

New Research Report

Benchmarking Global Transportation Management Strategies and Practices 2013

SupplyChainDigestTM
NEW IDEAS



Benchmark Study of Global Transportation Management Overview

Research Goals

- Understand What the Current State of Strategies and Practices are in the Field of Global Transportation Management

Methodology

- Supply Chain Digest Readers Were Solicited to Complete a Detailed Survey Relative to Strategies, Practices, Processes, Technology and More
- More than 300 Respondents, Including Many Well-known Companies
- Early Question Took Respondents That were Not Really Global Down a Different Path For More Domestic-oriented Transportation Questions



Example Question:

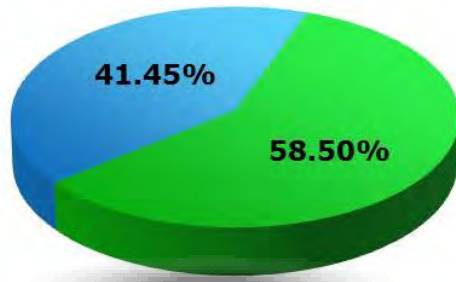
Does your company have formal strategy for what transportation activities are performed globally, regionally, and nationally?



Respondent Profile

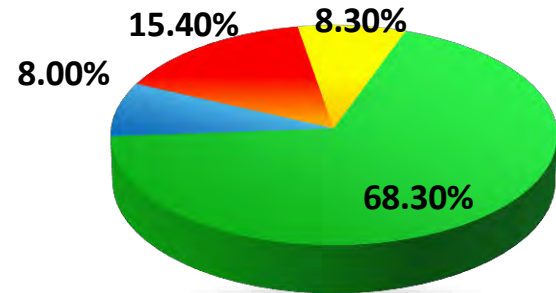
Answering for
Company or Division

■ Company ■ Division

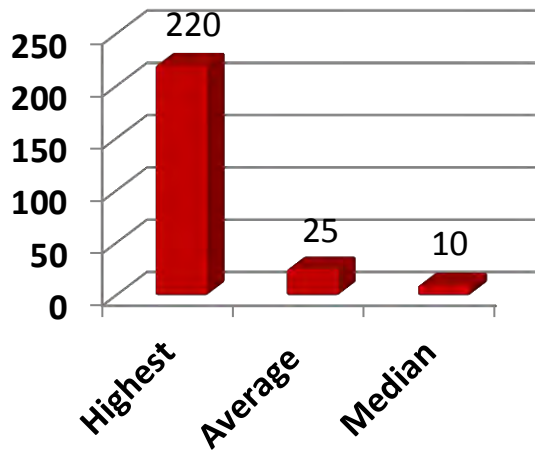


Size of Company/Division
By Employee Count

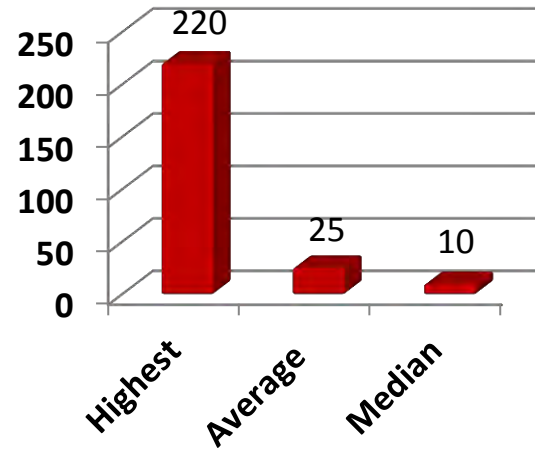
■ >1000 ■ 500-999 ■ 100-499 ■ <100



Number of Countries
Sourced From

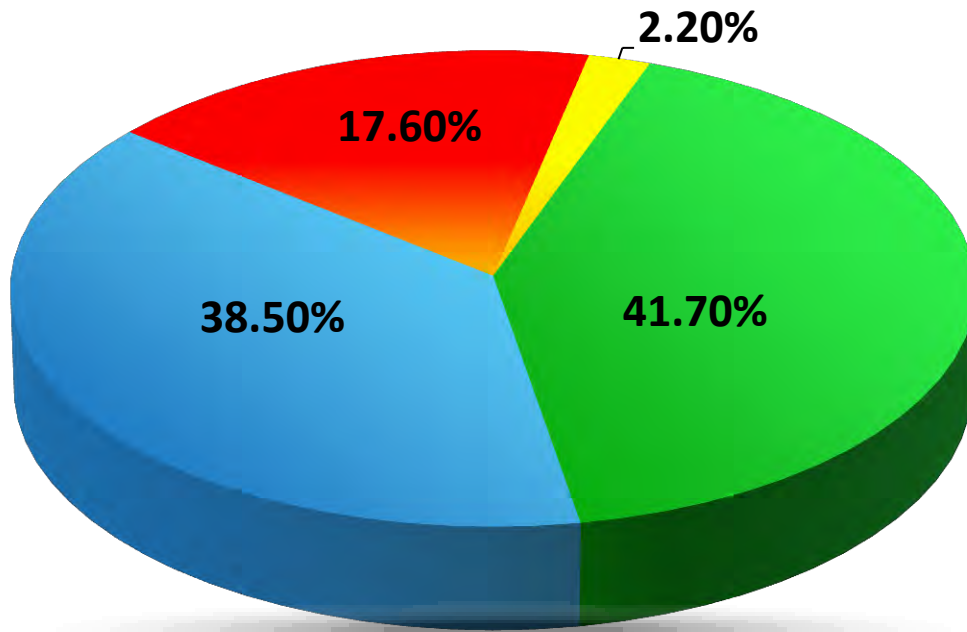


Number of Countries
Sourced From



How Do Companies Approach Global Transportation Generally?

