Transportation Management Benchmark Survey

Perspectives from Shippers & Logistics Service Providers

There are numerous examples of how superior transportation management strategies, tactics and technology can improve customer service, reduce costs, drive growth, and ultimately enhance a company's brand. But what are the market conditions and key elements that make for transportation management success?

The objective of this Descartes benchmark study was not only to identify the key trends impacting shippers and logistics service providers (LSPs), but to examine their practices and compare their perspectives on transportation management (TM) strategies, tactics and technology. The survey explores the strategic importance of transportation management technology while providing insights on how its value is measured today and future TM investment projections.



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Click on an item below

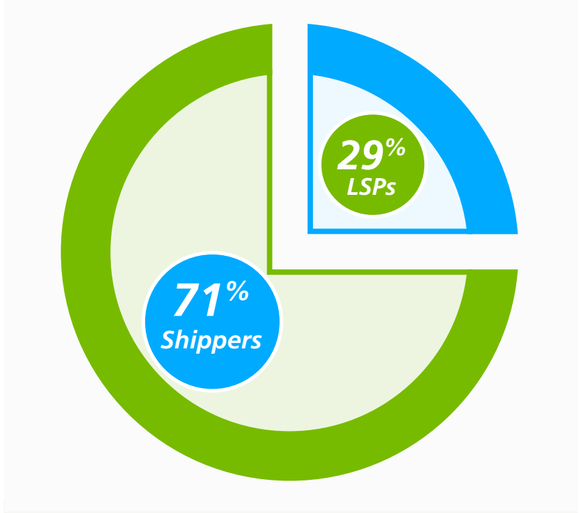
- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

Who We Surveyed

A Snapshot of Respondents

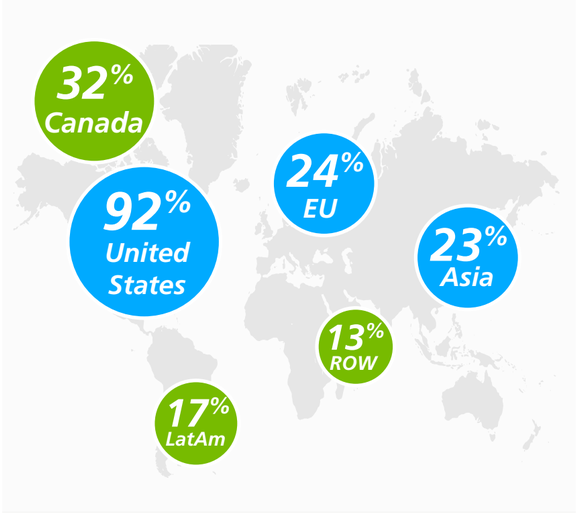
The 220 respondents who participated in the 2017 survey represented different industries, geographic areas of operation and transportation modes. Here's a quick overview of that information:

INDUSTRY BREAKDOWN



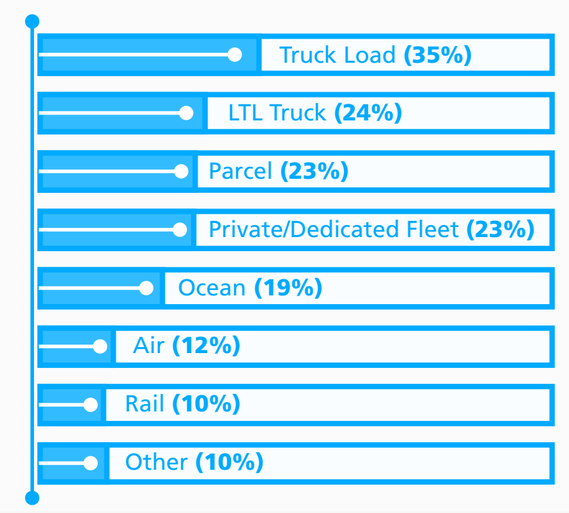
- 71% of respondents are shippers from a wide array of industries including retail, food & beverage, discrete manufacturing, distribution and consumer goods
- Logistics service providers– forwarders, brokers and third-party logistics providers– account for the remaining 29% of respondents

