

WHITE PAPER

Transportation Management using Constellation TMS

How Constellation Can Easily Achieve Transportation Savings for
Your Company Based on these Success Stories



Logistics Management Solutions

Performance. Not Promises.

How Constellation Can Easily Achieve Transportation Savings for Your Company

You can save up to 25% of your annual freight bill and better control transportation operations with a Transportation Management Systems (TMS). If you are neither part of the 35% with a TMS nor the 39% planning to buy or upgrade, our question to you is WHY NOT?

In this paper, we will demonstrate the manifest benefits of our Constellation TMS and show you a way you can achieve those benefits with no risk or pain—and we have a multitude of customer references that back our contention!

Recent articles in the trade media decry the relative paucity of TMS implementations among shippers in the U.S., even though the benefits are widely known and accepted—and touted in those publications, as well as by key industry analysts.

In a November 1, 2015, article entitled, “8 Reasons Every Shipper Needs a TMS,” *Logistics Management* stated,

“As one of the more “mature” offerings within the supply chain management software space, transportation management systems (TMS) are best known for their routing, scheduling, routing (sic), carrier selection, load tendering, and shipment consolidation capabilities. And while these solutions have been around for a while, a recent survey of Logistics Management readers shows that just 35 percent of shippers are using these systems as part of their overall supply chain management strategies.

On the upside, that same survey also found that 39 percent of companies planned to either purchase or upgrade their TMS during the coming year—a signal that could result in higher adoption rates in the future.”

The *Logistics Management* article delineates eight significant TMS benefits, and these fall into three categories: improvement in information quality, increases in process efficiency, and reduction in transportation costs.

If you are neither part of the 35% with a TMS nor the 39% planning to buy or upgrade, our question to you is why not?

Improving Information Visibility and Quality

When an organization manages its transportation manually (with spreadsheets or other primitive constructs), information is limited to that direct user. Information in manual systems cannot be readily extracted, summarized, and shared. Management and other users who are not involved directly in the day-to-day process do not have visibility to information about the process and results of the operation. Information accessibility and visibility is critical for making cost-reduction and service improvement decisions.

The Constellation TMS accumulates information as a by-product of transportation management. Procurement produces information about the best carriers, their rates, and service levels for each lane they serve. Daily planning and optimization accumulates information about the best carrier(s) selected for each load. Execution management collects the plan-to-actual information about carrier performance—load acceptance and on-time delivery. Settlement accounts for the overall cost of transportation.

Given this readily-available source of complete transportation process and cost information, you can make key decisions about your transportation processes and performance:

1. Improving Performance - By monitoring your spend, volume, performance, and trends, you can determine spend management issues and performance compliance-to-plan, then identify and correct problems.

2. Reducing Costs - By analyzing your network, you can identify areas where cost reductions are possible or essential. Analyzing rates in lanes identifies outliers, where costs are excessive and selective procurement may be desirable. By analyzing carrier performance, you can identify lanes when contracted carriers are not performing to their agreement. By working within TranzAct's greater transportation network, you can benchmark and compare your rates against others who are best-in-class.

3. Managing Exceptions -When issues occur, having information readily available about carrier rates and capacity, and shipment alternatives and timing, can make the difference between solving the problem and facing a crisis. Constellation TMS gives you choices not available in manual systems.

4. Preventing Waste and Abuse - By analyzing spend management processes, you can ensure that the proper carriers are being utilized in accordance with your negotiated contracts and optimized plans, that the correct amount is paid for each bill, and that payment is made only once.

5. Providing Information Visibility - In a siloed and manual operation, information is closely-held and not shared. The person who manages the process has all of the information and those who need information to better manage their part of the business cannot get it. Constellation TMS provides visibility to information customers not directly involved in transportation management and allows them to see critical pipeline status information, such as expected deliveries. Certain functions may also be delegated to other functional areas that have a material interest in managing those transportation functions, such as inbound.

Improving Information Visibility Greenfield Industries, Inc.

Greenfield Industries, Inc. is an established leader in the industrial cutting tool industry. Greenfield is primarily an LTL shipper and receiver.

