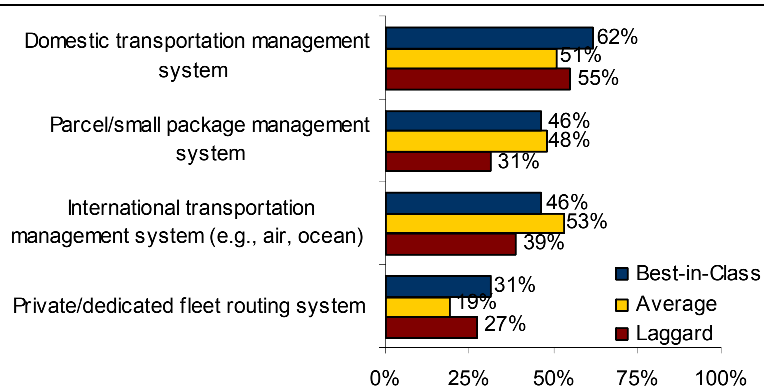
Figure 10: Getting the Most Out of Your Technology Investment



Source: Aberdeen Group, July 2008

The distinction of knowing the capabilities of your solution today and tomorrow, as it aligns with business strategy, is critical for companies as they get into evaluating what's next from an investment perspective, as outlined in Figure 11. The overwhelming majority of respondents will be focusing their attention on domestic and international transportation management solutions in the coming 18 months. Aberdeen's Best-in-Class breakdown has shown that over 40% of these companies have also invested in solutions to help manage the parcel shipment side of their business. Specific process automation and tools around managing parcel shipments, inbound processing, and overall visibility and integration have been identified as areas where companies looking to optimize and increase performance even with the rising costs and charges around transportation.

Figure 11: Plans for Investing in the Next 18-Months

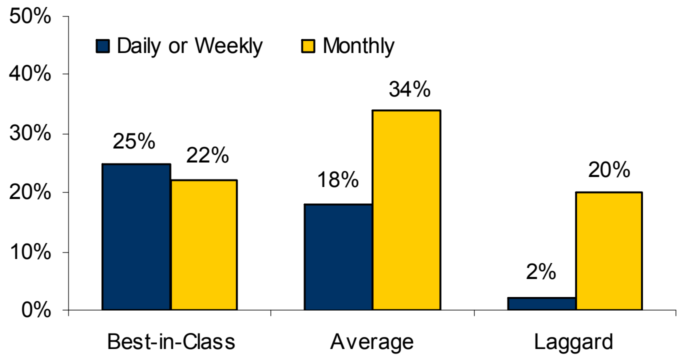


Source: Aberdeen Group, July 2008

Performance Management

Clearly today's organizations, especially the Best-in-Class, are focusing on taking visibility to a new level. After all, visibility isn't too effective if you only have it every few months. In today's economy with the variability and uncertainty of the global trading market, especially the costs associated with transportation, last months information isn't of much use to tomorrow's decisions. Instead, having daily and weekly data to analyze and track, as well as share with internal and external partners, can go a long way to positioning for tomorrow's fuel, carrier, route, and consolidation decisions.

Figure 12: Transportation Performance Visibility



Source: Aberdeen Group, July 2008

Best-in-Class (Laggards and Industry Average companies maintain mostly monthly visibility) are delivering key transportation performance data in daily or weekly intervals, providing analysis to identify lost cost savings and opportunities for improving activities like contract negotiations and forwarding options. Many solutions today provide on-demand tools for this analysis and visibility, moving towards more real-time analysis at the point of confirmation.

