

Deloitte.



**TAKING  
TRANSPORTATION  
MANAGEMENT  
TO THE  
NEXT  
LEVEL**

Logility and Deloitte  
help companies  
keep cool  
**Under  
Pressure**

Transportation management: Improving delivery performance, increasing efficiency, and reducing freight costs to drive tangible bottom-line benefits.

**T**ransportation management is at the heart of supply chain execution, interacting with and impacting many core functions of the organization.

Transportation management is a crucial influence on the ability to serve customers, improve service levels, shorten delivery times, and avoid delivery delays while maintaining or cutting costs.

The goal of the distribution network is to deliver the right quantity of the right product at the right time in perfect condition. Unfortunately, many organizations have not focused enough attention on planning and managing their transportation, struggling to deliver on expectations using inadequate, cobbled-together tools aimed at managing individual transactions. Transportation is often treated as a necessary evil with infinite capacity that manifests confusion and frustration when that service can't deliver.

On the other hand, industry leaders treat their transportation function as a vital component in the success of their supply chains. These companies invest in world-class transportation solutions that encompass people, process and technology, providing the insights and visibility needed to achieve high performance.

**“Securing capacity and improving freight efficiency are strong motivations for investing in a Transportation Management System.”** -Gartner Group

In this paper we will explore the compelling reasons for elevating transportation planning and management to a higher level, and leveraging it as a critical supply chain driver.

## Transportation Under Pressure

**E**ven as transportation functions strive to be lean, they are pressured by increasingly demanding supply chains whose goals spawn a complex web of transportation decisions. Marketing and sales need fast shipment options to satisfy customers: more drop shipments, smaller and more frequent shipments, multiple line shipments to more destinations from more sources, including the evolving omni-channel platform. Inventory planners attempting to minimize inventory levels want more frequent inventory transfers and just-in-time deliveries, along with visibility of inbound, outbound, and in transit inventory. Distribution and finance functions push to minimize distribution costs while rationalizing the total number of plants and distribution centers.

This doesn't lessen the imperative to "cut costs." The supply chain function is continually challenged to reduce metrics like cost per mile, unit cost, transaction cost, and others. Under this pressure, transportation functions have become leaner, often comprising fewer full time employees, but still failing to deliver the efficiency and visibility needed.

With complex business environments and more focus on serving the customer, customer demands are projected to proliferate. More shipments and differentiated packaging are a key trend, as companies continue to mass customize to meet the "Amazon generation's" expectations for service, delivery and cost.

Distribution, logistics and finance functions are shaping the transportation network to meet this changing business environment. In the meantime, costs for inter-facility freight are increasing, customer distribution freight expenses are increasing, ordered quantities are splitting, product customization is increasing, and SKU counts continue to multiply.

Pressure from all sides continues to mount.

## Tactical-Level Managing Misses the Mark

Too often, transportation departments address challenges by attacking tactical transactions at the cost level, relying on cobbled together homegrown solutions that are unable to adequately cope with managing the business.

Overworked transportation functions lack visibility to bigger challenges and opportunities. They are “inside the storm” reacting to each new gust. Rather than reacting, they should be planning, optimizing and managing by exception.

Traditional procedures involve lots of people, phone calls and faxes touching every transportation transaction one at a time. But transportation functions need not be plagued by everything from ad hoc sourcing mechanisms to poor controls around shipment planning and invoice processing. Logistics managers and forward-thinking supply chain executives can build a proactive and exception-based transportation planning process that leads to greater supply chain competitiveness. Industry leaders are leveraging transportation as a front-end strategy rather than a back-end process. It’s time for a more strategic approach that focuses on reducing structural costs and building the capabilities to manage transportation more dynamically.