LOCATION OF OPERATIONS



- While the survey included companies with a global footprint, 57% of respondents' operations are strictly U.S. based
- Participating LSPs also reported a heavily domestic presence
- When asked to select all locations with a presence, the results were distributed as per the above map

TRANSPORTATION MODES



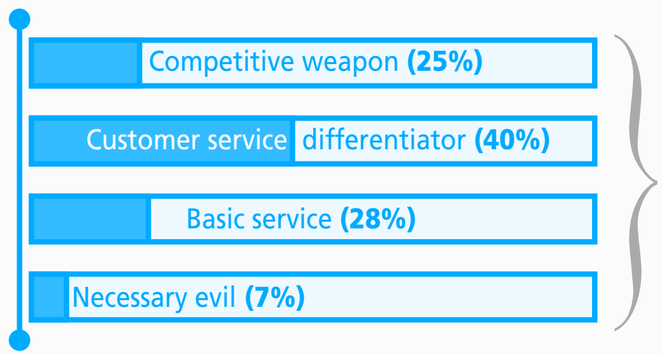
- Domestic ground transportation (LTL and TL) was the mode used most often by survey respondents, which stands to reason given that the majority represent U.S.-only based operations
- Little difference in mode coverage was noted between shippers and LSPs

Click on an item below
Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes

About the Survey

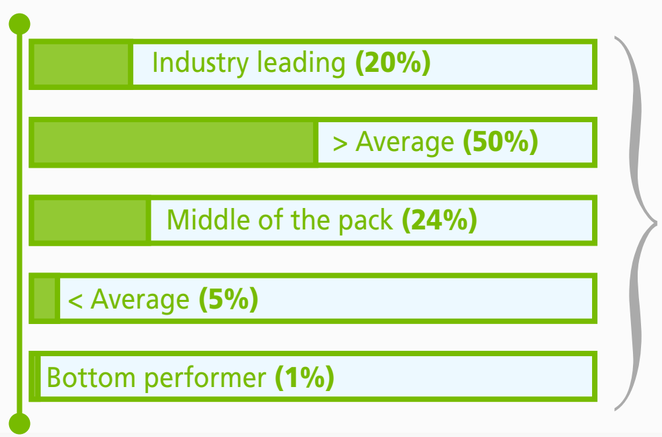
How the Results Were Analyzed

We analyzed the survey results from **two perspectives** to understand how the value of TM was viewed and how well the company performed financially.



1

First, we asked respondents to rate their management's strategic view of transportation



2

Then we asked them to rate their company's overall financial performance

▶ SURVEY INSIGHT

*Based on data analysis, there is a **strong correlation** between how well a company performs financially and the strategic importance that management places on transportation.*

Additional findings revealed:

- Nearly 80% of leading LSPs in the financial performance category view **transportation as a competitive weapon**
- Similarly, more than 90% of shippers who view transportation as a competitive weapon fall in the industry leading or better than average financial performance categories
- **Shippers and LSPs cited similar growth projections** over the next 2-3 years, with those viewing transportation as a competitive advantage and leading financial performers expected to grow the most

Click on an item below

Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes

Transportation's Impact on Business

Driving Growth & Assessing Industry Impacts

Survey respondents were asked a series of questions to learn more about industry trends and business priorities impacting the future of transportation management system (TMS) use.