Greenfield was employing an automated TMS. However, it lacked capabilities they needed to effectively manage transportation processes and spend. With outbound shipments, their TMS provider controlled LTL carrier contracts and offered them only two alternative carriers. This impacted both cost and service.

With inbound shipments, Greenfield's vendors selected and booked their own carriers. Greenfield's purchasing department lacked the cost of, and visibility into, inbound materials. Uncertainty caused them to expedite shipping at an increased cost and to have difficulty scheduling constrained receiving facilities.

By leveraging collective buying power and providing a dependable network of vetted, qualified, and stable National and Regional LTL carriers, TranzAct's solutions delivered a freight bill savings between 22% and 30% in the first 6 months with a 99.8% utilization of the lowest cost carrier. TranzAct's customers immediately realize, then sustain, significant reductions in LTL spend and protect the quality of their service.

Constellation's rating and routing capabilities were extended to Greenfield's purchasing department, allowing the buyer to select the lowest cost carrier, the quickest delivery, or a blended solution of lowest cost and time. Those routing instructions were then sent to the vendors. Vendors realized better rates and service and Greenfield received visibility to inbound shipments to better schedule limited dock space for receiving.

"While the cost savings we have achieved are significant, our greatest benefit is being able to control every shipment's timing and cost—both inbound and outbound," states Greenfield's VP of Operations. "This control reduces not just transportation costs, but manufacturing costs, and inventory carrying costs as well."

6. Enabling Continuous Improvement - By generating performance-to-plan report cards for your carriers and for yourself, then conducting regular and periodic reviews, you provide the cornerstone for a continuous improvement program. For carriers, you measure tender compliance/turndown percentage (and any excess cost) and on-time performance. You measure your own compliance to your route guide to identify and eliminate rogue spending, and also your compliance to volume agreements by lane to ensure you are complying with contracted volume. The periodic reviews allow you and your carriers to correct performance-to-plan issues. If any performance becomes unacceptable, this can be corrected immediately. When benchmarking through a spend management network (such as TranzAct's) is available, competitive rate and performance information broadens your information base available for continuous improvement. You can measure your performance compared to others with similar transportation networks and best-in-class shippers.

Increasing Process Efficiency

Reducing costs requires process discipline - control and consistency. For those who still manage transportation processes manually, transaction volume and the rate of change can be overwhelming. Further, decentralization of operations, which often occurs to spread the workload across functional entities, intensifies the problem.

Many companies manage carrier procurement, rate maintenance, settlement, and payment in disconnected departmental silos. Further, some manage daily planning and execution at the local level. These practices virtually ensure different ways-of-working, rogue spending, process and service failures, and excessive costs. In addition, since transportation historical and spend data reside in different departments, holistic analysis for continuous improvement is impossible.

Constellation TMS provides structure, processes and procedures, and rules throughout your transportation organization. It enforces standard ways-of-working to ensure a given task is performed the same way by each individual performing that task. It delivers process control, enforces standards, and enables you to adopt recognized industry best practices. It becomes an excellent platform for implementing continuous improvement programs.

Centralization of transportation command and control is an industry best practice. The standard

Increasing Process Efficiency Spring Valley

Spring Valley is a national and international formulator and distributor of fertilizers and ice-melting products to National Distributors and Retailers, and Independent Dealers. Spring Valley serves the entire U.S. from facilities in Jackson, WI., Fostoria, OH., and Reading, PA.

Spring Valley's product is shipped in bags on pallets and in full truckload quantities, and either in dry vans or on flatbeds. Shipping patterns are highly seasonal and can vary from as high as 50 TL/week down to none. They do no forecasting with their carriers and have as little as one-to-two days notice of a shipment. Prior to implementing Constellation TMS, Spring Valley managed their carrier selection and booking process manually.

The extreme variability and short notice made the manual process ineffective and stressful. Dispatchers spent hours selecting carriers and arranging transportation—and the results were less than optimum. Spring Valley implemented Constellation in less than 30 days to save time and optimize the carrier selection process.

"Constellation gives us the best rates and assures us of the best service in less than 20% of the time it used to take," states Spring Valley's customer service manager. "We trust Constellation to deliver the optimum solution—the lowest rates and the most dependable carriers."

