

## WHY BUY?

*The availability of 'on-demand' logistics Software as a Service is changing the rules of the supply chain game, says Denis O'Sullivan (pictured).*

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One of the biggest inhibitors to efficiency and high levels of customer service in the supply chain has always been a lack of real-time relevant knowledge. There is plenty of historical data about what went right and wrong, but it is a huge task to recover and analyse this to gain a real understanding.

What is needed is real-time knowledge of what is happening out there now – but delivered in an affordable way, without the need for major capital expenditure.

Yet companies are wasting money, time and resources in buying traditional software licences for their logistics and transport operations; and they wasting even more money on the capital expenditure needed for the hardware and annual maintenance and upgrades. There are also hidden costs, one of the most significant of which is the disruption to business for installation and regular upgrades.

This is no longer necessary, thanks to a revolution in software use over the internet, known as Software as a Service (SaaS) or 'on-demand'. This is a true sea-change in the way applications software is delivered and accessed. SaaS is now becoming available for supply chain and logistics applications – and you do not need to buy it, nor the hardware infrastructure to run it, and there are no charges for maintenance and upgrades!

The change is being driven by business and consumer customers demanding better service and 24x7 access to information relating to their orders. Because of the web delivery of the software solution, companies of all sizes, from recently created mega-carriers to small regional businesses, are able to access even advanced logistics applications.

Typical SaaS companies charge on an as-you-use basis, which is either payment by transaction or payment based on the number of users in the company. This means customers pay only for what they need, and as their business grows they can increase the features they want to use.

### Laggards

Most companies are still lagging behind in the use of information technology to manage their supply chains and logistics. The leaders in IT are usually the very big companies who have spent millions to buy or develop major customised systems. However, this is not always as beneficial as intended. Upgrades and enhancements are expensive and changing systems can cause major business disruption.

Yet changing market requirements and customer demands mean that regular changes and upgrades are essential. Without leading-edge logistics solutions, companies cannot meet customer and consumer expectations.

Therefore, the opportunity to grow and win business, by adding value through the advanced use and sharing of information, is instead based on the commodity concept of low-priced transport. Inhouse operators will often outsource rather than face up to the need for huge investment in IT. This may not solve the IT problem if their logistics partner also does not have the best possible computer systems – but at least it moves the IT investment problem off the balance sheet!

### Breakthrough service

SaaS or on-demand has been talked about for several years and was originally feted as 'the end of the desktop PC'. But as is often the case, it took a breakthrough by one company, Salesforce – [www.salesforce.com](http://www.salesforce.com) – to start the ball rolling.

SalesForce was a traditional PC-based applications provider. But when it changed to Software as a Service, it turned the CRM and salesforce management market on its head. Now other software companies, including supply chain and logistics applications providers around the world, including several from the UK, have followed this course.

Logistics SaaS providers offer access to business functionality remotely as a service, with costs that are aligned with usage and time to value. You do not have to pay for future needs, you can wait until the business expands when you need more capacity or additional features. In other words, not just a case of pay-as-you-go, but pay-as-you-grow.

SaaS is therefore a good fit for small companies that do not have the IT staff or infrastructure inhouse to manage information systems. Implementation is typically quicker than with systems deployed inhouse, and the internal support requirements are less.

The service provider is responsible for all necessary software upgrades and system maintenance. They also relieve the customer of having to worry about IT infrastructure requirements, such as security, backups and disaster recovery.

SaaS is proving equally popular in large companies, especially when business units have difficulty getting new systems developed through the central IT function. Senior management often welcome this approach as a way to satisfy user requests without extensive support from the IT staff function.

In a study conducted in the US and Canada by Computer Economics ([www.computereconomics.com](http://www.computereconomics.com)) in the summer of 2006, an impressive 91% showed a first-year return on investment (ROI). Among them, 57% of the total had economic benefits which exceeded the SaaS costs and 37% broke even in year one.

The same survey showed that in 80% of cases, the total cost of ownership (TCO) came in either on budget or lower. There are few, if any, traditional applications where these figures can be equalled.

## UK providers

A number of UK companies are developing SaaS for logistics.

One vendor, Deltion from Feltham ([www.deltion.co.uk](http://www.deltion.co.uk)), offers an online transport management system, CarrierNetOnline (CNO), where payment is by transaction. Deltion has signed up logistics companies of all sizes, the most recent being the chemicals division of major logistics service provider TDG.