Business Drivers

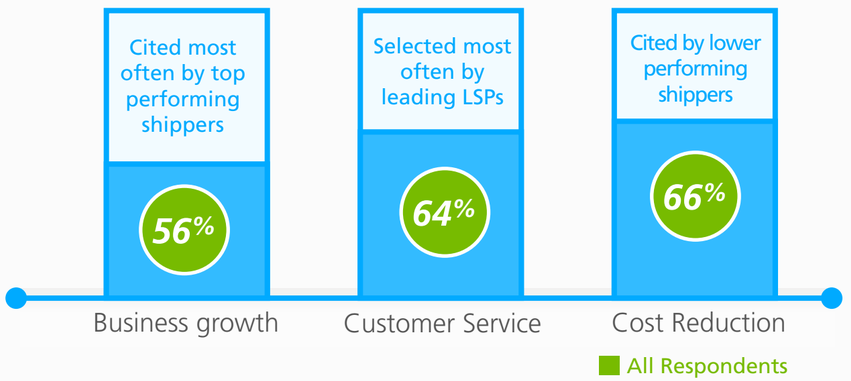
Growth, cost reduction and improved customer service were the **top three business priorities** driving expansion of TMS use for both shippers and LSPs. Top performing shippers were much more focused on business growth, while their lower-performing counterparts' primary focus was on cost reduction, followed by improved customer service. Cost reduction and customer service were the top two business drivers for leading LSP financial performers.

Industry Impacts

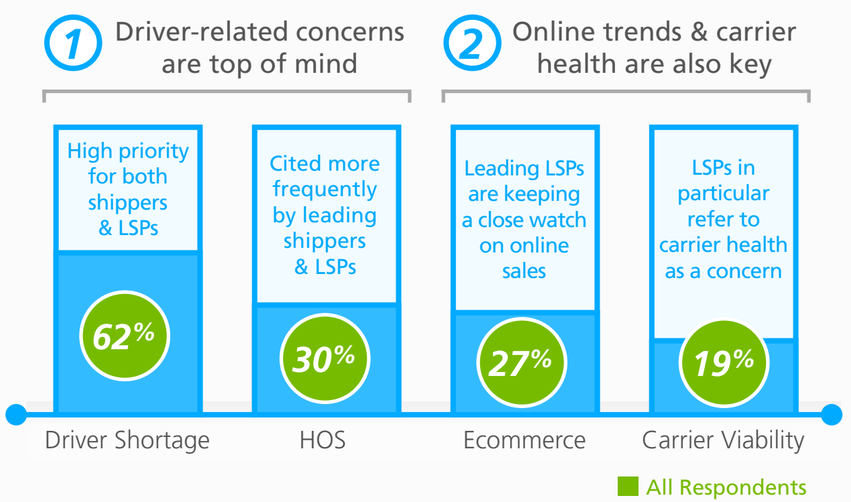
When asked what industry/regulatory changes would have the greatest impact on transportation management over the next five years, both shippers and LSPs rank driver capacity– including **driver shortage and hours of service**– as their primary concern. This is not surprising due to the continuing focus on a shortage of drivers.

Due to the increase of online sales across most industries, it makes sense that **ecommerce** and home delivery received the second-highest ranking. Also, it is interesting to note that carrier financial health and capacity received only slightly lower ratings than ecommerce from both shippers and LSPs.

TOP 3 PRIORITIES DRIVING EXPANDED TMS USE



TOP REGULATORY OR INDUSTRY CHANGES



Click on an item below
Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes

Measuring Value & Information Sharing

How Transportation Benefits Are Assessed

Value Measurement

When asked how transportation value is measured by their organizations, 71% of shippers and 73% of LSPs cited **customer service** as the top measurement. Overall, shippers are more focused on traditional transportation metrics such as cost per delivery than LSPs, who focus more on broader measures for value creation including contribution to revenue growth and competitive differentiation.

