

A buying guide to outsourcing transportation management:

What to consider
when investing in
solutions

Uber Freight



True North Growth Partners

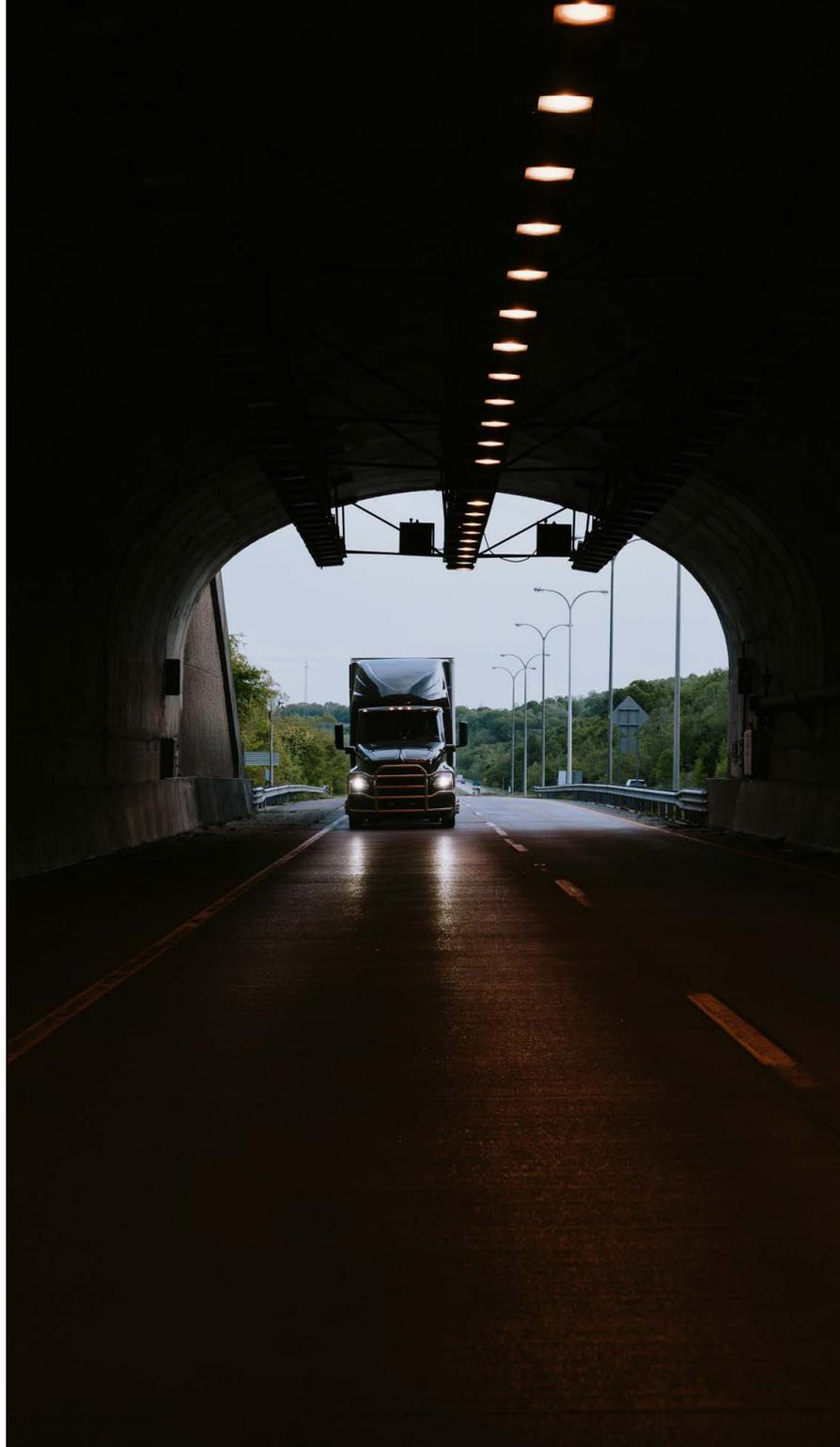


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Whether you're overspending on procurement or need visibility into your transportation data, there are numerous reasons to consider outsourcing your logistics program.

