

# Transportation Management Strategies & Tactics of Top Performers



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Thank you to the *Georgia Center of Innovation for Logistics*

**A link to the web seminar and a PDF of the presentation will be provided**

# Agenda

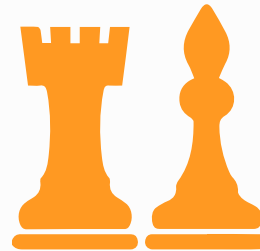
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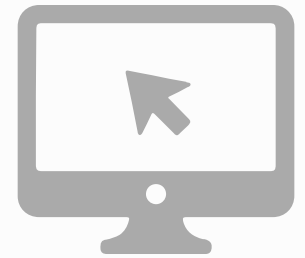
**Who We  
Surveyed**



**Key  
Trends &  
Practices**



**Strategies  
and Tactics**



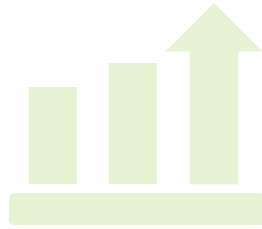
**Technology  
Implications**

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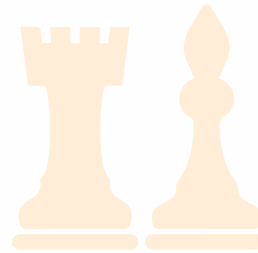
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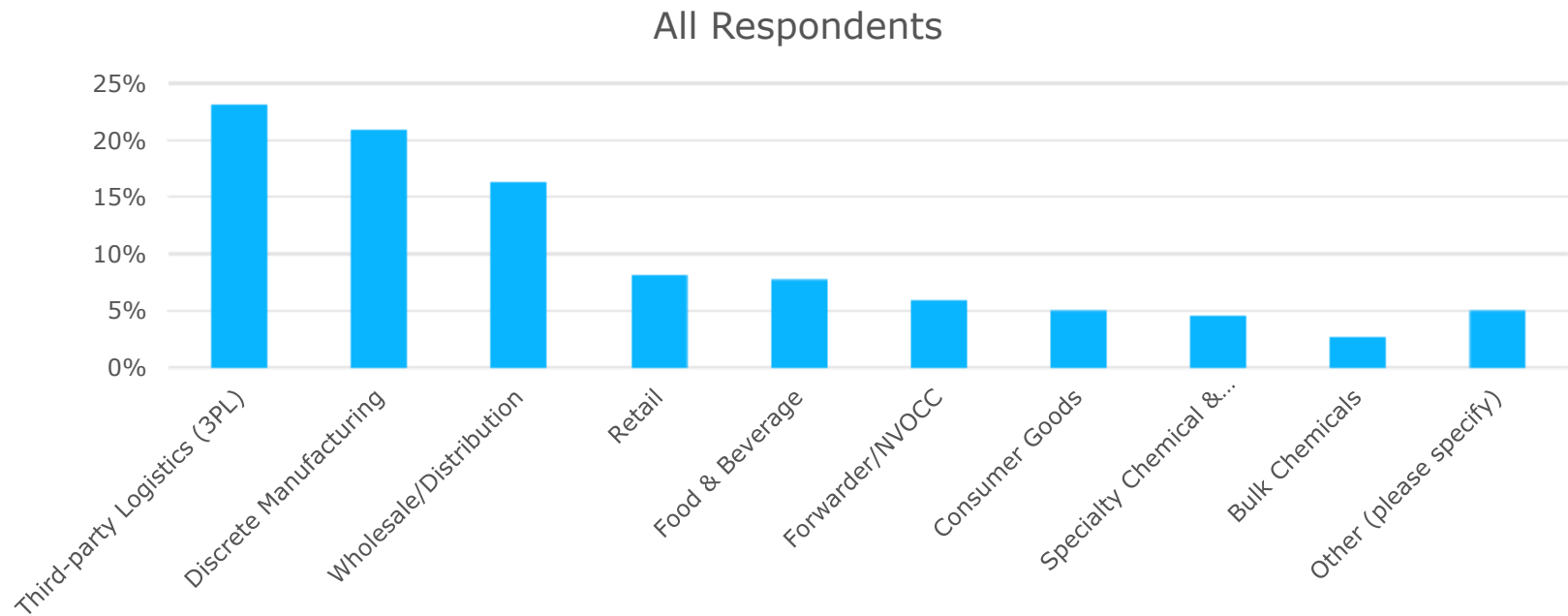
**Strategies  
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# Industry

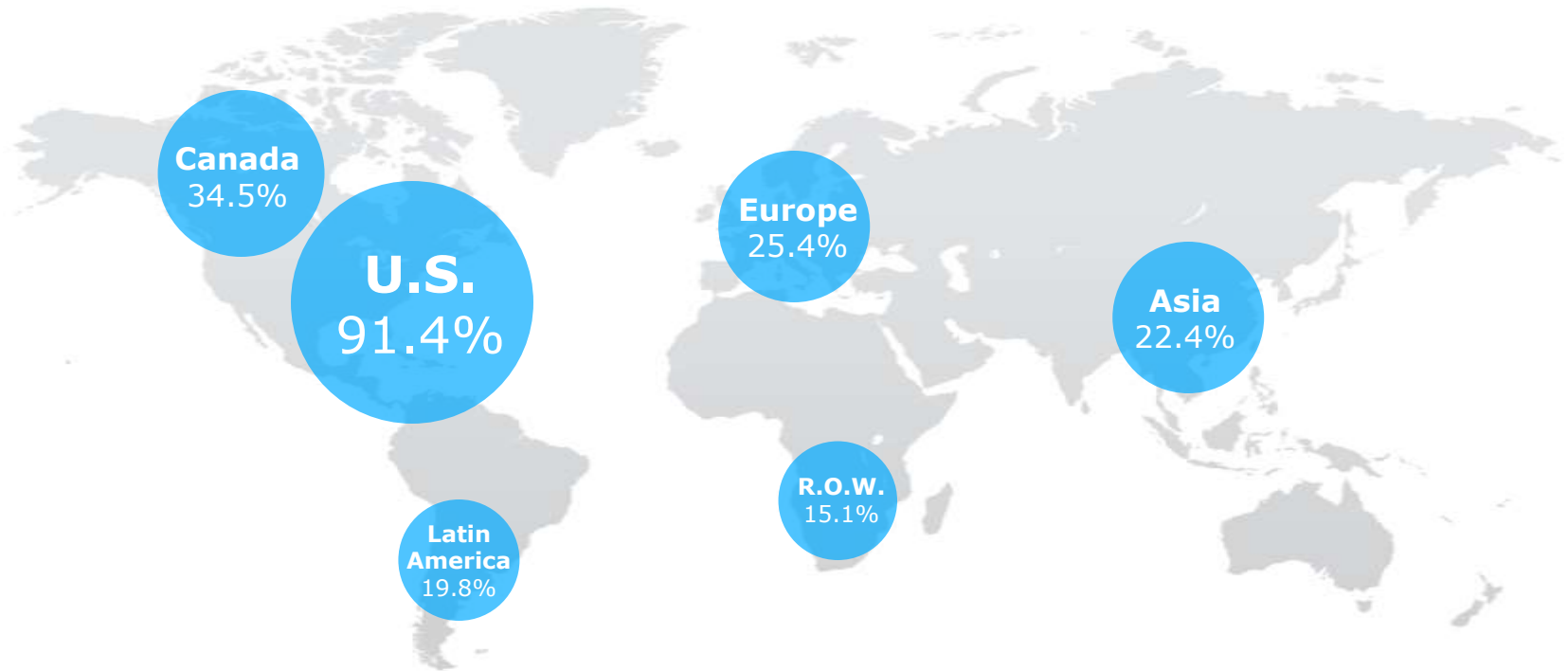
- There is a wide array of industries for the 220 respondents that participated in the survey
- 29% from logistics services community
- 37% from discrete products/wholesale/distribution business



# Location

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- Overall, the majority of the respondents were US-only based (57%)
- For >\$100M transportation spend operation were 2x to 8x greater non-US operations

