



SHIPPERS' IT

Filling IT gaps with managed services

American Shipper's International Transportation Management Systems (ITMS) Benchmark Study, published November 2010 (available for free at www.AmericanShipper.com/ITMS), demonstrated that shippers use an average of about four-and-a-half IT systems to manage international transportation, while best-in-class firms or "winners" actually use more.

More technology isn't necessarily a good thing. Most likely these shippers have adopted the technology required to get the job done in a market where there isn't a system or provider that does it all seamlessly. While they may successfully streamline segments of their international transportation management through automation, these shippers create a patchwork that often becomes unruly.

Enter managed services. More shippers are looking to their third-party logistics providers and other outsourced services for opportunities to tie together disparate systems and fill in the gaps where their technology is lacking or nonexistent. *American Shipper's* ITMS study found about 20 percent of shippers rely entirely on 3PLs, while half lean on them as part of a hybrid model. Only 1 percent of respondents claim they can manage this process using a single system of any kind while the remainder depends on a manual, spreadsheet-based process.

Shippers generally lack budgets, expertise and other resources required to take on international transportation management themselves. Addressing this demand are a segment of providers blending services and technology.

"The combination of software and managed services is a distinct and unique category," said Jordan Kass, executive director of TMC, a division of Minnesota-based C.H. Robinson Worldwide. The division's Managed TMS service, customized transportation management services and technology, makes for an interesting case study.

Kass' group traces its roots to the late 1990s. "At that time shippers were approaching the market with the thought that they only had two choices. Purchase software and create a transportation department and manage this on my own; in-source it all. Or I can go to the entire other end of the spectrum and outsource completely. We still see that oversimplified approach today. So many shippers are unaware that there are other choices out there.

"Somewhere between in-sourcing and outsourcing there are shippers that don't have the personnel to operate a TMS," he said. "It could be because of the current financial state. Shippers are being asked to do more work with fewer resources." This is particularly true in international transportation where rules are more complex and risks can be higher.

Kass segments his group's offering into planning, execution, measurement and improvement. The Managed TMS service delivers these functions to a customer via its largely proprietary, homegrown applications and provides the staff to manage it when necessary.

"Throw out the terms and focus on the pieces of the technology and the core processes you want help with," he said. "We're customizing the technology to the customer's needs.

"We have two dimensions that we add to the TMS technology. One is power users that we use to maximize the benefit of the software and recalibrate it." Power users are a dedicated team TMC provides for each customer.

"Process engineers collaborate with the customer and the power users, utilizing the data from the business intelligence tools, closed-loop processes to identify

gaps in the plan, and launch continuous improvement projects," he said.

Shippers embracing this model are doing so in part because they have exhausted their own ability to streamline the process. "If I have finite resources they better be strategic," Kass said. Shippers "can retain control of carrier selection and strategic functions, but maximize the benefit of the software through managed services having power users operating the software and tactically executing the plan they created."

"We recognized the importance of centralizing our logistics strategy and execution," said David Friedson, director of logistics and distribution for Evergreen Packaging (EPI), a C.H. Robinson customer using Managed TMS for shipments moving by less-than-truckload, truckload, intermodal and rail. "TMC allows us to leverage the size and scale of our network quickly versus cobbling together multiple technology platforms as a solution that would inevitably take longer to implement and cost more.

"TMC allows us to leverage our logistics network for rates, pricing and order management," Friedson said. "The business intelligence tool allows us to measure our performance, both cost and service, allowing EPI to focus on continuing those things that we do well, and improve on those things that we do not."

The technology behind C.H. Robinson's Managed TMS is based on systems the company uses to manage its own global operations as a large transportation intermediary. "We've integrated everything into a single platform in (Microsoft) .net technology that we're delivering over the Internet to give us one singular application and one version of the truth," Kass said.

"Data consistency has allowed us to move forward with network modeling, optimizing our total network from source to customer, while demystifying the 'what-if scenarios,'" Friedson said. "As an example, we now have the capability to determine how and from where we should operate if oil increases to \$150 (per barrel) based on the logistics data visibility through TMC business intelligence."

The ITMS study suggests the chance to tie together systems and processes managing international transportation will resonate with logisticians. "We are talking about this in a true global context," Kass said. In June C.H. Robinson opened a global control tower center in Shanghai. "By the end of this summer we will go live with Japan and Taiwan. We're already servicing Singapore.

"We've loaded in all of the languages, currencies and cultural formatting preferences including dates and times necessary for effective use in other countries," he said.

"New modes, capabilities, geographies and businesses are part of our ongoing discussions and active plans," Friedson said of continuing to work with C.H. Robinson.

Relying heavily—or entirely—on a single vendor for any business process or function comes with challenges and risks. Shippers often fear they will become captive customers lacking leverage when negotiating rates and service levels. High switching costs can create an absence of true competition for their business.

Entrusting supply chain operations, a strategic function for many companies, to a third party can be a leap of faith that shippers should not take lightly. To a large extent the shipper's fate will go as the managed services provider goes. Shippers should take a hard look at prospective vendors and consider carefully how to engage them and possible exit scenarios.