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WHITE PAPER

Logistics as a Service

How Logistics Experts Can Reduce Spend,
Save Time, and Increase Company Profits

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A company's transportation spend is one of the largest budgetary items, so finding ways to save money is always a priority. In the supply chain industry, the cost-saving opportunities are endless, but it takes a special skill set to uncover the problems, formulate solutions, and implement changes. Logistics as a service (LaaS) providers can remove the budget burden with trained professionals dedicated to finding cost-savings on a daily basis. LaaS is designed to reduce transportation costs while also increasing customer service.

The pandemic has accelerated the growth of outsourced managed logistics services far ahead of analysts' 2019 predictions. In Gartner's Logistics & Contract Manufacturing Outsourcing Survey conducted in 2021, 63% supply chain professions expressed a "very positive or extremely positive effect" from outsourced service providers and up to 74% are increasing their budgets for this essential area of supply chain management.

Logistics as a service providers employ logistics professionals to manage a company's transportation network including freight for multiple modes, and inbound/outbound logistics from production facilities to warehouses, retailers, and end users/consumers. The logisticians are experts at efficiency—always looking for ways to do it better, faster, and for less money. They understand how ever-changing market conditions, such as capacity issues, driver shortages, rising carrier costs, and customer service demands can impact the supply chain.

Their expertise also extends into operating a transportation management systems (TMS). There are a lot of robust TMS solutions on the market, and it takes time and skill to be able to utilize the system's full capabilities. To unveil the best practices in transportation management, companies need detailed data that can be leveraged to create and track key performance indicators (KPIs). Once the data is interpreted, LaaS providers can work with shippers to develop new logistical strategies to better serve customers and reduce costs.



Is Outsourcing Right For My Company?

The same Gartner report goes on to say, “Despite relentless pressure on logistics organizations to deliver more, deliver quicker and deliver cheaper, there is a growing realization by shippers that logistics services must be realistic in their ambition, affordable in their cost and sustainable in their environmental impact. It has become the overriding responsibility of logistics leaders everywhere to manage the burgeoning, unconstrained and often-unrealistic expectations of their businesses.”

The first step in considering a LaaS provider is to answer the question: “Is outsourcing right for my company?” The word outsourcing can be a scary one for some business owners because it means giving up control. However, the concerns should be weighed against the potential benefits gained. Consideration must be given to cost factors, performance gaps, financial impact, and suitability for outsourcing. After reviewing those indicators, it’s time to consider the benefits of outsourcing.

Five Reasons to Outsource

1. Save Money

This is the obvious reason and usually the most compelling. Outsourcing a particular job function can increase efficiency, which leads to smarter spending. The faster pace leads to increased on-time deliveries and customer service levels. LaaS providers tend to keep in close communication with their clients to report on the cost savings and mutually decide on next steps for action each month.

2. Core Business

Supply chain logistics can be a headache. Removing the pain point through outsourcing frees up time and energy to be spent on core business competencies.

3. Better Results

Logistics professionals will streamline all planning, executing, and reporting processes. They will work to build more loads and plan better routes to ensure cost savings.

4. Scalability

LaaS providers can adapt quickly to increases and decreases in demand. If a company is experiencing a downturn in productivity, it will not have to reduce its internal workforce for logistics planning.

5. Higher Level Resources

Invest in a higher level of resources within in the supply chain industry by outsourcing. LaaS providers have long-standing relationships with carriers and can leverage those internal relationships when searching for cost-saving solutions for the company.

Consider forming an internal committee within the supply chain department to discuss the pros and cons of outsourcing, and create a list of must-haves to suit company needs. This committee can also research the outsourcing options and narrow in on the top three choices to consider. Once the best course of action is determined, the next step is to submit a request for proposals from the contenders.



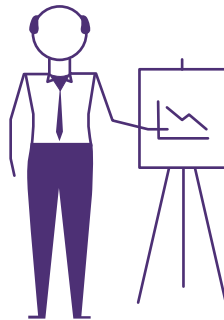
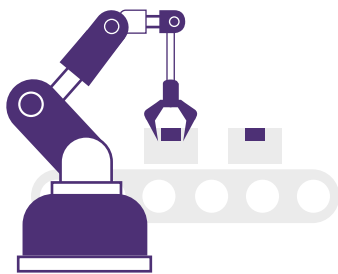
It's important to take advantage of product demos and on-site visits to ensure the solutions provider is the right fit. Outsourcing involves a lot of trust between the company and the LaaS provider, so managers want to ensure they've found a LaaS team that will handle the company's transportation spend as their own. The provider should also work with you to establish a timeline for return on investment.

