

Exploring the SaaS Model

An LMS White Paper

■ Overview

Thanks to the Internet, the adage “You get what you pay for” no longer applies to transportation management systems (TMS). Today’s lean-and-mean logistics market is embracing a svelte class of Web-based TMS applications that do not entail hefty upfront costs or cumbersome implementations. Using the Internet as an application platform, online providers are now putting top-shelf transportation management technology within the reach of all shippers – regardless of size or financial breadth.

This new class of software operates within an online and on-demand environment hosted by an application service provider (ASP). Shippers do not own the software or the accompanying hardware; instead they “rent” it from the provider. Users pay transactional or monthly fees in addition to implementation and support charges. This model, tagged as Software as a Service (SaaS), is generally less costly and easier to implement than its offline counterpart.

For some transportation professionals, SaaS appears to be the long-sought remedy for the usual TMS headaches; this is not the case for others who view it with trepidation. Security and data ownership issues usually top the list of concerns and companies are obligated to thoroughly address these issues.

The purpose here is to examine the SaaS model as it applies to transportation management systems while addressing system concerns and providing a checklist for shippers who are shopping for a Web-based TMS package.

■ Why SaaS?

It is not surprising that the logistics industry has seen a proliferation of SaaS products. Today’s technology-charged marketplace demands basic technical capabilities from shippers and providers of all sizes. At the same time, executive management continues to apply pressure on corporate transportation departments, expecting them to continually trim fat from already lean operations. Meanwhile, industry professionals, whose companies cannot afford the costs usually associated with traditional TMS products, are constantly on the lookout for transportation management applications that can increase efficiencies and cost savings.

■ Benefits

Low cost of entry and maintenance

Price continues to be the main attraction of the SaaS TMS. With a traditional TMS, it is not uncommon for shippers to spend hundreds of thousands of dollars on an off-the-shelf package that may or may not include implementation costs or support services. With the SaaS model, shippers can gain access to applications for a fraction of the cost while enjoying a quick implementation process that is usually performed by the vendor for a nominal fee. Inherently, Web-based products entail maintenance and support services, which are usually billed to clients on a monthly or as-needed basis.

Companies that purchase traditional TMS products are often expected to shoulder implementation and maintenance responsibilities. As a result, they are obligated to employ information technology (IT) professionals or outsource to IT contractors. These companies also must provide secure, temperature-controlled environments to safely house data and backup servers. An advantage to the SaaS model is a high degree of application security, which in many cases cannot be matched by companies relying on in-house resources.

Fast implementation, no-hassle upgrades

It may be more accurate to say that a Web-based TMS is deployed rather than implemented. Not unlike other applications, it requires some customization but the process is usually faster and less labor intensive. Additionally, SaaS users only need a computer with Internet access to use the tool.

Upgrades are also easier. While an ongoing necessity for software products, upgrades are instantaneous and go virtually undetected by users. IT staff no longer has to cubicle hop to ensure users have access to the latest and greatest version of the TMS product.

Flexibility

If you can access the Internet, you can access a SaaS application. Of course, only authorized users can utilize secured applications, but Web deployment is what gives this model its unprecedented reach and flexibility. The SaaS TMS is ideal for centralized or decentralized freight operations and is highly valued by users who travel or need 24/7 access to vital shipping data.

Additionally, SaaS products are more business friendly. Because upgrades happen instantaneously, application customization is no longer the awkward and sluggish process it once was. It is this high degree of agility that encourages

vendors and shippers to continuously enhance their TMS applications so they can keep pace with the ever-changing needs of the transportation marketplace.

■ **The challenge: Overcoming ownership and security Issues**

Despite the ubiquity of the Internet, some professionals maintain reservations about the use of Web-based TMS products. Many want to see, feel and hold what they've purchased. Some companies want to completely own transportation software and store their data on in-house servers. However, it must be remembered that shippers have been outsourcing key functions long before the Internet was conceived. Companies do not have to own trucks to move their freight, nor do they need to own warehouses to secure their products. Why should technology be any different?

Security concerns further feed into a company's reluctance to embrace the Web-based model. However, what outweighs this fear is the volume of online business that is successfully conducted on a daily basis. Millions of Americans use the Internet to make purchases, pay bills, file taxes and manage bank accounts. Even our most sensitive data has found a secure home in cyberspace.

■ **TMS shopping: Making a list**

Browsing the market for on-demand TMS products can be an overwhelming experience as the transportation industry is inundated with hosted products that claim to be everything to everyone. However, creating a "must have" list that includes top priorities for system architecture, security and basic functionality is a good way to start. The idea is to conduct preliminary research and develop a list of six to 10 viable vendors who qualify for a Request for Proposal (RFP). The RFP should address all of your system needs in detail and allow you to compare pricing options. Whether conducting preliminary research or evaluating RFPs, following is a list of things to consider when evaluating SaaS TMS products.

Start with security

Every SaaS application will claim to be secure. But it is important to investigate further and ask the questions that will help determine systems' varying degrees of security. How many layers of security does the application entail? Ask about server and software security, as well as network security. What about firewalls? And, don't forget physical security.

Some providers will host the application onsite and others will house it at an offsite facility such as a server farm, which specializes in housing and securing technology applications and data. Regardless, it is important that the location is physically secured, temperature-controlled and monitored on a 24/7 basis. Be sure to ask for a disaster recovery plan. What happens if the main server goes

down? How will this affect your data and your operations? It is essential that you are comfortable with the recovery plan and the provider's data backup procedures. Your data and your customers' data is indispensable; find a TMS vendor that understands this and has a foolproof plan to ensure your information is never compromised.

Finally, it is essential that each user has a unique password that enables him or her to retrieve only the appropriate data. This is especially important if competing clients will be using the hosted software.

