International Transportation Management Benchmark Study: Getting More From Less

Written By:
Eric Johnson,
IT Editor and Research Director,
American Shipper

James Blaeser
Publisher,
American Shipper

Published November 2012

Sponsored by:
Welcome to *American Shipper*’s fourth annual International Transportation Management Benchmark Study. During the third quarter of 2012, *American Shipper* surveyed more than 200 supply chain managers on their international transportation management practices, processes, and the technologies that support them.

Each year this report takes a hard look at the “nitty-gritty” aspects of international transportation management (ITM) including planning, booking, tendering, order management, event management and visibility.

*American Shipper*’s benchmarking initiatives seek to parse out companies that are succeeding at any particular function and examine why they are successful. These “winners” are the top tier of respondents based on their answers to a set of questions that are seeded in the questionnaire.

With respect to this survey the winners meet three key criteria:

- Report that they are capable of sending an electronic purchase order (PO) (such as an EDI 850 file) to a logistics service provider (LSP).
- Have visibility to shipment specifics five or more days in advance of shipping. These details include the number of containers, cartons, weight and dimensions of the shipment.
- Meet or exceed the targets provided to them by their transportation procurement function.

Using these measures, there were roughly 30 respondents who could be categorized as “winners.” This is the head of the class, so to speak. Similar to previous years, winners tend to be larger companies ($1 billion or more in annual sales) and include heavy representation from the retail/wholesale segment.
More Integrations Through Fewer Systems

There has been a distinct development in the usage of ITM platforms in two crucial areas—shippers are using fewer systems and they’re getting more integration with partners. More with less is, after all, what technology is supposed to be enabling.

The average retailer is now using fewer than three systems, and the average manufacturer is not far behind, continuing a trend of fewer systems than appeared in last year’s report. The average “winner” across all shipper types is using 3.2 systems. But beyond that, shippers are getting more unique integrations than ever before. Winners have 33 percent more integrations than the year before, and enjoy four more unique connections than the study average. These are not inconsequential developments, especially since so few vendors provide true top-to-bottom systems.

Winners Focus on Sophistication

Winners continue to enjoy a clear gap in sophisticated functionalities over the average shipper, things like analytics and collaborative transportation management. That’s because they have the basics, the “blocking and tackling” aspects of ITM, down and can now focus on more sophisticated functions. Winners have a top-to-bottom approach, looking at the whole process. It’s up to the average shipper now to convert its focus on the bare essentials of ITM into the more sophisticated functions.

Visibility remains of vital importance—more than half the study says they plan to add more tracking and tracing functionality, while order management and analytics are other emerging top priorities. Twenty percent of respondents said they plan to augment or replace their ITM system in the next two years, two-thirds of which plan to do so in the next 12 months, while less than half of respondents say their current system meets their needs.

Fragmentation Persists

This report has for years pointed out the fragmentation that exists in terms of vendors, and the capabilities of those vendors, but another form of fragmentation is also clear: delivery model. No single delivery model seems to be emphatically winning out. There is serious movement toward more software-as-a-service platforms or cloud-based systems, but not so much that the traditional models are anywhere near obsolete. This double-dose of fragmentation makes the decisions about whether to invest, and then whom to invest in, even more difficult.
Table of Contents

Executive Summary.................................................................................................................. ii

Section I: Introduction................................................................................................................ 6
  > Background ...................................................................................................................... 6
  > Winners .......................................................................................................................... 7
  > Terminology ................................................................................................................ 7
  > Hypothesis .................................................................................................................... 8

Section II: Demographics ......................................................................................................... 9

Section III: The State of ITM ................................................................................................. 11

Section IV: Benefits of Automation ....................................................................................... 20

Section V: The Future of ITM Systems .................................................................................. 23

Section VI: Lessons from the Winners .................................................................................. 27

Appendix A: About Our Sponsors ......................................................................................... 28
  > Amber Road ................................................................................................................ 28
  > BravoSolution ............................................................................................................. 28
  > Descartes ...................................................................................................................... 29
  > LeanLogistics, Inc ......................................................................................................... 29
  > SAP ............................................................................................................................... 30

Appendix B: About Our Partners ........................................................................................... 31
  > Retail Industry Leaders Association (Rila) ................................................................. 31