Information Usage

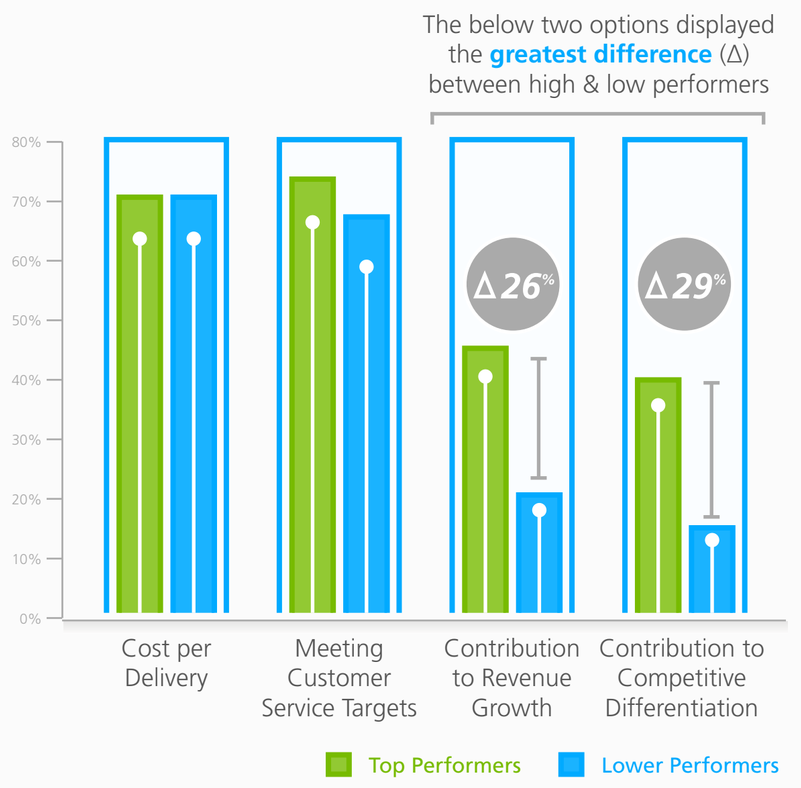
As a whole, both shippers and LSPs indicate that they are more prone to **share TM information** with their operations partners, i.e. the transportation department plus warehousing, distribution and supply chain operations. Higher performing shippers are more likely to share information with other key stakeholders such as sales, consumers and suppliers.

▶ SURVEY INSIGHT

*Because logistics is their business, LSPs are more likely to **(1)** recognize the value of transportation management, and **(2)** share information with their sales organizations.*

HOW IS TRANSPORTATION VALUE MEASURED?

For all respondents, meeting customer service targets and cost per delivery were priorities. Two more aggressive measures, such as contribution to revenue growth and competitive differentiation, **varied greatly** between top performers and their lower performing counterparts.



Click on an item below
Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes

Strategies & Tactics

Keeping Pace with Change & Competitors

Competitive Outlook

When asked about their greatest competitive concerns, shippers and LSPs provided **different perspectives**. Overall, shippers ranked faster deliveries as their top competitive concern while LSPs ranked it below providing value-added services and visibility services. As suppliers to shippers, LSPs are more focused on traditional logistics services. On the other hand, shippers are concerned with the "consumerization" of transportation services as indicated by selecting faster deliveries and free shipping as their top two responses.