Figure 1
Top Three Priorities for Logistics Leaders

37%: Improve or Update
Technology Systems
Supporting Operations

31%: Cost Reduction/
Optimization

29%: Increase Customer
Satisfaction Through
Logistics Service Delivery



n = 188 supply chain professional

Q. You mentioned that your organization outsources some or all its logistics to third parties. Which of the following are the top three logistics priorities to help your organization achieve its corporate goals currently?

Source: 2021 Gartner Logistics & Contract Manufacturing Outsourcing Survey

Do-It-Yourself Creates Logistics Problems

With instant access to training videos on popular sites like YouTube, there is a deep desire to try “do it yourself” (DIY) solutions to problems. While the thought process around DIY is to save money, in many instances it can end up costing a lot more in time, resources, and quality of work than it would if you hired a professional. When shippers use the DIY approach to move freight, they may be spending more money on administrative costs while receiving less productivity, visibility, and customer service.

This rings especially true for companies who use manual processes instead of a transportation management system (TMS) for logistics planning. According to Gartner’s 2021 report, *How to Calculate and Measure the ROI for a Transportation Management System*, based on analyst experience, vendor surveys and end-user feedback, “the typical range of TMS ROI is between 8% and 17%. This is a slight increase from similar research in 2019, when the range was between 5% and 15%.” A TMS helps companies avoid the top do-it-yourself money pits associated with manual planning. In Table 1, you can see the productivity enhancements and cost improvements that a TMS might provide.

Table 1
Areas of Productivity and Cost Improvements in TMS

Productivity or Cost Improvements	Potential Benefit
Procurement	2% to 10%
Automation	1% to 3%
Freight Audit	1% to 3%
Analytics	1% to 3%
Collaboration	0.5% to 2%
Appointment Scheduling	0.5% to 1%
Optimization <ul style="list-style-type: none">• Usage of Preferred Carriers• Lower-Cost Mode Selection• Continuous Moves and Dedicated Fleet• Load Optimization• Rate Selection	2% to 15%

Top DIY Money Pits

Lack of Visibility

Shippers who manage their logistics manually severely limit their visibility into cost-savings opportunities. TMS solutions not only automate load planning and tendering to save time, but also provide analytics reporting to identify financial problem areas in the supply chain such as carrier rates, pick-up frequency, empty miles, lane optimization, and on-time delivery.

Time Consuming

Without a TMS, shippers are left planning with whiteboards and spreadsheets, leading to hours spent entering data and then manipulating the information for reporting.

High Head Count

Manual logistics planning is time consuming and can require a high head count to ensure accuracy. The time and resources can be better utilized on departmental projects instead of manual data entry.

Old Data

By the time the data entered is processed to provide some analytics intelligence, it is already outdated. The lack of real-time data puts companies at a competitive disadvantage and reduces the ability to see bottleneck problems within the supply chain.

Empty Miles

When a truck travels without product on board, it is a waste of money for the company and the carrier. TMS solutions optimize lanes, backhauls, and assets to provide solutions to reduce empty miles.

TMS Alone Can't Fix Everything

A TMS can bring significant cost-savings to a company—by using e2open, TMS customers save between 2 and 17 percent in the first year of implementation—but it can't fix everything on its own. TMS solutions are robust, and while many are very user-friendly, a logistics professional has the experience and knowledge to leverage all of the functionality the software holds. It's vitally important that a company do a lot of back-end work to achieve success with a new TMS. All of the information imported into the system needs to be up to date and accurate for the TMS to provide maximum benefit in its optimization and analytics reporting. Many transportation teams have started with a TMS solution and then switched to LaaS after determining that they are not fully utilizing the power of their TMS software.

Wasting the Power of a TMS

Limited Use of Functionality

It is easy for companies to become content with status quo and not invest the time into exploring what other functionality options the TMS offers. This can lead to a company not fully realizing efficiency gains or visibility into their supply chain, among others.

Cost of Training Staff

TMS solutions providers will offer an in-depth training program for system administrators and everyday users, but fluctuations in personnel can create an added budgetary expense as each new employee will need to have TMS training. This is also a time-consuming process.

Logistics Experience

Trained logistics professionals are proficient in finding and executing cost-savings initiatives. They are experts in the use of the TMS as well as bridging analytics and operations to realize results.

Analytics Reporting

There is an enormous amount of data stored in a TMS. It takes training to learn how to pull the data and make it useful. Once the data is extracted, users need to know where to look to understand the opportunities the analytics provide. It is common to see cost-savings in one bucket create higher costs in a separate bucket, which offsets overall savings.