Aberdeen Insights — Technology

No one ever said that technology can solve every problem and create total operational bliss. To the contrary, vendors and practitioners alike agree that the upfront work that transforms processes and the organization is more critical to sustaining that blissful state than the technology itself. Today's transportation organizations are being effected on all sides from rising costs and demands. Doing business in this economy is bringing out the "artist" in the Best-in-Class transportation managers. They're forced to improvise and try new mediums on a daily or weekly basis, and that's just to sustain the business. They're pressing solution providers to give them more flexibility and better visibility. With the rapidly changing costs around fuel and transportation charges, today's leaders have to make decisions more quickly than the old manual systems can provide. Visibility to historical performance, real-time costs, simulated changes, and analysis are important to the difference in dollars and cents, on every transaction. Today's leaders are attacking the challenges and applying technology where it makes sense and is beneficial to automating a process. They need help from the solution providers and can provide insight into new functionality and applications that can drive even greater efficiency. Solutions are no good without a problem to solve; combining process best-practices and flexible technology can not only solve the problem, but prevent other problems. That should be the goal for today's solution providers and practitioners.

Chapter Three:
Required Actions

Whether a company is trying to move its performance in integrating transportation management activities from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggards Driving Blind?

Percentage of frequency in measuring and updating transportation management performance:

√ **44%** annually

√ **35%** quarterly

√ **20%** monthly

√ **2%** weekly

√ **0%** daily

Laggard Steps to Success

- **Stop and take a step back; identify where you're going.** Today's business goals and strategies may not be the same tomorrow, so why continue with the same processes and tactics? Be sure to evaluate where the company is going tomorrow and plan accordingly. Almost 80% of respondents are still relying on information and data on a quarterly or yearly basis. It is difficult to update strategies and plans without current data - especially in the variable world of transportation. Review all partnerships and processes and allow each component to be up for change based on the new goals for tomorrow.
- **Breakdown processes step by step and organize accordingly.** It's difficult for any organization to recommend or implement changes, specifically ones that my require technology adoption and integration, without an effective ROI analysis. Over 80% of Laggard respondents indicated that management has made recommendations for process change, and over 60% made recommendations for organizational changes. The best ROI calculations are capable of breaking down each process into actionable steps and identifying where the impact (good or bad) will hit in order to help communicate the plan across the board. This will also provide basis for resource alignment and allocation, as well as integration plans.
- **Share the roadmap, the goals, and the progress.** As changes are made and new rules are put in place, communicate the progress up and down the organization. Almost 50% of Best-in-Class companies are sharing information on a minimum of a monthly basis, opening the collaboration lines even more. This will set in place the collaboration required to be more strategic in the decision making process, but also ensure each person along the way is knowledgeable of the overall strategic goals of the organization and takes action accordingly.

Industry Average Steps to Success

- **Continue to utilize technology for automation and visibility.** Because most Industry Average companies have begun to invest in technology and solutions (like TMS solutions) they have taken the first steps into automating processes to help with the planning and execution of transportation decisions. Only 27% indicated that the warehouse has visibility to outbound schedules, and only 13% share shipping schedules across divisions and locations. Utilizing tools and technology to automate processes and create greater collaboration and visibility can go a long way to helping tighten control and deter the rising costs of transportation.

- **Identify lost opportunities (i.e. contracts and rates).** Taking the steps to review and analyze existing contracts and relationships should be on the table for all companies currently responsible for delivering products to customers. Based on survey data, 45% of Industry Average companies plan to collaborate more with carriers and suppliers to create more economical transportation processes. With more open communication, decisions and contracts put in place as early as last year can be reviewed to find new ways of transporting products more economically and efficiently.
- **Consider outsourcing the complexity.** With the rising costs associated with shipping and managing customers, many companies have turned to outsourcing the entire transportation process to specialized or general contractors. Whether breaking down costs by product-line or geography, taking advantage of outsourcing can help lower transportation costs and provide opportunities to take advantage of the "large" volume shippers without taking on the overhead. Over 40% of Industry Average respondents indicated they are interested in looking for managed services to assist with transportation execution.

