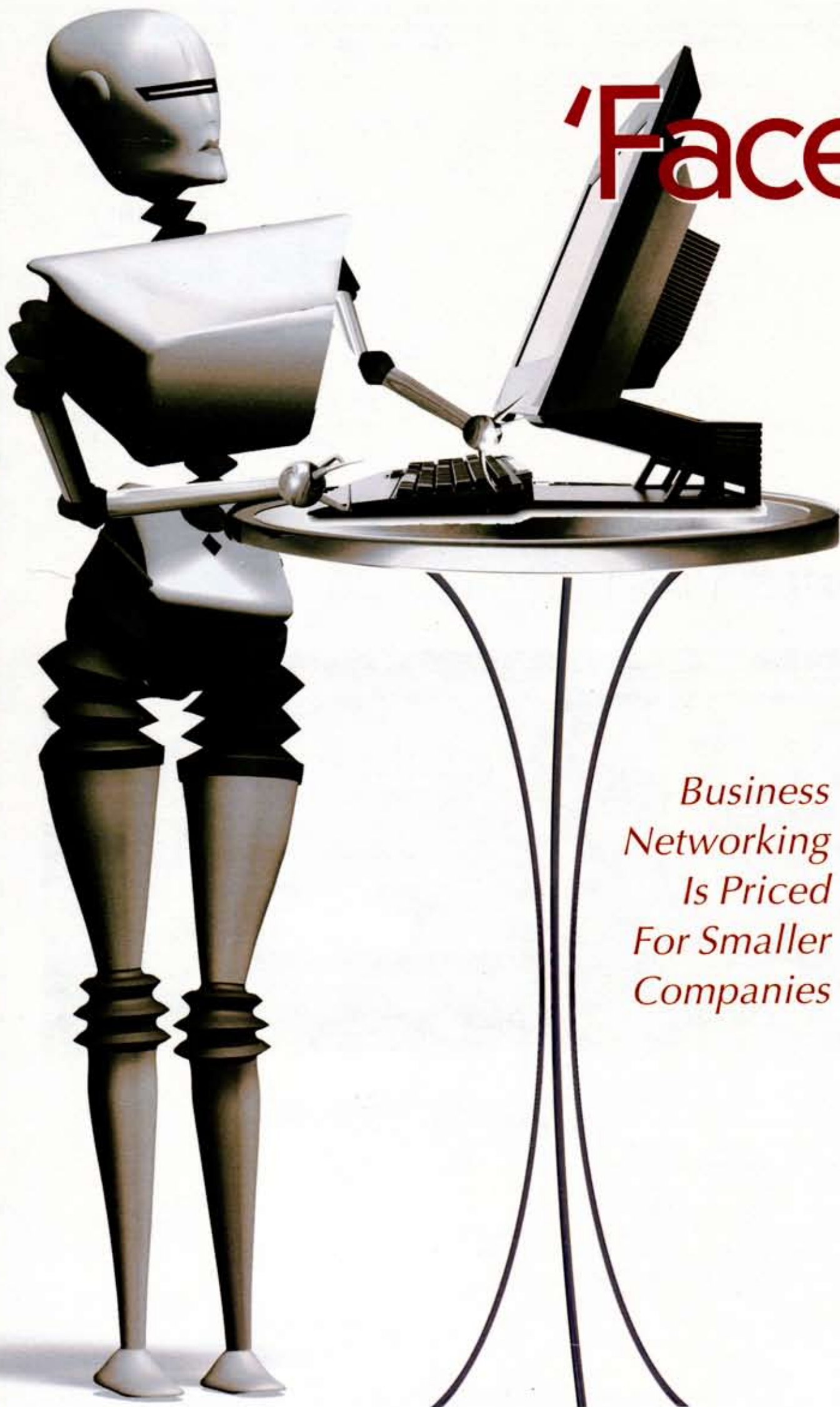


Transport Topics

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iTECH iFOCUS Software as a Service



'Facebook'

By Amy Zuckerman
Contributing Writer

Rock-Tenn Co., a paperboard and packaging maker in Atlanta, had no logistics software to speak of until its managers recently decided to "pass GO" without collecting the proverbial \$200 and leap straight onto a Software-as-a-Service platform.

For some tech specialists, SaaS is simply a refinement in vendor-hosted, Web-accessed, low-rent software services — familiar stuff with a new alphabet coating. Others say SaaS is a significant step beyond the basic application service provider model.

Those who love its multitenant capabilities think SaaS is poised to move smaller trucking, third-party logistics and freight-forwarder companies into a new realm, where all parties of a freight shipment can collaborate in an online environment.

As in ASP, the hosting vendor runs a turnkey information system for its clients. The vendor owns the software, maintains the servers and makes the application and information available to the client as subscription service. Rather than a licensing charge, fees are typically based on the number of transactions or users, and paid monthly or annually.