■ Truly Think Globally ■ Early Stages of Global Thinking
■ Little Global Thinking ■ Other



Key Observations:

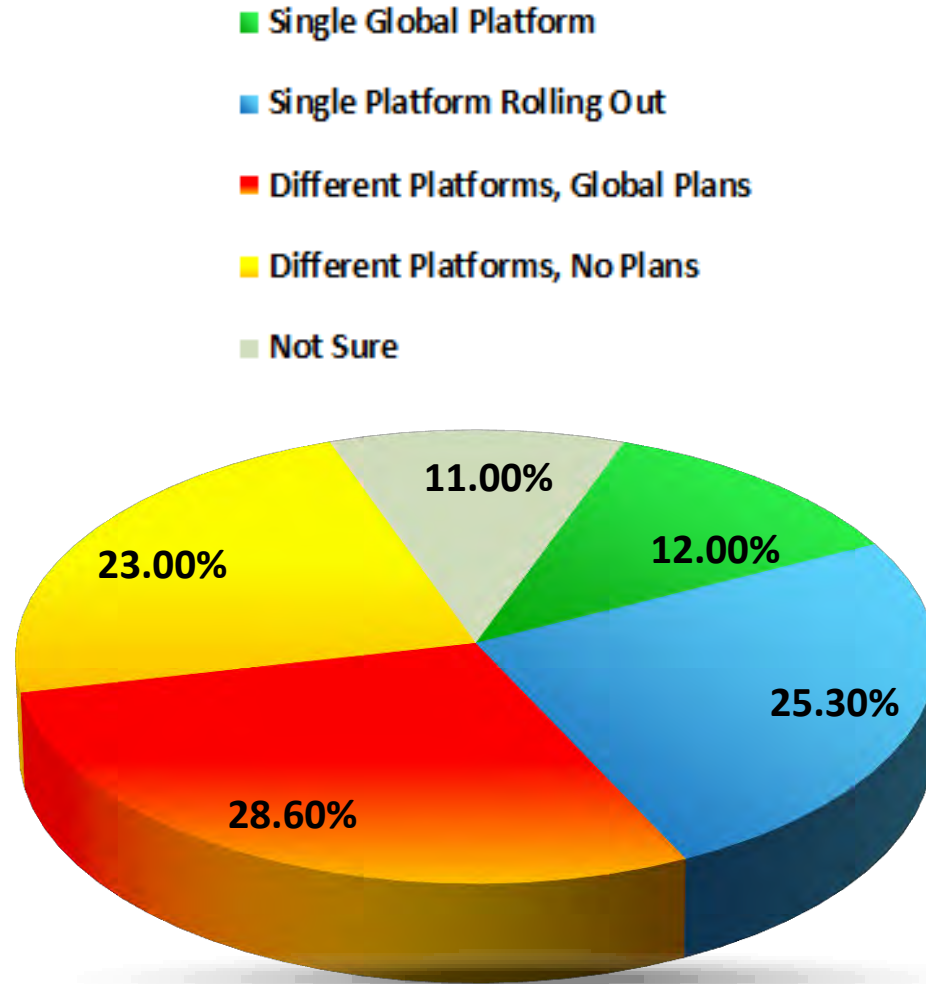
41.7% say they are already thinking in a truly global fashion for transportation...

But 56% say they are in early stages or have little global thinking.

Pronounced shift in last 2-3 years towards a more global approach, especially in efforts to enter emerging markets.



How are Companies Handling Transportation Technology Globally?



Key Observations:

Only 12% have a single global platform or something close to it.

Barriers are many – few TMS providers can support most regions/countries in terms of both functionality and deployment.

23% have different platforms across the world – and no plans to change.

“Control Tower” approach certainly gaining adoption.



How are Key Transportation Functions Handled?

Most Companies Favor Regional Focus Currently

	Mostly Globally	Mostly Regionally	Mostly Locally	Mostly Mix
Overall Transportation Strategy	33.30%	46.70%	14.40%	5.70%
Transportation Procurement	22.20%	52.20%	18.90%	6.70%
Transportation Planning	11.10%	43.30%	35.60%	10.00%
Insource/Outsource Decisions	30.00%	42.20%	21.10%	6.70%

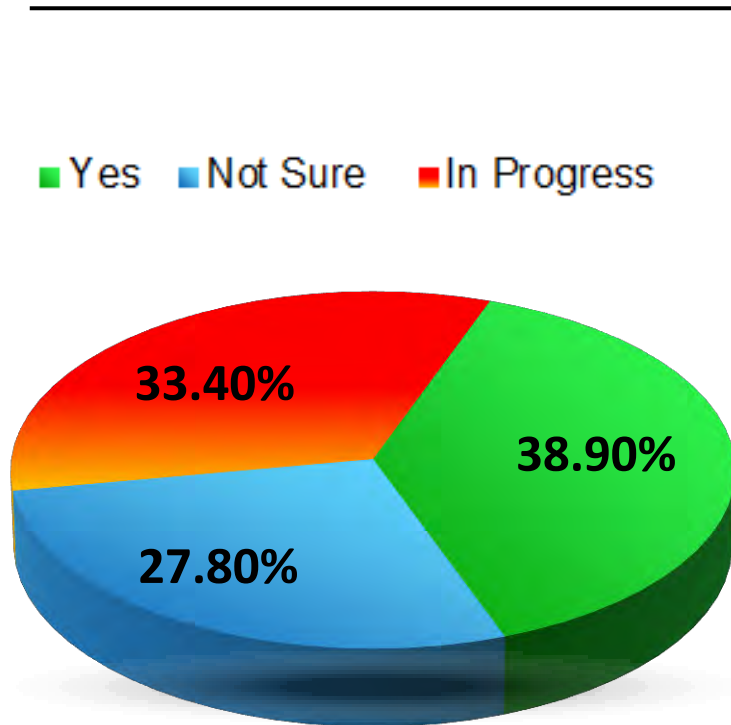
Key Observations:

Interesting to observe that only 33% of respondents are even developing the transportation strategies globally; most doing so regionally.

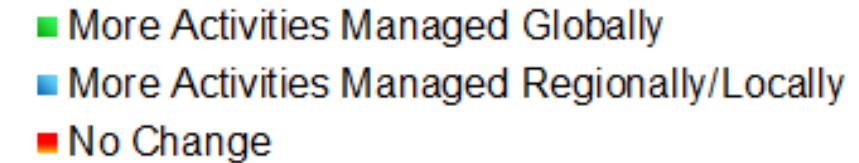
Procurement is another area where a global approach could be advantageous, leveraging transportation spend across regions with global providers.



Progress in Developing a Formal Strategy about What Should be Done Globally, Regionally and Locally



Do you have a formal global operating strategy?

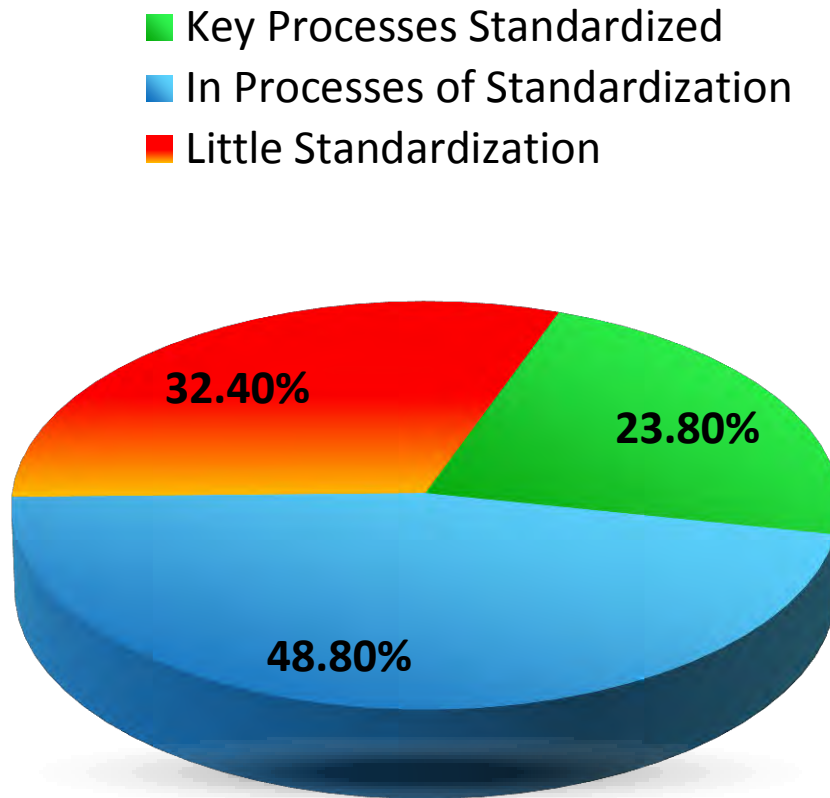


What is your operating trend?

While only one-third of companies have taken critical step of developing a formal global operating model, trend is slightly toward more centralization of global transportation processes (47.1% vs 37.1% for more decentralized).



How Aggressive are Companies in Trying to Standardize Processes Globally?



Key Observations:

Nearly 24% say they have already standardized key global transportation processes, while half are working on it.

Must work to understand what processes really can be standardized and what must be developed locally – but those should still be documented.

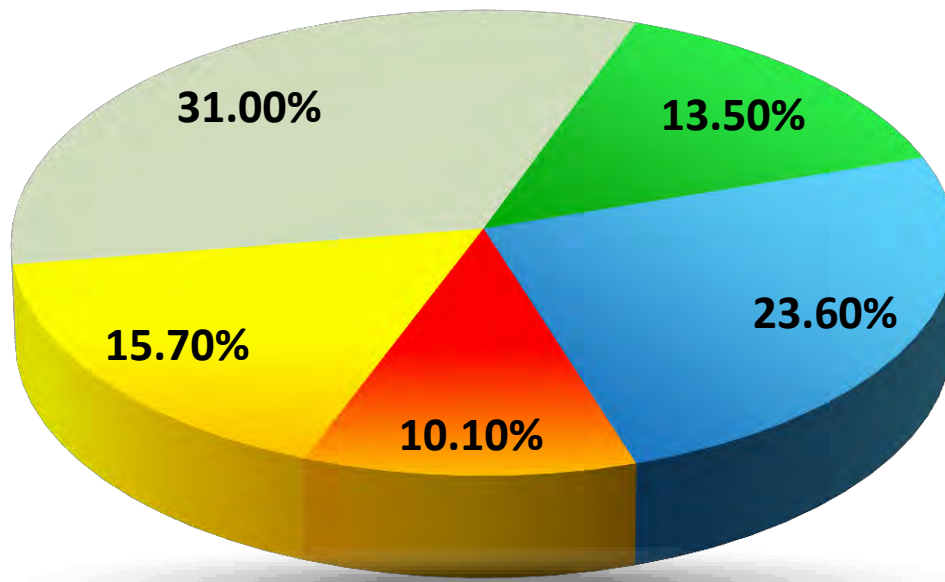
Technology disparity globally is an inhibitor of standardization.

