



The Essential Nature of a Documented Transportation Spend Management Plan



Logistics Management Solutions

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A documented Transportation Spend Management Plan (TSMP) is essential to the success of any business. If the past 18 months have taught us nothing else, it is that companies with a strategic plan for their supply chain will be much better positioned than their competitors when disaster strikes, as well as when the economy is expanding.

Furthermore, a TSMP must be linked to the company's overall strategy and have support from the C-Suite all the way down to the docks.

Previously, TranzAct presented an eBook detailing the importance of managing your transportation spend "from the inside out"—taking a look at the things you can control to find efficiencies and reduce freight costs.

In this document, we will look at how a TSMP functions in supporting a company's overall strategy, and what types of rules and guidelines are included in a TSMP depending on that strategy.





A Place at the Table

No company strategy is complete if transportation does not have a seat at the table.

Transportation professionals need to make sure to use data to educate the C-Suite, forecasting what could be coming specific to the company and to the industry as a whole. Make sure to communicate the complexity of what you do, championing successes as opposed to reactively explaining issues after they arise.

For more specifics around transportation being at the C-Suite table, [listen to this snippet from our recent webinar](#) that talks about how to drive the value of the supply chain to the C-Level, talking about the impact on the business on a consistent basis—month after month and year after year. This should include what is generated in terms of revenue related to sales along with the expenses related to that activity. The resulting net value allows you to show the ROI for a piece of equipment or system necessary to your supply chain.

Note to CEOs

Great supply chains happen by design, not chance. If you don't have a consistent dialogue with your transportation professionals, you will be blindsided by events such as natural disasters, port delays, carrier changes and acquisitions, not to mention global disruptions like the recent COVID-19 pandemic.

Elements of a TSMP

Your TSMP is going to be informed by your overall corporate strategy, which means your supply chain efforts will support your corporate growth objectives in areas such as geography, products, and customer segments.

Your plan will define and communicate a primary way forward as well as the implications of alternative business strategies (marketing, customer, sourcing, manufacturing, and distribution) in terms of financial costs, service times, and information requirements.

This way, you will be able to quickly pivot your supply chain when changes occur that keep your corporate goals on track.

Contingency Planning

A TSMP includes contingency plans for scenarios like:

- Weather Disruptions
- Natural Disasters
- Labor Strikes
- Political Upheavals
- Informational Failures
- Changes in the Regulatory and Logistics Markets



Stress Testing Your Supply Chain

Part of preparing your TSMP will include stress testing your supply chain. You need to know its strengths and weaknesses.

Where are the vulnerabilities?

How long will it take to recover?