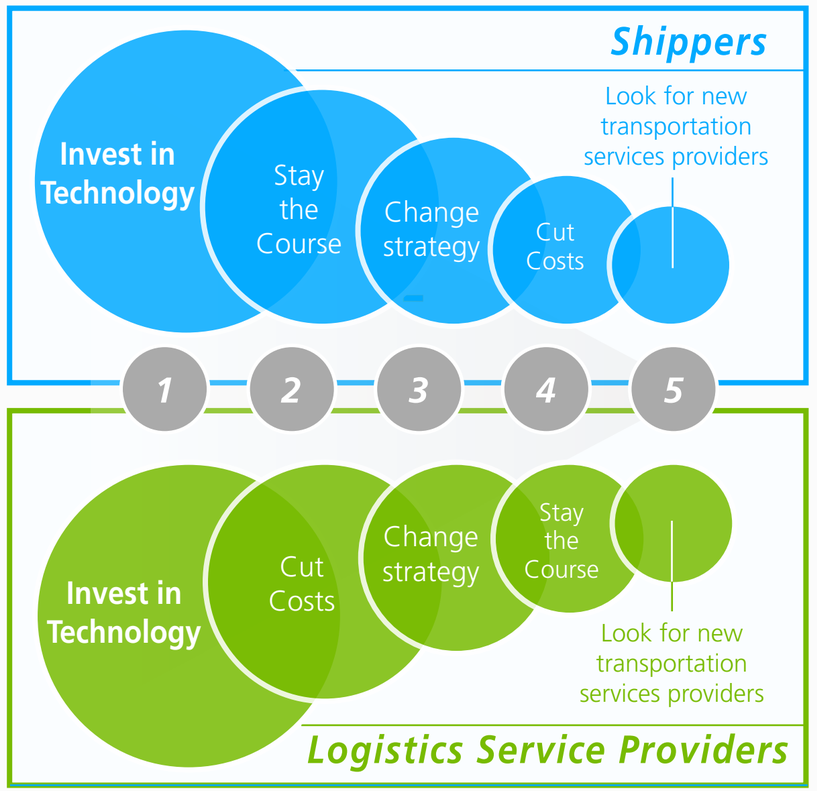
Strategic Approach

Survey respondents were asked to characterize their organizations' strategic approach to transportation. Do they employ leading-edge strategies, follow industry trends, use widely-proven strategies or stay the course? Overall, 91% of LSPs indicated they are sensitive to **keeping pace with transportation strategies**, with 76% responding that they take a leading-edge strategic approach. Almost half (47%) of Competitive Advantage shippers are focused on employing leading-edge strategies.

▶ SURVEY INSIGHT

When it comes to being prepared for change and keeping pace with competitors, shippers and LSPs that view transportation as a competitive advantage are more likely to be using leading-edge strategies and investing in technology.

TOP 5 METHODS TO PREPARE FOR CHANGE



In today's dynamic business environment, change is a constant. To learn more about shipper and LSP future planning, we asked how they are preparing for macroeconomic, industry and regulatory change. The clear overall winning response from both shippers (47%) and LSPs (75%) was to invest in technology. This was followed by change transportation strategies and cut costs in both groups. Technology investment was even higher (84%) for LSPs who consider TM as a competitive advantage.

Click on an item below

- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

Focusing on Improvement

How Shippers & LSPs Are Seeking to Maximize Benefits

Improving Transportation Value

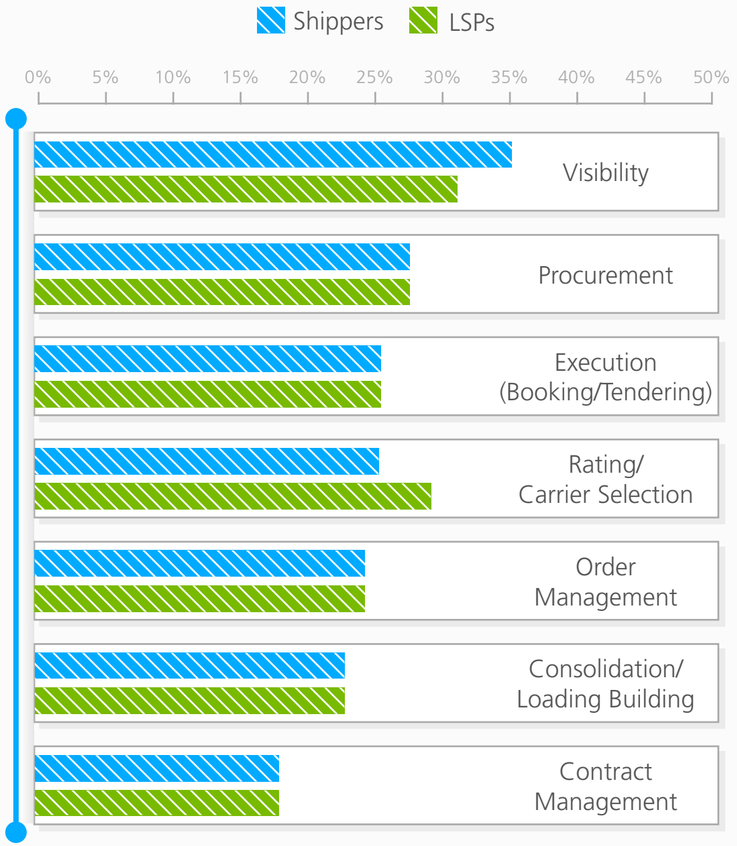
Survey respondents were asked what they considered the most important strategies and tactics for improving transportation value. The top four priorities were automation for better customer service, combining inbound and outbound operations, cutting costs (rates) and centralizing transportation management.