Use of “Best Current Method” approach.



Do Companies Have Load Control Centers – and at What Level Should they Be Organized?

- Yes, Global LCC
- Yes, Regionally Focused
- Yes, by More
- No, but Working Toward
- No and No Real Plans



Key Observations:

It is actually impressive that 13.5% have been able to build a global load control center. Another 16% are working towards that goal.

Key part of the “Load Control Center 2.0” involves combining domestic and global management.

TMS technology to build global LCCs is a fairly recent development.

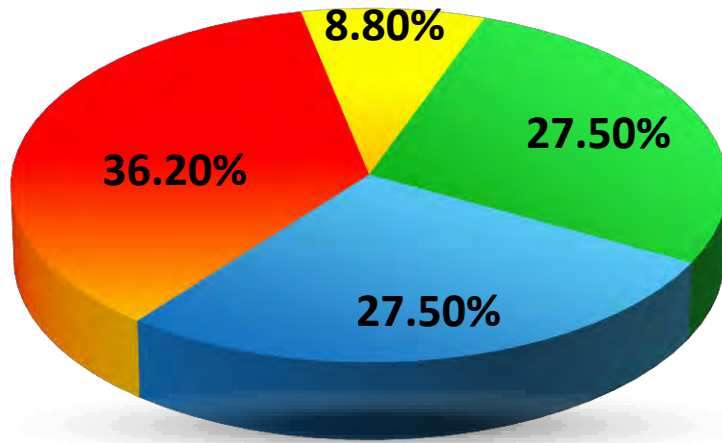
Growing interest in last 2-3 years.



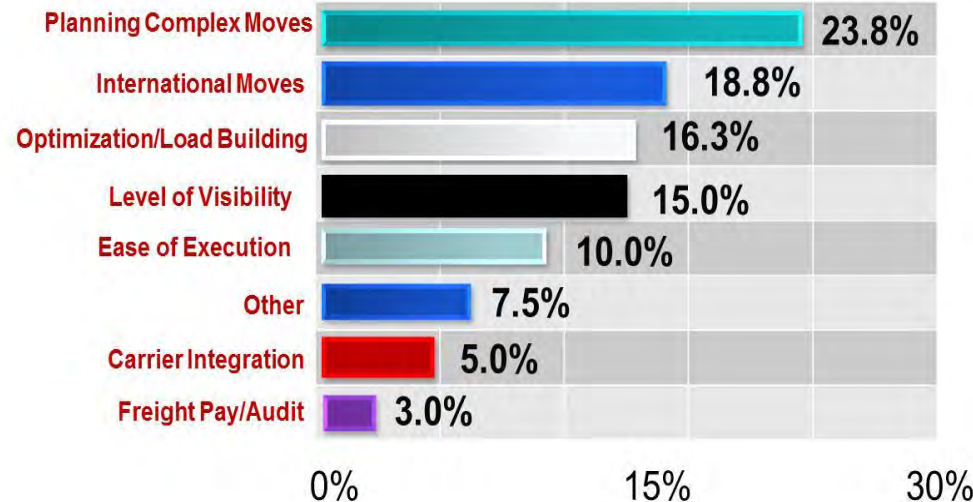
Global TMS Capabilities Still Lacking for Many

Complex (Cross Dock, Merge-in-Transit, etc.) and International Moves are Not Well Supported in Most Transportation Management Systems

Can you plan/optimize full multi-leg, multi-mode move simultaneously?



What is the biggest weakness in your current TMS?



- We believe the 27.5% saying they can plan and execute multi-leg moves as one process may be high – those capabilities have really only been available in TMS solutions last 12-18 months.
- Reality is most TMS solutions have been developed with a domestic focus.



Companies Believe they are Not Far Advanced in Global Transportation Processes, and Especially Technology

Global Transportation Process Capabilities

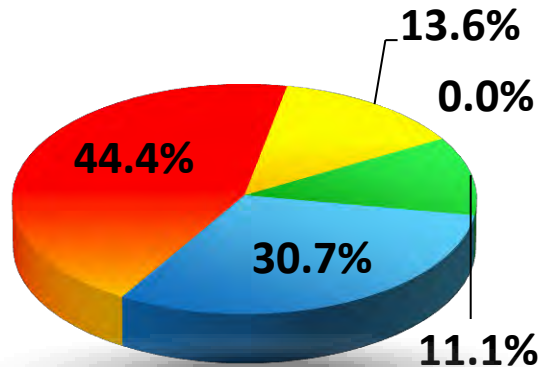
■ Excellent

■ Above
Average

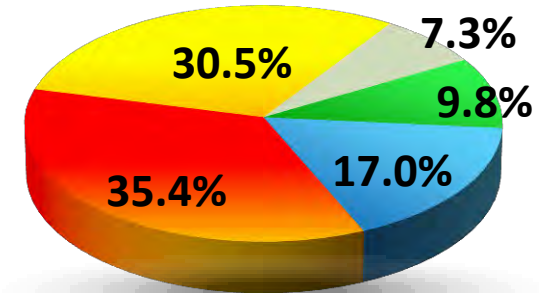
■ Average

■ Below
Average

■ Poor



Global Transportation Technology Capabilities



Key Observations:

- Companies recognize they have a long way to go to achieve global transportation excellence.
- 58% say they are average or worse in terms of process; more than 73% say the same about their technology support.



