



**'Transport-mation':
transforming
transportation
management with an
end-to-end strategic
approach**



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Rapid fluctuations in fuel prices and misalignments in capacity relative to demand – coupled with heightened requirements for delivery services – have created significant pressures on logistics operations. These pressures create real challenges in balancing costs with service levels. Successful logistics teams know that tackling these challenges is best accomplished with a business-led, technology-enabled approach grounded in data-driven insights. Guided by a shipper's logistics operating model strategy, this approach emphasizes speed to value – yielding short-term savings that can be used to support current operational needs while investing in future capabilities. We call this approach 'transport-mation' and it requires a thoughtful, structured endeavor that is focused on cost optimization and value creation instead of simple cost cutting.

Introduction

Transportation is a direct driver of cost that is tied to customer satisfaction and thereby overall business success. The name of the game is to provide the right service at the right cost – delighting the customer and delivering on profitable growth for the business. In fact, according to the *2024 CSCMP State of Logistics Report*, "Transportation expenses can comprise up to 62.5% of total logistics costs in many industries."¹ Additionally, the complexities of the markets and increased rules and regulatory pressures are driving companies to re-evaluate their own capabilities while they struggle to contain costs as service level requirements increase. The *2024 CSCMP State of Logistics Report* emphasizes that rising costs and complex regulatory landscapes are pushing companies to rethink their transportation strategies. Industries across the board face growing pressures to create value from their transportation operations while managing costs effectively.

Finding the inefficiencies in transportation is the easy part, sustaining them while recharting a course for logistics is the right way to truly optimize costs and create a new platform for growth. As an example, a global leader in fast food achieved over \$500 million in cost savings and a 20% improvement in on-time delivery through a business-led transformation.² This initiative reorganized its supply chain into distinct plan, make and deliver segments, while leveraging advanced analytics to manage third-party logistics provider partnerships with performance-based scorecards. This transformation highlights the significant benefits of a business-led approach in driving operational efficiency and substantial cost reductions.

This white paper presents a strategic approach to sustainable transportation improvement, anchored by a business-led, technology-enabled transformation. By redefining logistics operations that are aligned with the overall business objectives, companies can drive lasting value and strengthen their competitive positioning.



Guiding principles

What we call transport-mation is anchored on three key guiding principles: value led, value at speed and tech enabled. These principles are grounded in ensuring that transportation strategies optimize the cost basis and accelerate value creation by harnessing the right technologies to drive operational excellence and deliver value to the business and its customers. They include the following:

Value-led: Focus on overall value, not just savings. By targeting low-hanging fruit – those quick wins that offer immediate, measurable value – organizations can generate financial gains that can be reinvested into strategic initiatives. This approach delivers short-term cost savings and creates a self-funding mechanism that fuels ongoing improvements, building a solid foundation for sustainable long-term value and creating new opportunities for growth.

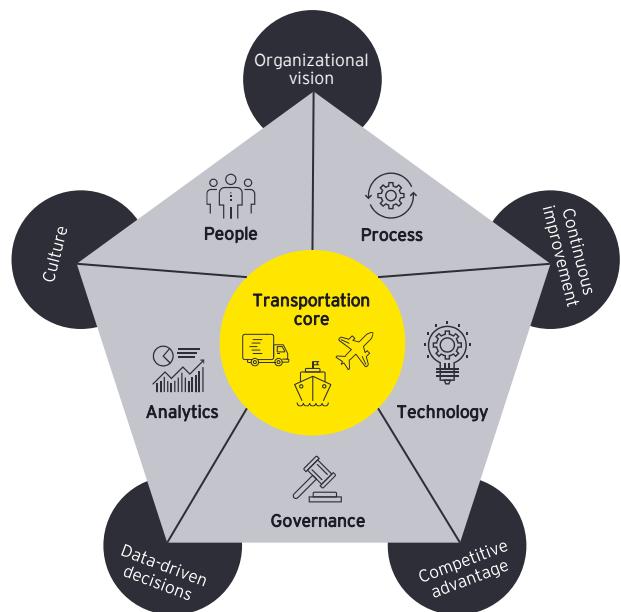
Value at speed: Emphasizes the importance of capturing early wins to maintain momentum throughout the transformation journey. By prioritizing high-impact, low-effort initiatives, organizations can quickly see results that are crucial for building and sustaining momentum. The ability to deliver quick, visible improvements keeps the organization engaged and motivated, ensuring that the transformation efforts don't lose steam and that initial gains pave the way for lasting ones.

