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Making the Upgrade

Reasons Behind Not Jumping on the “Automation Bandwagon”

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Summary

It’s no secret that the drastic rise in technological advancements has made a major impact on the way that companies continue to function. In terms of transportation, this is evident in the rise in popularity of the transportation management system (TMS). Businesses that operate in wide array of industries have experienced major improvements in their supply chain processes as a result of TMS adoption. While TMS popularity continues to grow, there are still several companies that have not jumped on the “automation bandwagon.” It is estimated that just under 40% actually are using a TMS¹, and the reasons behind this relatively low number vary. In this paper, we’ll address some of top reasons why companies haven’t decided to automate their manual processes. We’ll also discuss some of the precautions companies should take when analyzing potential TMS providers to make the transition to automation a smooth one.

Top 5 Reasons Companies Haven’t Automated

Although reasons behind not transitioning from manual to automated processes vary from one company to another, many transportation personnel share common reasons behind not making the switch. Some of these reasons are also common misconceptions that we’ll address and resolve. Others are understandable concerns that are a result of bad experiences with TMSs in the past. Whatever the reason, we’ll arm transportation personnel with the correct information so that they can make an educated decision of whether or not to jump on the automation bandwagon.

1. *Our current manual processes work fine.*

Oftentimes, transportation personnel feel that their manual process for managing transportation fits their current needs fine, thereby limiting their motivation to change. Usually it is a process that they’ve created themselves, or in collaboration with a group of departmental employees. Typically, the people in transportation that created this manual process have a sense of attachment to their way of doing things. After all, they were the people that put the time and effort into creating the process, and spent numerous hours revising, improving, and correcting it to the point that it was workable. However, it is important to steer away from the “this is the way we’ve always done it, so this is the way we’re going to continue to do it” mentality. This type of myopic view towards transportation can be detrimental to companies. Innovative businesses are constantly improving their processes, adopting new technologies, and seeking ways to uncover greater efficiencies. Businesses that do not lean towards innovation will struggle to compete effectively in today’s marketplace.

It is also important to note that while a company’s manual process may work for now, it may not keep up in the future. As the economy improves and business grows, transportation processes will inevitably be required to change. If companies are expecting their revenues to increase and their shipment volumes to multiply as a result, transportation managers will need to ask themselves the following questions:

- If my shipment volumes increase, will my current manual processes support the resulting additional workload?
- If business improves and workload increases, I may be tasked with fulfilling other roles that were made vacant by previous company layoffs – can I handle those additional responsibilities?
- Will my company be receptive to hiring additional personnel to help me manage transportation?

¹ Aimi, Greg (July 2009). “The AMR Research Enterprise Transportation Management Systems Landscape, 2009.” *AMR Research*, p. 1.

If managers answer “no” to any of these questions, then it is vital that they look to automate their processes. Implementing a TMS solution can greatly reduce the number of steps required to carry out essential transportation functions. These solutions also allow the user to manage by exception, significantly lowering the time spent uncovering problems in the supply chain. Less time spent on transportation also means that staff can focus on fulfilling other roles in the company. Frequently, those that are in charge of managing transportation were hired to fulfill a different primary role within the company (i.e. sales or customer service) - utilization of a TMS allows these employees to place more focus on their primary role. Many TMS providers also offer an “outsourced solution,” which provides for a complete outsource of the company’s transportation to a 3rd party. This option even further alleviates the pressure being felt by transportation staff caught in multi-role positions.

2. We’ve created a system in-house that suits our needs.

While some companies haven’t yet implemented a full-scale TMS, they have utilized internal technology to manage their transportation. Because these companies have the internal IT resources and knowledge to develop a system of their own, they therefore don’t feel the need to rely on actual TMS providers to meet their needs. However, it is rarely the case that these home-grown systems automate transportation processes to the same extent as those of best-in-class transportation management systems. It is important for companies to analyze their current home-grown system and determine if it has the same capabilities as a best-in-class TMS provider. Any disparity in capability could mean the company isn’t taking full advantage of potential areas for additional cost and time savings. Features that best-in-class transportation management systems offer include the following:

