Software 'To Go' Grows Online

Advances in Web-based programs extend benefits of SCM software to smaller shippers at lower cost

Advances in Internet technology are changing the way companies purchase and use supply chain software and extending the benefits of logistics applications to smaller and medium-sized shippers.

Standardization, improved data management tools and, of course, the World Wide Web are making applications easier to implement, more reliable, expandable and, most importantly, affordable for companies that didn't have the budget for them before.

That's making it easier, software developers and industry analysts say, for smaller shippers to gain the same kind of control over international supply chains enjoyed by larger competitors.

"Technology is advancing to the point where companies can realize as high a level of automation in their global supply chains as they do in their domestic operations," said Nathan Pieri, vice president of marketing at Management Dynamics, an East Rutherford, N.J.-based global trade software provider.

Big companies understood pretty much right away what the Internet could do for global trade and, along with knowledgeable and innovative developers, have been finding new ways to use the communications medium to streamline their supply chains.

Smaller shippers pushed their way onto the Web with storefronts and plug-in shipping tools courtesy of big express providers. But the middle-tier and back-end services that exploit transportation, warehouse and inventory management opportunities in global data networks remained out of reach of many until recently.

One development making these services more available to mid- and smaller-tier businesses is the ability to deliver software functions as an on-demand service or through service-oriented architecture. Greg Johnsen, executive vice president of marketing at GT Nexus, said the on-demand model his company uses to deliver transport and inventory control for exporters, document and shipment data for importers "is by far the least risky, lowest cost of ownership available."

That wasn't always so. Shippers were reluctant to relinquish control over critical freight data to relatively new and untested companies and services. Software was buggy and hardware platforms changed rapidly enough to scare away all but the most aggressive, bleeding-edge (or deep-pocketed) global shippers.

Moreover, data formats often were incompatible, systems multifarious if not redundant, and integration all but nonexistent.

What changed was the network. Concerns about who owned the data were resolved in favor of the shipper. Service providers continue to shake out or consolidate, but those that remain inspire more confidence than doubt.

Now, shippers are starting to talk with each other peer-to-peer about their experiences, and gaining further confidence in the process.

"Companies that outsourced 15 to 20 percent of their operations a few years ago are sourcing 40, 50, 80 percent now," Johnsen said.

The technology is maturing and as a result costs are down, results are up and supply chain technology as a whole, the experts say, is entering a new era.

Availability of supply chain technology to smaller and smaller shippers is one sign of that. Another, said Gerald McNerney, senior director of transportation, distribution and logistics solutions at Symbol Technologies, is that development is shifting away from software and toward hardware.

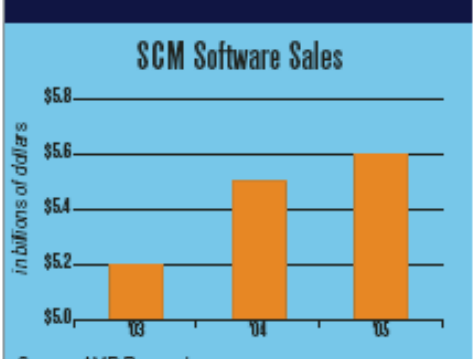
Software upgrades more often today are bug fixes or minor improvements that add secondary functionality to otherwise completed applications, or modules to larger suites, such as enterprise resource platforms, he said.

Steve Banker, service director for supply chain management at ARC Advisory Group, says innovations in voice recognition, wireless computing and conveyor systems that snap together like Lego blocks suggest better returns on hardware investments may be in store.

Banker expects industry to keep a jaundiced eye on another up and coming technology, master data management, which promises to merge disparate, conflicting and often outdated data into a seamless master file.

"I just think we're over-hyping the service oriented architecture," Banker said. "While it does have certain integration advantages, you can't get your application stack to be more flexible until the core applications themselves are more flexible. And we're not there yet."

BY WILLIAM HOFFMAN



RFIDisappointment

One area where technology disappointed in 2006 was the much-trumpeted world of radio frequency identification.

With some exceptions among the largest and most determined shippers, RFID adoption overall was flat for the year.

ABI Research suggested the industry may be caught in a "vicious circle" between tag prices that don't fall fast enough and volumes that consequently aren't growing fast enough to bring tag prices down, resulting in an unconvincing business case that falls on deaf ears when proposed to the boardroom.