According to recent data, growing numbers of companies outsource their transportation management: **62% of shippers and 87% of logistics providers** say they're experiencing an increase in outsourcing logistics services. But to save on costs, logistics teams are becoming extra mindful of where they put their outsourcing dollars: **78% of shippers** say they are cutting or consolidating spend with fewer providers.

More and more businesses are seeking one-stop-shop partners who can manage and improve everything from transportation planning and procurement to final-mile performance. But if you're outsourcing for the first time or seeking a new partner, it's vital to choose the right provider for your immediate and long-term needs—and have a strategy that ensures continuous improvement.

In this guide, we'll explore what you should know about outsourcing transportation management. Arm yourself with these insights to build a fruitful, long-lasting partnership.



Is it time for me to outsource or switch providers?

The reasons to outsource your logistics program can vary, depending on whether you're shifting from in-house operations to a new provider for the first time, or switching from your existing provider to a new company. Consider some of the common signals for each scenario, which can tell you that it's time to outsource:

Shifting from in-house operations

- Your logistics processes are inefficient and keeping you from hitting service and cost KPIs
- You lack the TMS technology needed for more agile, efficient transportation management
- Your freight volume and spend is scaling, and you're outgrowing your internal resources
- You need outside expertise to help build a more proactive logistics strategy that can react to market conditions.

Switching to a new provider

- Your current provider over-promised improvements and undelivered on the results
- Your provider takes a transactional approach to collaboration—fulfilling your immediate service needs—but isn't delivering a big-picture strategy to help you make long-term improvements.
- Your provider can't accurately communicate performance metrics

- Your provider's technology is not user-friendly, and they're not investing in TMS enhancements

Overall, the easiest way to determine whether you need to outsource or switch to a new provider is by examining the performance of two common indicators: service and financial metrics.

- **Service metrics** can include on-time performance for both pickup and delivery, overall truck utilization, and carrier performance.
- **Financial metrics** can include anything from cost per mile to cost per unit.

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If you see these business metrics suffering, and you're not getting the investments you need to train your people and adopt logistics technology, it's probably time to consider other alternatives.

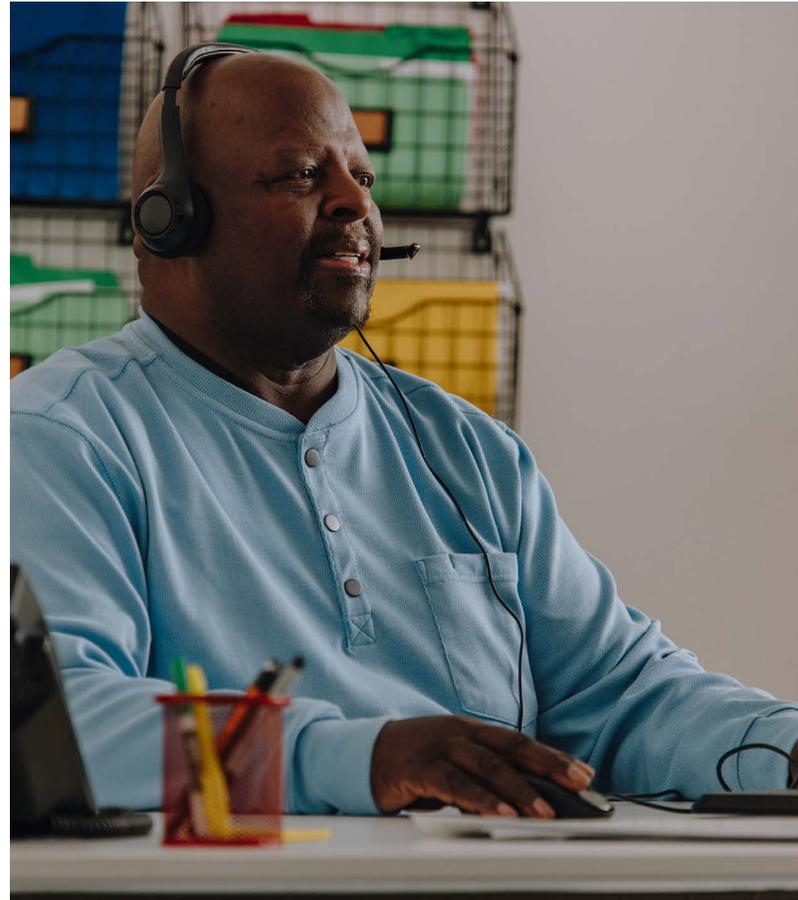
— Head of Transportation Management Sales
Uber Freight