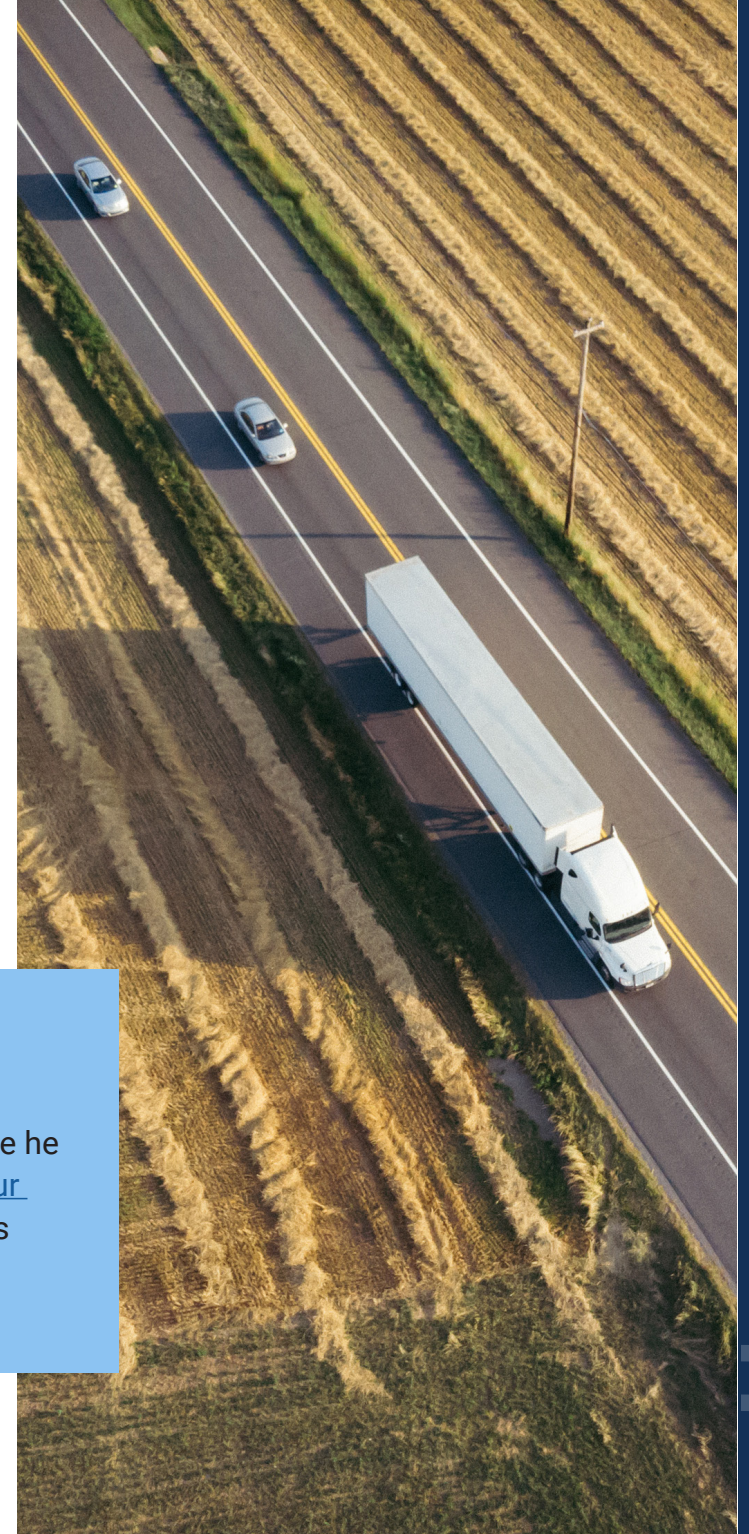
What will the impact be on your bottom line?

If your supplier cannot fulfill an order, do you have a backup? What about your supplier's suppliers?

Does your supply chain have the capacity to grow or contract along with your sales goals?

Supply Chain Resiliency Explained

A recent TranzAct webinar featured MIT Professor David Simchi-Levi, where he [explains the concept of Supply Chain Resiliency and why stress testing your supply chain is vital to your company's performance](#). Furthermore, he looks at efficiency vs. resiliency and examines whether re-shoring guarantees an uninterrupted supply chain.



Linking Company Strategy to a TSMP

Once you understand your supply chain's needs, strengths, and weaknesses, you can form a strategy to ensure its optimal performance and link your overall strategy to your TSMP.

Most companies fail this crucial step, however, because they are lacking in one or more of the following areas:

1. An accurate data warehouse that is the product of pristine freight audit and payment activity.
2. The expertise to access, understand, and interpret their data and turn it into actionable activity.
3. The software and other technology necessary to execute and report on supply chain activities.

These failures are what keep the C-Suite from understanding what is happening throughout the supply chain, but with transportation existing as one of the largest lines of your Profit and Loss statement, it is too important to be ignored.

C-Level executives need to take note of the inefficiencies within their organizations, because as Derek Leathers of Werner Enterprises recently explained to us, [the carriers are aware of how that is impacting their capacity to serve.](#)