Appendix C: About American Shipper Research ................................................................... 32
Figures

**FIGURE 1:** Industry Segments Surveyed.................................................................9

**FIGURE 2:** Company Sizes Surveyed..................................................................9

**FIGURE 3:** Job Titles Surveyed ............................................................................10

**FIGURE 4:** Transportation Modes Managed .......................................................10

**FIGURE 5:** Current ITM Platform ..........................................................................11

**FIGURE 6:** Last ITM System Update or Implementation .......................................12

**FIGURE 7:** ROI from ITM Systems ........................................................................12

**FIGURE 8:** Satisfaction with Current ITM Systems ............................................13

**FIGURE 9:** The State of ITM—Study Average .......................................................14

**FIGURE 10:** The State of ITM—Winners ...............................................................14

**FIGURE 11:** Number of ITM Systems/Platforms ..................................................15

**FIGURE 12:** Number of ITM Systems/Platforms—Average vs. Winners .............15

**FIGURE 13:** Number of Unique Integrations ........................................................16

**FIGURE 14:** Quality of Data Provided by Transportation Partners ....................17

**FIGURE 15:** Current Functionality—Average vs. Winners ..................................18

**FIGURE 16:** Current & Planned ITM Functionality ..............................................19

**FIGURE 17:** Visibility—Days Prior to Shipment ...................................................20

**FIGURE 18:** Productivity—PO per FTE per Year ..................................................20

**FIGURE 19:** Central vs. Local Logistics Management ...........................................21

**FIGURE 20:** ITM Performance Against Procurement Targets ...............................22

**FIGURE 21:** Plans to Buy/Replace/Upgrade ITM Systems ...................................23

**FIGURE 22:** Inhibitors to ITM Investments ............................................................24

**FIGURE 23:** Drivers to ITM System Adoption ......................................................25

**FIGURE 24:** Future ITM Delivery Model ...............................................................26
Section I: Introduction

Background

During the third quarter of 2012, American Shipper surveyed more than 200 supply chain managers on their international transportation management practices and processes, and the technologies that support them. This report is the fourth annual study on this subject produced in conjunction with the Retail Industry Leaders Association (www.RILA.org).

For many in this industry, a transportation management system (TMS) is an encompassing term that covers the full cycle of transportation activity; including procurement, planning, order management, tendering, event management, and financial settlement. For the purposes of this study, the focus is placed specifically on the stages involving planning through event management and the visibility into each leg of the process. Procurement and settlement are purposely set aside to focus on the “blocking and tackling” of international logistics management—planning, order management, tendering and event management. This year’s study also includes a closer look at connectivity to vendors and partners, in addition to central versus local management practices.

It is also critical to understand that this benchmarking initiative strictly pertains to international cross-border transportation management; what American Shipper refers to as international transportation management or ITM. Qualified respondents represent a variety of industry segments, including retail, manufacturing, materials, and third party logistics. Likewise, these respondents run the gamut of size based on annual sales. (Responses from carriers, consultants, technology vendors and other unqualified respondents are not included in the aggregate data presented in this report.)

Distribution channels for the 31-question benchmarking survey included American Shipper’s Website, e-mail lists, and newsletters. In addition, members of RILA were invited to participate via e-mail promotions directly from RILA. As a policy, American Shipper does not share any individual survey responses. All data is displayed in aggregate only.
WINNERS

American Shipper’s benchmarking initiatives seek to parse out companies that are succeeding at any particular function and examine why they are successful. These “winners” are the top tier of respondents based on their answers to a set of questions that are seeded in the questionnaire.

With respect to this survey the winners meet three key criteria:

1. Report that they are capable of sending an electronic purchase order (PO), such as an electronic-data-interchange 850 file, to a logistics service provider (LSP).
2. Have visibility to shipment specifics five or more days in advance of shipping. These details include the number of containers, cartons, weight and dimensions of the shipment.
3. Meet or exceed the targets provided to them by their transportation procurement function.

Using these measures, there were roughly 30 respondents who could be categorized as winners. This is the top 15 percent of the class, so to speak. Similar to previous years, winners tend to be larger companies ($1 billion or more in annual sales) and include heavy representation from the retail/wholesale segment.

