

USING AUTOMATED, FLEXIBLE SYSTEMS TO SAVE MONEY IN ANY FREIGHT ENVIRONMENT

Think your company doesn't need a modern TMS because freight rates are going down and a buyer's market is in full swing? Think again.

IF YOU'RE A TRANSPORTATION OR LOGISTICS MANAGER RIGHT NOW, you're probably looking like a hero in your own right. For despite persistent driver shortages and the impacts of regulations like the electronic logging device (ELD) mandate and evolving hours of service (HOS) rules, freight rates have receded in 2019.

"We're very much in a buyer's market right now, with rates falling significantly compared to 2018," says JP Wiggins, VP of logistics at 3Gtms. While U.S. truckload rates have remained steady, dry van contract rates decreased by 8.3% in July (versus July 2018), and dry van spot rates are down about 20% year-over-year, JOC reports. That means that a large shipper who allocates 10% of its budget to covering its basic transportation requirements could be saving millions of dollars over last year's costs.

"Transportation departments are way under budget," he adds, "so their managers are looking like superstars." At least some of that celebrity status can be attributed to their transportation management systems (TMS), which have proven their return on investment (ROI) in the form of these lower transportation outlays.

In this white paper, we explore the key challenges that could surface when the pendulum swings, show how TMS serves as a trusted partner in helping

companies through those fluctuations, and hear from one shipper that's well braced for whatever the economic environment brings in 2020.

WHERE WILL YOU BE WHEN THE PENDULUM SWINGS?

They may be looked upon as heroes by the C-suite, but that doesn't mean logistics and transportation managers can take their eye off the ball in an industry that could pivot at any moment, and without

notice. When that happens, shippers need to be ready to act quickly. "Historically, TMS sales are higher during recessionary periods," says Wiggins, "which is basically an indicator of companies that 'waited too long' to invest in the technology."

The fact is, companies don't invest in TMS when they are busy and when business is brisk because they are, well, too busy. When the tide turns and business slows, companies start to look at TMS for the value it delivers in terms of reduced transportation costs and improved efficiencies. "Companies shouldn't wait to invest in strategic solutions like TMS," Wiggins points out, "which can add value in any environment."

To get onboard before the transportation sector experiences another seller's market, shippers should consider using automated, flexible systems that help them save money in any freight environment—and not just when rates are skyrocketing. "We've been in such a business boom for the last few years that no one has really noticed the seller's markets that have ebbed and flowed," says Wiggins. "The market shifts just happen under the radar because business is so good."

That sentiment will change when the markets tighten up again and freight rates increase—a perfect storm that will find transportation managers 1) over budget again and, 2) fielding requests to drive that budget down even further thanks to the double-digit decreases of 2019. For example, the company that shaved 20% off its transportation costs this year can surely cut another 10% in 2020, right?

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With some economists and analysts anticipating an economic downturn in the near future, that landscape could soon shift to one that's less favorable for shippers. "That's going to create new challenges for transportation managers," says Wiggins, "and it will be especially hard on those that aren't prepared for it. They'll need to be ready when the time comes or risk the consequences."

SQUEEZING PENNIES

Focused on squeezing every penny out of transportation costs, a modern, cloud-based TMS helps companies manage freight costs in any economic environment. It also helps

improve service in a world where customers expect their shipments next-day or two-day (at most), and where they also want high levels of visibility as their orders move through the transportation network.

According to Gartner, most organizations (approximately 75%) see an average operational cost savings from a TMS

between 5% and 15% (with most companies using 5% as a very conservative estimate). In some instances—and particularly for organizations that have not previously used a TMS—an operational cost savings of more than 15% is possible.

"Using TMS, companies can develop better metrics for how they deliver to their customers," says Wiggins, "with a focus on more on-time freight, better visibility, and more automated processes." These "soft" benefits can add up quickly for shippers who, in the past, sought out TMS primarily for cost savings. Today, the same companies want their customers to have online portals that provide real-time shipment updates, alerts, and other visibility tools. This is nearly impossible to manage with manual or antiquated

technology systems, but companies using modern TMS can effectively leverage their systems to identify and handle exceptions.

Take check calls, for example. Phone calls made to carriers to get updates on truck locations, these calls were traditionally handled in-house manually or through a third-party logistics provider (3PL). Both options require human resources, time, and money. "You don't want to have to pay a 3PL to do check calls," says Wiggins. "When you automate that process, you know instantly where your in-transit freight is located."