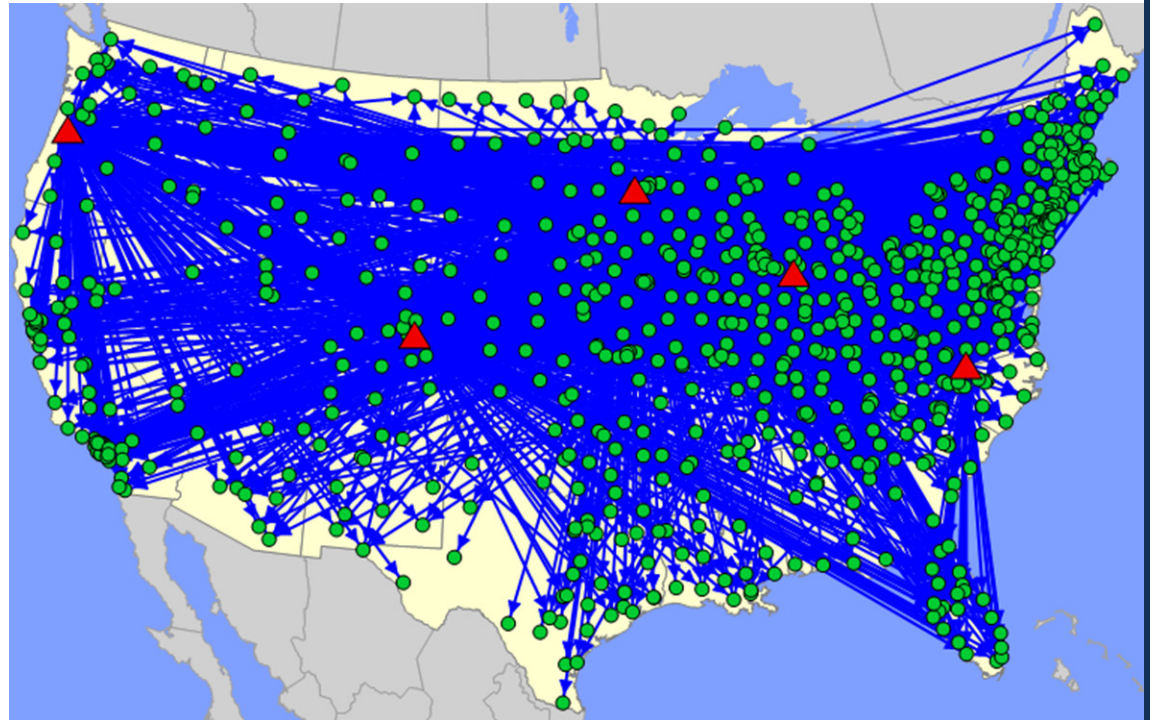
The Chaos Caused by the Lack of a TSMP

Without an informed TSMP, companies lack direction, leaving them to try and be all things to all customers.

Whether inbound, outbound, or intra-company moves, there is chaos as depicted on the map to the right.

Moves are made regardless as to the origin, destination, and the distribution centers (shown here in red). The result is costly.

The cost of the moves in this real example totaled \$18.9 million.



A lack of strategy resulted in a total transportation spend of \$18.9 million for this shipper.

