

# IT PERSPECTIVES

2009

Exclusive  
// Research

By Joseph O'Reilly

LOGISTICS INFORMATION TECHNOLOGY IS MANY THINGS TO DIFFERENT COMPANIES. It is an investment, a risk, a market neutralizer, and often a competitive differentiator. Technology can micromanage the mundane with extraordinary savings; or it can tackle the extraordinary with mundane consistency.

Even as companies tame wanton spending, table strategic endeavors, and closely measure return on investments, they are still willing to gamble on solutions that can proactively and reactively empower their enterprises.

Function-specific technologies and end-to-end solutions that sweep the supply chain—pinpointing and optimizing pain areas and aggregating visibility and information in the warehouse, in transit, and at critical origin and destination points—are in high demand, on demand.

The penetration of Software-as-a-Service

(SaaS) solutions and service-oriented architectures enables IT buyers to scale applications to both internal supply chain needs and external market-driven constraints.

As an information resource, *Inbound Logistics'* annual technology issue delivers similar scale, pairing macro data from exclusive market research with a drill-down directory that scopes out the best and brightest players in the segment.

First, *IT Perspectives* presents a panoramic view of the technology sector, framing trends and developments that

impress businesses to focus technology investments and applications in new lights. Soliciting input from a diverse pool of 300 technology providers, we juxtapose “data bITe” snapshots of the IT market with statistical data, emerging trends, and anecdotal observations.

Second, *IL's* annual Top 100 Logistics IT Companies list serves up an in-depth resource of best-in-class technology services providers, detailing industry domain, cost structure, application platform, and logistics and supply chain technology offerings—all in an effort to provide shippers with a better map for finding partners that meet their specific needs.

Together, these complementary perspectives track the trends and companies that are shaping the future of logistics and supply chain technology.

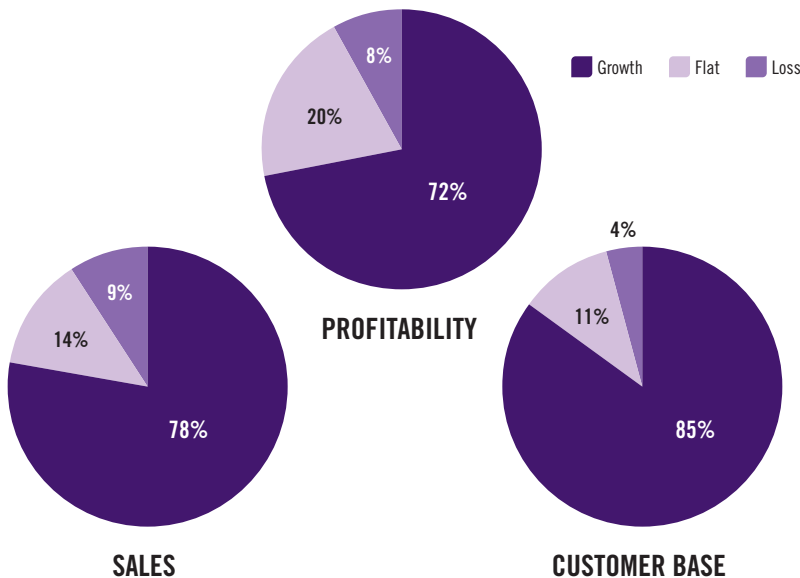
## Logistics Technology Under The Scope

With budgetary constraints as they are, technology buyers are acutely aware of the flexibility they demand and the urgency of redeeming investments. But apart from more economical buy-in options and adaptive delivery methods and upgrades, logistics technology is all about matching utility to need. In spite of exceptional economic circumstances, it's business as usual for the logistics technology industry.

“Demand for logistics technologies will increase across the spectrum from day-to-day tactical enhancement to high-end strategic planning tools that support corporate strategies, green initiatives, and tight ties with product and market lifecycle planning,” reports one survey respondent.

Transportation and logistics problem areas largely remain the same, albeit exacerbated by tightening purse strings. Technology companies overwhelmingly cite cost (92 percent) as their customers' top transportation and logistics challenge, with visibility (76 percent) and customer service (70 percent) among other pressing concerns. Given the current global financial crisis and credit crunch, the pressures placed on enterprises to squeeze out spend apparently trump customer service in the eyes of IT companies.