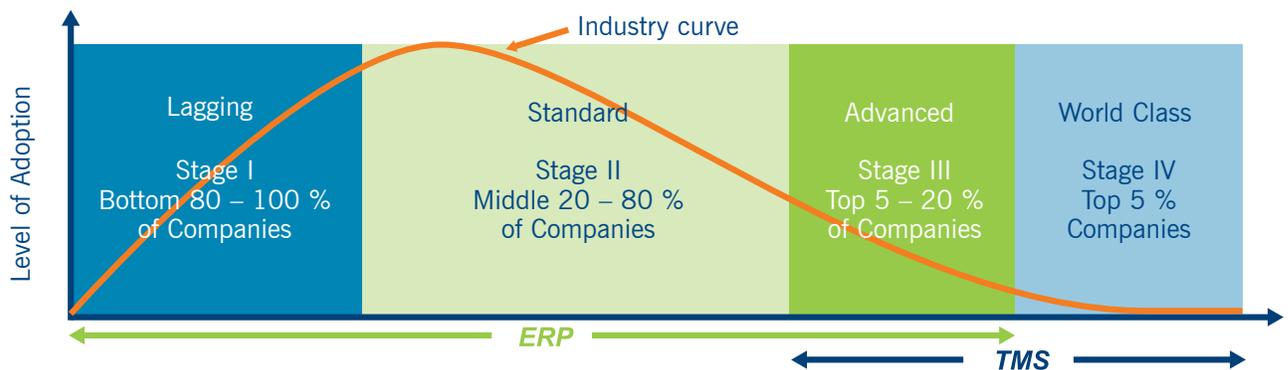


Figure 1. Moving from ERP to Best-of-Breed TMS is a Signature of Advanced and World-class Supply Chain Organizations.

## A World-Class Transportation Capability

Technology investment needs to enable several things: flexible, optimized transportation planning to meet customer preferences; critical thinking; and exception management approaches (not just control and execution) coupled with performance management. Manufacturing, consumer goods and retailing companies that leverage transportation technology achieve greater supply chain efficiency, increased profits and smoother transportation operations.



Figure 2. Transportation Management Transformation can Yield Significant Savings on Freight Spending.

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In the US, Logistics and Transportation represents more than 8.5% of GDP, or more than \$1.3 trillion.

-US Department of Commerce

The benefits are significant and quantifiable.

Transportation management transformation projects can yield 10-15% freight spend savings by leveraging industry leading practices coupled with an advanced transportation management system (TMS).

Of course, adding new technology to an inefficient process is not sufficient. Technology implementations are only successful when they are driven by process changes that reflect leading practices, business needs and strategies. Change must be managed, and industry leaders need to put a high priority on aligning their process, system, and change management strategies with business objectives. When changes align with business needs, transformation can happen in months, not years, delivering significant improvements in cost, financial accuracy, customer service, and supply chain visibility.

One critical element for success is developing a business case that documents the key benefits to be derived from better transportation planning and execution. Any decision on business process changes and desired technology capabilities should be governed by quantitative benefits for the project.

## Innovative Strategy, Sustainable Advantage

A value-driven approach to transportation management transformation puts the vision and benefits first, and starts with business process followed by implementation of a robust transportation management system. A good example of a leading transportation technology is Logility Voyager Transportation Planning and Management™, a responsive, highly synchronized, collaborative platform that extends visibility to customers, suppliers and carriers. Voyager manages these key processes:

- **Optimized planning and decision making.** Defines the most efficient transport plans based on given parameters that have a lower or higher importance according to user policy: transport cost, shorter lead-time, fewer stops possible to ensure quality.
- **Transportation Execution.** Carries out the transportation plan through carrier selection, rate acceptance, carrier dispatching, EDI transactions, freight pay and audit to carriers.
- **Transportation Traceability.** Follows any physical or administrative operation regarding transportation: event based management, sending of transport alerts (delay, accident, non-forecast stops).
- **Performance Driven Analytics.** Includes a dashboard for logistics key performance indicator (KPI) reporting, as well as the supporting information needed for better tactical and strategic decision making.

Getting materials and goods where they need to be on time at the lowest cost can involve transport by rail, intermodal, barge, full truck, partial truck, ocean and air. Each mode has specific constraints, costs and service options. Deciding the right ones to use and when to use them is dramatically simplified by a best-of-breed transportation management solution.