TERMINOLOGY

In the interest of being succinct and direct, this study uses several terms and acronyms. These explanations and definitions should be kept in mind when reviewing the results that follow.

Logistics service providers (LSPs) are companies that charge a fee for supply chain services, including but not limited to transportation, distribution, warehousing and customs clearance services. A third-party logistics provider (3PL) is a non-asset-based LSP.

This survey uses many segments that are straightforward, but some are less clear. Small companies are those firms with less than $100 million in annual sales, midsized companies are $100 million to $1 billion, and large companies have more than $1 billion.
Many of the data points illustrated in these pages break down the differences between companies that “automate” international transportation management versus those that handle this “manually.” In the context of this study “automated” companies are those that employ at least one software application to support their international transportation function. However, “automated” does not mean human interaction has been entirely eliminated. Likewise, “manual” does not mean these firms do not use e-mail, fax, and other technologies. The study assumes that basic computing power is ubiquitous in the transportation management field.

**HYPOTHESIS**

Based on the previous year’s study results, transportation industry trends, and events that have occurred since that time, a number of hypotheses were tested in this study. These include:

1. Shippers would run out of room to reduce the number of systems, as it would be tough to consolidate into fewer than three or four platforms. But that slowing consolidation hasn’t happened, as Fig. 11 demonstrates, and credit likely goes to providers for their ability to combine functionalities.

2. Shippers will increase the number of connections and integrations they have, and we’re seeing that, as Fig. 13 shows.

3. An expectation that there would be more activity in the market in terms of companies looking to upgrade their systems. Fig. 21 shows there is some growth, but not perhaps as much budgeted activity as expected.
Section II: Demographics

**Figure 1: Industry Segments Surveyed**

- Other Shippers: 7%
- Process manufacturing: 14%
- Discrete manufacturing: 14%
- Retail/Wholesale: 31%
- 3PL/Forwarder/NVOCC/Intermediary: 21%

255 total respondents

The demographics of this year’s study changed little from last year’s edition, with the exception of a smaller representation of companies that have in excess of $1 billion in annual sales, after an increase last year. There was also a bit less representation from manufacturers and a bit more from 3PLs.

**Figure 2: Company Sizes Surveyed**

- Less than $100 million: 31%
- $100 million to $1 billion: 38%
- Greater than $1 billion: 31%

172 total respondents
In terms of job descriptions there was more representation from the staff and C-levels (up 8 and 6 percent, respectively), and less representation from the director level (down from 25 percent in 2011 to 16 percent this year).

It’s not surprising to see international transportation managers tackling multiple modes. For most supply chains, multimodal is an expectation, not an exception. But it’s also apparent that those managers have more on their plates than ever before. Every mode in this category, except for parcel, rose from 2011, indicating that respondents are being tasked with managing more modes, likely a spillover from the reduction in staff seen during the economic recession.
Section III: The State of ITM

There has been a roughly 10 percent rise in the number of respondents who report they rely on manual ITM processes, a somewhat divergent development from the trend of companies hoping to automate as many of their ITM functions as possible. There was also a hefty rise in dependency on 3PLs to manage ITM, from 16 percent last year to 22 percent this year. Usage of in-house systems declined from 16 percent to 12 percent, suggesting ITM vendors are making headway in getting companies to realize that developing systems is typically not a core competency for shippers.

Figure 5: Current ITM Platform

<table>
<thead>
<tr>
<th>Current ITM Platform</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remote via on-demand systems or platforms provided by technology vendor(s)</td>
<td>24%</td>
</tr>
<tr>
<td>Remote via cloud systems or platforms provided by technology vendor(s)</td>
<td>22%</td>
</tr>
<tr>
<td>None of these</td>
<td>12%</td>
</tr>
<tr>
<td>Traditional licensed installed software provided by technology vendor(s)</td>
<td>1%</td>
</tr>
<tr>
<td>In-house developed and maintained software</td>
<td>1%</td>
</tr>
<tr>
<td>3PL(s) represents us in foreign countries and manage most/all of the activities</td>
<td>1%</td>
</tr>
<tr>
<td>Manual, we handle our entire international supply chain with phones/faxes/email</td>
<td>1%</td>
</tr>
<tr>
<td>A mix or hybrid of all of these</td>
<td>1%</td>
</tr>
</tbody>
</table>

177 total respondents
There has been a rise in the number of respondents who implemented new systems or updated existing systems in the last year (31 percent versus 21 percent in 2011). Another 21 percent updated their system in the last one to two years. So more than half of respondents are working with systems they added or upgraded in the last two years.