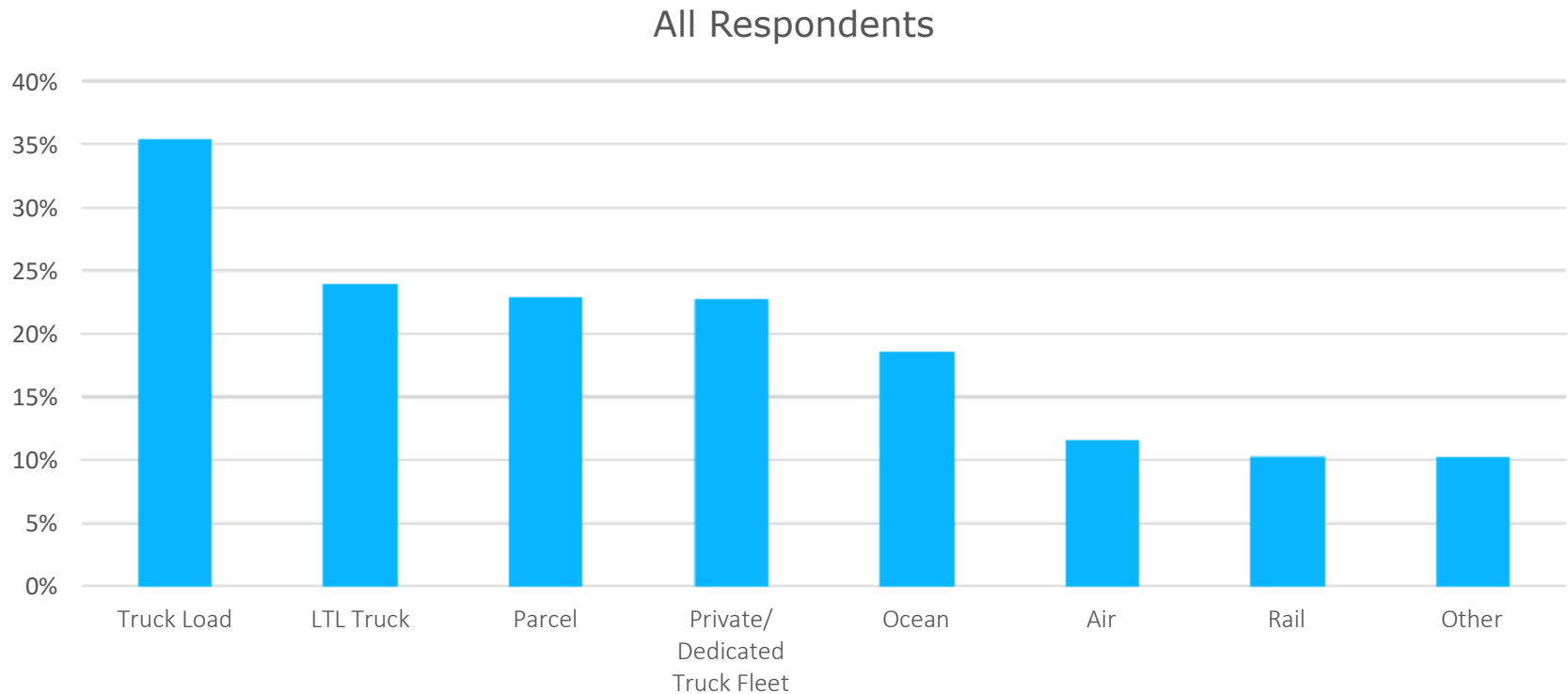


Where are your operations?

(Respondents selected all locations that applied)

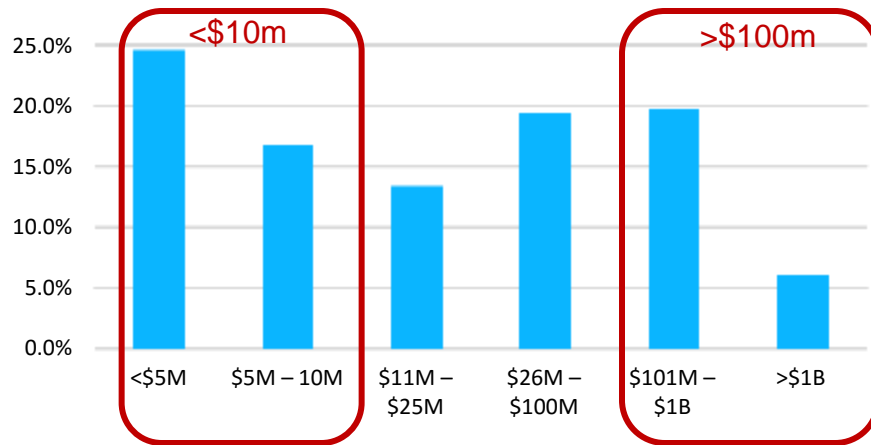
# Transportation Modes Used

- No surprise that over-the-road transportation is the largest
- Given the large percentage of respondents were US-only based operations, it is largely domestic transportation