Spring Valley believes they have saved a full-time equivalent in dispatching and also significantly improved their settlement process while reducing the time required to pay freight bills.

functions of carrier and rate procurement, planning and optimization, and carrier settlement should be centralized. While some companies maintain day-to-day execution management at a local level, best-in-class shippers have centralized carrier tendering and status dialoging—Constellation TMS supports both ways-of-working.

While spend management initiatives have tangible financial benefits, few organizations monetize process efficiency. Unless there are substantial reductions in force, better ways-of-working are accepted as “being able to do more with less.” Absent the process discipline and structure that a TMS delivers, most organizations lack the ability to reduce their costs and improve their service levels. While Constellation TMS provides best practices, perhaps its most important role is organizational discipline.

Reducing Costs

The third leg of the TMS stool is reducing costs, which originates from implementing best-in-class spend management initiatives related to procurement, planning and optimization, and carrier settlement.

As we noted in our recent “Predictable Surprises” White Paper, rates are likely to rise over the next two years due to a combination of adverse factors. Best-in-class shippers are taking proactive action to mitigate these rate increases. According to numerous industry analysts, the implementation of Constellation TMS, in conjunction with the spend management disciplines that it bolsters, can save the average company from 5% to 15% of their annual freight bill. TranzAct customers find that even in these times of rate stress, those savings can approach as high as 30%!

Spend management initiatives can be implemented sequentially and any one can be first. Regardless of which one you implement first, Constellation TMS provides the structure and the control, with appropriate best practices, to maximize your savings.

If you choose procurement first, the TMS provides the structure to analyze and report your shipping patterns and formulate an optimum RFP for your carriers. Once procurement is complete, new carrier contracts and rate structures can be easily loaded into Constellation’s rate database and applied to daily shipments. TranzAct

LTL Savings Served

Edward Don

Edward Don, one of the world’s Leading Distributors of Foodservice Equipment and Supplies, distributes nationwide from its six full-service distribution centers. Often, they instruct their suppliers to ship direct to their customers, bypassing their DCs to expedite delivery and to save handling and transportation costs.

Their goal was to realize freight bill savings. Constellation’s web-based rating/routing engine and optimizer identifies the preferred mode and carrier(s) to use for each shipment, with both cost and service comparisons available.

Since direct shipment is a common occurrence, suppliers were granted access so they could route shipments directly to customers, employ Edward Don’s preferred carriers, and enjoy preferential rates.

Edward Don audits performance-to-plan to ensure their suppliers use the proper carriers. If not, they charge the suppliers back for the difference between their rate and the actual movement rate.

Last year they saved 7% on a \$6M freight spend. Their savings over five years have been 12% on a sustained basis. (Savings from six representatives of different industries ranged from 16% to over 33%, averaging 22%.)

To accelerate their order-to-cash cycle, accounting determines what the pre-paid shipment cost for each customer invoice should be, then that amount is added to the invoice. If the product invoice waited until the carrier freight bill arrived, there would be a substantial delay.

The corporate traffic manager believes that TranzAct’s solutions are helping them control their costs during this current environment of significant and unbudgeted rate increases.

provides an additional tool—ShipperShield—which provides carrier vetting and risk analysis not included in other procurement methods and services.

If you choose planning and optimization first, Constellation TMS provides all of the tools necessary to determine the best plan with the lowest cost and the best service every day. Constellation’s planning and optimization builds an automated routing guide of carriers for each load with accurate, audit-quality rates in a cascade list in service- or cost-ranking sequence. Constellation’s optimization routine ensures that the rates, terms, and conditions of your contracts are employed automatically, eliminating excessive costs and rogue spending. When the tender is made to the carrier, the optimized rate is conveyed, and it is passed through to your settlement process for accurate payment.



Manage all the elements of your transportation in one place.



If you choose carrier settlement first, you can adopt the best practice method of “self-billing.” Industry statistics suggest that manual freight bill payment can cost you 8-10% of your annual freight bill in errors and duplicate payments. With self-billing, you pre-compute an audit quality rate and inform the carrier, then pay them on delivery confirmation. You pay your carriers the correct amount the first time and pay for each shipment only once. This methodology also saves the manually-intensive process of freight bill matching prior to payment authorization.