Respondents were asked to rate the perceived return on investment their companies have seen from investments in ITM systems managing inbound transportation, outbound, or both. Most users seem satisfied with the return they are getting in both directions. About 60 percent rated ROI as good or excellent for inbound and outbound. On the inbound side, 18 percent rated their ROI as poor or very poor, compared to 9 percent on the outbound side.
Winners on both the outbound and inbound sides continue to be at least satisfied with their systems, if not outright bullish. More than a third rated their ROI as excellent. And winners on the inbound side had an even higher level of satisfaction, perhaps underlining how difficult the inbound side is relative to the outbound—when companies find a system that provides ROI on their inbound, they’re that much more satisfied.

**FIGURE 8: Satisfaction with Current ITM Systems**

![Satisfaction with Current ITM Systems](image)

210 total respondents
The following two figures (9 and 10) break down the key segments of the international transportation management process to highlight where shippers and 3PLs are using technology, and where they rely on manual processes.

The results stayed remarkably similar to last year, suggesting a certain level of stasis in the automating of ITM functions. The potential reasons are numerous: users failing to take advantage of functions available to them on existing systems; vendors not inducing users to automate these functions; a lack of investment available, and even resistance from management.

**Figure 9: The State of ITM—Study Average**

<table>
<thead>
<tr>
<th>Function</th>
<th>Outsourced</th>
<th>Automated</th>
<th>Manual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>36%</td>
<td>57%</td>
<td>14%</td>
</tr>
<tr>
<td>Order Management</td>
<td>54%</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>Booking/Tendering</td>
<td>34%</td>
<td>52%</td>
<td>36%</td>
</tr>
<tr>
<td>Event Management</td>
<td>28%</td>
<td>57%</td>
<td>14%</td>
</tr>
<tr>
<td>Visibility</td>
<td>49%</td>
<td>37%</td>
<td>10%</td>
</tr>
<tr>
<td>Analytics/Business Intelligence</td>
<td>35%</td>
<td>55%</td>
<td>20%</td>
</tr>
<tr>
<td>Freight Pay/Settlement</td>
<td>20%</td>
<td>45%</td>
<td>20%</td>
</tr>
</tbody>
</table>

207 total respondents

**Figure 10: The State of ITM—Winners**

<table>
<thead>
<tr>
<th>Function</th>
<th>Outsourced</th>
<th>Automated</th>
<th>Manual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>61%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>Order Management</td>
<td>82%</td>
<td>36%</td>
<td>6%</td>
</tr>
<tr>
<td>Booking/Tendering</td>
<td>39%</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>Event Management</td>
<td>53%</td>
<td>19%</td>
<td>38%</td>
</tr>
<tr>
<td>Visibility</td>
<td>72%</td>
<td>48%</td>
<td>14%</td>
</tr>
<tr>
<td>Analytics/Business Intelligence</td>
<td>45%</td>
<td>41%</td>
<td>9%</td>
</tr>
<tr>
<td>Freight Pay/Settlement</td>
<td>24%</td>
<td>35%</td>
<td>9%</td>
</tr>
</tbody>
</table>

207 total respondents
After years of adding systems, shippers seem to be consolidating their ITM functions into fewer platforms—a welcome relief to those who indicate they want to reduce the number of systems within their companies. After the average number of systems fell markedly from 2010 to 2011, it fell again from 2011 to 2012 across retailers and manufacturers, suggesting a trend. 3PLs, however, have not been as successful this year, with the average number of systems holding steady from 2011.