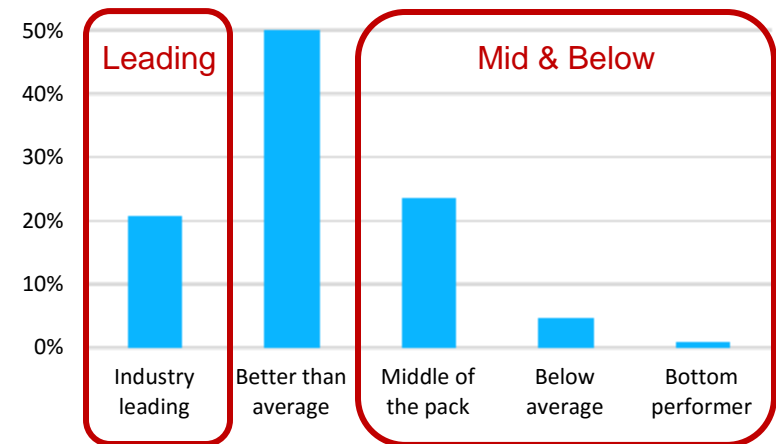


# We Analyzed the Results in 3 Dimensions

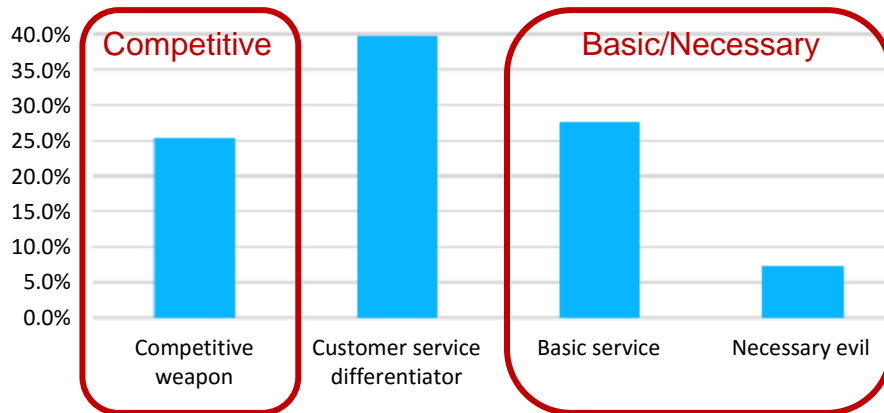
## Annual Transportation Spend



## Relative Financial Performance

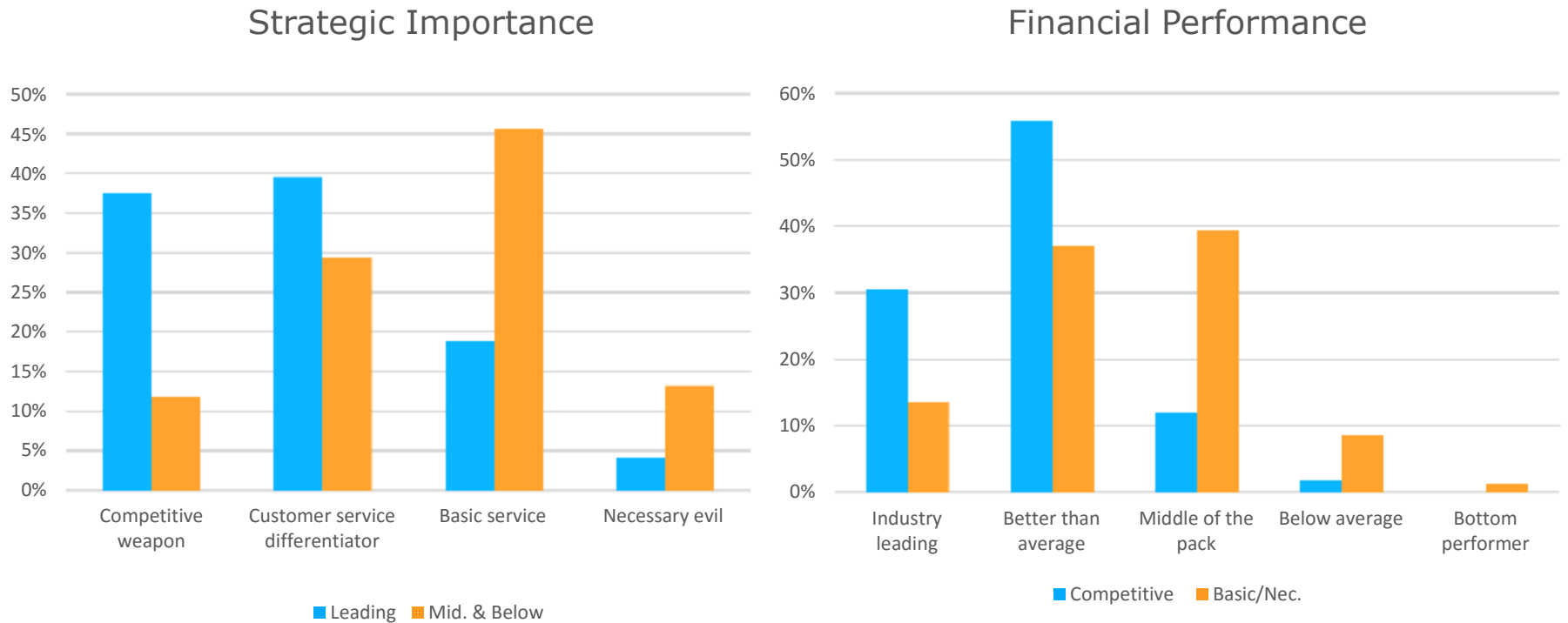


## Management Strategic View of Transportation



# Financial Performance & Strategic Importance Correlation

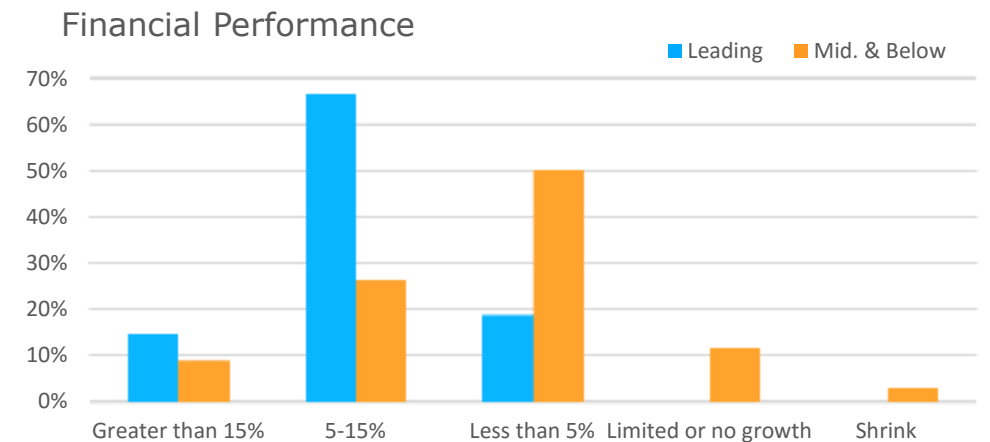
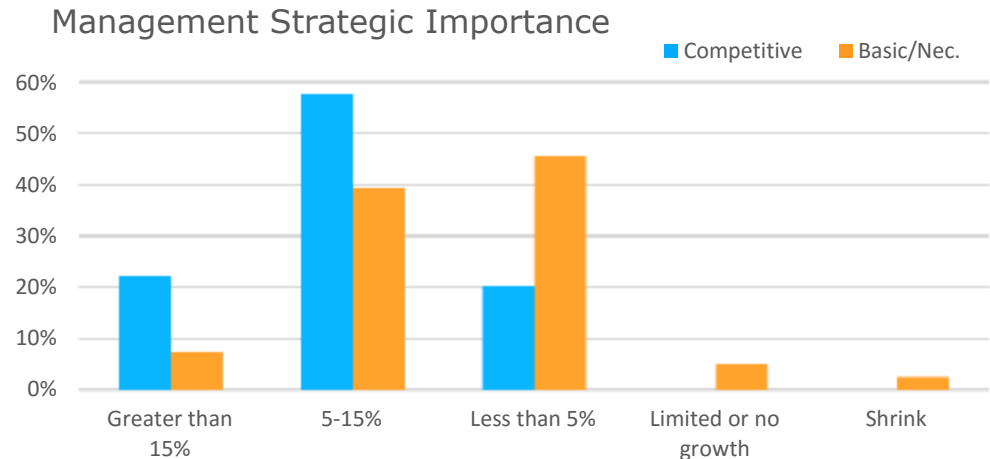
- There is a compelling tie between financial performance and the strategic importance of transportation





# Company Growth Over Next 2-3 Years

- For companies growing faster, management view of transportation importance is significantly more prevalent
- The same is true for financial performance
- Poorer performing and lower view of transportation importance expect to grow much slower
- Size of transportation spend had little impact on growth



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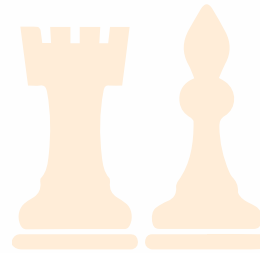
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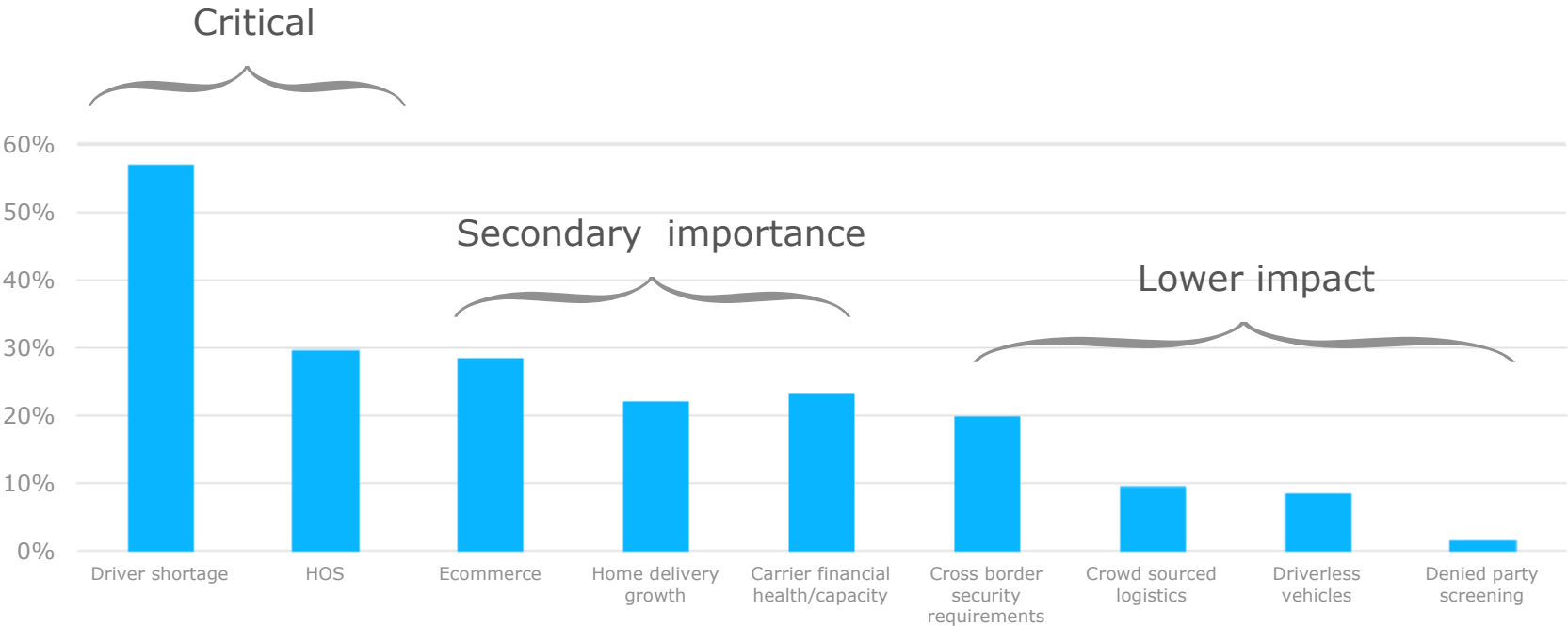
**Strategies  
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# Regulatory/Industry Change with Greatest Impact Next 5 years

