

A Tale of Two TMS Implementations

By Steve Banker

Keywords

Transportation Management System; Logistics; Supply Chain Management

Summary

One common reason a company will cite for a failed implementation is that it couldn't change its internal culture. And one is much more likely to hear "culture" as the cause of a failed implementation when a project will require changes to the way a sales force wants to do business. And yet when a TMS is implemented to improve service, the sales force behavior must change for the project to be successful.

Two TMS Tales

ARC talked to two natural resource companies that implemented a transportation management system and achieved very different outcomes. In both cases, the goals were similar: reduce the freight spend and improve service. One company has had success on both fronts; the other has had only limited success improving service.

Perhaps no other supply chain application offers so many ways to save money or drive value as a Transportation Management System. And no other supply chain application offers so many different forms of optimization.

The company that achieved success was Baillie Lumber, a leading manufacturer and exporter of hardwood lumber to furniture, cabinet, and hardware floor manufacturers around the world.

We won't name the company that failed.

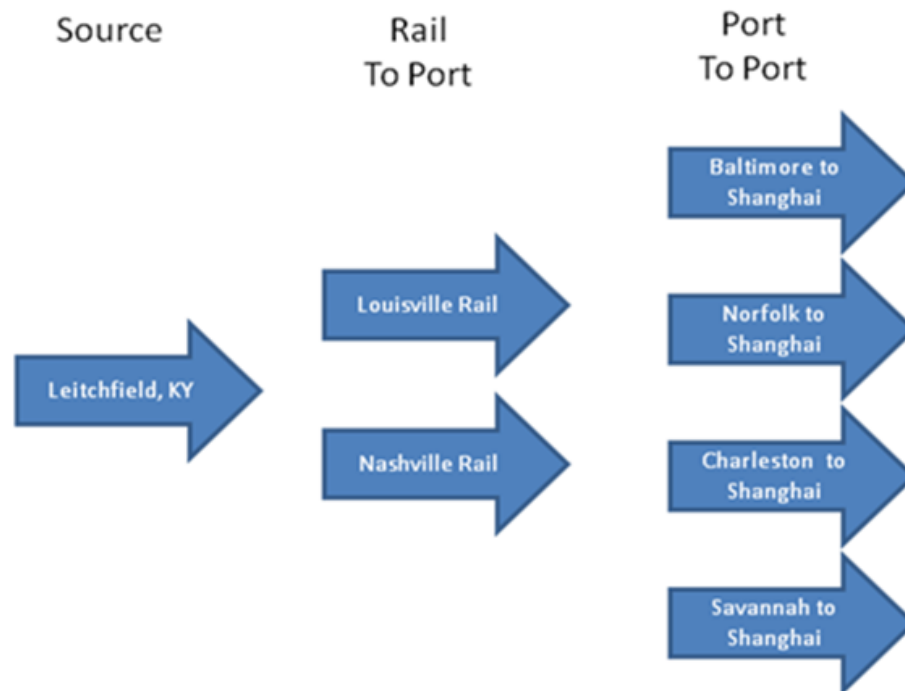
ARC talked to John Vitale, an IT Director at Baillie, about the company's implementation of Oracle Transportation Management (OTM).

Baillie moves lumber on flatbed trucks. Not many large carriers compete for flatbed moves. The company actually gets the best rates on the spot



market. In short, the ability to drive savings in its domestic business, which relies on trucking, was limited.

Baillie's largest TMS ROI bucket occurs on the export side and is based on optimized routing. Routing is something that many associate with multi-stop truck movements, but it also applies to global moves. This simplified example shows shipping options that exist between one of its plants in Leitchfield Kentucky and a port in Shanghai.



Global Routing Options

Many optimization runs generate more than six options, automatically listed by OTM with the low choice route on top and the highest cost option listed last. Based on the number of shipments done, and the complexities associated with global moves, the company needed new hardware to be able to scale to solve the problem sets.

Historically, when ARC has talked to companies with failed supply chain implementations, the companies often do not blame the software supplier. Rather they admit that the fault was their own. One common reason a company will cite for a failed implementation is that it couldn't change its internal culture. And one is much more likely to hear "culture" as the cause

of a failed implementation when a project will require changes to the way a sales force wants to do business.

This was the case with the failed TMS implementation. This company had customers complaining about late deliveries. TMS was implemented, in part, so that the company could give more accurate estimated time of arrivals as part of the quote to potential customers. But in many cases, the sales force ignored the estimated time of arrivals from the TMS and promised quicker than feasible delivery dates to win business. The transportation analyst responded by creating and publishing an “average days late” report. Now, the company is under 10 days late. It had been substantially larger. Evidence indicates this is driving new business and increased wallet share on lanes where the company can consistently hit the delivery day promise. But the sales quotas, combined with a lack of executive oversight and support, have made progress much slower than it should have been.

Baillie has a very different culture. At Baillie, the President and top management actually continue to sell. They have their own accounts and have to face their customers on an ongoing basis. Consequently, at Baillie when the TMS project commenced the top executives understood the problems clearly and provided the executive-level support necessary.

Baillie sets targets for its sales force, both for revenue and margin. The IT department generates daily reports that show how all the salespeople are performing to both their revenue and margin targets, up to date as of midnight the previous day. Salespeople can't maximize revenues by lowballing transportation costs without taking the hit on margin.

The sales force should not always quote the low-cost option. Usually, the quoted price, which includes transportation costs, is given to the customer before the carriers can confirm that they can take the load. The shipment may end up going out based on a higher cost route than initially estimated. The transportation manager has added comments to the options to help guide the sales force. When a salesperson pulls up the different route options on his or her Blackberry, they may see a note that the low-cost ocean carrier on a particular lane is having a hard time supplying containers. Or perhaps a particular carrier's charges will go up \$400 on this lane in one month's time. Further, salespeople need to understand what their customers want. One of their customers may ask them not to use a particular carrier because they have performed badly in the past.

The company's goal for the future is to have the transportation options displayed on the salesperson's Blackberry show up with an asterisk next to the suggested route. How they will balance predicted service levels and cost has yet to be fully worked out. An IT Director's work is never done.

Conclusion

Historically, transportation management systems were implemented mainly by food & beverage, consumer goods, retail, and high tech industries because these industries had more opportunities to drive savings in more different areas. However, increasingly, TMS are being bought by a wider range of industries, like the two natural resources companies mentioned in this article.

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