Overall, automation for **improving customer service** was the top priority for LSPs with 55% selecting this option. Cutting costs landed in the 4th position for LSPs with a 27% response rate. Shippers ranked cutting costs slightly higher (44%) than automation (40%). Once again, top performers were less interested in cutting costs than their lower-performing counterparts and more focused on automation.

Required Capabilities

Visibility claimed the first place slot with both shippers (62%) and LSPs (60%) as the most-needed capability to effectively manage their organizations' transportation. Carrier selection (52%) and order management (50%) were the next two choices for shippers, with LSPs identifying Business Intelligence dashboards (55%) as their second most important capability. Consolidation/load building, carrier bid management, contract management and execution rounded out the highest ranking capabilities. The bottom six capabilities were fleet routing, parcel management, audit, dock appointment, logistics messaging network and yard management.

WHERE FURTHER ADVANCES CAN BE MADE



Based on the importance both shippers and LSPs place on visibility, it's not surprising that it's also the #1 area they are focused on improving. **Visibility** was chosen as the top improvement focus by shippers (35%) and LSPs (31%). Traditional TMS **cost reduction capabilities**; including procurement, execution, rating and carrier selection, order management, consolidation and contract management; rounded out the top seven improvement focus areas.

Click on an item below

Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes

Technology Implications

Top Performers Drive Adoption & Spend

Technology Adoption Strategy

Survey respondents were asked to describe their company's strategy for technology adoption. They identified their organization as an early adopter, fast follower, middle of the pack or laggard. As expected, overall **top performers are more likely to be early adopters**, while poorer performers and those without management support are technology followers at best. With an overwhelming percentage of LSPs reporting more aggressive transportation strategies, it would be reasonable to think they would be early adopters of technology. However, the LSPs surveyed were more likely to identify as fast followers or middle of the pack.

Investment Obstacles

When asked about potential obstacles to TMS investment, 20% of shippers and 36% of LSPs reported they had **no obstacles** in their organization. Of the remaining respondents, 36% of shippers said TMS investment is not a priority, while LSPs indicated their second-greatest obstacle was that payback is not clear to their company. As with the majority of survey topics, management perspective and financial performance heavily influence TMS investment.

▶ SURVEY INSIGHT

The percentage of respondents who reported that TMS investment isn't a priority or that its payback is not clear to the company suggests that there is a significant education gap regarding transportation value in the executive suite.

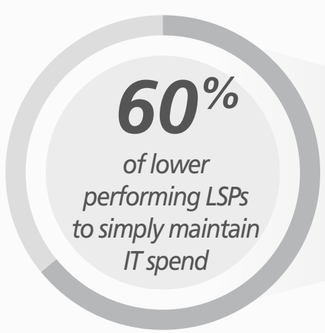
TRANSPORTATION SPEND: A CLOSER LOOK



*Transportation IT **spend will increase** for shippers and LSPs over the next two years.*



*It will be driven by Competitive Advantage companies and those with **better financial performance**.*



*Those LSPs not focused on transportation and with **lower financial performance** plan to **maintain** current transportation IT spend.*