The decrease was particularly sharp for winners, who have gone from using nearly six systems on average in 2010 to around three in 2012. In 2011, winners actually used more systems than the study average, but now use less, perhaps suggesting that winners found increased functionality from fewer providers and were able to abandon point solutions. Winners use about 0.5 systems fewer than the study average.
Meanwhile, companies are more connected than last year. Across the board, respondents said they had more integration through their ITM systems than in 2011, with the growth especially sharp among manufacturers. 3PLs have considerably more integrations than shippers due to their natural role as hubs in the international transportation network, while manufacturers have increased connections as their supply chains have grown through outsourcing. The average respondent added 0.6 integrations in the past year.
Last year’s report noted that data quality from transportation service providers was better than carriers often get credit for, and respondents reported data quality improving further across modes this year. The group of respondents who said their partners provided good data quality expanded this year. But perhaps more importantly, more respondents characterized data quality as excellent among ocean carriers, air carriers, and even motor carriers. Also notable—fewer than 10 percent of respondents characterized data from ocean and air carriers as poor or very poor, a positive change from a year ago. Data quality is improving on both the top and bottom ends of shippers’ expectations.

**Figure 14: Quality of Data Provided by Transportation Partners**

<table>
<thead>
<tr>
<th>Category</th>
<th>Excellent</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>6%</td>
<td>50%</td>
<td>38%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Rail/Intermodal Service Providers</td>
<td>3%</td>
<td>11%</td>
<td>41%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>10%</td>
<td>36%</td>
<td>37%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Motor Carriers (includes drayage)</td>
<td>12%</td>
<td>41%</td>
<td>31%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Ocean Carriers</td>
<td>8%</td>
<td>54%</td>
<td>29%</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Air Carriers</td>
<td>11%</td>
<td>50%</td>
<td>32%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Third Party Logistics Providers</td>
<td>14%</td>
<td>54%</td>
<td>27%</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>

160 total respondents
The defining aspect here is that winners continue to enjoy a clear gap in sophisticated functionalities over the average shipper, things like analytics and collaborative transportation management. That’s because they have the basics, the “blocking and tackling” aspects of ITM, down and can now focus on more sophisticated functions. Winners have a top-to-bottom approach, looking at the whole process. It’s up to the average shipper now to convert its focus on the bare essentials of ITM into the more sophisticated functions.
This chart is a terrific indicator of where shippers and 3PL priorities lie in terms of ITM functionality. Tracking and tracing might seem like an automatic these days, but more than 40 percent of respondents still said they lack that function and around half said they want to add or improve on the tracking and tracing capability they already have. Meanwhile, connectivity, freight invoice management, order management and analytics are clearly future priorities. On the flip side, mode optimization remains a low priority. Perhaps that’s because it’s hard to optimize modes in international transportation. Shippers need upstream visibility or purchase order management capabilities, which they mostly struggle to build.

**FIGURE 16: Current & Planned ITM Functionality**
Section IV: Benefits of Automation

Visibility in terms of how many days prior a company knows the specifics of a shipment improved in 2012 relative to 2011, after it worsened from 2010 to 2011. Winners, meanwhile, continue to get significantly more visibility than the average shipper. Nearly six days additional visibility means winners have almost an extra week to shift modal strategies or account for unplanned events. It may sound like a cliché, but visibility feeds into nearly every aspect of ITM.

Companies that use systems seem to be less productive than previous years on a purchase order per FTE basis, but the decline is marginal. The key concept here is that companies engaging in any sort of automated process have a major advantage over those that rely on manual processes. The rise in 3PL productivity can be attributed to a simple phenomenon: more shippers are relying on 3PLs to manage this work. Thus 3PLs are becoming more productive because they have more volume.

**Figure 17: Visibility—Days Prior to Shipment**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winners</td>
<td>16</td>
<td>12.8</td>
<td>9.9</td>
</tr>
<tr>
<td>Shippers</td>
<td>11</td>
<td>10.7</td>
<td>9.5</td>
</tr>
<tr>
<td>3PLs</td>
<td>8.9</td>
<td>9.3</td>
<td>3.06</td>
</tr>
</tbody>
</table>