Not Utilizing Procurement

TMS customers who do not use their TMS for procurement events are missing out on the opportunity to enhance their routing guides and save money. The TMS will record every detail of the event so users can see which carriers made bids and compare price points to a benchmarking index.

System Updates Ignored

Software engineers are regularly enhancing a TMS's functionality with updates. These updates are regularly ignored by companies who don't have the time or resources to devote to training. Usually the system update is a solution to a current market problem. This is a missed opportunity for savings or increased customer service.

"TMS users need to be very disciplined and continue to explore new functionality to ensure they are getting the most bang for the buck."

Companies who have a TMS solution are experiencing a return on their investment, but with the ever changing market, it is easy to get two steps behind. Fluctuation in volumes and carrier networks can turn a cost-effective lane upside down in just a few months. TMS users need to be very disciplined in staying informed on system updates and continue to explore new functionality to ensure they are getting the most bang for the buck. If a transportation team does not have the time or resources to utilize the TMS to its fullest potential, it may be time to consider outsourcing to a managed transportation service.

How Logistics as a Service Saves Money

Logistics as a service providers work to maximize a company's transportation budget through people, process, and technology. "People" is defined as a team of logistics experts dedicated to putting all their energy into a company's supply chain on a daily basis—saving time and resources internally. "Process" involves investigating the current transportation activities and engaging in new opportunities for cost savings. "Technology" streamlines planning and execution while also collecting data to be leveraged for detailed analytics reporting on a company's supply chain effectiveness. On average, LaaS can save a company between 2 and 10 percent of its transportation spend.



Types of Managed Transportation Services

Not all logistics as a service providers operate the same. There are three basic business model differences depending on how the LaaS manages a customer's freight.

Non-Asset Based (Business Process Outsource)

The LaaS provider works as an extension of the shipper by planning and executing its freight. This is a business process outsource model. The provider generates revenue from a flat monthly management fee.

Brokerage Based

This type of LaaS provider operates on a brokerage business model. The provider acts as a middleman between the shipper and the carrier. It generates money through the ability to broker freight.

Asset Based

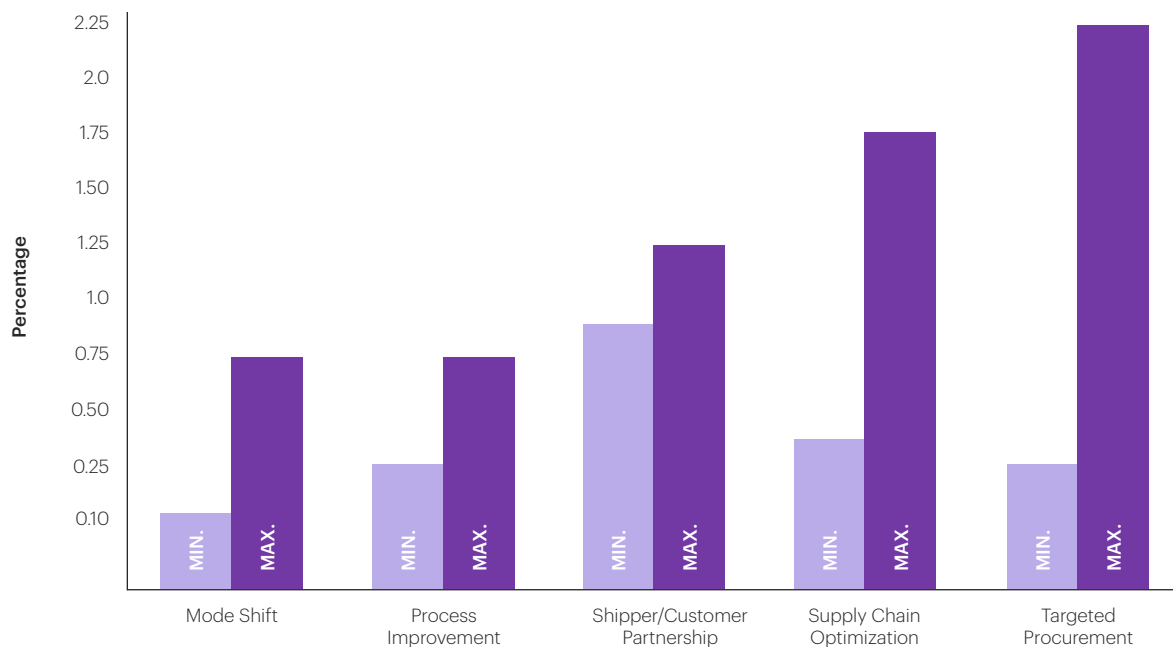
This occurs when a company moves a shipper's goods in assets it owns and operates. Asset-based LaaS providers receive additional revenue by transporting the client's freight with its own resources.