Click on an item below

- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

Aligning Value & Investment

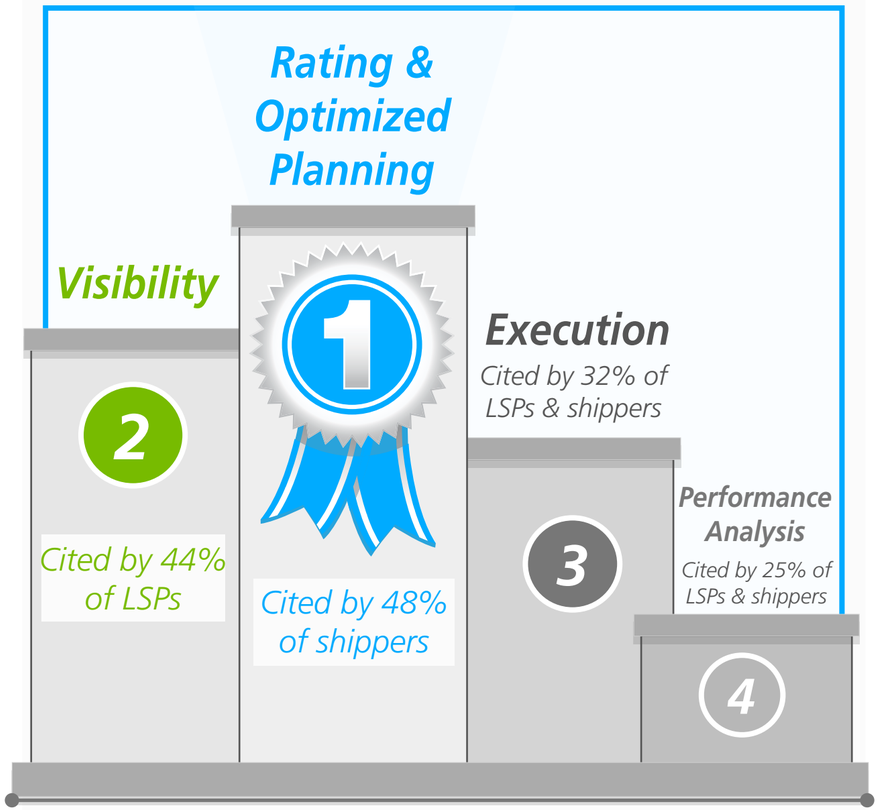
Keeping Pace with Change & Competitors

Transportation management focus and IT investment for the next two years are fairly aligned, with visibility, execution, rating/ optimized planning and performance analysis reported as the top four in both categories. Shippers plan to invest more in capabilities to improve customer service, such as visibility and execution. Cost reduction capabilities receive slightly more emphasis from LSPs. Performance analysis is projected to increase in importance for both groups.

▶ SURVEY INSIGHT

*In general, companies are aligning their IT investment with the areas where they anticipate **gaining the most value** from a transportation management system. However, shippers and LSPs appear to differ on their investment strategies, which is likely due to their specific business priorities.*

THE TOP AREAS WHERE A TMS ADDS VALUE



The top four areas where companies will gain the greatest value from TMS in the next two years are rating and optimized planning, visibility, execution and performance analysis. Rating and optimized planning was cited as the highest-ranking area by 48% of shippers. Visibility was considered the most valuable by 44% of LSPs, followed by execution.

Click on an item below

- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

Conclusions

Key Survey Takeways

Based on our survey results, there are fewer differences between shippers and LSPs than commonly believed when it comes to strategies, tactics and technology associated with transportation management.

The greatest level of difference is found in the management perspective and financial performance of top-performing companies and their lower-performing counterparts. Survey results indicated a strong correlation between financial performance and the strategic importance of transportation. Organizations who view transportation as a competitive advantage and are leading financial performers are experiencing faster business growth.

Investing in technology is the top transportation management strategy being adopted by companies in preparation for upcoming industry and regulatory changes.

As expected, IT spending is projected to grow in the next two years. However, because it will primarily be driven by top performing companies, a competitiveness gap could potentially be created for companies that plan to simply maintain their current spend.

Understanding the value of transportation is still a significant issue for many businesses and therefore, a key inhibitor to increased TMS adoption.

Are you looking to maintain or increase IT spending? { ***~96% said YES...***

PRIMARY LEARNINGS AT-A-GLANCE

1. *The survey revealed **few substantial differences** between LSPs & shippers*
2. *The statistically significant findings were between **higher & lower** performing businesses*
3. *Financial performance was **strongly correlated** with the importance of transportation*
4. ***Technology is critical** for all groups surveyed & IT spend is anticipated to rise over the next two years*