TMS uses a similar approach when a shipment is delayed or when a carrier denies a load, the latter of which can be handled promptly by an automated system that immediately goes to a second- or third-choice carrier while also alerting the user to the problem. For delays, the system will first try to determine whether the new arrival time aligns with the customer's receiving window. If not, then it will issue an alert to the transportation team.

These and other automation tools make TMS a valuable asset in any freight environment and help shippers optimize both cost savings and customer service. "A lot of companies use manual processes (i.e., phone calls, emails, etc.) to keep up with the demands of their customers," says Wiggins. "Automating those manual processes and workflows translates into real cost savings because now you're doing things faster and better and with fewer resources."

SAVING MONEY AND IMPROVING EFFICIENCIES WITH TMS

In order to meet the needs of its customers and end users, plumbing products supplier Gerber Plumbing Fixtures LLC, needed a flexible and configurable TMS that could reveal insights into shipping and process efficiency, enable flexible routing, and uncover cost-saving opportunities.

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Previously reliant on spreadsheets, routing guides, and a homegrown system for planning, Gerber knew it needed to reevaluate and transform the management of its transportation network. “We couldn’t answer important questions like, ‘Is a one-pick two-drop truck better than shipping it individually LTL?’ We also didn’t have any way to combine orders automatically – it was all a manual process for a planner,” says RoxAnne Thomas, transportation manager.

“It was clear we needed a transportation management system to help us make decisions about building trucks and comparing rates that included visibility in our order-to-delivery timeline,” Thomas continues.

“We needed to be confident that we were making the most efficient choices for ourselves and our customers.”

Gerber considered several TMS providers and ultimately chose

3Gtms. From the system, the company sought out flexibility, the ability to customize it to fit its needs, and a system that was SaaS-based. 3Gtms won out because of its total cost of ownership and how much it could be customized to Gerber’s way of doing business.

Using sophisticated optimization algorithms, actual rate cost, and a comprehensive set of data points, the TMS determines and delivers the best plan that can be realistically executed. It manages the full order-to-cash process in real time and within a single system.

Since implementation, Gerber has gained improvements in cost-per-mile and cost-per-piece, as well as a drop in the freight as a percentage of sales. Its customers receive a clear and reliable commitment for delivery times, and Gerber has pinpointed new areas of cost savings, such as improving pooling practices in certain geographies.

“We have so much more flexibility with how we build the trucks because we have visibility into what’s going on,” Thomas says. “Planners can grab good trucks

that are close, or tweak some shipments and hold them back in the pool until we have a different truck available. They have a lot of options because we have a really clear picture for comparing potential cost saving opportunities with our customers’ needs.”

THE TMS CONTROL TOWER

Along with the cost savings that companies get from implementing TMS, most also experience 5% to 10% productivity gains from the new software. These gains come from several different sources, not the least of which is the “control tower” view that all divisions and business units get when their organizations implement a unified, cloud-based TMS. Concurrently, the system vastly improves functions like route optimization, mode selection, and carrier utilization, all of which play critical roles in the overall transportation picture.

Many times, for example, people simply pick the wrong mode when faced with choices like truckload, less than truckload (LTL), and parcel. They also miss out on load consolidation and backhaul opportunities, both of which are handled automatically by an advanced TMS. Finding the right carrier is equally as challenging, as is optimizing freight across the entire transportation network.

If, for example, two customers are located in close proximity and expecting orders on the same day, then a multi-stop truck or pool distribution is probably the most economical option. By taking a “big picture” view of the network, TMS recognizes and leverages these opportunities. “Most companies can cut 5% to 10% off their freight budgets just by optimizing,” says Wiggins.

These wins are going to become even more crucial as the freight environment shifts, and as the C-suite looks to the transportation and logistics managers to continue fulfilling their superhero roles. By reducing transportation costs, optimizing freight networks, and improving organizational productivity, TMS will continue to serve as the de facto support system for all transportation-related activities in good times and bad.

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About 3Gtms

3Gtms is the fastest growing, Tier-1 transportation management system (TMS) provider. It is dedicated to helping mid to large shippers and logistics service providers gain a competitive advantage through technology. Whether you move \$5 million or \$5 billion in freight, its 3G-TM solution seamlessly manages the full transportation

lifecycle, including transportation planning and optimization, execution and settlement, empowering customers to make better shipping decisions while meeting their service goals. 3Gtms is dedicated to delighting its customers and as a result, holds a 100 percent customer satisfaction rate that is unmatched in the industry.

For more information, visit: www.3gtms.com.

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