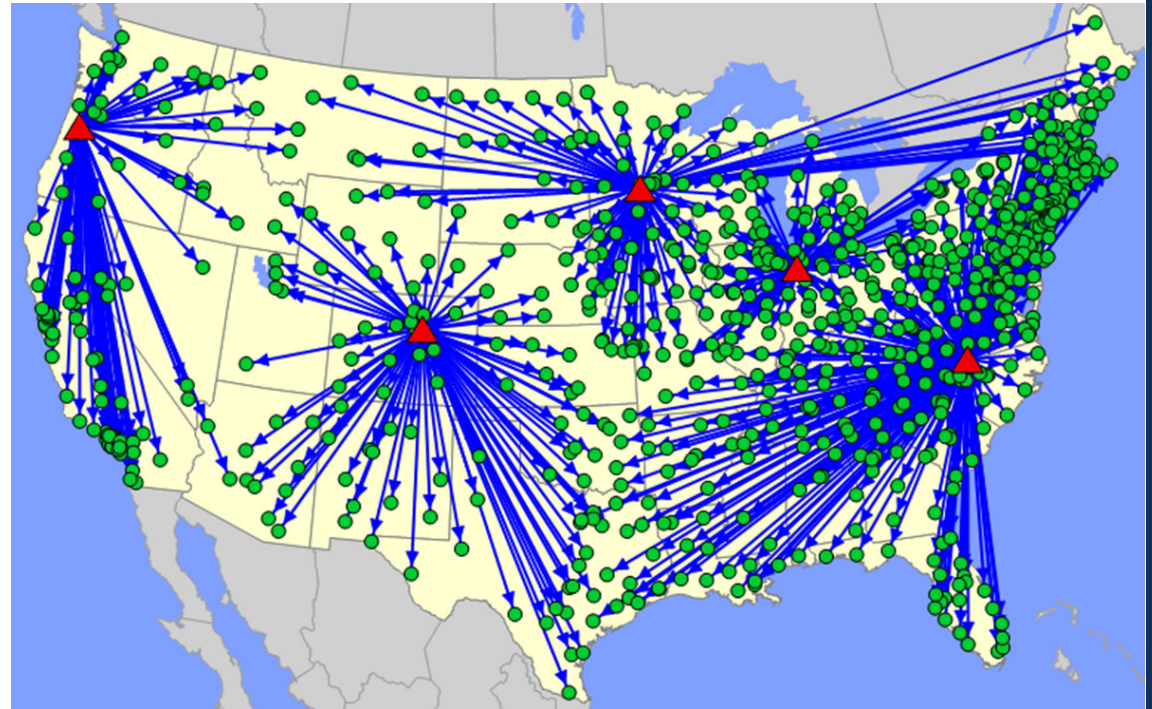
How a TSMP Impacts the Bottom Line

A TSMP provides a strategy for the supply chain, allowing for a better, more efficient use of resources.

Note that in this case, moves are being made with greater logic from distribution centers acting as strategic hubs.

While there is greater efficiency in this model, there is still room for improvement possible by linking the TSMP with the overall corporate strategy.

However, even the incremental improvement from the TSMP alone produced some savings.



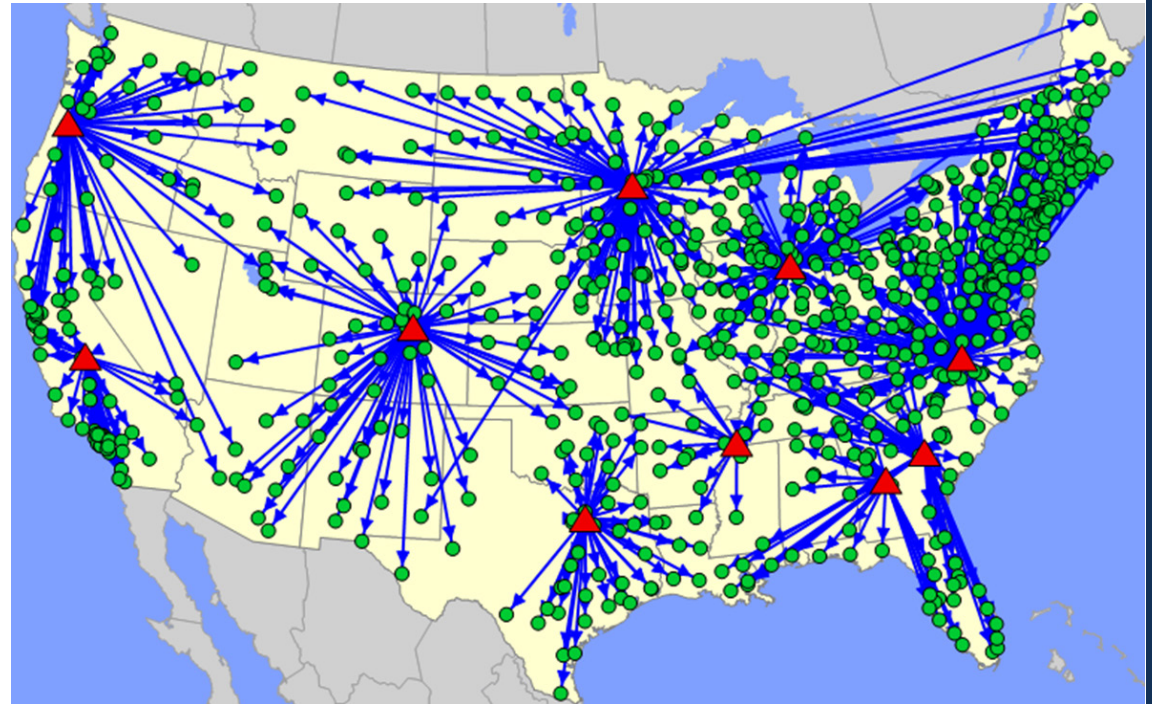
Analysis and the formulation of a TSMP offered an optimized spend of \$17.4 million—a \$1.5 million savings.