How Much are Companies Relying on Freight Forwarders and Other Third Parties?

Technology in Some Cases Can Enable More Direct Management

What Percent of Global Freight is Managed by Different Alternatives?

	Average	Median	Highest
We Manage Directly	35.30%	20.00%	100.00%
Freight Forwarders/3PLs	49.10%	50.00%	100.00%
Suppliers Manage	14.20%	3.50%	80.00%
Other	1.30%	NA	100.00%

Key Observations:

The average and the median for the amount of international freight managed by third parties is about 50%.

In some cases, use of 3rd Parties is driven simply to achieve better visibility.

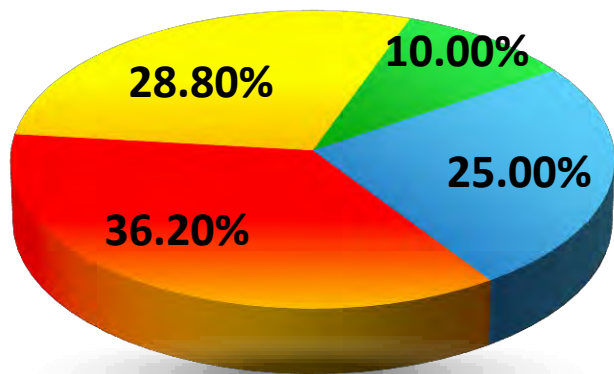
Where it makes sense, newer global transportation tools can enable companies to manage freight directly and reduce costs.



Global Transportation and the Growth of Cloud-Based TMS Solutions

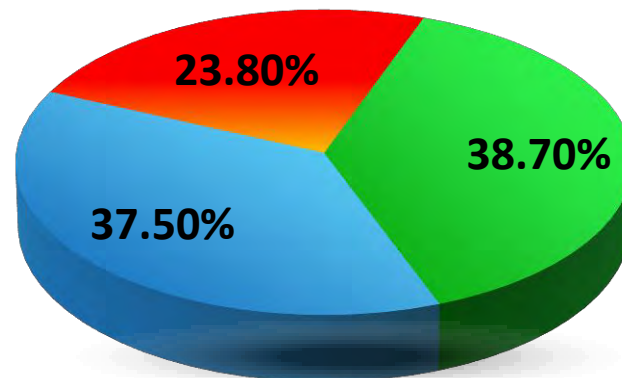
How Are Shippers Thinking About Cloud WMS?

- Primarily What We Use Now
- It's Our Future Direction
- No Special Interest
- Not Sure



Global Transportation Technology Capabilities

- Global Transportation Drives TMS to Cloud
- Doesn't Really Give Advantage to Cloud
- Not Sure

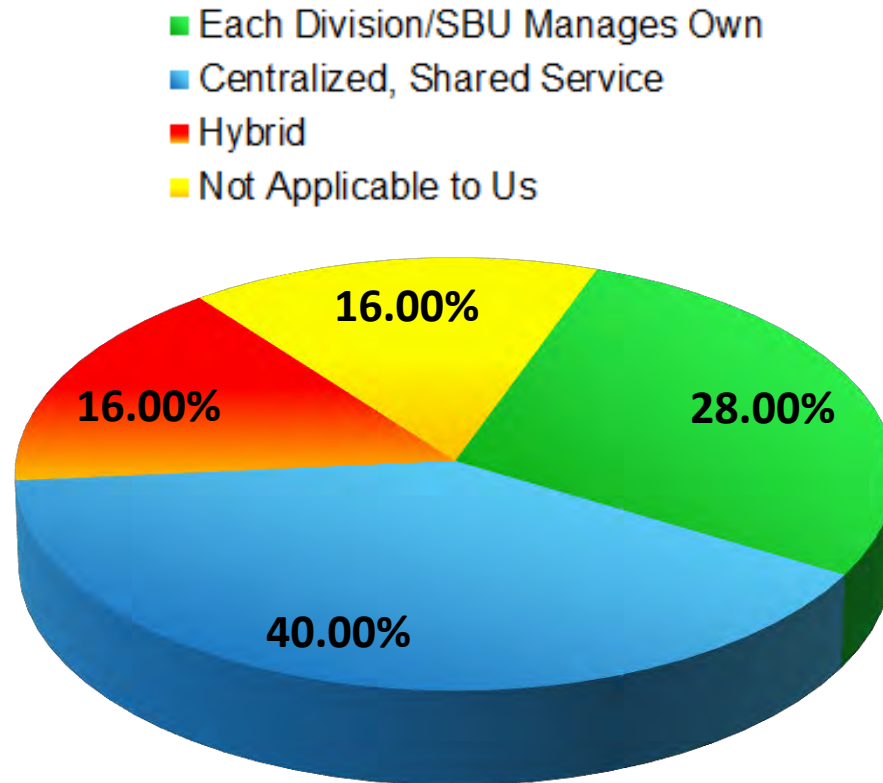


- There is growing interest in Cloud-based TMS, with almost 40% saying they currently have a Cloud solution or heading that direction.
- Cloud/SaaS is especially attractive for global deployments, as it can greatly reduce time and complexity of rollout, and enable better global control.