- Overall, and across the 3 comparative views, driver capacity (driver shortage and HOS) are top of mind
- Ecommerce (Ecommerce/Home Delivery) are second followed by carrier financial health
- Few people were counting on future transportation technology – crowd-sourced logistics and driverless vehicles, to make an impact in the near future



# Business Drivers Resulting in Expanded Transportation Management System Use

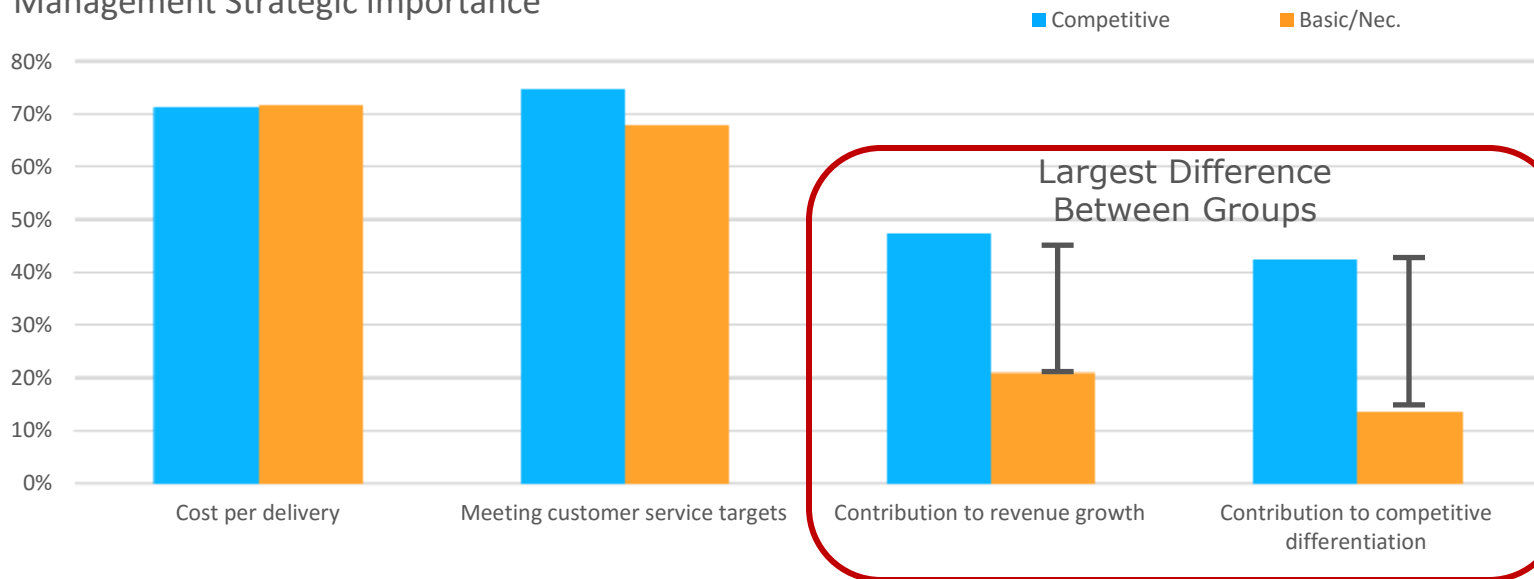
- For all respondents, business growth and improved customer service were tied (63%) for the highest rated driver closely followed by cost reduction pressure (62%)
- However, for competitive and leading financial performers, their business drivers were much more influenced by growth, while non-competitive and poorer financial performers are driven to focus more on cost reduction

Answer Options	Competitive	Leading	Basic/Nec.	Mid. & Below	<\$10M	>\$100M
Business growth	76%	73%	53%	51%	65%	62%
Improved customer service	64%	69%	61%	56%	59%	70%
Cost reduction pressure	61%	69%	67%	69%	56%	67%

# How is Transportation Value Measured?

- For all respondents, meeting customer service targets came in as the highest rated measure (71%) followed by cost per delivery (63%)
- More aggressive measures like contribution to revenue growth (36%) and competitive differentiation (31%) were not deemed nearly as important
- The difference in the more aggressive measures was further accentuated when evaluating competitive against non competitive management views

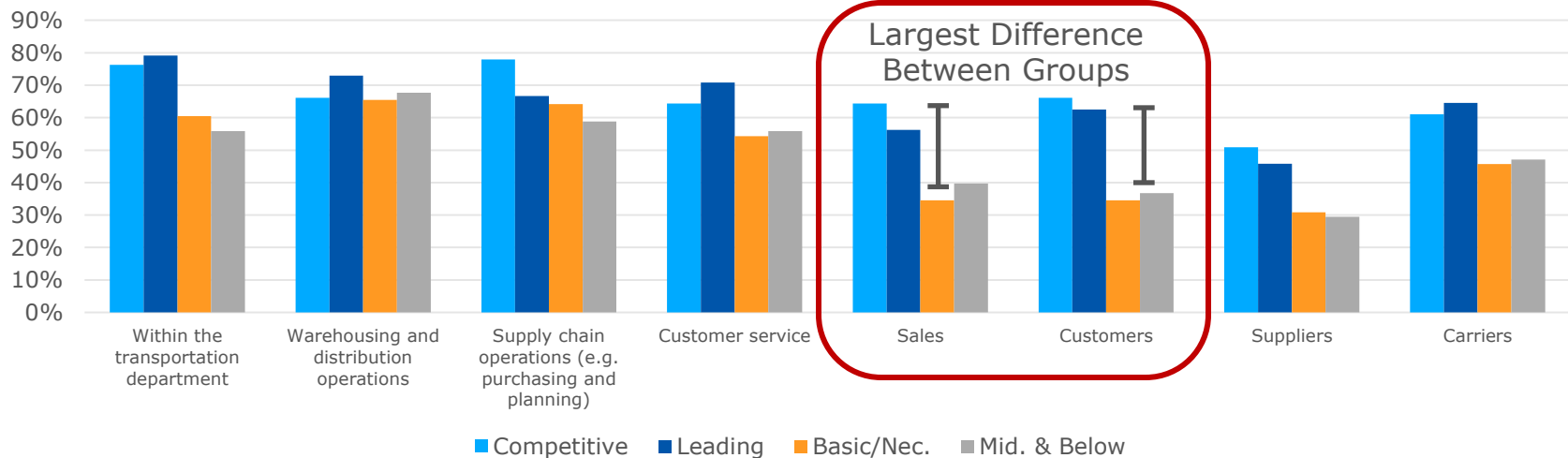
Management Strategic Importance



# Where is Transportation Management Information Used

- Transportation management is a multi-party process and transportation information is valuable to many internal organizations, trading partners and carriers but too many companies still don't use it widely
- For all respondents, the best information sharing gets overall is 67% for internal organizations and 52% for external organizations
- Competitive differentiators and better financial performers do a much better job sharing it with the revenue side of the business (sales and customers) by as much as 2x

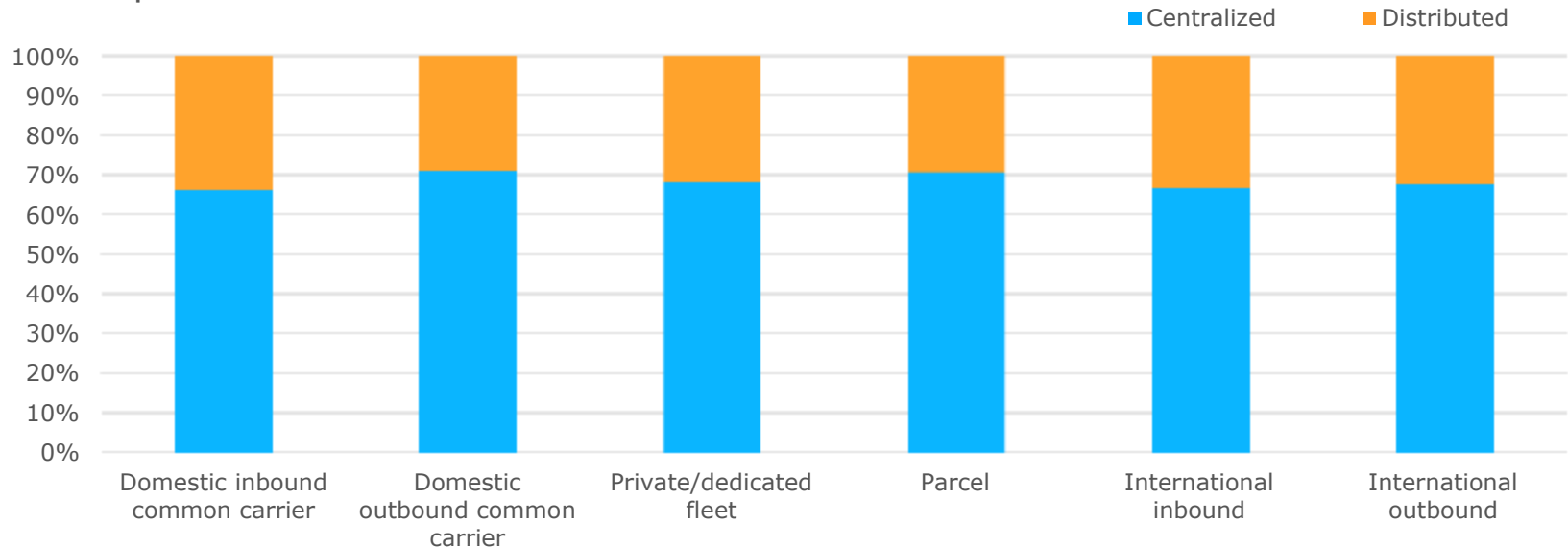
Management Strategic Importance & Financial Performance



