Making the Case for

Managed Transportation Services

Process automation

Risk management

Procurement guidance

Transit transparency

Proactive communication

Validation of carrier charges

Enterprise efficiencies

Actionable business intelligence

What-if scenarios

Predictive analytics

Opportunities for improvement

Two Options for Managing Freight Transportation

A do-it-yourself approach is harder as transportation evolves in complexity. Managed transportation services is a better way to meet your needs.

As a shipper, you can manage your freight transportation one of two ways:

- Do it yourself
- Partner with a provider of managed transportation services

To persuade you the second option is better, some service providers create a false sense of urgency by hyping the current challenges in the transportation industry, such as:

- Capacity imbalances
- Driver shortages
- Increased government regulations
- The new ELD (electronic logging device) mandate

These issues seem important. And they are…for carriers. For shippers, however, they distract from what is more important. What is the bigger challenge for your company, finding carriers to move goods where you need them to go, or managing the costs, risks, and outcomes in your transportation processes?

The truth is, managed transportation services don't need a false urgency. Once shippers understand the value they bring, the services sell themselves, with compelling benefits that bring measurable improvements to processes both directly and indirectly related to freight transportation.

More than anything else, shippers need three things right now:

1) **Procurement guidance** (getting the right level of service at the right price while minimizing risks)

2) **Transit transparency** (for both the shipper and the customer)

3) **Actionable business intelligence** (comprehensive shipment data that is easy to attain and analyze)

A DIY approach can meet these needs. However, that is becoming harder as transportation evolves in its complexity. Managed transportation services is a better way to meet these needs.
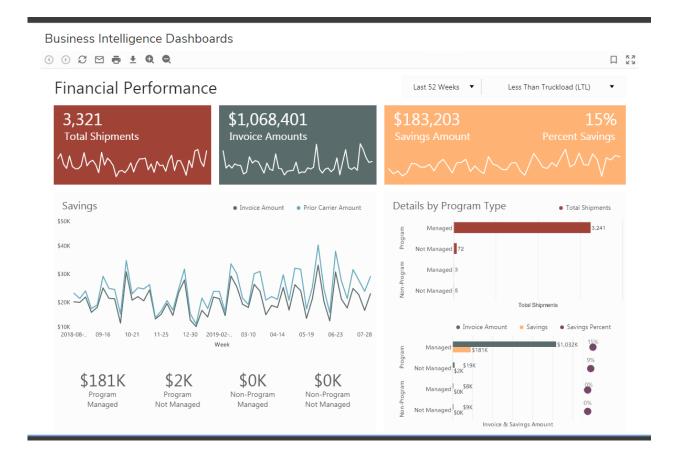
The Benefits of a MSP

Because they handle millions of orders, managed service providers are positioned to optimize transportation processes.

Just as a symphony brings together the right combination of musicians to play beautiful songs, managed service providers combine the right professionals and technologies to thrive in today's transportation marketplace.

Specialization gives advantages to managed service providers that are impractical for shippers to match. Take advanced shipment notification technology, for instance.

Many providers offer ASNs within a broad portfolio of online tools. Some even offer multiple types of notification. ASNs are popular with shippers and widely used, yet a shipper would need to invest months, if not years, to develop an ASN solution for itself. Innovations like ASNs keep providers competitive; for an individual shipper, they would be costly mistakes.

This degree of specialization is one reason why managed transportation services are the best way to meet the needs of today's shipper.

Business Intelligence Dashboards

Financial Performance

| Last 52 Weeks ▼ | Less Than Truckload (LTL) ▼ |

3,321 Total Shipments

$1,068,401 Invoice Amounts

$183,203 Savings Amount **15%** Percent Savings

Savings

● Invoice Amount ● Prior Carrier Amount

$50K
$40K
$30K
$20K
$10K

2018-08-.. 09-16 10-21 11-25 12-30 2019-02-.. 03-10 04-14 05-19 06-23 07-28
Week

| $181K | $2K | $0K | $0K |
| Program Managed | Program Not Managed | Non-Program Managed | Non-Program Not Managed |

Details by Program Type

● Total Shipments

Program		
Managed		3,241
Not Managed	72	

Non-Program		
Managed	3	
Not Managed	5	

Total Shipments

● Invoice Amount ● Savings ● Savings Percent

Program		
Managed	$1,032K	15%
Not Managed	$19K / $2K	9%

Non-Program		
Managed	$8K / $0K	0%
Not Managed	$9K / $0K	0%

Invoice & Savings Amount

Two Varieties of Managed Service Providers

Both types automate procurement processes. Full-service providers, however, add human involvement at key points in the shipment life cycle.

Managed service providers come in two varieties: transactional (or limited-service) and full-service.

Transactional MSPs

Transactional providers automate most of the processes tied to the procurement of carrier services. They use API and EDI technologies to call rates, tender shipments, and receive tracking updates and shipment documentation. Generally they offer few services outside of this transactional aspect of transportation management.

Human intervention happens when the provider's systems detect a problem. The shipment is sent to an exception management team for resolution. Humans may also be involved in ancillary services such as the management of freight claims.