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Another major sign that you should consider outsourcing: you're not able to efficiently analyze and use supply chain data to inform business decisions. If you lack the ability or technology to collect quality information around service and financial metrics, it's probably time to consider a provider that can help you organize and cleanse your data to drive actionable decisions.

Lastly, to decide whether investing in outsourcing or finding a new provider is worth your time, assess the ROI and outcomes that a potential partner could deliver. Consider the following questions in your assessment:

1. What value will a provider deliver for me in both service and cost, beyond what I'm capable of doing myself?
2. What capabilities does a provider have to leverage their own network and drive further synergies for me and my customers?
3. What would be the overall cost savings I can achieve shifting ownership of logistics processes to a provider?
4. What changes will I need to make to my organizational structure to effectively collaborate with a partner and existing employees?



Traditional vs managed service models—and which one's best for you

As they seek the ideal fit in a transportation management partner, most teams will opt for one of two primary outsourcing models—a traditional logistics provider and a managed transportation service provider.

A traditional provider uses its own solutions to manage specific processes, such as shipping or warehousing. A managed service provider works across your entire logistics program to optimize all aspects of supply chain management.

While some offerings overlap, consider these key qualities associated with the two outsourcing models:

Traditional logistics providers:

- Focus solely on day-to-day logistics processes
- Manage the specific services you pay for with their people and TMS solutions
- May have their own fleets and warehouses, or work with a service network that handles fulfillment

Managed service providers:

- Provide TMS solutions and a team of experts to advise on big-picture logistics strategies
- Stay on top of market trends to prioritize cost savings
- Can offer an expansive network of carriers to leverage

If you're a small logistics team that only needs support with distinct elements of their operations, such as warehousing

or inbound manufacturing, a traditional provider is your best bet. Or, you might have a growing business with a logistics program that requires diligent execution, but you want to focus your organization's attention on other areas that will drive your growth. Then, you might want to consider partnering with a managed service provider. Additionally, if you have a larger logistics team that struggles to achieve full visibility into your supply chain, fails to meet service and cost KPIs consistently, or seeks guidance around expanding to other transportation modes, you may want to hand the keys over to a managed service provider.

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When deciding which model is best for you, it all comes down to scalability. Ask yourself: can the provider meet you where you are today, and do they offer solutions for future growth across volume, modes, geographies, and TMS technology?

— Tyler King, Senior Solution Designer at Uber Freight

Checklist: How to find your strategic partner

After determining which type of outsourcing model is best for your business, keep these three factors in mind during your search for the ideal partner:

- **Industry experience:** First and foremost, seek a provider that understands the needs of your industry. Some specialize in chemical shipping, some have experience shipping consumer packaged goods, and others have a background in multiple fields. If you're a small company that specializes in one product vertical, you'll want a specialist third-party provider. If you're an enterprise that ships a variety of goods, opt for a partner with experience across industry verticals.
- **Future investments:** Your partner should have a clear vision for where they are taking the organization in the future. Is it investing in the automation of their TMS platform? Is it prioritizing tools and partnerships to improve processes such as procurement or electrification of their fleets? A partner should be able to answer these questions. If its team doesn't have a plan for how to invest in their product, the partnership likely won't see long-term success.
- **Trust and transparency:** Above all else, you need a partner with which you can establish a high level of trust. You'll be handing over a significant amount of control of your transportation management program, and need to be willing to incorporate your partner's guidance

and expertise to drive improvement. During the vetting process, ask potential partners what exact tools and tactics they'll use to help you achieve your specific goals, as well as how they will approach collaborative decision-making and change management. Also, confirm that the partner has a proven track record of success in managing logistics for other companies in your industry.