Select Data from Domestic-Only Shippers

How is transportation handled across the enterprise?



Key Observations:

Preponderance of respondents (40%) have centralized transportation as a shared service across divisions (48% if you exclude not applicable responses).

We consider this approach as a best practice, while recognizing that in some cases the business units are so diverse centralization does not make sense, though even then procurement could often be centralized.

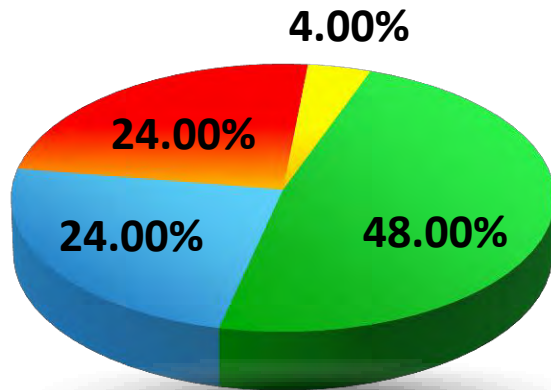


Select Data from Domestic-Only Shippers

Trend is Clearly Towards Greater Centralization

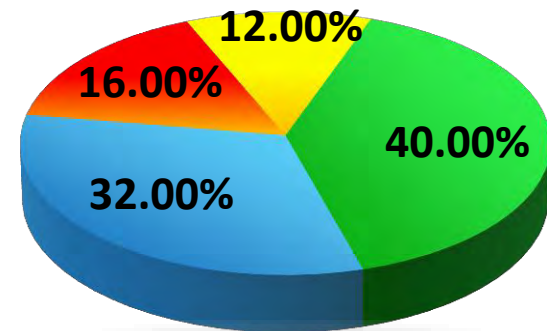
Is Transportation Management Centralized or Decentralized?

■ Highly Centralized ■ Mostly Decentralized ■ Hybrid ■ Other



What is Your Direction in Centralized vs Decentralized?

■ Mostly Centralized, Will Stay That Way
■ More Centralized
■ Will Stay Decentralized
■ More Decentralization

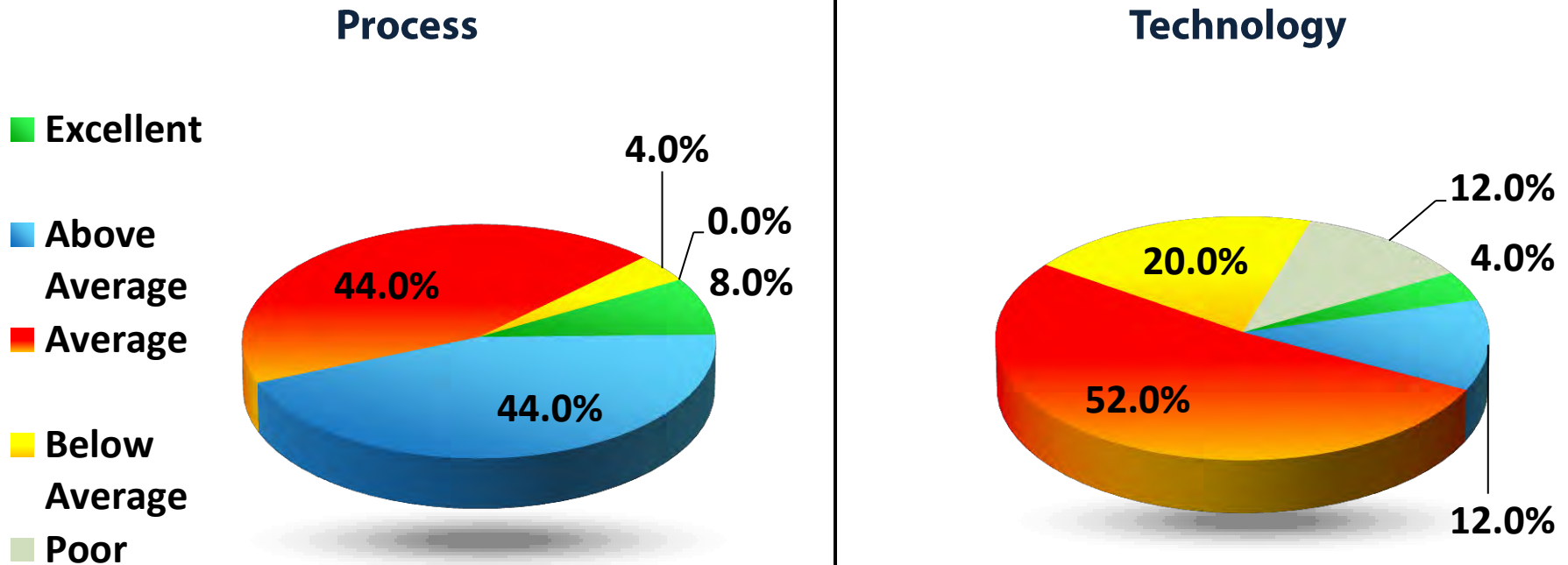


- 72% of shippers either plan to stay highly centralized or move towards more centralization.
- Centralization drives adoption of load control center strategies, which is one the biggest drivers of TMS adoption.



Select Data from Domestic-Only Shippers

Perceived Process and Technology Excellence



- As usual, shippers believe their transportation processes are more advanced than their level of transportation technology support.
- However, a small percent of companies believe they are currently “excellent” in process (8%) or technology (4%); 12% said they had “poor” technology.



