

Where is the ROI in Transportation Management Systems?

Always Strong, Soaring Fuel Costs Make TMS Justification Easier than Ever

SCDigest Editorial Staff

Transportation Management Systems (TMS) have long been generally considered to produce strong payback, especially for those with significant opportunity to consolidate shipments, such as from LTL to multi-stop truckload, or through use of inbound or outbound pools.

In general, the level of savings opportunities from TMS are driven by three main factors:

- The current level of a shipper's transportation technology/automation.
- The level of shipment consolidation opportunities, generally represented by the amount of LTL moves inbound and outbound.
- The current level of centralization, and plans for centralizing currently decentralized transportation functions. Many TMS initiatives are driven by a move to centralization (often termed the "load control center"), and often savings in manpower and carrier spend can be generated from centralization programs.

On page 2, we list some of the key areas of savings from TMS implementations, along with some typical percentages of savings. When reviewing these numbers, please keep in mind that there are some redundancies, meaning you won't realize savings from all the areas – otherwise, you would be about shipping for free.

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For most companies, this provides savings that generate a substantial ROI and rapid payback. It is possible for companies to generate total savings higher than these levels (these are exceptions) if there is very little current automation, high levels of LTL shipping that can be consolidated, and/or a move from a much decentralized operation to a centralized one.

That's before the unbelievable rise in diesel fuel costs and corresponding fuel surcharges.

(See graphic next page)

Where is the ROI in Transportation Management Systems? (Con't)

Sources of Savings from TMS

Optimal Mode/Carrier Decisions	freight spend savings 2-6%
Optimized LTL to Multi-stop Truckload or Pool Carrier Consolidation	freight spend savings 5-20%
Improved Efficiency in Operations	reduced overhead 10-30%
Core Carrier Program/Using Data to Improve Negotiations	freight spend savings 3-10%
Continuous Moves	freight spend savings 2-5%
Basic Order Consolidation	freight spend savings 1-2%
Improved Freight Settlement/Audit	freight spend savings 2-5%

Source: Supply Chain Digest