



**TMS
FLEXES ITS
MUSCLE**

As transportation management systems (TMS) have evolved, so too have the number of TMS options and formats available to shippers. For example, traditional purchase-and-install options have taken a backseat over the last few years as more shippers lean toward on-demand options that provide flexible, affordable choices and quick setup times.

Vendors have also expanded their TMS functionalities to include a range of features that not only touch the transportation component, but extend throughout the enterprise. Today's TMS solutions help companies reduce transportation spend and optimize their operations by handling basic payment, auditing and route scheduling, carrier and bid optimization, collaboration across departments, and even fleet management.

With technology infiltrating every link of the supply chain, savvy logistics operations are slowly but surely adopting new and upgrading existing transportation management systems. CytoSport, Inc., a maker of sports nutrition beverages, and consumer electronics manufacturer LG Electronics are just two companies that are now

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Even though technology has infiltrated every link of the supply chain, TMS adoptions are still surprisingly low. Here are two companies that have taken the plunge and have strengthened their logistics operations with a TMS tailored to their specific needs.

reaping the rewards of their technology investments. Over the next couple pages, we'll learn how these logistics teams selected, implemented, and are now reaping significant benefits from transportation management systems that have been tailored to their companies' specific needs.

CYTOSPORT REALIZES SEVEN-FIGURE SAVINGS

When athletes need their Muscle Milk nutritional drinks, those products had better be available, and fast. The last thing anyone wants to deal with is an undernourished track star that can't get his hands on his favorite protein-enriched drink. To make sure that never happens, Benicia, Calif.-based CytoSport Inc. recently moved from a manual transportation management system to a state-of-the-art TMS from MercuryGate.

Founded in 1998 by the father/son team of Greg and Mike Pickett, CytoSport has been on a growth tear. Over the last 12 years, the firm has evolved into a premier manufacturer of sports-oriented nutritional products that address the needs of athletes and active lifestyle individuals at every level. As the company grew so too did its need to better manage its supply chain operation.

"Our company has posted tremendous growth over the last five years," says Mike O'Hare, CytoSport's director of logistics and warehousing. When he joined the company in 2009, O'Hare says that everything was done on paper, including both transportation and warehouse management. "Up until this year we relied on brokers, third parties, and a manual system," says O'Hare. "We are a testament to the fact that you can grow a small firm into a large, customer-friendly company just using paper."

Familiar with the benefits associated with TMS from a prior position, CytoSport's vice president of operations, Kirk Connors, knew the firm's growth would be more easily managed with technology. "He had used TMS before and noted its value," says O'Hare. "We started to explore TMS as a means of getting a better understanding of our freight costs and reducing those costs."

In the second quarter of 2009, CytoSport hired a consultant to help select the right TMS. Five different vendor packages were reviewed, and MercuryGate was chosen based on various criteria. Cost of implementation was a key factor, says O'Hare, as was the software's ability to optimize CytoSport's transportation operations. The vendor put together a presentation using the

TMS to the respective carriers, says O'Hare, whose department uses the software for rate shopping and one-stop shipment tracking through the system's integration with the carriers' own tracking systems.

O'Hare says implementation took several months, with much time spent planning out the project's phases. According to O'Hare, first phase took the most time and found the firm selecting carriers to "hook into" its new TMS. Making this move required a movement from a broker-based system to one that revolved around the carriers themselves. LTL carriers were asked to apply a discount to their base rates, says O'Hare, and a freight network was created around customer and supplier shipments.

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shipper's historical shipment data that showed how the TMS could optimize freight movements. "The savings presented were staggering," says O'Hare, "so we went ahead with the implementation."

CytoSport, which ships both domestically and internationally, selected an on-demand option. "As our freight spend increases," O'Hare notes, "we may go ahead and purchase the product." Rolled out this past January, the TMS is being used to handle all freight shipments to customers. Loads are tendered from the

During the initial phase, CytoSport's logistics team also had to work through several EDI integrations with its carriers. It also incorporated its new TMS with its two existing ERP systems. Finally, the manufacturer tweaked its own distribution model from a three-point system to a two-point setup that relies on a DC in Benicia and the services of a 3PL in Carlisle, Pa.