Full-Service MSPs

Full-service providers utilize the same tools used by transactional providers. Additionally, they involve humans at points in the shipment life cycle where they add value. For example, a customer service representative may proactively contact the carrier at milestones in a shipment's transit for faster confirmation that each milestone has occurred.

Full-service providers also generally go beyond the transactional aspect of transportation management to offer more strategic services. Common examples are logistics analysis capabilities, network engineering, and complex schedules of multi-stop truckload runs. Some providers are highly specialized with services that benefit a particular industry, mode, or region.

Summary of MSP Services

Key similarities and differences between the two types of MSPs.

	Transactional MSP	Full-Service MSP
Transportation management system (TMS)	Yes	Yes
Shipment management automation∗	Yes	Yes
Transportation risk management	Basic (authority and insurance)	Comprehensive (quality of service)
Procurement guidance	Basic	Comprehensive
Shipment status tracking	Passive (carrier-initiated updates)	Active (confirms transit milestones)
Customer requirements (such as OTIF)	Client must manage compliance	Provider manages compliance
Carrier pricing	Blanket rates	Client-specific negotiated rates
Audit of carrier charges	Rate matching	Full verification of each charge
Account coding services	No	Yes
Management of freight claims	Sometimes (usually for extra fee)	Included
Client-held pricing	Cannot incorporate	Can incorporate
Inbound management	Routing guide or supplier portal	Full management and enforcement
Shipment activity reporting	Basic reports	Detailed and customizable
Dashboards and KPIs	Basic	Detailed and customizable
Predictive analytics	No	Some providers offer this
Mode optimization	Automated mode comparisons	Yes, adding human rate negotiations
Multi-stop shipments	TMS accepts multi-stop orders	Full management of multiple stops
Milk run management	No	Full management
Consolidation/distribution	No	Full management
Warehouse utilization	No	Yes
Logistics analysis services	Sometimes (for extra fee)	Yes (sometimes for extra fee)
"What if" scenarios	No	Yes (sometimes for extra fee)
Dimensional pricing rules	Basic	Comprehensive
Guidance on product descriptions and freight classifications	Basic	Comprehensive and based on an analysis of your product mix
Proactive communication and follow-up	No	Yes
Opportunities for improvement	Limited to increasing utilization of lower-cost carriers	Comprehensive and based on an analysis of your shipping profile

∗ When a client orders a shipment, the provider uses API and EDI technologies to dispatch the shipment, pass through the carrier's transit status updates, and provide access to the shipment documentation.

Considerations When Deciding to Partner With a MSP

Let your goals for the partnership guide you to the best partner.

What do you want from a managed service provider? Your goals for the partnership point you to the type of MSP to seek out.

If the goal is to assist the shipping department with its procurement tasks, freeing up time and focus for projects with higher values, then a transactional MSP works well. The decision to partner with a transactional MSP is often made by the shipping or purchasing department looking to make improvements within its sphere of operations.

If the goal is a multiplier effect that increases productivity and decision quality throughout the organization, the solution is a full-service MSP. The decision to partner with a full-service MSP is often made by the CEO, CFO, or COO, who is focused on the big picture impact.

> **Full-service MSPs are uniquely qualified to run what-if scenarios that model the cost and service outcomes of changes within a shipper's transportation network.**

Full-service MSPs excel at managing complex transportation networks that may include

- Multiple modes
- Cross-border and international moves
- Returns or "reverse logistics"
- On Time in Full (OTIF) or other stringent delivery requirements
- Consolidation, distribution, and round-trip programs

Full-service MSPs also assist the C-suite with transportation planning, budgeting, and forecasting. In addition to sharing detailed shipment data, they have advanced systems and capabilities to analyze the data themselves and deliver actionable insights.

The sophisticated rating platforms used by full-service MSPs make them uniquely qualified to run what-if scenarios that model the cost and service outcomes of changes within a shipper's transportation network.

The Process of Selecting and Implementing a MSP

You have a variety of ways to gather reliable information that will guide you to the best option for your company, goals, and unique shipping profile.

As with any strategic decision, the first step is research.

Your best sources of information may be coworkers with prior experience working with managed service providers. They can take you "behind the marketing" with honest assessments of what individual providers can do, and the level of value they bring. If you ship customer-routed freight, be sure to include coworkers with shipping and receiving responsibilities, as they interact regularly with a variety of managed service providers.

Similarly, referrals can provide deep and unembellished insights into managed service providers. Testimonials and case studies are also helpful, especially those from companies with similar priorities.

Transactional Providers: Try Before You Buy

Many transactional providers don't require a contract. You can use their platforms and simply agree to Terms & Conditions with each shipment. This is an excellent way to try different providers and see which one fits best.

Full-Service Providers: Conduct a Freight Study or RFP

Full-service providers will, at no charge, analyze a sample of your transportation activity. The resulting proposal typically breaks down your activity in insightful ways, suggests opportunities for improvement, and compares the provider's rates to what you actually paid.

A procurement event requires more planning but can be used to gather very specific information regarding your requirements, preferences, and priorities.

Important note: Unless you give instructions to the contrary, the bids you receive will be based on economy (lowest cost) carriers, which typically have the longest transit times and the lowest reliability scores. A true full-service provider should be able to, at your direction, apply different types of pricing to specific lanes or return separate bids based on economy, mid-range, and premium carrier rates.

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