# Transportation Management Approach

- Across all respondents and transportation modes, the general split between centralized and distributed management of transportation was 68%/32% respectively
- Centralization of transportation leads to lower costs and better/more consistent service due to economy of scale
- With one exception (international inbound), competitive and leading financial performers had higher percentages of centralized transportation by as much as 14%

## All Respondents

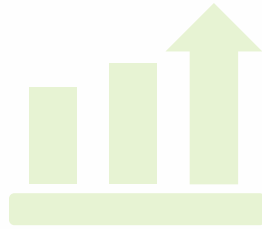


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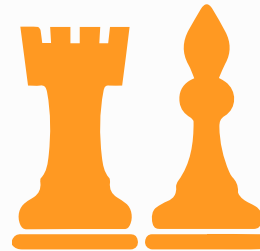
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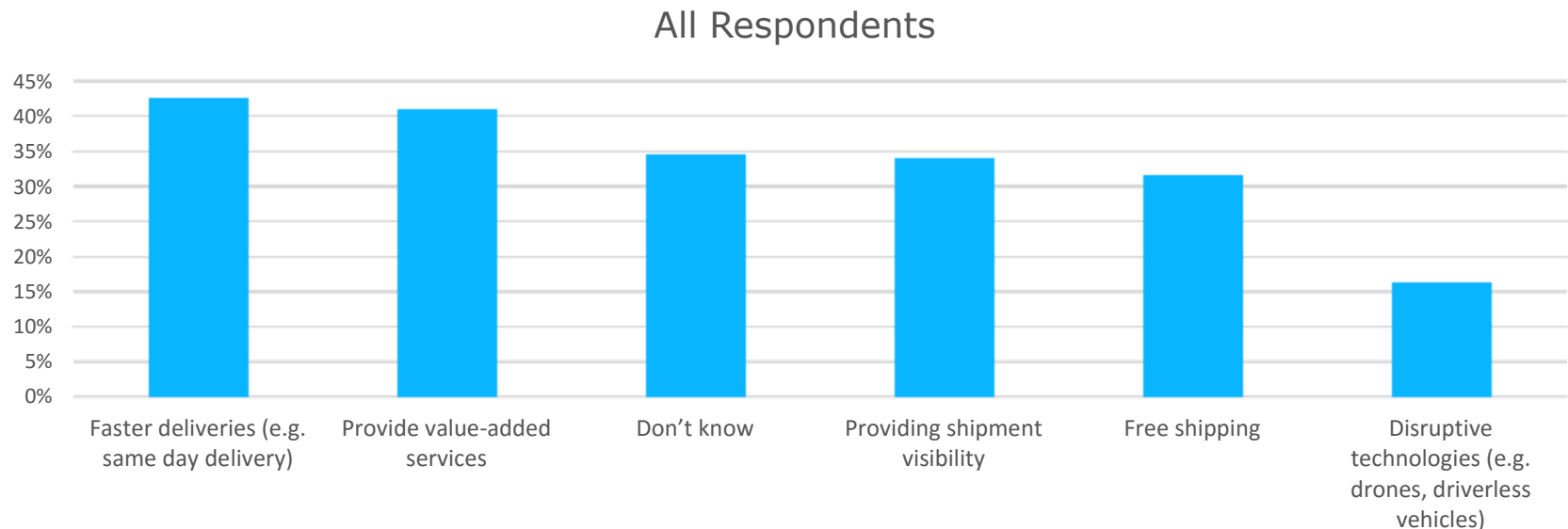


**Technology  
Implications**



# Transportation Strategies and Tactics That the Competition is Using of Greatest Concern

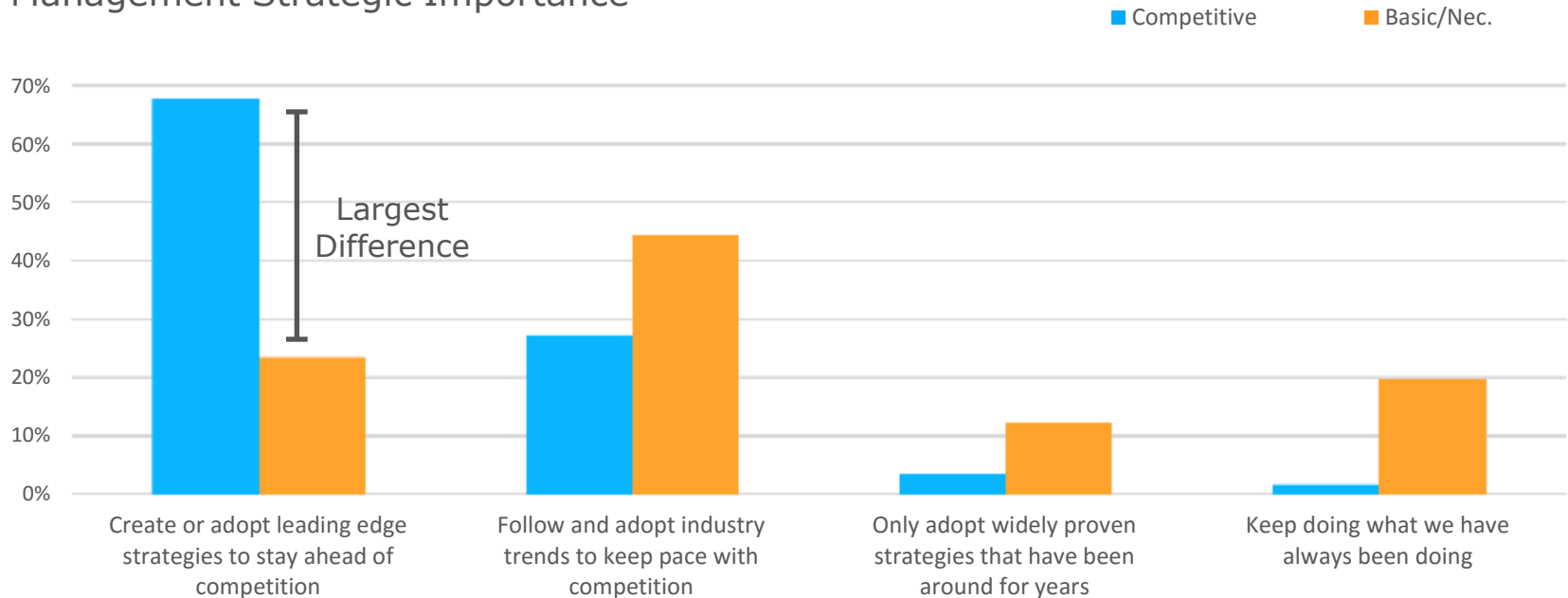
- Overall, respondents were worried about the competition providing better transportation-related services (speed #1, value-add #2 and visibility #4)
- Free was just the 5<sup>th</sup> choice
- 1/3 of the respondents had limited view of what their competitors were doing
- Only a small number of respondents (16%) were concerned about competitors' use of disruptive technologies



# Organizational Approach to Transportation Strategies

- For all respondents, leading edge practices and following trends were dominant and virtually the same at 41%
- However, when considering transportation strategical importance, leading edge practices outpace those that view transportation as a competitive differentiator (68%) versus those that see no little to no value in transportation (25%)