Constellation TMS provides you with all of the features and functions necessary to improve your information quality, increase your transportation process efficiency, and reduce your transportation costs—and to do so on a continuous basis. It allows you to streamline your practices and processes and implement the best practices that best-in-class shippers have adopted. You can track performance and share information within your organization and with your trading partners. Employing the broader TranzAct transportation network, you can benchmark your rates and performance against best-in-class shippers.

Constellation TMS provides all of the tools necessary to determine the best plan with the lowest cost and the best service every day. It’s optimization routine ensures that the rates, terms, and conditions of your contracts are employed automatically, eliminating excessive costs and rogue spending.

So back to our initial question—with all of these benefits and proof statements, if you have not yet considered implementing a TMS, the key issue is WHY NOT?

Industry Analysts and the Trade Media point to two closely-related reasons why many companies have hesitated—excessive implementation time and inadequate internal resources. TranzAct believes that both can be overcome through our suite of products and services. We will make it easy for you.

Rapid and Easy Implementation

We start by making your decision process easy. Employing our proprietary Rapid Assessment, we determine the transportation functional areas where automation will have the greatest immediate impact. We present you with an Economic Model that delineates your potential savings and a Roadmap to achieve those savings with a flexible starting point and sequence to get you the greatest returns immediately. We also identify the Best Practices you should implement to realize your benefits.

Then we implement quickly and easily. Since Constellation TMS is a cloud-based system, implementation can be realized almost immediately. With our templated implementation scenarios, you can choose your starting point, processes and procedures, ways-of-working, and best practice options from a library of established methods. You get your own “copy” of the TMS in the cloud and can start immediately without upfront implementation costs, giving you the shortest possible time-to-benefit.



**Total Transportation
Spend Management
at your fingertips.**

Though you can integrate your orders directly into Constellation TMS, it is not necessary to get started. If your Information Technology resources are consumed, we can start you immediately with no effort on their part. The keys are establishing your carrier relationships and the availability of our carrier portal means that any carrier can be connected in less than a day.

If you need help establishing best practice processes and procedures, or if you have limited resources in transportation operations, we can supplement your workforce from our Managed Services staff and help you beyond operational training. With our wealth of experience managing transportation functions for other companies, we can start you in the right direction immediately and assist you in the functional management of your transportation with our TMS until you become self-sufficient. We ensure that you get the maximum benefit from your Constellation TMS implementation without being constrained by time and resources.

In this White Paper, we have documented the solutions you can implement to significantly improve your transportation operations and reduce your costs. We have supported these with mini-case studies from satisfied clients. We have presented you with a quick and painless method to quantify your opportunity and effectively plan your implementation.

At the inception, we posed the question “If you aren’t thinking of implementing a TMS, then WHY NOT?” Now that we have demonstrated the effectiveness of Constellation TMS for others, we pose a second question, “What are you waiting for?”

Contact us today to get your Rapid Assessment and find out just how much you can benefit with TranzAct’s Constellation TMS.

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About TranzAct Technologies

TranzAct Technologies, Inc. is the leading provider of Transportation Spend Management Solutions and Software.

Using TranzAct’s suite of services and tools, you will maximize your transportation control and effectiveness, minimize your costs, and improve your services. You will improve your practices and processes, and we’ll help you achieve “best-in-class” status for your transportation and supply chain organization.

TranzAct’s suite of transportation spend management solutions include: carrier sourcing, pricing, rating, freight audit and payment for all transport modes, Constellation TMS applications, reporting, logistics diagnostics, and continuous business process improvements. We bring established processes and tools to sourcing events including RFP templates, web-based response tools, and standardized carrier and broker contracts.

TranzAct is also a certified Women’s Business Enterprise, and has been collaborating with shippers to improve their bottom line while increasing customer service since 1984.

For more information, visit www.tranzact.com, call **630.833.0890**, or send us an e-mail at solutions@tranzact.com.



Logistics Management Solutions

Partnering with Shippers for over 30 years

Privately Held - Women’s Business Enterprise