- **Customization.** Best-in-class TMSs are flexible enough to mold to the needs and processes of each user. They retain the ability to allow or restrict access to all of its key features and functions. They support customized access for internal employees (C-level executives, transportation coordinators, customer service representatives), as well as external users (carriers, vendors, customers). The design and modification of any reports, documents, and user roles is a simple process.
- **Automation.** Leading transportation management systems allow for the automatic entry of shipments via system integration. They support automated carrier selection based on the least cost carrier approach, or based on a specific routing guide. They also have the ability to automatically tender loads, send out requests for spot quote, and receive/rank carrier spot quote responses. Reports can be auto-generated then e-mailed to various users, and system notifications relating to exception management can be created.
- **Reporting.** Best-in-class TMSs have the ability to generate any type of report as it relates to transportation information. Most of these can be easily accessed via a “dashboard” feature within the TMS. The report format can be quickly modified according to the needs of the user. Transportation information can be easily filtered, summarized, and graphed.
- **Visibility.** Each user in a TMS can have unique access to the system, and therefore different levels of visibility into transportation information. Executives or managers have the ability to view transportation information from a holistic standpoint, or at an individual location level.
- **Optimization.** Best-in-class TMSs have a tool for optimizing shipments to capture shipping efficiencies and cost-savings. They have the flexibility to optimize shipments based on a variety of user-defined criteria. The most effective optimization tools will support least cost mode analysis, load consolidation, pool distribution, and creation of continuous moves.



- **Freight Audit.** Leading TMSs support audit of freight bills. They facilitate comparison of billed carrier rates versus system contract rates, and allow for configurable audit statuses/queues. They highlight monetary discrepancies, and support customizable accounting reports.
- **Procurement.** Leading transportation management systems have supporting systems/tools to facilitate requests for pricing (RFP's). They allow for rapid analysis of carrier RFP responses, and allow these responses via a web-based portal.
- **Systems Integration.** Best-in-class TMSs can easily integrate with existing company technologies (such as ERP's and WMSs), and support two-way system data transfers.

Companies that are utilizing home-grown systems should consider conducting a detailed comparison of the capabilities of their current system versus best-in-class TMS providers. The features listed above can serve as the basis for this comparison. If their current system falls short in any these areas, they may be overlooking opportunities for significant cost savings and operational improvements in their supply chain.

3. We tried implementing a TMS in the past, but it didn't work out.

There are several companies that have jumped on the automation bandwagon only to fall off of it down the road. Typically, these businesses made the push to implement a TMS, but because of a negative experience with their TMS provider, they decided to abandon the undertaking and resort back to manual processes.

One reason is the fact that their TMS was too complicated to use. Transportation management systems are very helpful tools, but if the interface is too difficult to navigate, the user will abandon it and continue to rely on their manual way of doing things. As pointed out previously, a best-in-class TMS should be customizable. In other words, it should be scalable according to the needs of each individual user – this simplifies the technology and makes it more user-friendly.

Transportation personnel that have tried to implement a TMS in the past have also had the opposite complaint – that the TMS was not robust enough to suit their needs. This is frequently due to the fact that many “transportation management systems” are actually off-shoots of existing company technologies. As businesses are looking to automate their manual processes, one of the first places they look for help is to these existing technology providers. Oftentimes, these technologies are in the form of ERP/sales order management systems or warehouse management systems (WMSs). In an attempt to satisfy their existing customers and capture additional revenue, these providers attempt to build upon their current systems with transportation related functions. These “upgrades” are hastily thrown together based on the minimal requirements provided by the customer’s transportation and IT personnel. After implementation of these system upgrades, it is soon discovered that they don’t fully support all of the intricacies of the customer’s transportation process. Additionally, since these upgrades were built upon a platform that was originally created for an ERP or WMS, the actual users of the system realize that the interface isn’t conducive to many of their transportation related tasks. True transportation management systems are robust enough to easily handle all shipper-related functions and operate in a way that is practical to the user.

Figure II. Typical reasons behind previously unsuccessful TMS deployments

- System too complicated to use.
- Not robust enough to support current processes.
- Limited customer service and system support.

Customer service and support is another negative experience shared by many companies as it relates to previous attempts at TMS implementation. Many shippers have tried to automate through use of a TMS in the past, but because their provider didn’t provide ongoing customer service and support, they became dissatisfied with the

system and abandoned it altogether. Best-in-class TMS providers ensure that they are always providing ongoing customer support, making immediate changes to the system based on customer requirements, and making continuous updates/upgrades to the TMS as needs and processes evolve.

