

## SaaS helping to bring TMS to the masses

Eric Johnson, Senior Technology Editor | Apr 12, 2019 3:30PM EDT

Software-as-a-service (SaaS) has redefined the boundaries of logistics software's reach, and nowhere is this dynamic more apparent than in the concept of a free or inexpensive transportation management system (TMS).

A decade ago, TMSs were largely prohibitively expensive for all but the largest shippers with the biggest technology budgets, but the last 10 years have seen an explosion of such systems across price ranges and levels of robustness.

That proliferation has coincided with the rise of the so-called "freemium" model, whereby browser-based software providers offer two versions of a system: one free or low-cost version designed to gain traction from buyers and induce them to eventually pay for a second, premium version designed to drive revenue for the vendor and provide higher value for the user.

For shippers, especially small to midsized ones, this creates a market with many more options. That's a double-edged sword, of course. Whereas before, the number of TMS providers was manageable even if those systems were out of reach financially (or if a shipper lacked internal capability to fully leverage it), now there are so many choices it can be difficult to determine the right fits in terms of cost and functionality. It can be a paralyzing situation.

This makes the concept of free TMS all the more intriguing. To be clear, there are not a lot of truly free options on the market. The most prominent, from a shipper perspective, are likely Tampa-based AscendTMS, and Boston-based Kuebix. Some freight brokers also offer a free TMS to shippers, but as ARC Advisory Group supply chain analyst Chris Cunnane wrote in a 2017 blog on the topic, “in these solutions, the route guide is populated with carriers the broker has a relationship with, and the broker makes their money based on the spread between what shippers pay for the shipment and what the broker pays the carrier.” In other words, free TMSs offered by logistics service providers may make determinations based on what is in the best interests of the provider and not the shipper.

## **Two-tiered TMSs**

Shippers that need a TMS are generally looking for a neutral tool to better structure their planning, procurement, load tender, visibility, and freight payment, making SaaS solutions a good fit. “There’s no shortage of TMS or TMS ‘light’ players that are bringing their own tools to the market,” Eric Rempel, chief innovation officer at Chicago-based third-party logistics provider (3PL) and brokerage Redwood Logistics, said during the April 11 episode of Dynamo’s Future of Supply Chains podcast.

Rempel said the TMS deployment model changed “around the time that [customer relationship management software provider] Salesforce started introducing their cloud-based solution. You started seeing a shift to per-load pricing or per-tranche of freight under management. So you’ll see where you can get a subscription-based price either per transaction, on a load-by-load basis, or if you have relatively higher volumes, you can look into these freight

under management agreements, where up until \$1 million-10 million of freight within the TMS, I pay X per month, and from \$10 million-50 million it's Y, and it's a sliding scale as it continues to get larger. But the SaaS model is here and dominating."

AscendTMS has been at the forefront of this movement, introducing a free basic version of its software five years ago. That version is capped to three users, and not all functionality is available. For instance, the basic TMS allows users to search Truckstop.com and DAT load boards, whereas users of the premium version can scour 53 different boards through the system, including Trucker Tools' Smart Capacity platform, a partnership the two companies announced Thursday.

The premium version is still designed to be cost-effective, at \$59 per user per month, compared with other TMSs. AscendTMS CEO Tim Higham said approximately 70 percent of customers are carriers, 20 percent are brokers, and the other 10 percent are shippers; but the lines between those segments are blurred since many carriers operate brokerages and vice versa. Even some shipper customers operate fleets that they use the TMS to manage.

Higham also emphasized that AscendTMS's 30-day free trial of its premium system is an innovation in and of itself, as shippers, brokers, and carriers typically have not been allowed to test a system with no financial risk in the past. "It's amazing the democratization taking place right now," he said. "Only the most sophisticated parties had access to technology that really worked. We allow the small guy to offer the same kind of services as the really big guys. As long as we focus on that, we'll continue to be successful and profitable."

"You really went from a market where there were a few main players and it was cost prohibitive to get into a TMS unless you had enough customers or enough money, to 'I can go and sign up right now, have an environment spun up, and leverage it internally with a credit card,'" Rempel said on the Dynamo podcast. "That's game changing. In an industry that's so fragmented, where there are tens of thousands of brokers and shippers and carriers, there's no shortage of a [total addressable market] that's growing out there."

Kuebix also essentially offers two different TMS products to different categories of shippers: a free "light" version for small and midsize shippers and an enterprise version for larger ones. The free version helps the software provider build its network, both in terms of connections to carriers and brokers and the data gleaned from shippers' use of the free version. That in turn enriches the paid product sold to enterprise customers.

"With every shipper that gets up and running with their carriers, the resulting network of shippers and carriers gets bigger," the company noted in a blog during the launch of its free TMS in 2017. "It's comprised of shippers and a huge network of carriers. With that expanding at a fast clip, members have been able to optimize their freight shipping operations across supply chains. That means shippers have more rates to choose from and more companies looking to match capacity with freight for things like backhauls, that can be revenue generators."

It's important here to note a saying in the software world: if the product is free, you are the product. This essentially means that if a software provider is giving away its product, it is likely monetizing some aspect of its relationship with the free user with another customer. Freeware is not a new idea, but it is a relatively new way

for TMS providers to build out their networks that positions the network itself as the point of innovation.