Even though it's only been up and running for just a few months, O'Hare says that CytoSport's TMS is already paying off. The hard dollar savings on



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—Larry Monaghan, director of transportation and logistics, LG

freight have been significant, according to O’Hare, who estimates that the firm will shave more than \$3 million from its 2010 freight budget. “We’re already in the seven figures as far as savings goes,” says O’Hare. “We attribute that savings to the fact that we really understand our charges now. We’ve been able to do some pretty attractive spot pricing using the TMS as a data tool.”

The indirect cost savings are also worth noting. Coordination between CytoSport’s logistics and accounting departments is now automated, runs more smoothly and requires little human interaction. “From a reporting standpoint,” O’Hare adds, “we now really understand what our freight spend is, and we can share that reporting with our executive team.”

But the buck doesn’t stop there. According to O’Hare, the next “optimization” phase of CytoSport’s TMS implementation will have the most impact on the company. “Optimization is probably going to be the single greatest cost reduction that the TMS will provide us,” says O’Hare. “It’s going to allow us to take LTL shipments (which comprise about 80 percent of the firm’s current shipments) and consolidate them into truckloads. That’s going to result in even more significant savings.”

LG TUNES INTO TMS

LG Electronics’ televisions, cell phones, home appliances, and other consumer electronics can be found in nearly every

corner of the world. Check into a hotel room and the letters “LG” are probably at the bottom of that flat-screen TV. Hit your favorite wireless store and you’re sure to see more than one of the firm’s cell phones on display. Headquartered in Seoul, South Korea, the firm is known as a global leader and technology innovator in consumer electronics and mobile communications.

In the mid-2000s, LG gave its own supply chain a once-over and realized that a technological facelift was in order. Intent on establishing integrated, best-practice workflows across its global transportation and distribution organization, the company set out in search of a TMS to help make those goals a reality.

Larry Monaghan, LG’s director of transportation and logistics, says the need for a TMS hit home in 2004, when LG—which had previously operated three DCs in the U.S.—began selling products to a handful of large, domestic retailers. “We had to increase our setup to seven DCs,” says Monaghan. “Our shipping volume increased from a couple of thousand shipments a month to nearly 30,000.”

LG’s logistics network comprises three central distribution centers (CDCs), 18 regional distribution centers (RDCs), and more than 3,000 domestic consignees. In this environment, LG fills more than 700 truck loads every day, 300 of which deliver to the CDCs with the remaining 400 delivered to the RDCs.

To find a technology solution to handle its growing business, LG’s management team in Korea joined forces with its IT team to pinpoint a TMS solution from i2 Technologies (which has since been acquired by JDA). When shopping around, Monaghan says the selection team focused on solutions

that could scale up with LG’s growing business and enable the manufacturer to meet delivery schedules in a cost-effective manner.

Implementation of the traditional purchase-and-install software took about eight months for LG, whose goals included a 4 percent reduction in transportation cost in RDCs and a 3 percent increase of load fill rate in CDCs through transportation optimization planning.

The shipper’s goals have been exceeded in those areas, with results including a recurring 8 percent annual reduction in overall transportation and distribution costs. Inventory turn has been accelerated as a result of improved transportation planning, as has the level of collaboration between replenishment planners and DCs.

The system also allows LG to improve its carrier selection process, both in terms of delivery times and costs. For example, LG can easily select carriers based on shipping lanes and type of service required and then do “cost to value comparisons” across various providers.

According to Monaghan, LG has also achieved improvements in service levels and customer satisfaction, and established a supply chain management architecture that’s built to accommodate future growth. LG’s retailers have also benefitted from the system, which allows the manufacturer to consistently hit 98 percent to 99.2 percent on-time delivery goals. Finally, Monaghan says LG has reduced its transportation costs by over 42 percent over the last few years. “That’s pretty significant,” he says, “given the competitive nature of the marketplace.” □

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