Select Data from Domestic-Only Shippers

Number of Companies Managing Inbound Barely More than Those that Rely on Suppliers to Manager

What Percent of Inbound Freight Do You Control?

	Average	Median	Highest
We Manage Directly	39.30%	20.00%	100.00%
Suppliers Manage	36.90%	50.00%	100.00%
Not Applicable	23.80%	NA	NA

Key Observations:

Retailers have long led the charge in taking control of inbound, but many manufacturers still allow suppliers to bundle transportation into product price. This is generally a mistake. Manufacturers and other should force unbundling even if still have suppliers manage shipping.

Manufacturing concern over breaking something that is working now often more powerful than interest in cost savings. Transportation managers need to emphasize how improved visibility and control will lower risk as well as cost.



Key Takeaways from the Data

1. In General, We are Still in the Early Stages of Getting Global Transportation Management Right

- **Companies Rated their Maturity, Processes and Especially Technology Support as Being Generally at Average Levels at Best**
- **Staffing is Also an Issue – Not Enough People to Do Much Beyond Struggle to Get Goods Where they Need to Go On Time**



“Things are moving so fast for us in this area that it is really hard to get ahead of the game.

Talent is also an issue. Really good people are hard to keep.”

***Dir. Of Global Logistics
Industrial Products
Company***



Key Takeaways from the Data

2. *We need more Best Practices in Global Logistics*

- **Some of the Data and One-on-One Interviews with a few Respondents Point to Need for More “Best Practices” in Global Transportation Management**
- **Most Companies Have to Learn Most of it as They Go, or Simply Outsource the Process**
- **Many Areas Where Industry Needs More Guidelines**
 - **What and when to Outsource or Not**
 - **Centralization versus Decentralized Model**
 - **Etc.**



“As we expanded both our sourcing range and especially the number of markets we enter, we found few guidelines out there to help us make decisions and shorten the learning curve.

Someone needs to write the book.”

*Supply Chain Executive
Consumer Goods Company*



Key Takeaways from the Data

3. Very Diverse Levels of Global Transportation Technology Support Out There

- **Just 9.8% Percent of Companies Say Their Global Transportation Technology Tools are “Excellent”**
- **38% Say Below “Average or Poor”**
- **Importance of Globalization to Overall Company Success Does Not Seem to be Matched in Technology Investment**
 - **The Business Stakes are High**
 - **Reliance on 3PL Tools Can Only Take You So Far**



“One issue is that until recently no traditional TMS could really support global operations. That is starting to change.”

***Global Logistics Manager
High Tech Industry
Company***



Recommendations

1. Build and Maintain a Formal Global Transportation/Logistics Operating Model

- **What Functions and Process will be Done Globally, Regionally and Locally?**
- **Must be Adjusted Over Time, as Conditions, Requirements, Knowledge and Technology Change**
- **Connect the Dots Between Technology Capabilities and Where Processes Can and Should be Managed**
- **Many Companies are Starting this Process Right Now**
- **Important to Fully Involve and Collaborate with Global Business Units – too Often They are Told what the Plan is, not really Involved in Building it**



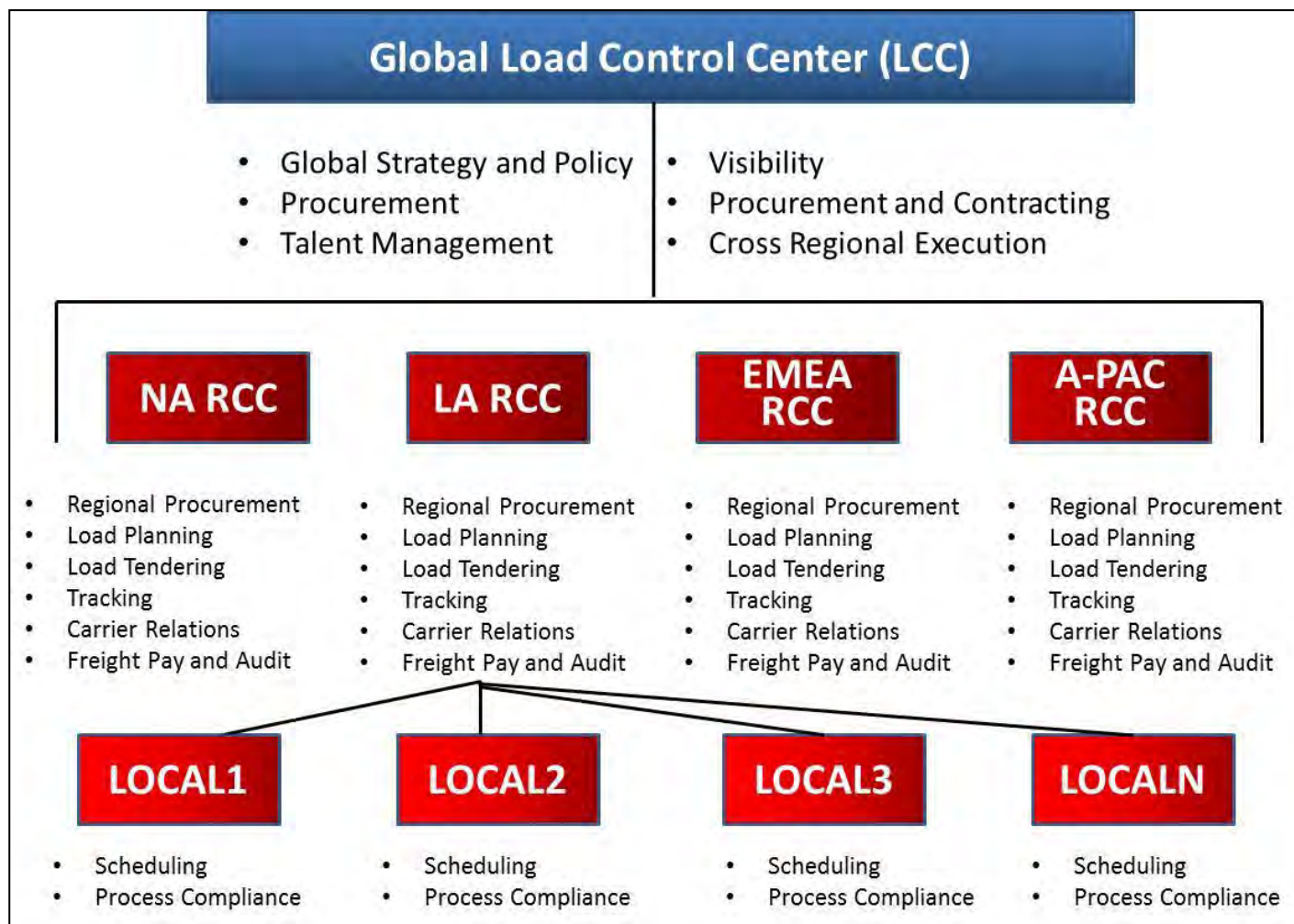
38.9% of respondents say they have a formal global transportation operating model.