Tech-enabled: Leveraging the right set of technologies, including advanced technology such as the internet of things (IoT), artificial intelligence (AI) and machine learning, can drive significant improvements in transportation operations. These technologies provide real-time visibility, predictive analytics and automated decision-making, leading to substantial efficiency gains. Tech-enabled processes are transforming transportation, enabling companies to achieve unprecedented levels of efficiency and service reliability. We have seen through our engagements that companies embracing these technologies can experience 10% to 15% improvements in their operational performance and competitive advantage.

The EY transport-mation framework

Our framework aligns transportation with a company's core business strategy by first assessing capability needs and considering the following five dimensions for each capability defined to identify and address gaps from the current state to the future state.

- **People** are the foundation of any successful transformation. A skilled workforce and strong leadership are essential for navigating the complexities of change. Whether through targeted training for new technologies or refined processes, employees must be equipped with the right tools and knowledge to adapt and manage change effectively. A workforce that is engaged and well prepared is more likely to drive the organization forward, ensuring that the transformation is implemented and sustained.
- **Processes** must be efficient and standardized to eliminate waste and promote consistency across the organization. Standardization reduces variability, enhances productivity, ensures compliance and ultimately improves the customer experience. A consistent way of operating across all areas of the business lays the groundwork for scalability and long-term success.



- **Technology** is crucial for transformation, enabling automation and optimization across logistics with tools like transportation management systems (TMS), AI-driven analytics, IoT for real-time fleet management, cloud collaboration and robotic process automation (RPA). The success of these technologies depends on the maturity of existing processes and the availability of accurate, reliable data harmonized across systems.
- **Analytics** are pivotal in sustaining long-term value by enabling data-driven decisions across transportation operations. Analytics allow organizations to optimize carrier selection, route efficiency and fleet deployment while providing continuous performance tracking to identify and mitigate value erosion. Robust analytics ensure accountability and keep the organization aligned with its strategic objectives.
- **Governance** serves as the backbone of effective transportation management. Beyond assigning leadership roles, it involves establishing clear policies, procedures and controls that drive accountability and informed decision-making. A well-structured governance framework clarifies roles and decision-making, ensuring the overall effectiveness and sustainability of the transportation operations.

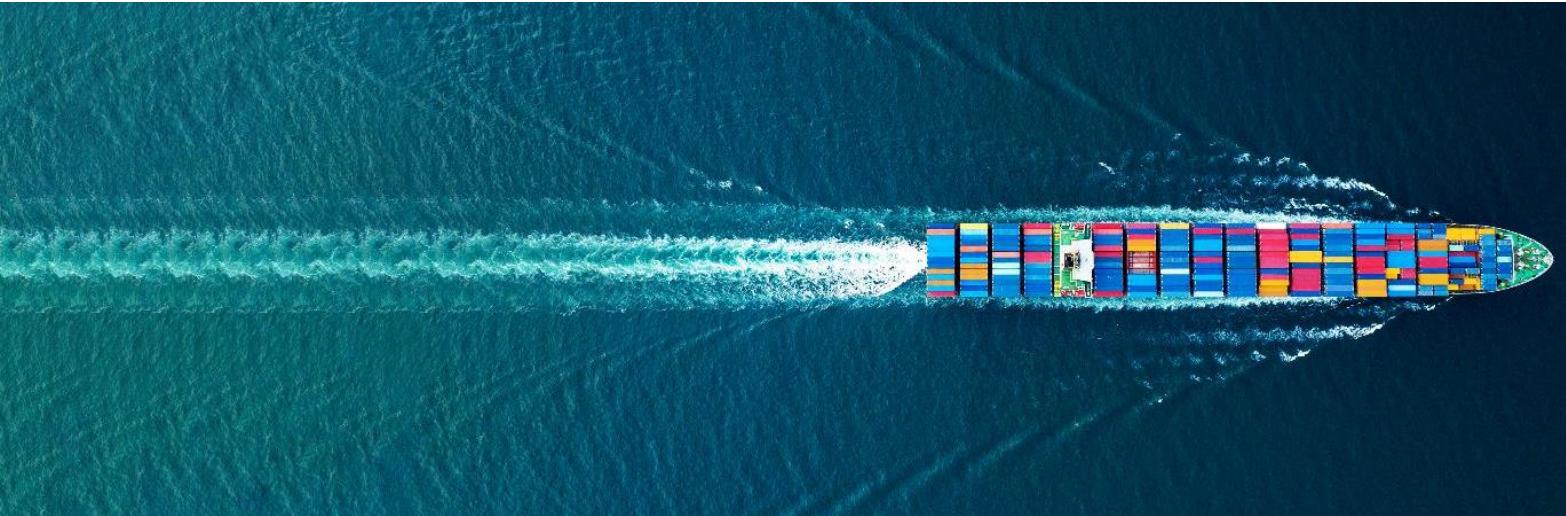
Maturity assessment and value identification