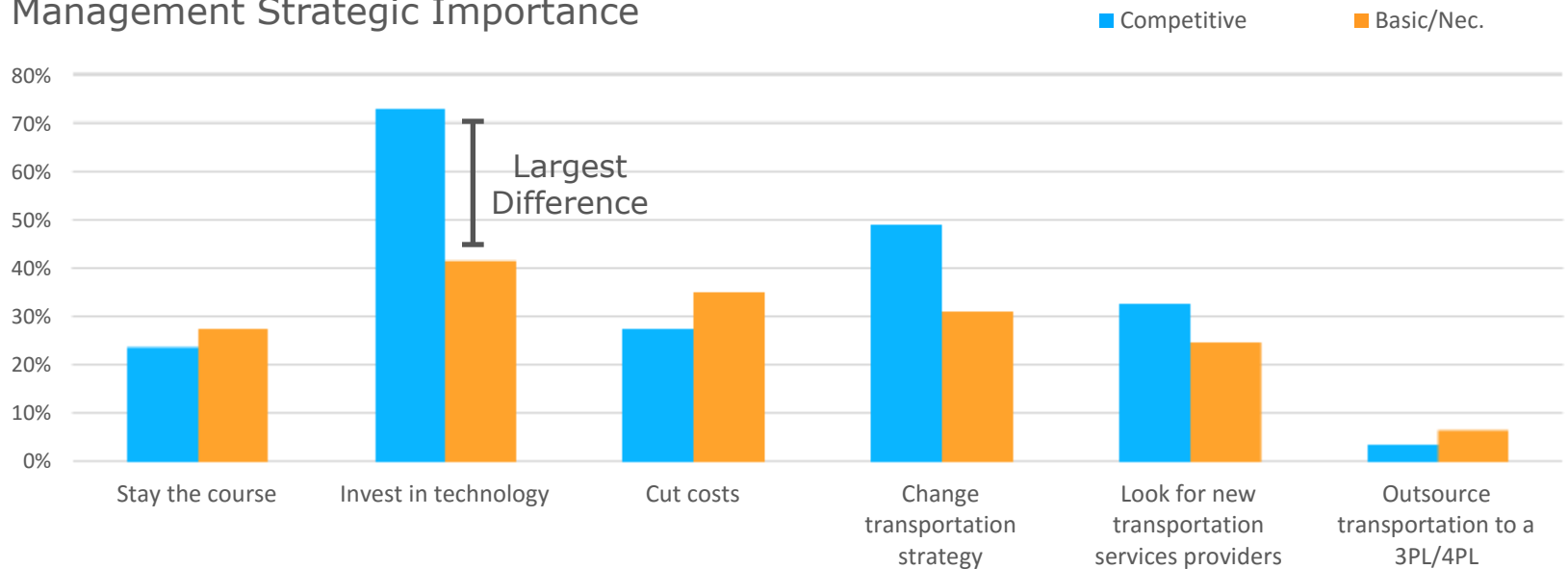
## Management Strategic Importance



# Preparation for Upcoming Change

- Invest in technology was the clear winner (63%) for overall respondents followed by change transportation strategy (42%)
- Cut costs was third (32%) and more important to those who thought transportation was a necessary evil (35%) or were a poorer financial performer (57%)
- Those competitive weapon/leading performers were 2x or more likely to value technology investment over cutting costs

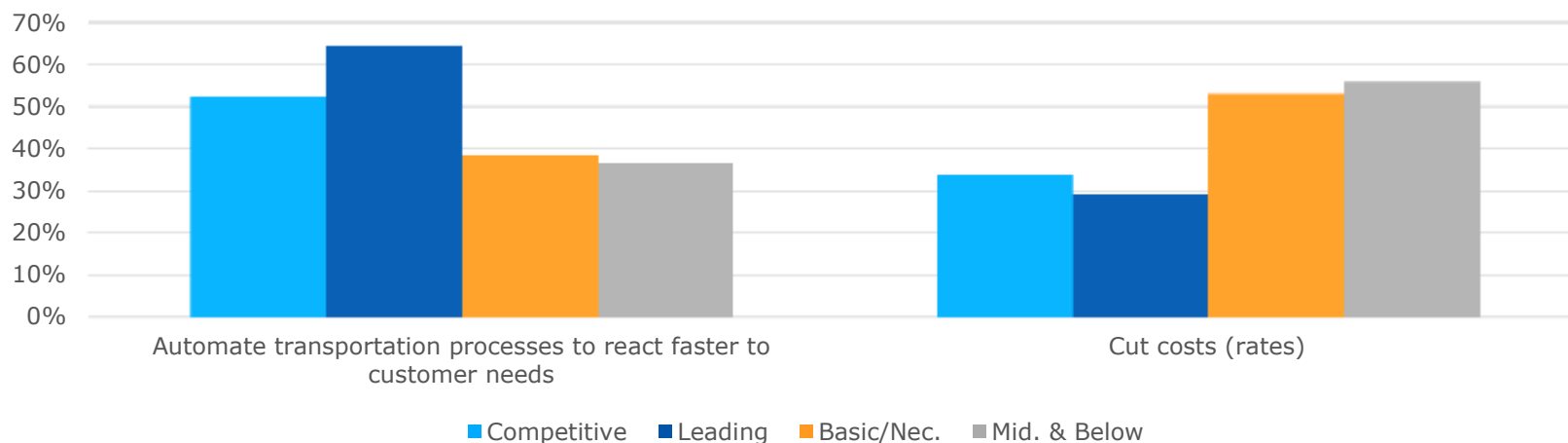
Management Strategic Importance



# Strategies and Tactics for Improving Transportation Value

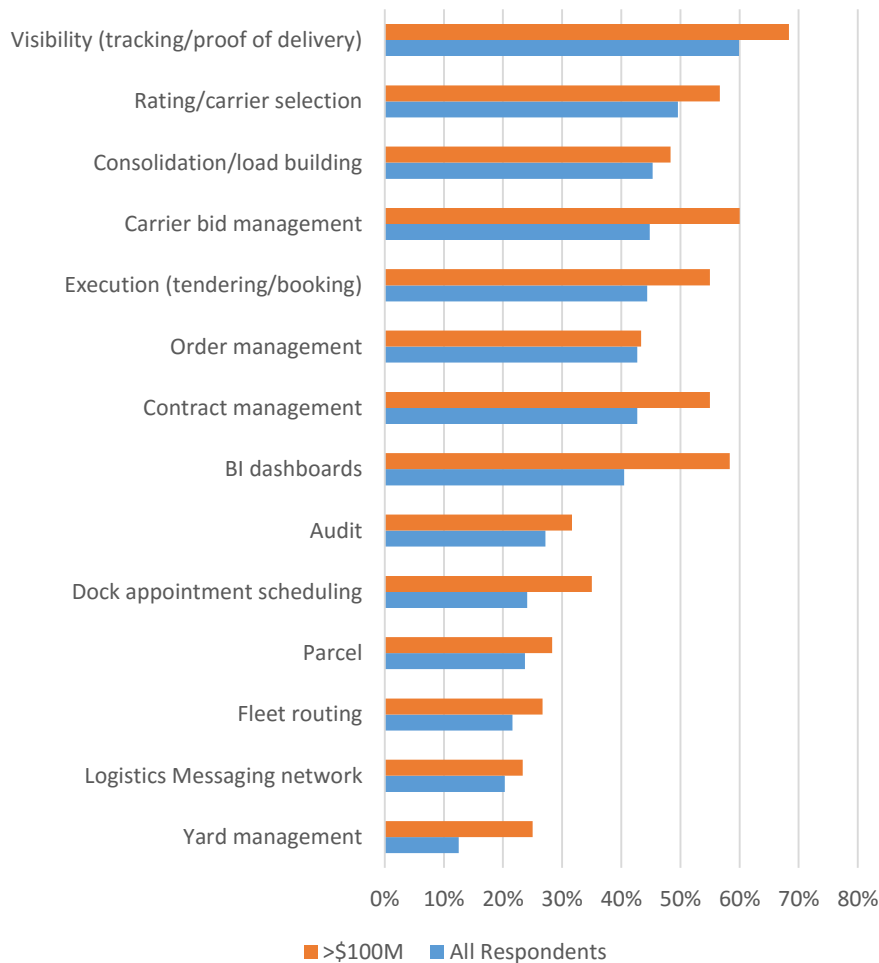
- Overall, automation for better customer service slightly beat cutting costs (44% to 41%, respectively)
- The message from competitive and leading financial performers was that they were focused on the customer, while the non-competitive and poor financial performers are more focused on strategies and tactics to reduce their costs
- The lowest was inbound transportation (combining inbound and outbound and convert from prepaid to collect) with a limited focus (23%)