The Impact of a Fully Linked TSMP

With further study, greater optimization can be achieved by aligning the strategy of the company in terms of production and sales with the supply chain.

In this case, the patterns have been analyzed and future sales forecast. With this knowledge in hand, distribution centers have been added and aligned to create a most efficient supply chain, driving 42% savings to the bottom line.

This real life example shows what is possible with even just a few of the levers at your disposal for bringing your supply chain in line with your corporate goals.



Tremendous savings are possible by creating a TSMP that aligns with your corporate strategy.

Shipping Pattern	Total Freight Cost	Savings
Initial	\$18.9M	-
Baseline Optimized	\$17.4M	\$1.5M
Additional Optimization	\$11M	\$7.9M

How Strategy Achieves Savings—The Ingredients for Creating a TSMP

There are a number of steps to creating a TSMP that is linked to your corporate strategy. Below are some of the most important ingredients that will guide you as you generate your Transportation Spend Management Plan.

1. DATA WAREHOUSE

In order to make correct decisions about your supply chain, you need to understand how it is currently functioning, when and where freight is moving, with whom, and at what cost. It is impossible to formulate a correct plan without accurate, accessible data.

This information needs to be correctly collected and easily accessed in a data warehouse that is visible across departments.

2. TECHNOLOGY FOR REPORTING

Technology obviously plays a key role in collecting and allowing access to your data, but it needs to do more.

Truly worthwhile transportation technology should not only relay information, but deliver the analytics help you decipher patterns that might lead to opportunities for greater efficiency, outliers that highlight errors, trends that help you forecast future needs, and much more.

3. EXPERTISE

While technology is key, there is no substitute for experience. Having the right support either in house or via a trusted partner is absolutely necessary when turning data into strategy.

4. TECHNOLOGY AS EXECUTION

Most shippers realize that a software such as a TMS is no longer optional, but finding the right system that is powerful enough for your needs, but not bloated and overwrought can be a challenge.

Concentrate on finding software that does not take months for updates and provides the service levels you need without charging you for unnecessary bells and whistles.

5. IMPLEMENTATION

Even with good people and technology in place, a poor implementation can crumble the world's best strategy. Find a partner who can help you break down your strategy into actionable steps and drive it throughout the entire organization from top to bottom and across all departments from sales to operations to accounting.



Three Things Your Strategy Must Include in the 2021 Marketplace

Your TSMP will include many pieces, but in today's marketplace, you cannot neglect these three:

1. CUSTOMER DIFFERENTIATION

If you want to succeed, you will need to stratify your customers. As noted in the example above, trying to deliver to all customers in the same manner yields chaos. Dividing your customers into the correct service level is crucial to success in the current environment.

2. VENDOR MANAGEMENT

You may not create an OTIF (On Time, In Full) program on the scale of Walmart, but getting a handle on your vendors and their interactions with your carriers, docks, and how that impacts your business is imperative.

3. CARRIER FIT FACTOR

Carrier networks are constantly changing, and never have they been in flux more than now. You need to understand how valuable your freight is to your carriers and how you might shift your moves to better fit the lanes in which they want to operate.

Take the Next Step

Most companies lack the data, technology, and expertise to put together a solid, documented Transportation Spend Management Plan that is linked to their overall corporate strategy. Many aren't able to find the time to stress test their supply chain, as their internal resources are already pressed for time.

But many also know they need a TSMP, and if you reach out, we can help.

We will work with you to study your organization, build a plan, and help you execute that plan to perfection.

We will get your company on the same page when it comes to freight, ultimately reducing your costs while maintaining or improving your services. We will strengthen your carrier relationships and bring unparalleled marketplace expertise to your organization.

Give us a call. We can get your Transportation Spend Management Plan started and your supply chain on a path to success.

Let us help you get started with a TSMP.



We save our customers money by reducing their freight costs.

A Nationally and Internationally Certified Women's Business Enterprise, our superior technology, quality processes, and comprehensive network help our customers reduce costs while improving services.

Our solutions provide shippers of all modes with freight audit and payment, reporting and TMS applications, rate negotiation and procurement savings, contract development, consulting and analysis. With offices around the globe, we serve our clients on a 24/7 basis.

Access more great information online at:

<https://info.tranzact.com/resources>

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