## **Brokers in TMS clothing**

Another factor to consider is whether a free or low-cost TMS is being provided by a SaaS company or if the software is essentially being provided by a freight broker. That's not always an easy determination to make, but it's also becoming less of an issue as the SaaS and brokerage models sometimes bleed into one another.

Take EmergeTMS, a recent entrant in the freight marketplace space, for example. Co-founded by Andrew Leto, the founder of top-10 freight broker GlobalTranz and then freight visibility provider 10-4 Systems, the company brands itself as a TMS, but as a licensed broker, derives its revenue not from TMS sales, but from transactional fees on freight booked via its marketplace. Redwood Logistics likewise offers a TMS and is also a broker, but it is likely competing for different customers than Emerge.

A host of digital brokers have also emerged in recent years, from Convoy and Transfix to Loadsmart, Shipwell, Opus9, and Exfreight, among others. The lines between software platforms and brokers are blurry at best but may be of declining significance. For many organizations, it's worth asking whether using a digital broker might be a viable replacement for a lightweight TMS.

Shipwell, for example, notes in its online terms and conditions that although it is a licensed broker, the company "provides the Shipwell platform as neither a freight carrier, freight forwarder, freight broker nor other type of transportation intermediary that requires licensing by a government agency ... We do not have responsibility

for the freight transaction itself. We connect the participants and provide optimized recommendations.”

Higham would likely disagree with that assertion. “Everyone wants to call people a TMS,” he said. “It’s often nothing more than a veiled attempt to give you a TMS, but they’re nothing more than a broker.”

AscendTMS’s partnership with Trucker Tools is instructive because it shows how modern TMS can use application programming interfaces (APIs) to plug into other software providers to extend their capabilities. Trucker Tools, which uses data from a driver-downloaded app to power its load-matching algorithm, partners with a number of TMS providers.

“If a guy with one truck is using our app, and an AscendTMS user with 30 trucks is using this, we’re extending Smart Capacity’s reach,” said Trucker Tools CEO Prasad Gollapalli. “They’re not paying for this service and the loads are coming to them. Everyone wants the carriers to do something — come to my app, come to the load board. But why should they come to us? Why don’t we push the data to them? We need to plug into [the broker’s] system to pull the available loads and push available loads to [the carriers].”

One example of how valuable the TMS market has become from an investment perspective is Cloud Logistics, a SaaS TMS provider that focuses on low-impact implementations and quick returns on investment. The company was acquired in September by supply chain planning software maker E2open for an undisclosed amount.

Prestage Foods, a small supplier of turkey and pork in North Carolina and Iowa, started using Cloud Logistics in March, primarily to reduce payment terms with its carriers and to make tendering its

freight more efficient. The company is opening a new pork processing facility in Iowa this year.

“Iowa is a hard market to cover your freight,” said Crystal Hill, director of supply chain and logistics at Prestage. “We’re putting our payment terms to carriers to net 15 [meaning the shipper needs to pay the carrier in full within 15 days of the goods being dispatched or delivered], and our competitors are at net 30. Without a TMS, we wouldn’t be able to meet those timelines. If we didn’t have the TMS to manage proof of deliveries, receipts, and accessorials, there’s no way to hit that 15.”

More generally, an easy-to-implement system will let Prestage, which has never used a TMS before, smooth out its freight tendering process. “The focus of the business can’t be ‘did the carrier accept it or not?’ We can’t keep going back to the screen to make cost comparisons. We’ve got to do more with less. We don’t have 20 staff looking at this. We have five.”

On the other end of the spectrum is 3GTMS, founded by TMS pioneer Mitch Weseley, most well known for building GLog, the technology that became the backbone for OTM, Oracle’s widely used TMS.

“If I’m coming in as a TMS buyer, the first thing to appreciate is there are no standard nomenclatures,” Weseley said in an interview with JOC.com. “There are countless kinds of products calling themselves a TMS. It’s particularly challenging for a first-time buyer. They often don’t even know what questions to ask. The mistake virtually everyone has made is they don’t understand the problem they’re trying to solve when they start. They build a data model with rules they can’t get around.”

3GTMS is a premium product with a premium price tag, aimed at the upper tier of the market, selling to both shippers and freight brokers.

"We're playing on the high end," he said. "The reality is, we have to spend the time upfront and talk about their issues. If we can't identify things they need that require a Tier 1 product, we don't waste our time and their time. I have a Porsche and I can have a tricycle. They both get me there. We rarely win a new account if nobody on the account has ever bought a TMS because they don't appreciate what we're doing. The second- and third-time buyers get it."

Higham, meanwhile, reiterated that his software will appeal to precisely that part of the market that Weseley admits 3GTMS isn't even trying to reach.

"We go after the 80 percent of the market that has been completely ignored," he said. "They can't afford a \$50,000-and-up system, and they don't have the IT staff to support it anyway."

Whatever the price point, Rempel said the sheer number of options on the market has created a TMS buyer's market. "I wouldn't argue that the functionality of TMSs are a commodity, but the pricing around commercial TMSs is certainly approaching commodity-like uniformity."

Contact Eric Johnson at [eric.johnson@ihsmarkit.com](mailto:eric.johnson@ihsmarkit.com)