Transportation Strategic Importance & Financial Performance



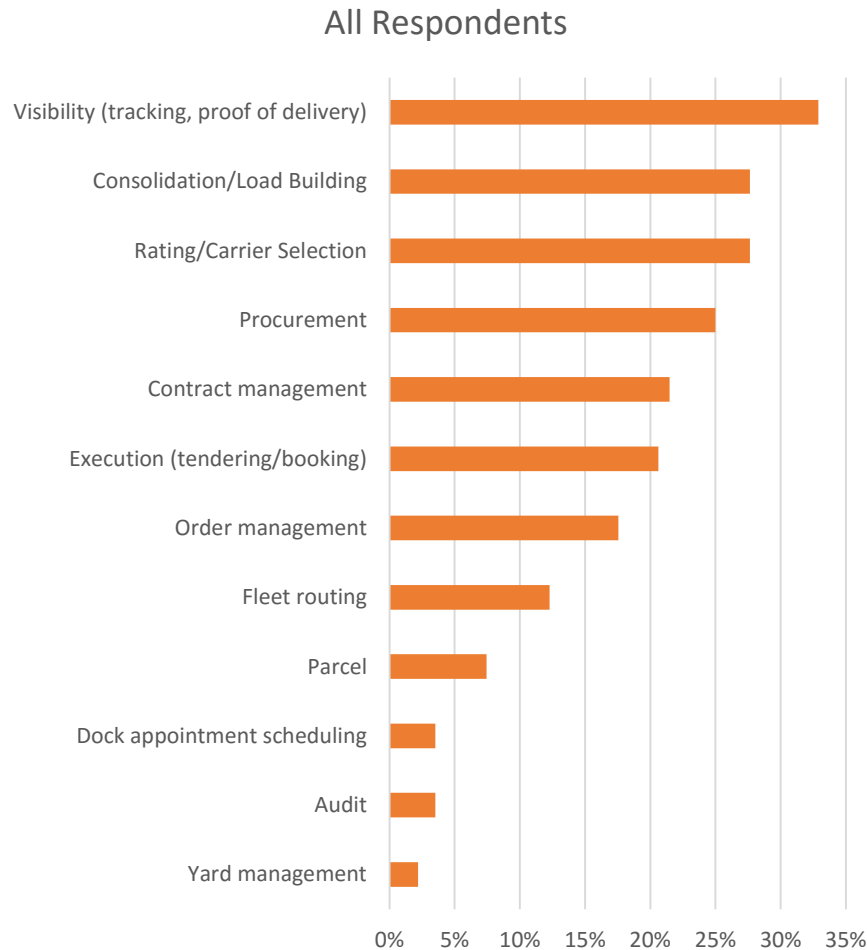
# Capabilities Needed to Run Transportation Effectively

## All Respondents & Largest Spend



- Visibility was top capability by all respondents (60%) and but not those with a smaller transportation spend
- The overall emphasis on improved customer service is most likely driving visibility importance
- Core TMS were the next 6 most important and relatively equal (49% - 43%) followed by BI dashboards (41%) and not surprising as cost reduction is still one of the top issues
- Overall, those with large transportation spend had greater need across the board (average 17% greater) for all of the capabilities

# Transportation Management Improvement Focus Today



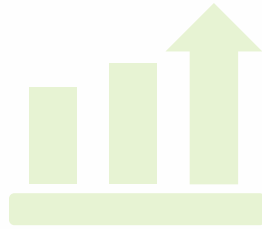
- While Visibility was the leading improvement area for overall respondents, there were a diverse set of capabilities cited for effective transportation management
- Areas that are typically cost reduction focused (rating/carrier selection, consolidation, procurement and contract management) were also predominant, again driven by cost reduction pressure
- Specialty transportation areas (fleet, parcel, dock and yard management) have minimal focus and may represent lost opportunity

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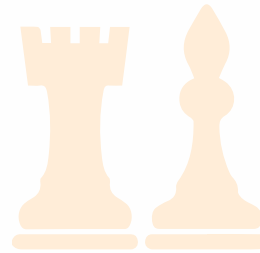
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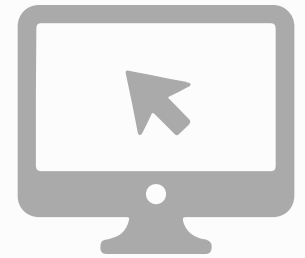
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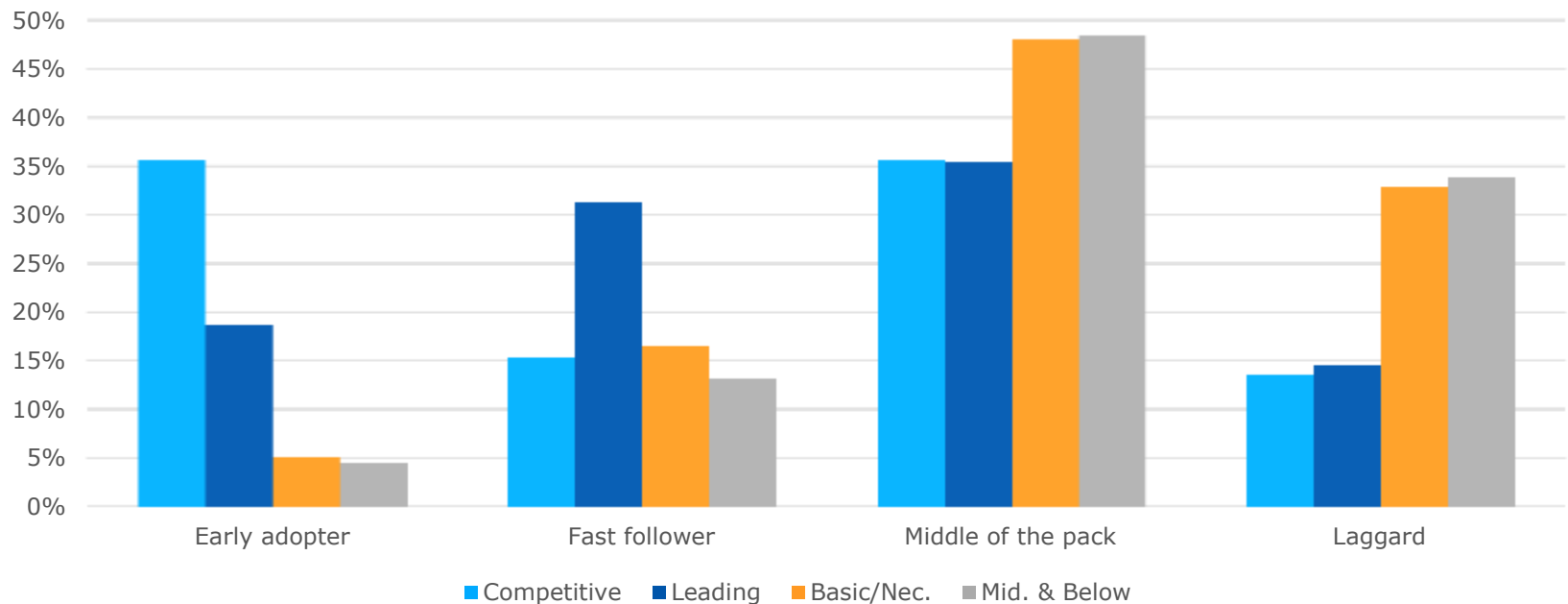


**Technology  
Implications**

# Company Technology Adoption Strategy

- The most technologically aggressive companies are those that see the strategic importance of transportation and have leading financial performers
- Not surprisingly, companies that do not believe transportation management is important or poorer financial performers adopt new technology much more slowly

