

Choosing the Right Transportation Management System

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ABSTRACT

A transportation management system (TMS) is software that help businesses plan, execute, and optimize the transportation/logistics aspect of the business. This provides visibility into day-to-day transportation operations, proper documentation, compliance information, and ensuring the timely delivery whether they are by land, air, or sea. Choosing the right transportation management system is not as easy as it may appear. This paper discusses the steps to follow when selecting a transportation management system for your business.

KEYWORD: Transportation Management System

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I. INTRODUCTION

A Transportation Management System being an important part of an overall supply chain management system does not belong to the shippers and third party logistics companies alone. Every organization, churches, schools, offices and even the smallest business needs a good system of managing their transportation/logistics operations. Cost reduction and maximizing value are distinguishing characteristics of an efficient transportation management system (TMS) solution. There are dozens, if not hundreds, of lightning-fast systems, with many improving efficiency, it's difficult to know which Transportation Management System best fits your business needs.

II. CHOOSING THE RIGHT TRANSPORTATION MANAGEMENT SYSTEM

Choosing the right transportation management system for your company can be a frightening task, but it doesn't have to be difficult, be you a long-time user looking for an upgrade or a first-time buyer. Instead of picking a system randomly, you can start the selection process by following these steps.

Step 1: Know your business

Having a complete understanding of how your company runs its logistics operations will give you a solid foundation to work from. To understand your business logistics operations you need to know the mode of transportation your company operates, do you operate out of multiple locations, How many shipments does your business make per annual (for shippers and third party logistics company), How many invoices do you audit each year? By answering these questions you will have a complete understanding of your business.

Step 2: Define your needs for transportation management system

Understanding why you need a transportation management system will ensure that you implement a TMS that is right for your business. You cannot improve what you do not understand. Define the type of transportation needs that exist within your organization and clearly identify the areas that may be improved upon through the TMS first.

Step 3: Always Look For Optimization Benefits

Route optimization is an essential aspect of a transportation management system, explains Steve Banker A TMS system must be capable of optimizing routes as its most essential function. Chris Johnson, on his article called Demystifying Supply Chain Optimization, described optimization as a critical requirement in selecting the right TMS. He used a good example in describing this "Suppose that you have 3 loads you need to tender and 3 carriers (A, B, and C) with whom you work. Each carrier only has 1 truck available and each carrier has a different rate for each load. Which load should you assign to which carrier? In this simple example, there are just 6 possibilities (A, B, C / A, C, B / B, A, C ...), and it's easy to calculate the cost of each scenario and simply pick the best one."

Imaging what will happen when the number of loads and the number of carriers are doubled. 720 possible scenarios are what happen. How about increasing the number of loads, the number of carriers, and the carriers' capacities to what you might actually encounter in the real world?" (Chris Johnson, 2015). Transportation management system solves this problem in a twinkle of an eye.

Step 4: Type of TMS you need (cloud based or Hosted)

A transportation management system can be hosted software or cloud based software. By Hosted TMS we refer to a transportation management system that resides on premise. In other words, the platform is contained within the servers of your hardware, this type of software has a great risk of data loss. Cloud-based TMS leverages cloud computing technologies to move the entire platform off-premise. In other words, the data and platform reside within the cloud, so information is continuously logged between access points and the cloud itself. As a result, the risks of data loss decrease. Knowing the best option to choose depends on your business type and size.

Step 5: Research on TMS market

By now you must have gathered all the knowledge and information you need and will be able to eliminate unsuitable types of transportation management systems. The next thing is to do market survey.

There are some transportation management systems that brand themselves as complete TMS solutions but are in reality, only rate aggregators. Identifying the TMS that has all the features your company needs will help to narrow down the field survey.

Likewise in real life shopping, you probably rely on word-of-mouth and review sites to make important purchases. Buying a TMS shouldn't be any different. Make sure to check out reputable review sites and research from 3rd party consultancies. These will give you unbiased accounts of the top TMS options available on the market.

Step 6: Select the right TMS

When selecting a transportation management system, avoid the temptation to choose one TMS immediately. Choose three systems that suit your organization's needs and do more research on the systems. This including requesting bids for services from the manufacturer or creator of each TMS, conducting reviews or audits of how each system may save money for your organization and using negotiations to secure a TMS solution at the best price possible.

III. CONCLUSION

With many transportation management systems lying out there, selecting the best TMS for your business can be difficult and confusing. Following the right steps will give you an outstanding result. More recent studies have revealed that choosing the right transportation system benefits the business in many ways and reduces freight costs for more than 60 percent.

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