Web-enabled or Web-native?

There is a big difference between Web-enabled and Web-native systems. Web-enabled products are retrofitted for Web accessibility; however, Web-native applications are designed to leverage the functionality of the Internet. Though both systems can be accessed online, only the Web-native product will perform like a locally installed application.

Additionally, the performance of a Web-enabled system will decrease as the number of users increases. Web-native systems enable a large number of users to share the same server-based code whereas Web-enabled systems create a new set of server-side objects for each additional user. Consequently, system response time suffers, especially since Web-enabled products offer limited scalability. Web-native products yield a high level of scalability because they tap the breadth of the Internet. For this reason, high-volume Web sites rely on this type of application to provide quick response times to a large user base.

Finally, SaaS providers can easily upgrade and maintain Web-native products, which means users do not have to wrestle with hardware and bandwidth issues.

Get the details on your data

Your data may reside on another server, but it is still your data and you need to understand how easy, or how difficult, it will be to access. Most vendors keep a specific amount of data available online; for example, they may keep six months worth of shipping data online and archive all previous data. Determine how much data you'll need to have on hand and ensure that your vendor can make it happen. When it comes to accessing archived data, find out what is involved. Additionally, ask about the data import process and how it would work with your existing systems. It is important that you are comfortable with the way your data is handled whether it is being imported or accessed. Finally, don't forget to ask about retrieving your data – all of your data. If you ever need to export your data to another system, you'll want to be sure this can be done easily.

Get the lowdown on down time

Now is the best time to ask about down time – what are the vendor’s downtime stats? How often has the system gone down in the last year? Additionally, many providers have scheduled system outages for maintenance and upgrades; be sure to inquire about the time, frequency and duration of these.

Be clear on costs

As mentioned earlier, most hosted systems entail an implementation fee, transactional or monthly fees and other charges, including customization and support fees. Be sure to get the particulars. For example, how much customization can you perform? Some systems allow users to perform simple customization, such as adding new fields, which can save shippers time and money. Find out what is included in standard implementation, support and customization and what is considered out of scope. To get a clearer picture of the costs you may incur, make a list of all of the things you will need in the foreseeable future. For example, in six months you may wish to add additional shipping locations, or train new users. How much will this cost and how long will it take?

Don’t forget the ROI

At the end of the day, it’s all about performance and what your TMS can do for you, your staff, your department and your company. Any worthwhile TMS will include a method for monitoring and measuring performance, fiscal and otherwise. Do not shy away from the return on investment (ROI) question. How long will it take before you see an ROI? Is it in the foreseeable future or off somewhere in the distance? Whatever the answer, make sure you are comfortable with it; build internal expectations accordingly and expect nothing less. Six months from now, what kind of results can you expect? How will the system help you justify its purchase?

Beware of “vaporware”

In an effort to be everything to everyone, some vendors are peddling vaporware – software that is not yet developed. While many SaaS systems offer a wide variety of functionality, it is rare for one system to meet the needs of shippers with an exhaustive list of functionality requirements. Be up front about your needs, but allow vendors the opportunity to determine which functions are readily available and which functions will need to be developed. Your RFP should include a detailed list of your needs; ask vendors to categorize each need as “available now,” “available in the future” or “not available.” For functions that can be developed in the future, ask for timeframes, as well as additional costs that may be incurred.

To further ensure the vendor has a handle on your key requirements, ask to visit with their clients who have operations and requirements similar to yours. Onsite visits are the most productive and will give you a chance to see the technology in action, as well as an opportunity to speak directly with users. Find out about their experiences, what they like and dislike about the system. Ask for their recommendations regarding questions to ask the vendor and how to best work with the vendor if they are selected.

Get the insight on implementation

While implementing a hosted application is usually less difficult than implementing an off-the-shelf product, take the time to understand everything that is involved and what is expected of your staff. The most effective and efficient system deployments start with an implementation team comprised of vendor and client staff members. Not only does this help ensure a smooth process, but it also goes a long way in securing buy-in from soon-to-be system users. Ask for the provider's implementation process, timeframe and client requirements. Most hosted applications do not demand a lot of time from client staffs, but find out how much time you will be expected to dedicate.

Ensure success with training and support

Selecting an easy-to-use and well supported system will be your key to success. Too often shippers invest in systems without investing in user training and support. You must empower users. Failing to do so will result in an initiative that does not yield an ROI. Think about your users, talk to them. What will they need to ensure the application is used to its fullest potential? Does the vendor offer hands-on training? Training manuals? What if users have questions, or run into problems? Make sure the users are comfortable with the level of training and support they will receive. Additionally, find out what occurs when new users come into the system, or the application is further customized or upgraded. User training should be an ongoing process. And as always, don't forget to ask about timeframes and costs.

■ Conclusion

Market conditions have set the stage for the celebrated debut of the SaaS TMS model. It may be the long-sought solution for shippers who need to improve operational performance and cut costs without exhausting corporate funds. Since its debut, the transportation industry has witnessed a proliferation of hosted solutions from a wide range of providers. SaaS shoppers must remain vigilant as vendors crowd the marketplace with vaporware and products that promise to be everything to everyone. Thoroughly addressing security, performance, functionality and support issues, among others, can help transportation professionals make smart decisions that translate into measurable performance improvements and bottom-line benefits.

About LMS

LMS is a non-asset-based, third party logistics provider that brings millions of dollars in transportation cost savings to some of the world's best-known companies, including BASF, Monsanto and The Scotts Company. We combine Web-native technology with proven logistics practices to offer optimization, execution and data management services that maximize our clients' operational efficiencies. For more information, visit www.lmslogistics.com.

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