All Respondents, Transportation Strategic Importance  
& Financial Performance

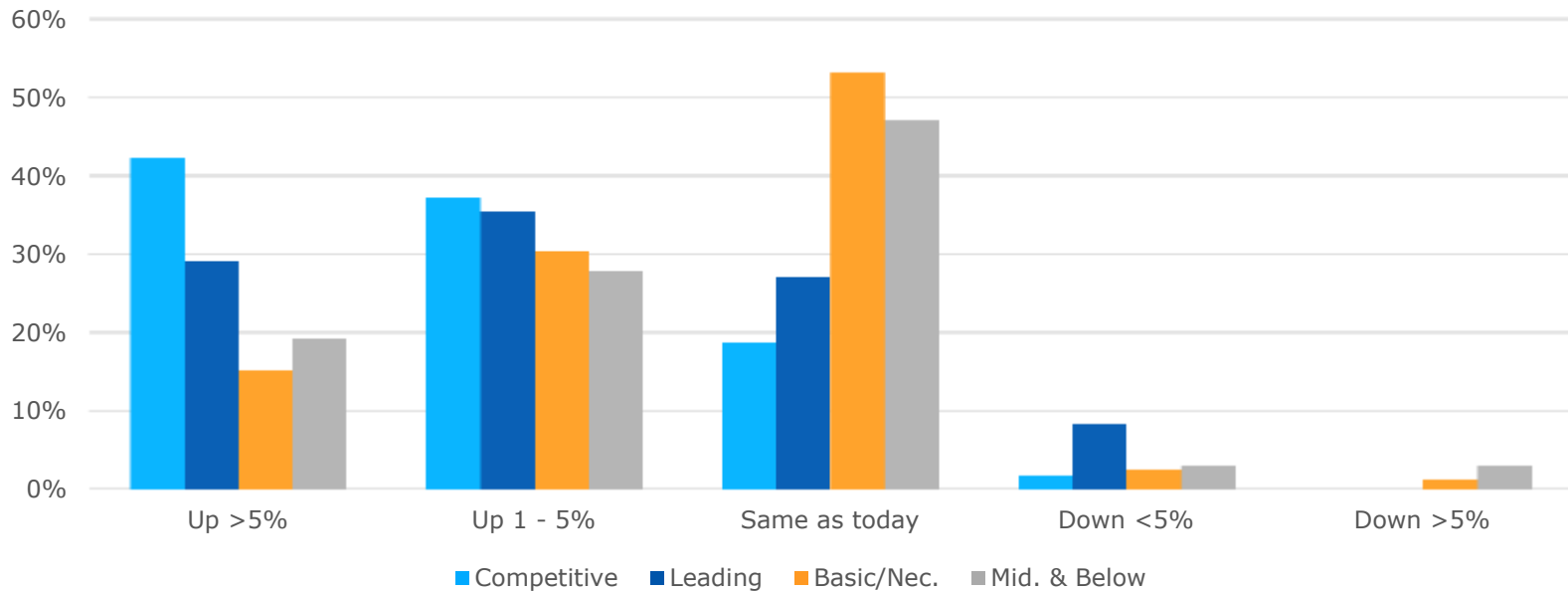




# IT Spend Change in Next 2 Years

- In general, transportation spend will increase but it will be driven by companies who view transportation management as a competitive weapon and have better financial performance
- Those not focused on transportation and poorer financial performers run the risk of creating a transportation capability gap that could impact their competitiveness

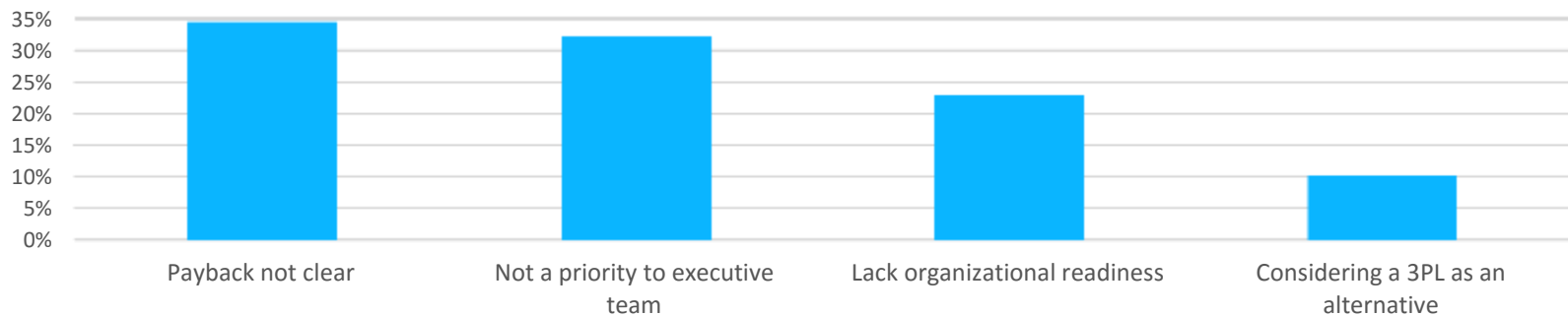
Management Strategic View & Financial Performance



# Primary Obstacle to TMS Investment

- 1 in 4 respondents reported no obstacles. Of those that did;
- Payback not clear was the top issue (35%)
- Not a priority to executive team received the second highest response (32%) and is a proxy for lack of understanding of TMS value
- Only larger organizations seem to be less immune to these issues (27% unclear payback/19% not an executive priority) as they may be better resourced/educated
- The industry needs to do a better job at education (especially for management) on how to determine transportation management value, including looking for value more broadly

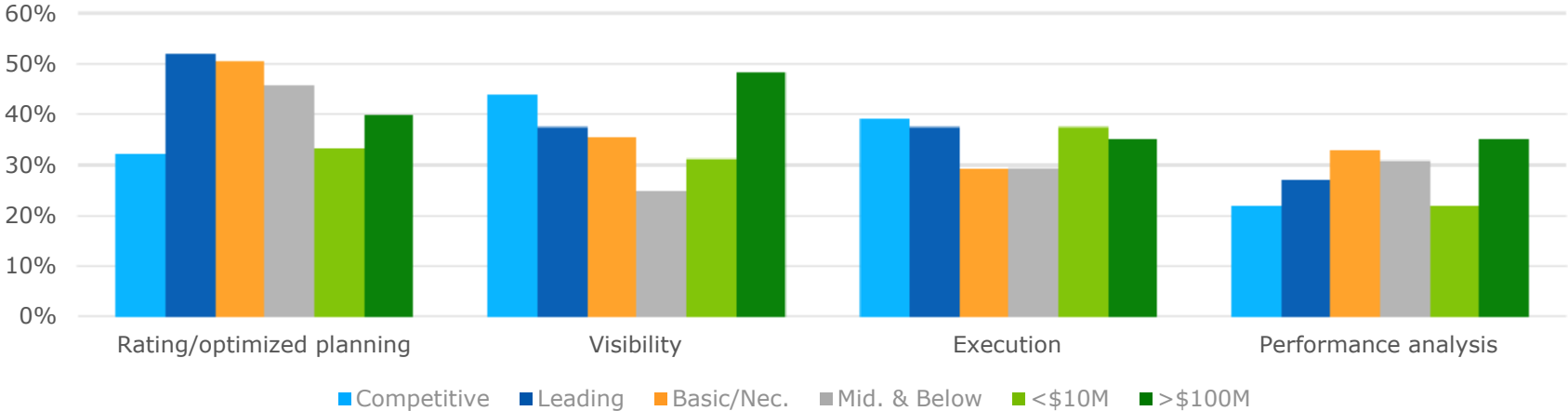
All Respondents Except Other



# Where Will Your Organization Gain the Greatest Value from TMS in the Next 2 Years?

- For all respondents rating and optimized planning (40%) was cited for the greatest value gain from transportation management
- Execution oriented capabilities (visibility (38%) and execution (34%)) followed closely
- Performance analysis (28%) was considered important
- The top 3 are pretty consistent with “today’s” improvement focus with performance analysis becoming a new focus area

All Respondents, Management Strategic View, Financial Performance & Transportation Spend Sorted by Overall Respondent Priority



# Greatest Transportation Investment in Next 2 Years

- Overall respondents, competitive and leading financial performers will place more IT investment in execution oriented capabilities (visibility and execution) that improve customer service
- Non strategic and poorer financial performers will focus on cost reduction oriented capability (rating/optimized planning)
- There is a high degree of alignment transportation management focus and IT investment for the next 2 years

Management Strategic View & Financial Performance Sorted by Overall Respondent Priority



# Conclusions

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- There is a tight relationship between management strategic value of transportation and performance – higher strategic value results in better financial performance and faster growth
- Cost control is important, but not as much as supporting growth and services initiatives – better/strategic performers get this even more
- The same goes for tactics to improve performance where technology and strategy were more important than cost
- Today's transportation management focus still too internal and cost driven, not necessarily supporting growth, service and competitive threats
- Understanding transportation value is still a huge issue and key inhibitor to increased TMS adoption
- Transportation spend will go up over the next 2 years and it will be more service and speed focused

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