**Figure 18: Productivity—PO per FTE per Year**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated (ex 3PL)</td>
<td>1,154</td>
<td>1,288</td>
<td>1,362</td>
<td>1,236</td>
</tr>
<tr>
<td>Manual (ex 3PL)</td>
<td>257</td>
<td>244</td>
<td>321</td>
<td>295</td>
</tr>
<tr>
<td>3PLs</td>
<td>83</td>
<td>207</td>
<td>246</td>
<td></td>
</tr>
</tbody>
</table>
Of the three primary functions of a logistics department, it makes sense that planning and measurement would be more prevalently handled in a centralized manner, while less so on the execution side. This report over the years has advocated for centralization of functions, as winners consistently have a more centralized focus. However, winners this year showed less of a proclivity for centralized planning and execution functions than in last year’s study. The average respondent, on the other hand, centralized more of their planning and measurement functions than last year, perhaps a sign that the average shipper and winners are trending together on the issue of centralization.

**FIGURE 19: Central vs. Local Logistics Management**

![Central vs. Local Logistics Management Chart](image-url)

- **0%** to **100%** range is shown for each function.
- **Average—Supply Chain Planning**:
  - **Other**: 5%
  - **Local**: 30%
  - **Regional**: 18%
  - **Central**: 47%
- **Winners—Supply Chain Planning**:
  - **Other**: 21%
  - **Local**: 38%
  - **Regional**: 24%
  - **Central**: 34%
- **Average—Supply Chain Execution**:
  - **Other**: 4%
  - **Local**: 41%
  - **Regional**: 15%
  - **Central**: 41%
- **Winners—Supply Chain Execution**:
  - **Other**: 3%
  - **Local**: 30%
  - **Regional**: 13%
  - **Central**: 53%
- **Average—Supply Chain Measurement**:
  - **Other**: 4%
  - **Local**: 24%
  - **Regional**: 15%
  - **Central**: 61%
- **Winners—Supply Chain Measurement**:
  - **Other**: 24%
  - **Local**: 15%
  - **Regional**: 15%
  - **Central**: 61%

Total respondents: 175
The number of shippers, both retailers and manufacturers, that met their procurement goals this year was virtually unchanged from a year prior. Separating those two types of shippers, retailers were much more likely to have exceeded performance goals, with 35 percent outperforming expectations, while 32 percent of manufacturers failed to meet procurement targets, compared to 17 percent of retailers. The discrepancy could be a function of the expanded footprint of manufacturers’ productions networks. With more outsourced production, manufacturers more than ever need to connect to 3PLs to keep tabs on their growing supply chains.

**FIGURE 20: ITM Performance Against Procurement Targets**

![Bar chart showing ITM performance against procurement targets for all shippers, retailers, and manufacturers.](chart)

- **All Shippers**: 53% met their procurement targets, 22% missed targets by a noticeable margin, 2% missed targets by a considerable margin.
- **Retailers**: 52% met their procurement targets, 16% missed targets by a noticeable margin, 3% missed targets by a considerable margin.
- **Manufacturers**: 47% met their procurement targets, 33% missed targets by a noticeable margin, 2% missed targets by a considerable margin.

90 total respondents
Section V: The Future of ITM Systems

Since 2010, there appears to be incremental momentum among shippers about replacing or upgrading their existing ITM systems. Twenty percent of respondents say they plan to do so in the next two years, the same as last year, but a higher proportion of that number expects to do so this year. What’s more, the percentage of respondents with no plans to replace their ITM systems has come down each of the last three years.

**Figure 21: Plans to Buy/Replace/Upgrade ITM Systems**

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted within the next 12 months</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Budgeted within the next 12–24 months</td>
<td>12%</td>
<td>10%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>On our company’s 5-year plan</td>
<td>16%</td>
<td>15%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>No plans to replace</td>
<td>50%</td>
<td>61%</td>
<td>64%</td>
<td>66%</td>
</tr>
</tbody>
</table>

165 total respondents
The gradual increase in those with no plans to replace appears to come from changes in internal capabilities or perceptions of what vendors can provide. Whereas 9 percent of respondents in 2011 said they didn't have the technical capability to upgrade, or that available systems didn't provide the functions they needed, that number dropped to 4 percent in 2012. These are small differences for sure, but in the context of incremental change in attitude toward new systems, each factor is significant.