47% say their overall trend is for more functions to be managed globally.



Recommendations (Con't)

Example Basic Operating Model



Recommendations

2. Evaluate What “Control Tower” Capabilities Can Do for Your Global Transportation Success

Key Control Tower Capabilities:

Mode Comprehensive Functionality

- Flexible Multi-lingual Capabilities
- Currency and Contract Rate Flexibility
- Current and Dynamic Mileage Calculation Capabilities
- Plan and Execute Multi-mode Routes with Event and Exception Consideration
- Connectivity to All Logistics Trading Partners
- Near “Real Time” Visibility of All Freight Movements
- Augment Existing ERP Platforms....Like Sap, Oracle
- Exchange Mission Critical Data with Other Systems And Services (Chb’s, 3PLs, Freight Audit/Payment, Procurement Systems, Global Trade Management Systems, Etc..)
- Access to Data for Truly Global KPIs and Business Intelligence



Control Tower Case Study: European Automotive OEM

Solution

IBM Sterling TMS

Case Study Overview

- Manufactures and markets a range of SUVs, station wagons (estates), and sedans (saloons), compact executive sedans and coupes. With approximately 2,300 local dealers from around 100 national sales companies worldwide, largest markets are the United States, Sweden, China, Germany, the United Kingdom, and Belgium. In 2011, Volvo recorded global sales of 449,255 cars, an increase of 20.3% compared to 2010.

Challenges

- Had depended on an outsourced 3rd party provider to manage global vehicle distribution. This initiative to control vehicle distribution internally was a bold and ambitious initiative. OEM had no internal vehicle distribution system or domain expertise at the onset of this project.

Initiative:

Deploy a SaaS TMS solution to execute and manage global finished vehicle distribution.

Results

- Increased control and visibility over their vehicle distribution shipments, including collaboration functionality all the way down to the carriers and haulers on a worldwide basis
- Autonomy from 3PL's and dependency on legacy system support



Control Tower Case Study: European Automotive OEM (Con't)

Challenge

- No Control and Visibility Over Their Vehicle Distribution Shipments
- No Comprehensive Global Solution for Outbound Vehicle Distribution.
- Dependency on 3PL's

Solution

- Deployed Global Solution For Car Distribution in Less than 4 Months
 - 8,000+ Routes Via Multiple Carriers And Modes Into 120 Countries
- 50+ Global Carriers Connected and Certified On IBM TMS Network
- Complete Control and Visibility Of Global Distribution Process
 - Booking Of Car Movements from Plant, Through Processing Centers, to Ports, Distribution Yards and to Dealers
 - Tracking Each Shipment Leg For Visibility of an-time Pickup and Delivery
 - Alerting on Late Events, as well as Automatic Update of Subsequent Shipment Legs Based on Actual Delivery Events on Prior Legs
- SaaS Platform Providing Flexibility to Scale With OEM's Growth Expectations and Business Changes

Results

- Increased Control and Visibility Over Their Vehicle Distribution Shipments, Including Collaboration Functionality All the Way Down to the Carriers and Haulers on a Worldwide Basis.
- Autonomy From 3PL's And Dependency On Legacy System Support



Recommendations

3. Look for the Opportunities to better Leverage Transportation Data

- **Few Companies Really Doing that Well**
- **Opportunity to Leverage Domestically Multiplied Several Fold Globally**
- **Transportation “Data Mart” and Business Intelligence Tools**
- **Example: Comparing Actual Rates Paid Over Time Versus Contracted Rates after Procurement Event**
 - **Rates Inevitably Drift Away from Contract Levels**
- **Dozens of Other Opportunities**



Additional Resources

- **On-Demand Videocast Summarizing these Study Result**
 - [Videocast: Global Transportation Benchmark Study](#)
- [IBM Transportation Solution Web Site](#)
- [SCDigest Web Site](#)

SupplyChainDigest™

