

State of GTM: Seeking higher ground

With freight costs rising, capacity constraints looming, and the complexities of global trade on the rise, our top analysts concur that global trade management (GTM) software will continue its slow-but-steady infiltration into today's vernacular—that is if shippers can justify the ROI.

BY BRIDGET McCREA, CONTRIBUTING EDITOR

As global trade numbers continue to grow, the complexities that go along with its expansion are also on the rise. Inefficient shipping routes, changeable rates and hidden surcharges, capacity constraints, size and weight factors, along with safety and security issues are just a few of the key challenges that shippers are dealing with right now according to a recent research study from Peerless Research Group (PRG) on behalf of Amber Road (formerly Management Dynamics).

The research study, titled *Current Trends and the Potential for Automation in International Transportation Management*, highlights an international freight shipping environment that's plagued by challenges that potentially expose shippers to "risky and costly misfortunes." To circumvent these challenges, some domestic firms are turning to global trade management (GTM) solutions that help them better understand, negotiate, and adhere to contract provisions.

According to the report authors, "better informed decision-making on freight route planning, carrier selection, shipping scheduling and costing, load planning, guidelines compliance and auditing, invoicing, and reporting results in greater logistics operational efficiencies and yields significant cost savings."

But while GTM's value in the supply chain has been proven over the last few years, these solutions have yet to

gain widespread traction among the vast majority of shippers. In fact, the report found that just one out of four shippers currently uses automated applications for calculating rates and for selecting routes and carriers. Surprisingly, freight auditing, invoicing, logistics execution, and contract management functions are also still largely manual functions.

One of the reasons shippers may not be warming up to GTM is the fact that it can be difficult to associate the solution with a return on investment (ROI). "GTM isn't an ROI play in the sense that most supply chain software is," says Steve Banker, service director for supply chain management at the ARC Advisory Group.

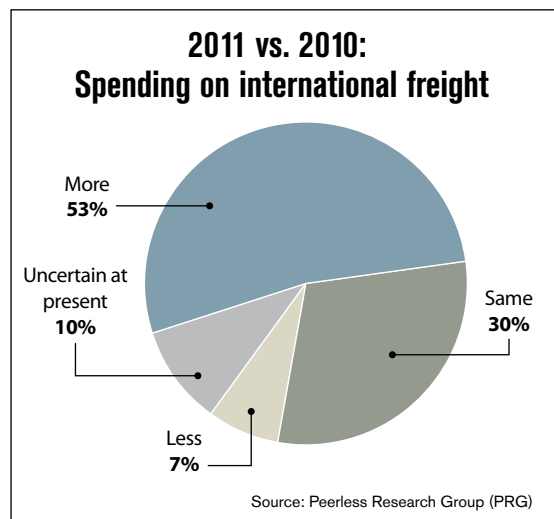
Rather, GTM is more about compliance and about not breaking the laws set forth by governments. "You could argue that GTM can save money on potential fines, but that's not a very strong argument," says Banker. "That makes GTM a harder sell than applications that truly do have a strong ROI."