Combining Deloitte's design principles, industry leading practices and implementation approach with the Logility Voyager Transportation Planning and Management solution enables rapid deployment of a robust transportation solution. Advanced Voyager features and ease of use exceed the capabilities of do-it-yourself systems and ad hoc software. This combined approach reduces overall investment and implementation time, while increasing the benefits attained and improving key elements such as carrier compliance, on-time deliveries, freight payment and audit capabilities and inventory costs.

Rather than acting as a short-term Band-Aid for the "transportation cost problem," the combined Deloitte-Logility solution enables continuous improvement for years to come. Long-term sustainable value is derived from several areas:

- Integrating inbound and outbound transportation reduces cost and increases supply chain agility.
- Synchronizing manufacturing and transportation planning supports collaborative logistics partnerships through a shared portal.
- Network Modeling identifies opportunities associated with alternative plant or DC locations based on different modes, carriers and costs of transportation.

## Real-World Results

Gartner research cites many cases where companies have gained significant benefit from a transportation management transformation. Just two examples:

- A **consumer goods manufacturer**, using its TMS system for support, transferred 40% of annual less-than-truckload (LTL) shipment volume to multi-stop truckload and pool shipments, decreasing the freight budget by more than \$4 million within 18 months. At the same time, the company raised its loads per planner per day from 12 to 80 by using the system to automate processing and enabling staff to manage by exception.
- A **specialty chemical company** created a reliable transportation and distribution capability with automated TMS. It was able to offer its target customers single-day service while still maintaining the two-day service promise to the rest of its customers. The company did this while also closing four out of five regional warehouses in favor of one mega-distribution center that was close to its primary market. The company secured more than 10% additional market share in its target market while removing significant costs from its distribution network.

“Gartner continues to see a shift from focusing transportation initiatives exclusively on cost reductions to laying the foundation for improved customer service. Cost volatility, increasingly complex multiregional or global operating environments, continuous service improvement and financial pressure, capacity volatility, and increasingly demanding regulatory mandates continue to place pressure on transportation organizations. All of these factors create requirements that will play a significant role in finding the right transportation management system for your company.”

--Gartner research note, Supply Chain Guide to Making Smart Decisions, May 2015

# Conclusion

Transportation functions are pressured to perform in increasingly demanding and complex supply chains, spawning a complex web of transportation decisions that impact and interact with key supply chain processes.

Many companies that recognize it's time for a "transportation transformation" face steep barriers to moving beyond homegrown or ERP based solutions that rarely prove adequate. There can be resistance to change within organizations that become stymied by the "old way of doing things," often based on a cost-focused, transactional perspective.

Hoping for the best is not a viable strategy. The opportunity exists to implement a transportation management system that drives fundamental strategic changes in the transportation function. Implementations are successful when driven by process changes that reflect business needs and strategies.

To do this successfully, Deloitte implements Logility Voyager Transportation Planning and Management, supported by process, system, and change management strategies that align with the company's business needs.

# How Deloitte and Logility work together

**A** combined Deloitte-Logility implementation includes transportation leading practices embedded in detailed business process models, a pre-configured Transportation Planning and Management solution aligned to these processes, and an agile prototyping methodology that confirms alignment with the overall business strategy. Barriers are overcome by adopting a powerful implementation approach that takes a clear and easy-to-follow path to successful transportation transformation, creating an ongoing source of competitive advantage.

Deloitte works with clients to develop strategies, define future solutions built on leading capabilities, and implement process and technology solutions. We are as strong in helping clients execute a plan as we are in crafting it.

Companies worldwide rely on Logility Voyager Solutions every day for advanced transportation planning, as well as demand and supply planning; manufacturing planning and scheduling; retail optimization; inventory optimization; sales and operations planning and end-to-end supply chain visibility.

**Deloitte.**



# Get In Touch

For more information on how Deloitte and Logility can provide a practical transportation transformation that's easy to implement and execute, please reach out to us:

## **Deloitte**

Ryan Ernst  
rernst@deloitte.ca  
(416) 219-9270

## **Logility**

Karin Bursa  
kbursa@logility.com  
800.762.5207  
info@logility.com