4. *We can't get upper management buy-in.*

Some companies have wanted to implement a TMS, but they can't get approval from upper management to do so. The company's transportation coordinators and managers are often the first to realize the need to automate, but they don't have the ultimate purchasing decision. This decision usually falls on the company's CFO, Director of Transportation, or some other C-level executive. In order to get upper-management buy-in, it is important for these transportation coordinators/managers to work closely with their potential TMS provider. They will need to work collaboratively to develop a report detailing likely return on investment figures and percentages, and then present these to the decision maker. These figures will vary from one customer to the next depending on several different factors – these include monthly or annual freight volumes, current carrier rates, whether or not the transportation will be outsourced, and opportunities for freight optimization.

Another way to get upper-management buy-in is to present the need for a TMS on a united front. It is rarely the case that only one of a company's locations or divisions are affected by the decision to automate. When it comes time to address the need for a TMS with the ultimate decision maker, it is important that personnel in all company locations/divisions are on the same page and have the same desire to automate. If they are not on the same page, it is important for each division to identify any gaps in needs and processes. The company must then work collaboratively with the potential TMS provider to help address those gaps, and show how their solution will benefit *all* involved personnel – not just one division or location. Failure to present the need for a TMS on a united front will decrease the chances of getting buy-in from whoever retains the ultimate purchase decision.

5. *A TMS costs too much.*

Perhaps the biggest factor that all companies take into consideration when it comes to implementing a new technology is cost. Many businesses have felt the need to automate their manual processes, but they've also felt that the cost of a TMS is too high to justify that need. Most companies hold this belief for one of two reasons. The first is due to the fact that they may have looked at a TMS years ago when the technology was just reaching the market. Many of these systems may have had to be installed on company servers, and therefore were very expensive to maintain or update. The pricing options may have been limited, and therefore the customer had to incur a major capital investment in order to automate their processes. However, it is important that companies realize that transportation management systems are more affordable today, and providers have more deployment options². With the rise of SaaS (Software-as-a-Service) and "pay-as-you-go" options, transportation management systems are affordable for virtually every type and size of business.

The second reason behind the "a TMS costs too much" perception has to do with licensing costs. Many TMS providers encourage potential clients to buy the license for their software, which could cost the client hundreds of thousands of dollars in capital expenditure. Even though it may better fit a customer's business model to pay-as-you-go, some providers will push the need to license in order to capture more revenue. Those seeking a TMS must work with providers that offer flexible pricing options. The potential provider shouldn't try to push one type of pricing model upon a customer. Rather, they should work with the customer to determine which approach will help their client achieve the quickest return on their investment, while also maintaining required service levels.

Conclusion

As the pressure for companies to cut costs and become more efficient continues to expand, businesses will increasingly look towards new technologies to alleviate this pressure. In terms of transportation, this relief comes

² Gonzalez, Adrian (October 2009). "The True Value and Meaning of Software-as-a-Service TMS." *ARC Brief*, p. 2.

in the form of a transportation management system. For those that are satisfied with their manual processes, the decision not to automate could put them in a reactive mode once business changes. For those that have created a system in-house, it is essential that they conduct a detailed comparison of their solution to leading TMSs in the marketplace. If a business has tried to implement a TMS in the past but had a negative experience, this shouldn't spell the end of the effort to automate. Rather, it should be incentive to learn from that previous experience to establish higher standards and select a better provider.

For those companies that need to get upper-management buy-in or where cost is a major obstacle, it is important to realize that affordable pricing options do exist. Shippers must seek to do business with providers that have the flexibility to offer these various pricing options. By presenting the need for a TMS on a united front, and by detailing the rapid return on investment that transportation management systems provide, executives should have a easier time signing off on the decision to automate through use of a TMS.

Companies that continue to seek out new ways to cut costs and become more efficient will be better able to compete in today's marketplace. Taking advantage of technology to capture these efficiencies is a very realistic and practical approach for many businesses. If shippers are armed with the right information, the decision to jump on the "automation bandwagon" will be a successful one.