ASP and SaaS are designed to relieve business users of much of their information technology burden. Costs should be predictable and perhaps more affordable than buying a software and service package. This approach, however, limits customization of IT services, and unauthorized exposure of corporate information is a theoretical risk.

What's distinctive about SaaS is that, when placed on a Web platform, the software can be downloaded to multiple users, all of whom can be on the same page together — think Amazon.com or Facebook. Users may collaborate on everything from shipments to project work.

Vince Biddlecombe, chief technology officer of Transplace, a Frisco, Texas, logistics and IT company, created by major trucking firms in 2000, said SaaS is "touching all levels of the supply chain. . . . It reaches across the whole ecosystem."

SaaS supersedes network silos. Multiple customers run the same software, and data can be shared or securely cordoned off. By contrast, ASPs host licensed software for separate entities with lots of individual server stacks that don't necessarily

*Business
Networking
Is Priced
For Smaller
Companies*



Ben Cubitt decided to go the SaaS route, citing ease of implementation and low cost.



Rock-Tenn Co.

for the Supply Chain

cross-communicate — sort of like a field of flowers without any bees, said Alex Thompson, vice president of product management for TradeBeam, San Mateo, Calif., which specializes in software for international trade management.

The SaaS approach means that even the smallest carrier can access the platform with a PC, a Web browser and nothing more than a dial-up connection.

Even with a low level of technology, said Matthew Menner, senior vice president of sales for Transplace, clients are able to perform any number of functions, from accepting offers to providing shipment-status messages. Many customers use the Transplace platform to loop back to their own 3PLs.

"Our stats show that we have up to 15,000 users on any given day, including carriers, warehouse operators and other intermediaries," Menner said. "Some, like brokers or third-party warehouse operators, use the system to view inbound trucks on behalf of their customers."

Rock-Tenn was handling most of its shipping operations manually, a process that Ben Cubitt, vice president of supply chain, likened to "dialing for trucks." Assessment of the 300 to 400 carriers that Rock-Tenn hired annually was based on a combination of "anecdotes and analytics," Cubitt said. "We were doing a great job, but with no technology tools," he said.



Descartes Systems Group



Among the benefits of an SaaS platform, Descartes CEO Art Mesher says, is a standard set of business processes for participants.

In a way, Cubitt said, the lack of antiquated technology systems proved an advantage when his company decided to fully automate its logistics — nothing to junk, no headaches trying to merge old and new systems. The big question that had to be answered was whether to go with an enterprise resource plan-

ning system of the sort sold by Oracle Corp., SAP and others or choose from a variety of hosted solutions.

Cubitt said because he found gaps between the basic in-house networking of back- and front-office functions and the transportation system management modules that the ERP vendors were providing.

Moreover, the thought of developing his own software or "putting a TMS behind our own firewall, plus managing 300 to 400 carriers, would be a nightmare," he said, so he eliminated the idea of purchasing Web-based, hosted software that would serve only one enterprise.

Another reason Cubitt chose the SaaS route, still relatively new and untried in the United States, was ease of implementation.

"Time to value was much faster," he said, and it was cheaper than the older approaches to networking supply chain partners.

"I would say there's a three-to-one differential on costs," he said.

As for the ASP model, "you pay a license [fee] upfront, and you need to live that out."

Carrier Logistics Inc., Tarrytown, N.Y., develops freight management systems for trucking and hosts SaaS on its Web site. Ken Weinberg, CLI's vice president, said he likes SaaS

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Software by Subscription Substitutes for Ownership

Demand in the United Kingdom, where transportation companies long have been comfortable with subscription-style software, spurred Carrier Logistics Inc. to make that kind of application available to small fleets in North America.

"We were shy at first," said CLI Vice President Ken Weinberg, who doubted carriers here would want to do everything from dispatch to financials over the Internet. But security has not been an issue, and "the resistance I expected has not come up."

Last fall, CLI, Tarrytown, N.Y., launched an "on-demand" version of its trademark FACTS transportation management suite, tailored expressly for small fleets, and Weinberg said response has been "better than expected."

Though many fees for Software as a Service are based on the number of online transactions a customer performs, CLI opted to charge a monthly rate, ranging from \$75 to \$250 per

user for companies with five to 50 users.

Elias Demangos, president of CLI client Fortigo Freight Services, Brampton, Ontario, said he likes the hosted approach because it saves him the headache of hiring an information technology staff and it spreads his costs over time.

"It's an easy solution and easy to implement," he said.

Fortigo's main service is less-than-truckload, but it also includes truckload — about 30% of its business is in the United States.