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If you want a partner to run your business the exact way you run it now, the outcome will be no different than what you're already getting. If you want to change an outcome, you have to opt for a partner you trust, who's going to push and challenge you to improve.

— Bob Daymon, Head of Client Services,
Uber Freight

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Case study:

How outsourcing with a managed partner improves service levels, data visibility, and cost savings

One multinational appliance manufacturer sought to evolve its legacy supply chain management systems, and opted to leverage the expertise of a managed services team and its cloud-based TMS software. Since outsourcing and investing in a digital logistics transformation, the company has seen the following improvements:

- Enhanced visibility into shipment data, allowing the company to more accurately analyze service levels, such as delivery speed and accuracy
- Improved service through more strategic decision-making around factors like carrier and route selection
- Cost-out initiatives such as implementing mode conversions and alternative routes to drive year-over-year savings

Learn more about the company's outsourcing success story.

Uber Freight



Building the TM buying committee

Who should be on your buying committee to choose the ideal provider? The answer might seem obvious at first: typically, an executive that oversees transportation, such as a head of supply chain operations, has the final say. While it's important to keep the committee small to make an effective decision, the group should also include stakeholders from across your organization who are directly involved with the processes that outsourcing will impact.

Gartner® research suggests that companies will improve their outsourcing outcomes by involving employees from the outset: “When it comes to change management, time invested upfront in employee engagement will pay dividends. To do this effectively, leaders should actively and regularly involve employees throughout the course of the initiative in co-creation and implementation planning. Engagement in this way must be genuine, taking employee viewpoints into account and not just conducting a ‘tick-the-box’ exercise. Leaders taking this open-source approach to change can expect the following benefits: Intent to stay can increase up to 19%; change fatigue can decrease up to 29%; sustainable performance can increase up to 47%; willingness to change is 1.5 times more likely to happen; change success is up to 14 times more likely to happen.”¹

With a well-rounded committee, you'll also have the knowledge to ask potential providers the most relevant questions about how their processes will improve each element of your transportation program. It will also ensure that once a contract is signed and you're ready to onboard, the change management process will run more smoothly. Your buying committee should include people from the following groups:

- Supply chain operations
- Warehousing
- Customer service
- Finance
- Information technology (IT)

¹ Gartner, Build Change Management Into Supply Chain Initiatives for Better Outcomes, Lorraine Gavin, Ken Chadwick, January 9, 2024. GARTNER is a registered trademark and service mark of Gartner, Inc. and its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.

Key outsourcing mistakes to avoid

As you embark on a new partnership, having a plan for success is vital to reduce challenges along the way. You can minimize potential obstacles by avoiding these three common outsourcing mistakes:

1. Failing to communicate operational requirements.

Failing to communicate operational requirements. Improper transfer of operational information and company knowledge is one of the easiest ways to run into problems. If you ship to a wide range of customers with different requirements, your partner must understand the demands of each one. Before you sign a contract, make sure you've clearly defined your requirements for processes such as customer delivery, appointment setting, and routing guide compliance.

2. Failing to align on KPIs.

Before integrating a new provider or TMS, define [clear KPI expectations](#) based on your objectives. Take the on-time, in full (OTIF) metric: it could be defined as when a shipment passes the guard shack or when it arrives at the dock. Make sure your provider is on the same page about what your metrics mean, to ensure you're both measuring KPIs the same way and accurately monitoring performance.

3. Lacking infrastructure to support new technology.

To achieve the supply chain visibility and service improvements you're seeking from a provider, you'll likely be investing in their TMS or other tech-enabled tools. And your existing IT infrastructure needs to be equipped to handle the transition. Consult with your IT team to determine whether your current system is compatible with a provider's technology, or whether any pre-integration updates are required. It's also crucial to build a comprehensive tech integration plan, complete with contingencies to reduce disruptions.

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Being clear about requirements might sound obvious. But if you are not, it can create some real problems for you downstream, because you end up with a series of miscommunications, disconnects, and frustrations.

— David DuBose, partner at supply chain consultancy True North Growth Partners, LLC.