The next step involves a detailed maturity assessment of each capability and subcapability to identify gaps from where they are today to where they need to be in the future, pinpointing key areas of opportunity for improvement. The assessment considers performance across four quadrants – basic, developing, advanced and leading – to understand where the current state activities are on a relative maturity scale. The future state is also determined using this same spectrum. The difference between the current state and the future state identifies the opportunity gaps to address.

Once the list of gaps has been gathered and hypotheses have been developed to close them, the next step is to consider the real value vs. the effort for each opportunity action. This critical step allows for quick identification of the areas that can unlock immediate value while also determining those bigger actions that will need to be planned into the roadmap for the future value capture. In parallel, an objective-based analysis is then applied, further quantifying opportunities through both qualitative and quantitative methods to build a realistic value case.

For example, one maturity assessment for a client revealed an opportunity in freight procurement by comparing the client's current state to its desired future state. This guidance led to a deeper analysis using structured and unstructured data to find areas where value could be unlocked. The analysis used external market benchmarks, predictive factors for business plans and market forces, and the client's detailed transactions to identify valuable lanes, customers and carriers. This also provided a clearer view of the opportunity, and the work needed to capture the value.

As we can see, the combined use of capability maturity assessment results and detailed modeling provides immediate guidance for addressing quick wins (high value, low effort) and prioritizing mid- to long-term initiatives, focusing on high-value, high-effort opportunities.