Where are the Savings?

So where do the savings come from? Partnering with an LaaS provider is a big investment, but one that can produce a return within a year. Once the company is integrated with a TMS program, the logistics team can go to work identifying areas for improvement. Figure 2 shows the range of savings for each category.

Figure 2
Areas of Cost Reduction



Look for Savings Across the Board

Supply Chain Optimization

Analytics provided from a TMS can assist in identifying areas of the supply chain that can be optimized. Freight consolidation is a key area where transportation costs can be reduced. Logistics professionals can identify opportunities to move smaller orders onto full truckloads. Inventory pooling increases the amount of product picked up at a location to decrease the number of stops. These are just a few areas to be considered; there are a lot of consolidation opportunities the TMS data can produce. A LaaS provider will present cost-saving solutions to the company and assist in the implementation of needed changes to enhance efficiency.

Process Improvement

One of the first areas a LaaS provider will dive into is process improvement. This includes evaluating a company's standard operating procedures, routing guides, forecasting, and accessorial management, to name a few. One simple area to save money is to establish guidelines with carriers to improve on-time performance, utilization, and reduce detention costs. Other areas include TMS and business process flow, a shipper's internal processes, and carrier engagement.

Targeted Procurement

The carrier relationship is an important part of running an efficient supply chain. A LaaS provider will have more established relationships with carriers than one company will on its own. By leveraging benchmarking data from the TMS, logistics professionals will evaluate how much money a company is paying the carrier for their lanes. If the amount is outside of current benchmarks, then a procurement event will be organized to establish a new routing guide. It's important to always monitor the current indexes since the market is impacted by so many fluctuating variables.

Mode Shift

Another area to explore is how a company is transporting goods and if there is a more cost-effective alternative, either based on current forecast or lead time in orders. What works today may not be the answer for tomorrow. Logistics professionals will monitor business trends and make proactive recommendations as a shipper's business changes. If a mode shift is feasible, transportation spend can be reduced through fuel costs and per mile rates.

Shipper Collaboration

On their own, a shipper may find it difficult to collaborate with other shippers outside their business. This becomes easier for a LaaS provider, through their relationships with multiple shippers and visibility into both supply chains. If a company's dedicated fleet has capacity for product, and another company has a less-than-truckload load to be planned, a LaaS provider often provides visibility into that potential solution for shipper collaboration, benefiting both companies.

What Have We Learned?

Logistics as a service providers can save companies money by reducing freight spend. This is accomplished through a variety of savings opportunities leveraged by logistics professionals. Companies with a TMS will see an increased use in its capabilities through the expertise of logisticians trained to use the program to its maximum benefit. This, in turn, frees up internal resources to spend time on dedicated projects. A LaaS provider will increase procurement opportunities, optimize the supply chain, search for process improvements, and explore alternative mode shifts. There is also an added benefit of shipper collaboration through LaaS. Providers have visibility into collaboration opportunities to reduce cost for two different companies. Statistics show LaaS will save a company anywhere from 2 and 10 percent of its transportation spend. The greatest amount of transportation spend savings usually takes place in the first year, which provides a quick return on investment. Savings depend on the customer's willingness to make change. For instance, e2open saved 17 percent for a customer who has been with us for five years. Shippers who move toward LaaS receive the short-term, tactical benefits of having an outsourced team to manage freight transportation, and the long-term, strategic benefits of leveraging a TMS with the added value of logistics expertise in transportation management best practices.

"Laas can save a company
between **2 and 10 percent**
of its transportation spend."

Considering the Switch to LaaS?

If you are considering a switch to LaaS, but have more questions, e2open is here to help. E2open is a global solutions provider offering logistics as a service through its industry-leading Software-as-a-Service (SaaS) TMS.

About e2open

E2open is the connected supply chain software platform that enables the world's largest companies to transform the way they make, move, and sell goods and services. With the broadest cloud-native global platform purpose-built for modern supply chains, e2open connects more than 400,000 manufacturing, logistics, channel, and distribution partners as one multi-enterprise network tracking over 12 billion transactions annually. Our SaaS platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste, and operate sustainably. Moving as one.™ Learn More: www.e2open.com.

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Footnotes

1. See 2021 Gartner report, How to Resolve the Shipper and 3PL Dichotomy of Logistics Outsourcing
2. See 2021 Gartner report, How to Calculate and Measure the ROI for a Transportation Management System

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