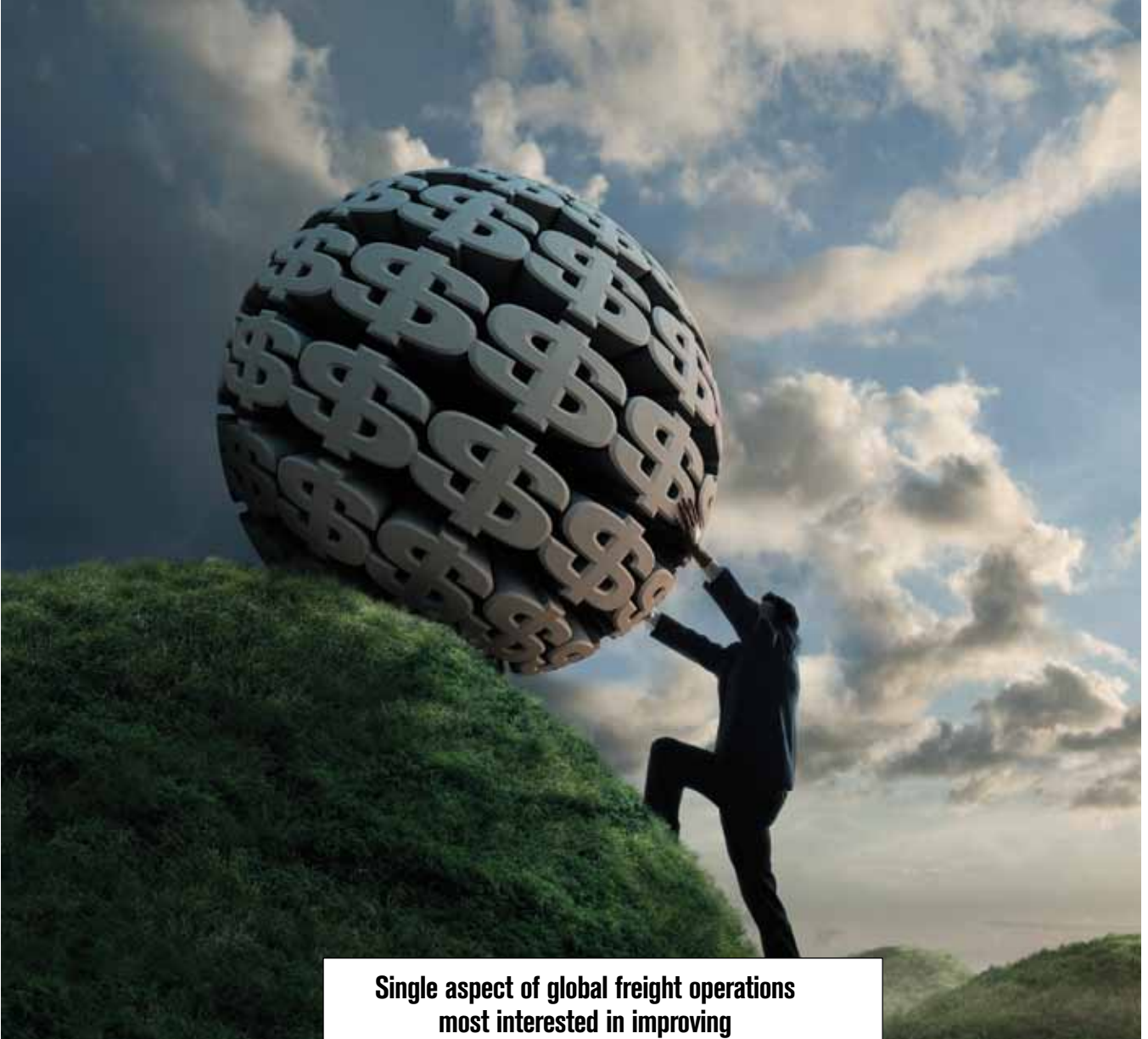
Over the next few pages we'll look more closely at current GTM adoption rates, discuss the solutions' value in the global supply chain, and put

the spotlight on how global shippers are benefitting from their GTM implementations.

MAKING A CASE FOR GTM

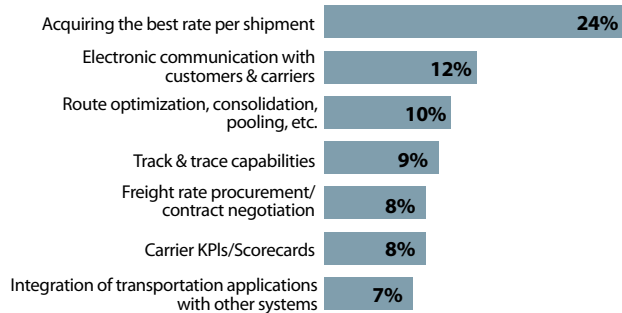
Freight shipping initiatives are a major expense for most shippers—especially for those working in the global environment. According to the PRG survey, 22 percent of firms spend more





COLIN ANDERSON

Single aspect of global freight operations most interested in improving



Mentioned by more than 5%

Source: Peerless Research Group (PRG)

than 15 percent of their overall revenues on international and domestic freight services. Twenty-six percent spent more than \$50 million on shipping in 2010, and 46 percent reported that 15 percent of their transportation costs were spent on international shipping initiatives.

For 2011, all indications leaned toward an increase in spending on international freight activity. More than one-half (53 percent) of the responding shippers say they planned to spend more last year than they did the year prior. As freight costs remain a big-ticket item for companies—and as those costs continue to rise—shippers say they’ll seek out better rates, advantageous routes, optimized loads, consolidated shipments, carrier number reduction, and improved account management practices, all of which can be facilitated by a robust GTM.

Yet to date, just 15 percent of the respondents report that they’re using such platforms. William McNeill, a senior research analyst with Gartner attributes this low adoption rate to the difficulties that shippers have justifying the software investment. “It’s always hard to get funding for a project when you can’t pinpoint a specific ROI,”

says McNeill. “Long-term supply chain visibility may sound compelling, but it’s a nebulous term that has different meanings for different firms.”

McNeill believes that companies that do business overseas can’t convince executives to shell out funding for GTM systems may be missing out on significant benefits. According to the PRG survey, results reported by shippers using GTM include more established carrier selection processes,

reductions in transportation spend, improved compliance with approved shippers, cost savings attained through freight audits, and reductions in invoicing errors.