The other side of the outsourcing coin: Adopting a new TMS

When investing in outsourcing, you also must consider [adopting a TMS](#) to uplevel your operations, mitigate supply chain risks, and maximize ROI. Your logistics provider can help support solutions integration and management. There are two types of TMS software that you can leverage: an on-premise or a cloud TMS.

With an on-premise TMS, you have complete control of your transportation services and data. Your company hosts the system internally, it operates on your own hardware infrastructure, and is managed entirely by your IT organization.

With a cloud-based TMS, a third-party provider manages the system through remote servers, and you can access the TMS through an online platform. A cloud TMS offers the scalability and flexibility that an on-premise system doesn't: you can customize a cloud TMS by removing or adding solutions as needed, and access and manage shipment data in real time.

Whether you're opting for a cloud or on-premise TMS, the ideal solution should be able to provide the following solutions:

- Real-time visibility to track shipment journeys
- Access to a vast network of carriers to fuel agile procurement
- Data-driven insights to improve service and speed
- The ability to toggle multiple modes as needed, including air, rail, and ocean
- Streamlined payment options such as automated billing

How to manage change and drive continuous improvement

While you'll see certain improvements right away when you begin a new partnership, it may take a full year of collaboration for your team to reach the full transformation of your logistics program and the payoff.

During this pivotal time, your overarching objective should be driving continuous improvement, even as you shift to new ways of running your logistics program. Achieving this requires a comprehensive strategy that outlines what each step of your onboarding process will entail, what the key changes will look like, and how both parties will manage the journey productively.

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You have to have a very robust and engaged change management strategy. There will always be some dissatisfaction along the way—call it the valley of despair—and a change management strategy will shrink the time you're in that valley.

— Bob Daymon, Head of Client Services,
Uber Freight

Your exact change management plan will depend on the logistics processes you're planning to evolve with outsourcing. At a high level, apply these best practices to foster a culture of continuous improvement:

1. Create a common project plan to facilitate a smooth onboarding process:

Developing a transparent process plan will help you understand the steps your provider needs to take for seamless onboarding. It also serves as a central source of truth for both parties to reference as you kick off the partnership.

2. Assess operational barriers to change:

Gartner® research suggests: “Supply chain leaders should identify what operational aspects of the initiative are likely to delay or hinder their ability to adopt change and transition to a new way of working. Common operational barriers include: Quantity of coinciding initiatives; overlap with key milestones of other projects; clashing ‘go-live’ dates across initiatives; implementation timelines that do not support transitions to new ways of working; business operating cadence; employee mental bandwidth for change; employee operational capacity for change; intersection with current workflows; coordination of partner resources/support; misaligned goals and metrics; systemic dependencies on other supply chain technologies.”

3. Align on KPIs to measure as you deploy new strategies:

The five core KPIs to measure typically include on-time service, cost reduction, carrier performance, tender acceptance, and cost of service. But these could change depending on the needs of your customers, so define them with your partner and tailor them around specific value props.

4. Schedule regular business reviews to monitor performance:

Committing to regular status updates with your provider is necessary to keep track of progress, and identify which changes are or aren't working. These check-ins fuel a more consistent and transparent dialogue with your provider, helping you better navigate the ups and downs of onboarding and continuous operations.

At Uber Freight, we understand that choosing the ideal partner to outsource your logistics—whether they're a managed service or traditional provider—is a consequential choice for your business. Taking the time to thoroughly explore your options and prepare your company for change will ultimately help you improve service and reduce costs for the long term.

Interested in outsourcing your transportation operations in 2024? Our teams have the resources and guidance you need:

Connect with an Uber Freight
Managed Transportation expert

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About Uber Freight

Uber Freight is a market-leading enterprise technology company powering intelligent logistics. With a suite of end-to-end logistics applications, managed services and an expansive carrier network, Uber Freight advances supply chains and moves the world's goods. Today, the company manages over \$18 billion of freight and has the largest network of carriers. It is backed by best-in-class investors including Greenbriar Equity Group and partnered with 1 in 3 Fortune 500 companies, including Del Monte Foods, Nestle, Anheuser-Busch InBev and more.