SaaS as a WMS Option

Find out if Software as a Service (SaaS) is truly adapted to the requirements of the 3PL's market.
In this paper, we will analyze the implications of using a SaaS application for your warehouse management system.

Over the last few years Software as a Service has come into the spotlight. First touted a decade ago (under the ASP banner) SaaS has enjoyed tremendous growth in various niches, most notably CRM. Is SaaS ready for the 3PL market and is the 3PL market ready for SaaS?

Software as a Service usually refers to a single instance of a software product made available to many users over the internet. These users may configure the software differently for each customer. SaaS will be associated with a cost structure driven by usage (transaction or rental fee based).

The more traditional Client/Server application is owned by the user and usually hosted.

SaaS can be less costly when looking only at entry price and can be very much quicker to adopt (simply load your master data, undertake some configuration and you are ready to go – almost!).

If you are looking at going the SaaS route for your 3PL operation think carefully about your own needs. SaaS works best where requirements are straightforward, business processes are simple and interface requirements are minimal. Don't forget the requirements to interact with other systems, both internal and external. Your WMS will need to interface with your accounting system, it will need to interface with your customers systems (or your next customer's system) through EDI. It will need to handle billing the way your customer wants to be billed and it will need to manage the complexity of the business process dictated by the needs of your customer.

In a recent technology roundtable discussion with Logistics Magazine Greg Aimi from AMR Research was asked about the drawbacks of going the SaaS route with WMS. His reply was:

"Well, just look at the vendors that are offering pure-play SaaS WMS offerings. They're all relative startups. Quite frankly, I think the organization that's considering SaaS WMS today better have only the most basic of basic warehousing requirements (receiving, putaway, pick, pack, and ship) if they think these new systems are going to support their business.

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Software maturity is not unlike having a baby—you can't rush a natural process. The price is going to be very attractive when put beside the other traditional alternatives, but the buyer must be careful that they match their requirements to real capabilities that are truly available in the software."

Like Greg, I feel the time for SaaS is not yet here. In the next installment we will look more closely at the benefits and shortcomings of these two approaches from a practical and financial viewpoint.

Geoff Hukins is the Executive Director of Argos Software and a senior Business Consultant to the Supply Chain Industry. Geoff has 30 years of international executive management and consulting experience, along with post-graduate qualifications. Argos Software has been serving supply chain companies with enterprise software since 1979.

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