Banker says GTM can also help companies save money on big fines associated with non-compliance. For example, an electronics company that was smacked with a \$50 million fine was able to get that bill whittled down to \$5 million by implementing a new GTM. "And they were able to promise that the same mistake would never happen again," says Banker, who learned of the situation by speaking with the firm's global trade manager at a recent trade show.

Third-party logistics providers are also seeing benefits from their GTM investments. At Houston-based Crane Worldwide, for example, Keith Winters, executive VP and COO, says the firm's investment in Kewill's global freight forwarding and export compliance solution has more than paid for itself. The firm uses the solution to manage all information, documentation, compliance, and financial aspects of its trade operations.

Winters says that key benefits of the GTM implementation include easier access to advance shipping notices, better order transparency at both the PO and reference number levels, easier information capture, and improved accountability within the organization itself. "Basically," says Winters, "our GTM is the heartbeat of our entire organization."

VENDORS PUSH INNOVATION

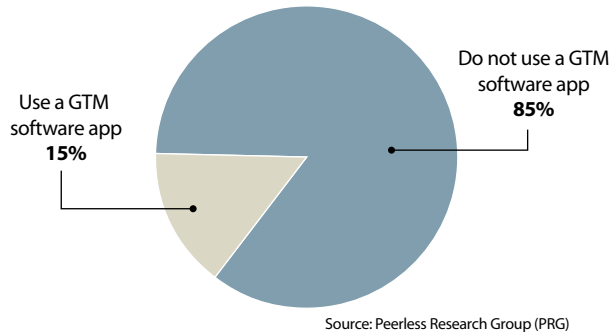
Shippers may not be jumping at the chance to purchase GTM to support their global trade operations, but that hasn't stopped the software vendors from doing everything they can to improve and promote their solutions. Banker says SAP and Oracle, the latter of which reintroduced its GTM in 2011, are currently leading the market. "When a major ERP comes out with a solution it provides strong market

impetus," says Banker.

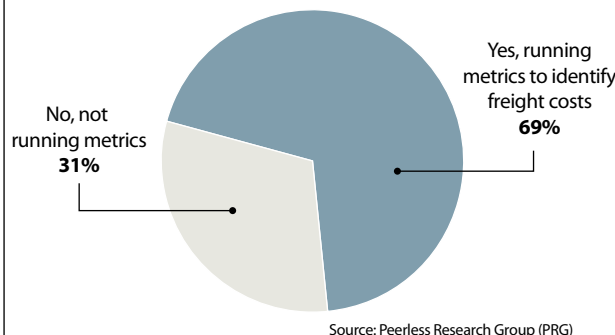
Best of breed players like Amber Road, Kewill, GT Nexus, and Descartes are also doing their part to get their solutions into the hands of more shippers. The latter's SaaS-based cross-border notification offering, for example, is especially compelling for shippers that want a fast, easy way to send advanced electronic registrations to foreign government entities. "Descartes has been making inroads in the area of electronic notifications," says Banker. "And, as a fairly significant-sized vendor, is now actively looking to grow its [solution] even further along those lines."

Amit Sethi, manager of supply chain service lines and supply chain technology for Capgemini, sees Oracle's renewed GTM effort as a key market driver. "The solution is being well received by Oracle Transportation Management customers," says Sethi. "And while it lacks the ability to handle the automated, seamless import and export of documents, the solution does include all of the tools necessary to manage screening and classifications."

Usage of global transportation management software applications



Running metrics to identify freight costs



INTO THE LOOKING GLASS

With freight costs rising, capacity constraints looming, and the complexities of global trade on the rise, the analysts interviewed for this article all concur that GTMs will continue their slow-but-sure infiltration into today's supply chains. How quickly that growth occurs remains to be seen, and will be highly dependent on whether or not logistics managers can present concepts like ROI and the minimization of "total landed cost" to the powers that be.

"Risk avoidance and compliance are the primary drivers of the GTM market, but for that market to continue to grow we have to add the reduction of total landed cost to that list," says Sethi. "That hasn't happened yet, but we do expect a shift in that direction over the next few years."

McNeill, who estimates that GTM adoption rates have grown at 4 percent to 7 percent over the last five years, expects those rates to remain around 4 percent to 5 percent in 2012. "We still see companies investing in GTM software and we don't expect that to change this year," says McNeill, who expects the push for better supply chain visibility to be a key driver for such solutions over the next few years. "Companies want to get a better handle on where their shipments are worldwide so that they can make more educated decisions about inventory."

McNeill also expects more shippers to turn to SaaS-based GTMs as a way to get up and running quickly, and more cost effectively, on a solution that their global partner can hook into without having to purchase and install software. Also in the cards are more entry-level GTM offerings that give shippers a "taste" of what the solution's capabilities and benefits are without having to buy the entire solution. "These options will help vendors get new customers using GTMs," says McNeill, "without having to make the full-blown, upfront investment." □

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