Click on an item below

- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

Descartes Transportation Management

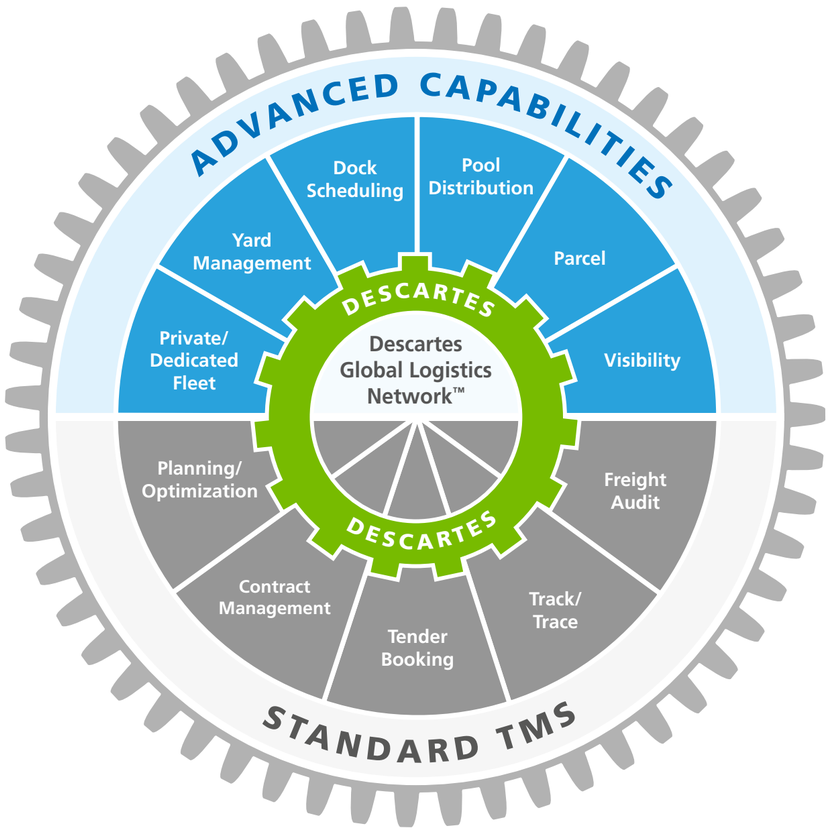
An End-to-end Solution with Advanced Capabilities

If you need to increase operational efficiency, reduce complexity, decrease costs or enhance customer service, the Descartes transportation management suite can help. Whether providing an end-to-end solution or a quick fix for a specific transportation issue, our modular solution provides the depth of standard capabilities you need as well as an incredibly broad array of advanced capabilities that power the largest logistics operations in the world.

From one platform, Descartes Transportation Management can be implemented in weeks rather than months. It is straightforward to use and leverages the Descartes Global Logistics Network™ (Descartes GLN™) to connect your carriers and trading partners.

Traditionally, transportation management solutions have focused on a standard set of processes including contract management, load planning & optimization, execution and freight audit. Descartes transportation management creates even greater value by providing advanced capabilities:

Click here to ask us how Descartes can transform your operations with our market-leading transportation management solutions.



Click on an item below

- Transportation Management Benchmark Survey
- Who We Surveyed
- About the Survey
- Transportation's Impact on Business
- Measuring Value & Information Sharing
- Strategies & Tactics
- Focusing on Improvement
- Technology Implications
- Aligning Value & Investment
- Conclusions
- Descartes Transportation Management
- About Descartes

About Descartes

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community.

Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at **www.descartes.com**, and connect with us on **LinkedIn** and **Twitter**.

DESCARTES™

The Descartes Systems Group Inc.
120 Randall Drive, Waterloo, Ontario, N2V 1C6, Canada
Toll Free 800.419.8495 | Int'l 519.746.8110
www.descartes.com | info@descartes.com

Uniting the People & Technology
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Click on an item below
Transportation Management Benchmark Survey
Who We Surveyed
About the Survey
Transportation's Impact on Business
Measuring Value & Information Sharing
Strategies & Tactics
Focusing on Improvement
Technology Implications
Aligning Value & Investment
Conclusions
Descartes Transportation Management
About Descartes