Likewise, Scala Logistics Consulting ([www.scalagroup.co.uk](http://www.scalagroup.co.uk)) of Huddersfield provides an automatic fuel efficiency monitoring service over the internet.

Meanwhile, OmPrompt ([www.omprompt.com](http://www.omprompt.com)), run by former TNT Logistics vice president Brian Bolam, offers a web-based service for providing connectivity of different transaction formats throughout the supply chain. OmPrompt enables businesses to exchange information or data freely, removing the barriers resulting from a lack of interoperability between IT systems, business processes or data formats.

DPS International of Halesowen ([www.dps-int.com](http://www.dps-int.com)) has long provided traditional PC-based vehicle planning software but recently introduced a SaaS version, logixcentral, where payment is on a user basis. This has been further developed by DPS to include a tool which enables users to measure the carbon footprint of their current logistics fleet operation and see the impact that running different vehicles or better routes will bring.

## Visibility and collaboration

One customer of DPS, Utility Partnership Ltd of Cardiff ([www.up-ltd.co.uk](http://www.up-ltd.co.uk)), has tackled the issue of creating efficient work planning, while at the same time achieving significant cost and efficiency benefits.

UPL specialises in smart metering, also known as AMR – automatic meter reading. This shows what and when gas, water and electricity has been used. Its solution to creating efficient and low-energy work plans was to use vehicle routing and scheduling software from DPS.

UPL works with three out of the four major mobile phone companies, fitting and monitoring smart meters at phone masts, and with major retailers checking the energy usage at stores and facilities 365 days a year. “When we first started we were able to use manual route and work scheduling, but now we are fitting 200 sites a week and it is simply not feasible to produce efficient plans manually,” the company explained.

Similarly, Deltion's CNO system is being used by two major pallet networks, HazChem ([www.hazchemnetwork.co.uk](http://www.hazchemnetwork.co.uk)) and Fortec ([www.fortecpallet.com](http://www.fortecpallet.com)). The HazChem service is hosted by CNO but the Fortec service is hosted by Fortec parent company GEODIS. This underlines the flexibility of SaaS offerings.

Hurst Transport of Stallingborough in Lincolnshire is a member of both the Fortec and HazChem networks, but was so convinced of the benefits that it has now taken the CNO service inhouse, where it is used by its own customers as well as an access point to Fortec and HazChem.

Managing director Graham Hunt is convinced of the benefits of SaaS. "We are growing largely as a result of being able to offer customers better information than our competitors, using web technology," he said.

Hurst offers customers visibility of order progress, track-and-trace capability, and the ability to print consignment notes and barcode labels anywhere. Customers know where a consignment is at any time and when it will be delivered.

An indication of the way in which the industry has accepted the SaaS concept is the fact that both DPS and Deltion have won the award for software solution of the year in their category from the Institute of Transport Management.

## SaaS models

There are two important variations in the model for software as a service today: the service provider may host a separate system for each customer (the 'single tenant' model); or the vendor may host multiple customers on the same instance of the system (the 'multi-tenant' model).

Only vendors that have specifically designed their systems from the ground up to host multiple clients on a single instance can deliver Software as a Service under the multi-tenant model.

CNO and logixcentral are 'multi-tenant' examples but one US company e2open ([www.e2open.com](http://www.e2open.com)) offers a 'single-tenant' service to major companies in the high-tech industry.

Around 15,000 companies worldwide currently use E2open for supply chain visibility and control through online access to information. E2open's solution combines inter-company process management functionality; event management tools; performance management capabilities; and an open system-to-system integration platform provided in a Software as a Service model. Among the high-tech companies that have signed up for the service are IBM, Agere, Hitachi and Seagate.

So, in conclusion, is Software as a Service the long-term answer to affordability of powerful logistics solutions?

In the world of rapid development of technologies, long-term tends to be seen as what other industries would call short-term! However, the key aspects of providing an internet-based service – with no capital expenditure for licences or hardware, no ongoing charges for maintenance and an automatic upgrade path for latest developments – is certainly here to stay. And the technologies being introduced as part of the move to Web 2.0 can only serve to strengthen the on-demand model.

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