From a vendor point of view, the incremental change might not be coming quickly enough. Seventeen percent of respondents either recently replaced their systems or are in the midst of an upgrade/replacement. Another 42 percent are happy with their existing systems, meaning 60 percent of the market is really out of their reach at present. Another way to see this is that less than half of the market is happy with their current systems, which would alternatively seem much more encouraging for vendors, but not very good for users.

**Figure 22: Inhibitors to ITM Investments**

![Inhibitors to ITM Investments](chart)

- Available systems do not provide the functionality we require
- We do not have the technical expertise to make a change
- We’re in the process of upgrading or replacing our system
- Organizational resistance to change
- None of these
- We recently upgraded or replaced our system
- Lacks return on investment
- Current system meets our needs

100 total respondents
Visibility is clearly a function that companies prioritize (as seen in Fig. 16), but it remains less of a driver to ITM systems adoption than cost and efficiency. What’s interesting to note is that the traditional top drivers of adoption are gradually becoming less important year-on-year, while meeting customer demands and keeping up with regulatory obligations become bigger factors each year. Somewhat surprisingly, integration with vendors fell off steeply as a driver in 2012 after seemingly being a rising factor the last three years.
There’s little remarkable change from last year in terms of ITM delivery models, and it may be time to recognize a simple fact: Not only is there fragmentation in terms of vendors, but also in terms of delivery models. No single delivery model seems to be emphatically winning out. There is movement toward more software-as-a-service platforms or cloud-based systems, but not so much that the traditional models are anywhere near obsolete. This double-dose of fragmentation makes the decisions about whether to invest, and then whom to invest in, even more difficult.

**FIGURE 24: Future ITM Delivery Model**

- **Licensed software purchased from outside vendor**: 2012: 31%, 2011: 31%, 2010: 30%, 2009: 30%
- **Software as a service provided by an outside vendor**: 2012: 29%, 2011: 28%, 2010: 20%, 2009: 18%
- **Software provided by 3PL, carrier or other logistics service provider**: 2012: 16%, 2011: 17%, 2010: 22%, 2009: 22%
- **Built in-house or custom built**: 2012: 13%, 2011: 15%, 2010: 16%, 2009: 15%
- **Customized package (Heavily customized packaged software)**: 2012: 11%, 2011: 13%, 2010: 15%, 2009: 16%

62 total respondents
Section VI: Lessons from the Winners

Winners in 2012 continue to demand more from their ITM systems than the average shipper, widening the gap in terms of fewer individual platforms while gaining more connections. That translates to more effective collaboration and a higher level of understanding of how ITM systems can positively impact their supply chains.

1. Winners continue to expect ROI from their systems, not just bells and whistles.

2. Winners use their ITM systems to drive greater integration with partners and systems across their supply chains, especially as those supply chains include more modes and geographic locations.

3. Winners still focus intently on centralizing their transportation management, particularly the planning and measurement aspects.

4. Winners build on the now-essential functions, like track and trace and booking, to leverage more sophisticated functions like analytics and collaborative management.

5. Winners don’t remain satisfied with their current capabilities, and plan to invest and expand core ITM functions like visibility.

6. There are still a relatively low number of companies using single, holistic systems (whether licensed or hosted) to support their entire ITM processes.
Appendix A: About Our Sponsors

**AMBER ROAD**

Amber Road (formerly Management Dynamics) is the world’s leading provider of on-demand Global Trade Management (GTM) solutions. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

Our Global Logistics solution provides a range of transportation management, logistics and supply chain visibility capabilities for importers and exporters including contract and rate management, carrier selection and booking, freight audit, order and shipment visibility, data quality management, and performance management reporting. By taking a holistic, integrated approach to global trade, Amber Road accelerates the movement of goods across international borders, enhances compliance and reduces global supply chain costs. For more info, please visit [www.AmberRoad.com](http://www.AmberRoad.com) or email us at Solutions@AmberRoad.com.

---

**BRAVOSOLUTION**

Every company’s strategic objectives are different. Supply management executives are uniquely positioned in their organization to provide a deep understanding of what drives their business’ success. To harness this perspective and contribute to these distinctive objectives, sourcing executives need an exceptional solution to maximize their company’s competitive advantage.

With over 60,000 procurement professionals in 40 different countries using BravoSolution’s technology and services, BravoSolution offers leading software, practice innovation and expertise to ensure that supply management is aligned with their company’s strategic objectives to drive business growth.