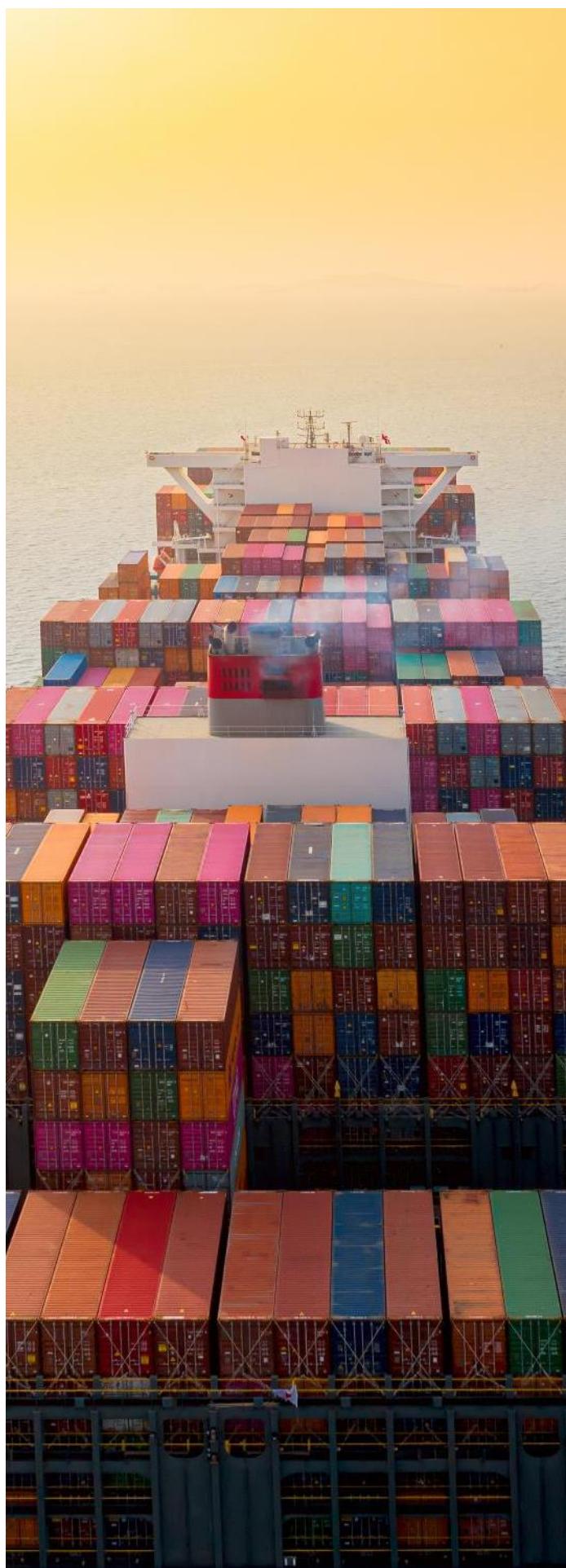
Creating the game plan and roadmap

The initial assessment concludes with a detailed roadmap of all activities and actions required to realize the value of the efforts. Initially sequenced by effort vs. value, the roadmap also considers how the timing and effort will be impacted or supported by work on key enablers, such as a new data and analytics platform, to provide ongoing metrics and insights for delivering on the future state promise. This understanding is critical, as savings from quick wins can help fund some of the enablement work, which will then support further actions to unlock the next tranche of value and open up opportunities for business growth.

Sustaining value

The final step in transport-mation is ensuring that new ways of working continue to deliver sustained value and focus on continuous improvement. For companies with multiple business units, diverse business segments or geographically dispersed operations, the best way to achieve this is through a center of excellence (COE) for logistics. This approach balances a centrally managed, locally executed operating model that is critical to success.

The COE is a collection of leading internal experts on selected logistics functions working together in a new organizational unit to monitor, measure and manage the overall logistics functions. The goal is to provide strategic direction to execution teams while ensuring that value is optimized and sustained, giving the business confidence to meet strategic objectives. As the COE evolves, its focus should broaden to include integrating transportation planning with wider supply chain activities, such as sales and operations execution (S&OE) and integrated business planning (IBP). This strategic alignment fosters seamless cross-functional collaboration, improving both operational efficiency and customer satisfaction. Industry insights highlight that integrating transportation with demand forecasting and manufacturing plans creates a more unified and responsive supply chain.³ By following this roadmap, companies can achieve significant gains in operational efficiency and cost management, ultimately creating a scalable COE that drives enduring success.



Key lessons learned from value-led transformations

- **Data integrity and readiness:** The foundation of any successful transformation is the availability of clean, structured data. Ensuring data integrity not only accelerates the transformation process but also enhances the accuracy of insights and decision-making. Strong data governance practices are critical to maintaining data quality throughout the transformation journey.
- **Stakeholder engagement and alignment:** The success of value-led transformations hinges on the active involvement and support of key stakeholders across the organization. Clear communication, aligned objectives and dedicated resources from the client are essential to maintaining momentum and ensuring that initiatives deliver their intended impact.
- **Robust governance and control mechanisms:** Effective governance structures and control mechanisms are necessary to guide the transformation process, mitigate risks and prevent value erosion. This includes establishing clear accountability, utilizing tracking systems, and maintaining transparency through regular updates and reviews. Strong controls ensure that the transformation stays on course and delivers sustainable outcomes.

Benefits and impact

The benefits of these transformations span multiple levers and vary based on the time frame: short-term impacts can be realized in less than 12 months, while long-term strategic benefits are typically realized after the 12-month time frame.

Short-term benefits

- **Cost savings:** Cost savings are a critical component of value-led transformation. Previous EY engagements have shown that carrier sourcing can typically yield 5% to 10% annual savings, while strategic efforts can achieve 10% to 15%. Technology upgrades, such as TMS, may provide 3% to 8%, and fleet initiatives can range from 5% to 15% in cost savings.
- **Improved efficiency:** Efficiency gains come from process redesigns and technology-driven automation, reducing the time spent on non-value-added tasks and allowing resources to focus on strategic activities.
- **Reduced capital leverage:** Early in transformations, quick wins can provide resources such as time or money that can be reinvested, creating a self-funding cycle.