Best-in-Class Steps to Success

- **Demand more from solution providers.** The rising costs and changing landscape of transportation management requires companies to make strategic decisions more rapidly, and often change their mind multiple times. The systems they use must also provide new levels of flexibility and integration to help execute on those new strategies. Out-of-the box isn't enough. Best-in-Class companies work with their solution providers to offset the cost of new functionality and needs, by working with them to bring more flexibility to the market. Over 40% of Best-in-Class companies are aware that their solutions will not meet the needs of their business in the future, giving them the ability to convey the needs to their vendors.
- **Create tighter partnerships with forwarders and carriers.** Not only is it important to work more closely with shipping partners, it can lead to a larger competitive advantage. Most companies cannot compete on a volume level to gain advantage with carriers, but by working more closely with carriers and being more flexible with forwarders, they will open themselves to opportunities to take advantage of capacity or route openings. Currently, over 40% of Best-in-Class companies can tender electronically with

"We would not be able to grow this fast without leveraging technology to automate our processes. It's about end-to-end value and creating opportunity from the pressures facing today's business leaders."

~ Richard Coyner, VP and General Manager, KDL Freight Management carriers, receive electronic messages from carriers, and provide outbound carrier schedules to the warehouse. Having better communication and integration can provide opportunities on a frequent basis to get shipments around the world; it takes being creative and being more open in working with key partners.

- **Continue to stretch the bounds of integration, specifically with customer service and warehousing.** Over 40% of Best-in-Class companies have tremendous visibility between the warehouse and transportation management to better manage outbound shipping schedules. This is a critical area for improved integration and visibility. To be truly effective and considered Best-in-Class, companies must provide this level of visibility, at a minimum. While outbound schedules often change and it's important for workflow and resource balancing to have those schedules visible, it's also important for inbound delivery schedules. Often, resources go un-utilized and costs overlooked when inbound shipments are late or rescheduled and the warehouse is not informed in time.

Aberdeen Insights — Summary

The transportation management sector is in its infancy when it comes to technology adoption and solution capability. Unfortunately, the speed at which costs are changing and effecting daily operations has not slowed down. After years of manual processes and documentation, companies are coming to grips with the resources, time, and costs, associated with trying to track and analyze shipments and process them accordingly. The daily / weekly changes in fuel costs and routing options are affecting contracts and negotiations that once seemed stable on a yearly basis.

Today's leaders must begin to embrace collaboration tools and technology to support process improvements around the linkage of key partners both internally and externally. Not only is shipment timing and visibility important to maintain inventory costs through the warehouse, but the impact on labor costs can often get lost in the shuffle. Companies should set aside time to investigate labor costs and impact from transportation activities. This level of analysis will continue to separate the Best-in-Class from the rest of the pack because understanding all aspects of integration is the key to any process improvement.

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Appendix A: Research Methodology

Between June and July 2008, Aberdeen examined the use, the experiences, and the intentions of more than 200 enterprises using transportation management solutions in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on transportation management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: C-Level or Executive Level (13%); Director Level (18%); Manager (41%); representing the following groups: logistics / supply chain (63%); operations (11%); procurement (6%).
- *Industry:* The research sample included respondents from: consumer packaged goods was the largest segment with roughly 22% of the sample, followed by manufacturing (18%), transportation / logistics (14%), food / beverage (12%), and retail (8%).
- *Geography:* The majority of respondents (70%) were from North America. Remaining respondents were from the Asia-Pacific region (16%) and EMEA (20%).
- *Company size:* Forty-two percent (42%) of respondents were from large enterprises (annual revenues above US $1 billion); 37% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 21% of respondents were from small businesses (annual revenues of $50 million or less).
- *Headcount:* Forty-nine percent (49%) of respondents were from large enterprises (headcount greater than 1,000 employees); 33% were from midsize enterprises (headcount between 100 and 999 employees); and 19% of respondents were from small businesses (headcount between 1 and 99 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

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Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, July 2008

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, July 2008

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, July 2008

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Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *Agile Logistics: Transforming the Distribution Center*; May 2008
- *Technology Strategies for Closed Loop Inventory Management*; April 2008
- *The Supply Chain Executive's Strategic Agenda 2008: Managing Global Supply Chain Transformation*; January 2008
- *Integrated Transportation Management – How Best-in-Class Companies View the World Differently*; June 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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