Significantly, there is no upfront capital expenditure for subscription software, said Paul Maloney, president of software vendor Express Technologies, and it provides the applications fleets need:

- dispatch
- mobile and business-to-business communications
- asset tracking
- financial management

- operational and cost-accounting
- payroll and human resources
- business analysis
- decision support

The fleet also doesn't have to worry about software obsolescence because the supplier is responsible for downloadable updates (and

patches for problems) and should provide system redundancy and disaster recovery.

Express Technologies, Wexford, Pa., offers its LoadTech products to truckers, logistics companies, brokers, forwarders and intermodal firms working in all the freight modes.

— iTECH



Smaller trucking companies have not resisted running their "financials" on software accessed over the Internet, Ken Weinberg says.



Carrier Logistics Inc.

Continued from page 7

because it "levels the playing field" so that his small-size clients are provided "the same functionality" as the large ones.

Thanks to CLI's platform, Weinberg said, the shipping public doesn't know whether it's talking to a Roadway giant or something with a more obscure letterhead that can't afford its own IT department.

Cubitt likes that aspect of SaaS, too: connection to many smaller, regional carriers that weren't on his call list in the past. When it opted to partner with Transplace, he said, Rock-Tenn gained access to 2,000-plus carriers in the network — from the size of J.B. Hunt Transport and Schneider National to mom-and-pop operations.

"I've got example after example where I'm giving business to the small or midsize carrier who doesn't have

the sales reps or marketing to reach us," Cubitt said.

Crate & Barrel, the national housewares and furniture retailer, is a bigger company than Rock-Tenn, but it has gone through a parallel IT metamorphosis.

Crate & Barrel's delivery logistics — involving more than 160 stores, catalog operations and distribution centers in New Jersey, Illinois and California — used to be managed manually. To handle 300,000 deliveries annually, Crate & Barrel dispatchers, working with sales orders, a small private fleet and several third-party delivery companies, had to make as many as five phone calls to make sure a shipment got to the customer. That process certainly did not qualify as visibility to the retailer's myriad supply chain partners.

When it went looking for help,

TRANSPLACE

The 3PL & Technology Company

Software as a Service touches all levels of the supply chain, says Vince Biddlecombe of Transplace.

said Pat Gottman, manager of home deliveries, the retailer wanted an affordable, flexible solution that could handle the different delivery needs of each market and support aggressive growth plans. Crate & Barrel signed up with the SaaS offered by Descartes Global Logistics Network.

Gottman said the hosted approach eliminated the need to install software at every site, and it means that routing maps were always available as the retailer



Transplace

expanded to new markets.

"We could simply plug into the service as we opened new locations," he said.

Freight shippers, whether they

are manufacturers or retailers, are spurring adoption of SaaS. TradeBeam's Thompson said in essence, the shipper customarily sells the SaaS approach to its supply chain partners.

Sometimes TradeBeam has to drum up support for this relatively new approach, he said, but the efficiency of the on-demand approach is a key selling point. All parties of a project or shipment, for example, have access to the same software upgrade. ERP-networked companies that use Web-hosted software may be working on different software generations in various offices.

"With SaaS, everyone is on the same version, whether they are trading partners or the individual corporations and their entities," Thompson said.

Although a great SaaS fan, CLI's

Weinberg warns that these are early days for the technology. If SaaS has limitations, he said, it doesn't provide the "total ability" to make individual changes as quickly as an operation might like.

"A good SaaS application is multitenant environment like a

cooperative apartment building, so if you want to make changes to the building, everyone has to agree," he said.

As for costs, that's where the multitenant analogy helps the customer, Weinberg said. The more customers on a SaaS account, "the

more the costs go down."

CLI even offers a "try-and-buy game" for customers leery of switching from legacy systems. Weinberg said if they aren't happy, they can return to a traditional environment and receive a percentage of their costs back. ♦



SaaS Use Grows For Smaller Firms

In early March, a report from Access Markets International Partners, a marketing research firm in New York City, found adoption of Software as a Service "rising steadily" among small and medium businesses nationwide.

Upward of 31% of small and medium businesses now use SaaS products, which is double the rate in 2004, according to AMI's 2008 U.S. Small and Medium Business Applications & Solutions Market Overview.

Surveyors determined that ease of implementation, maintenance and use were pluses for businesses with limited resources to devote to information technology.

More choices and greater product availability also were driving the market.

"SaaS is gaining popularity in the SMB market," the report said. The adoption rate was greatest among medium-sized companies (1,000 employees).

What types of customers are buying SaaS?

Paul Maloney, president of Express Technologies in Wexford, Penn., a transportation technology vendor, is seeing SaaS adoption "across the logistics spectrum," from emerging and privately-held transportation companies to shippers that want to play with "the big boys." What they have in common, he said, is the desire to get out of the IT business and focus on core competencies.

"And what's interesting is that often in mergers and acquisitions, the takeover target's SaaS solution becomes the enterprise solution for the acquirer," Maloney added.

— Amy Zuckerman