Top analysts have found that the right blend of skills, process, and technology improves a company’s financial performance by 30 cents on every dollar spent. BravoSolution works with supply management to address each business’s unique processes, stakeholders and goals to deliver tailored solutions across the entire supply management cycle.
Appendix A: About Our Sponsors, Continued

DESCARTES

Descartes (TSX:DSG) (Nasdaq:DSGX) 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. Descartes’ B2B network, the Global Logistics Network, integrates more than 35,000 trading partners to our cloud-based Logistics Technology Platform to unite their businesses in commerce. 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; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world’s largest, collaborative multi-modal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world. Learn more at www.descartes.com.

LEANLOGISTICS, INC.

LeanLogistics is a global solutions provider of transportation management system (TMS) applications and supply chain services enabled by the industry's largest transportation network. The LeanLogistics Transportation Network empowers shippers, carriers and other participating members to reduce costs, improve services and gain complete visibility.

Used by many Fortune 1000 companies and leading third-party logistics providers, LeanLogistics On-Demand TMS® delivers complete transportation planning, execution, settlement and procurement, as well as supply chain visibility and business intelligence. On-Demand TMS processes millions of shipments across the largest multi-modal transportation network in the US.

For outsourced transportation solutions, LeanLogistics offers Managed Transportation Services that leverage the data intelligence of the network with transportation expertise to ensure clients receive maximum value.

For additional information, please visit www.LeanLogistics.com.
Appendix A: About Our Sponsors

SAP

As market leader in enterprise application software, SAP (NYSE: SAP) helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device—SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP applications and services enable more than 172,000 customers (includes customers from the acquisition of Sybase) to operate profitably, adapt continuously, and grow sustainably. For more information, visit www.sap.com.

Transform linear supply chains into a responsive supply network, and quickly adapt to ever-changing markets. SAP’s supply chain management software can help companies synchronize planning, distribution, transportation, and logistics—for an ‘always on’ 24/7 operation. Recognized by key industry analysts as one of the leading supply chain management (SCM) software solutions, SAP SCM can also help companies maintain relationships with suppliers, customers, and contract manufacturers—facilitating connections and collaboration around the globe. Learn more about SAP solutions for supply chain management.
Appendix B: About Our Partners

RETAIL INDUSTRY LEADERS ASSOCIATION (RILA)

RILA is the trade association of the world’s largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad. For additional information visit [www.rila.org](http://www.rila.org).
Appendix C: About American Shipper Research

BACKGROUND
Since our first edition in May 1974, *American Shipper* has provided U.S.-based logistics practitioners with accurate, timely and actionable news and analysis. The company is widely recognized as the voice of the international transportation community.

In 2008 *American Shipper* launched its first formal, independent research initiative focused on the state of transportation management systems in the logistics service provider market. Since that time the company has published more than a dozen reports on subjects ranging from regulatory compliance to sustainability.

SCOPE
*American Shipper* research initiatives typically address international or global supply chain issues from a U.S.-centric point of view. The research will be most relevant to those readers managing large volumes of airfreight, containerized ocean and domestic intermodal freight. *American Shipper* readers are tasked with managing large volumes of freight moving into and out of the country so the research scope reflects those interests.

METHODOLOGY
*American Shipper* benchmark studies are based upon responses from a pool of approximately 30,000 readers accessible by e-mail invitation. Generally each benchmarking project is based on 200-500 qualified responses to a 25-35 question survey depending on the nature and complexity of the topic.

*American Shipper* reports compare readers from key market segments defined by industry vertical, company size, and other variables, in an effort to call out trends and ultimate best practices. Segments created for comparisons always consist of more than 50 responses to keep the potential margin of error to a minimum.

LIBRARY
*American Shipper*’s complete library of research is available on our Website: [AmericanShipper.com/Research](http://AmericanShipper.com/Research).

Annual studies include:
- Global Trade Management
- U.S. Export Compliance
- U.S. Import Compliance
- International Transportation Management
- Transportation Procurement
- Transportation Settlement

CONTACT
Jim Blaeser
Publisher
*American Shipper*
BlaeserJ@Shippers.com