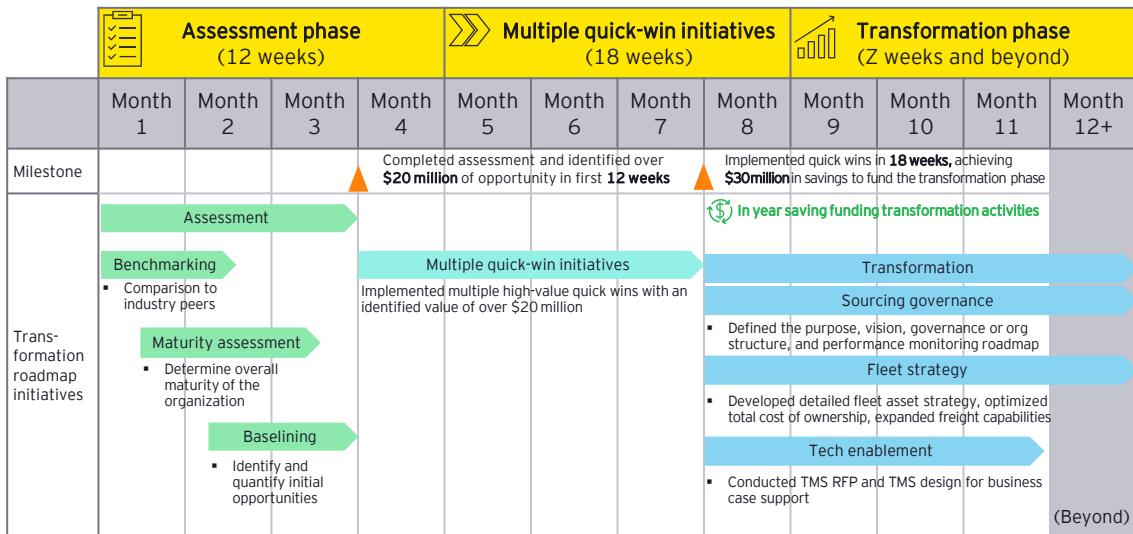
Long-term benefits

- Sustainable growth:** Scalable technology, minimized costs and streamlined resources position organizations to better manage transportation over the long term.
- Fleet as a competitive advantage:** For organizations with private fleets, an integrated approach can transform fleets from cost centers into a competitive advantage, increasing productivity and customer satisfaction.
- Enhanced customer satisfaction:** Improved service levels, reliability and transparency ultimately boost customer satisfaction, solidifying the organization's competitive edge.
- Shift to strategic vs. tactical mindset:** Over the long term, organizations may also begin experiencing shifts in the culture or mindset of employees as they start to see their roles through a more strategic lens rather than day-to-day tactical problem-solving.

Case studies: value-led transport-mation

Recently, EY teams led a client through a strategic supply chain assessment, marking the first step in a value-led transformation journey. This assessment identified multiple opportunities for immediate improvement. In less than four months, EY teams spearheaded a comprehensive transportation sourcing initiative, rebidding the client's entire transportation network. This self-funding project generated over \$30 million in savings, representing 14% of the client's annual transportation spend.

Figure 1. Speed to value timeline



Quick wins are integral to the EY transport-mation framework, where early successes are reinvested to fuel sustainable long-term growth. The goal is to build technology-enabled and streamlined operations that drive growth through a customer-centric approach and an agile, data-informed decision-making framework. The significant savings from the client initiative mentioned above laid the foundation for ongoing transformation, allowing the company to invest in establishing a logistics COE, overhauling its fleet and upgrading its technology platform.

These cases exemplify how value-led transformation principles can be applied by leveraging diverse value sources such as transportation and distribution network modeling, carrier sourcing, technology implementation, fleet management and cost reduction.

Call to action

Given the rapid advancements in technology and the growing emphasis on sustainability, companies should assess their transportation operations and identify opportunities for value-led transformation. Organizations can start by gathering data and evaluating their processes, technology, analytics and governance structures to pinpoint areas for improvement. EY teams can accelerate this transformation journey by helping clients identify their current maturity level and initial opportunity areas, typically within eight to 12 weeks.

EY teams will colead subsequent phases with the client, such as quick-win implementations, to help drive immediate value and create a self-funding transformation program. This funding allows transformation activities to proceed even in a budget-conscious environment, with significant changes beginning as quickly as six months from the program's start. Through the guidance and support of EY teams, companies can increase the overall speed to value of their transformation journey and create sustainable change

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