Transportation management systems (TMS) and warehouse management systems (WMS) remain a core need for shippers across all industries and a corollary sell for many IT vendors, with 62 percent and 47 percent offering these



### GROWTH SPURT

Despite a down economy, technology companies responding to this year's IT Perspectives survey overwhelmingly report positive growth across the board. In terms of increasing their customer base, 85 percent of respondents identify growth beyond five percent. Sales and profit figures are slightly less robust but strong nonetheless, with 78 percent and 72 percent acknowledging increases of five percent or more, respectively. By contrast, only nine percent of IT companies indicate a loss of sales, eight percent a loss in revenue, and four percent a loss of customers.

Source: 2009 IT Perspectives, *Inbound Logistics*

capabilities, respectively.

After installation, TMS and WMS investments empower businesses to capture low-hanging economies rather quickly. These point solutions are helpful in that they often aggregate, then alleviate, great inefficiencies in specific tactical areas—for example, consolidating less-than-truckload (LTL) moves into full truckloads (TL).

As corporate efforts to weed out waste take root, however, businesses are challenged to seed these core system capabilities, linking them with other function-specific applications, and thereby increasing visibility between siloed areas of the enterprise. By integrating transportation and procurement processes, point-of-sale data, and real-time visibility into supplier inventory, an organization may see opportunities to take those TL shipments and recast them as intermodal moves where lead times allow; then scale production and inventory management farther upstream in the global supply chain to match mode and demand frequency.

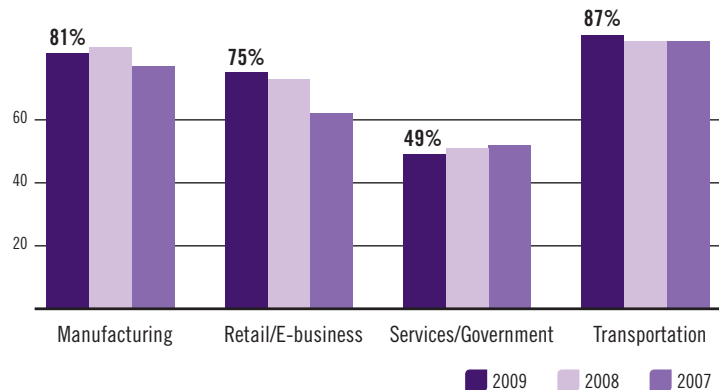
Transportation optimization is a pressing priority for technology-court-ing shippers, according to 50 percent of IT companies responding to *IL's* questionnaire. While funds to finance complete system installs may be scarce, optimization tools that accent and augment existing core solutions in the transportation and warehouse space are hot products—61 percent of vendors provide these capabilities.

#### VISIBILITY, ON DEMAND

Beyond cost, the bane of the supply chain remains lack of visibility. Customer difficulties with technology integration (as noted by 61 percent of IT vendors) and scalability (47 percent) are contributing factors to supply chain transparency holes.

For these reasons, the ubiquitous

#### AT YOUR SERVICE



IT companies are pulling out all the stops to engage users, introducing new prospects to quick-return, on-demand solutions, and cross-selling existing customers. Increasingly, vendors are also going after all parts of the supply chain, tapping shippers, intermediaries, and carriers as potential partners. This is a trend that has remained steady over the past few years. In 2009, 87 percent of IT companies report selling to the transportation space, versus 85 percent in 2007 and 2008, the highest penetration among all industries. Manufacturing is close behind at 81 percent; retail and e-business continues an upward track with 75 percent of respondents identifying this as a target niche, compared with 62 percent just two years ago. Services and government remain a low priority among IT companies, with 49 percent addressing this segment.

Source: 2009 IT Perspectives, *Inbound Logistics*

“supply chain management” solution remains the most popular feature among IT companies, according to 74 percent of this year’s survey participants. As an end-to-end strategic counterbalance to tactical point solutions, SCM and Supply Chain Event Management (SCEM) offerings include an array of functionalities not limited to nor defined by demand planning, network design, transportation and warehousing, routing, and order management.

IT companies configure their SCM suites with different user needs in mind, but visibility is a common denominator. With so many moving

pieces and parts in today’s far-flung supply chains, technological and operational gaps are omnipresent—if not always apparent.

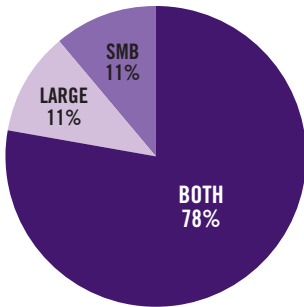
“Visibility value drivers can be quite different depending on the customer type and size, but one thing is universal,” offers one survey participant. “Those who can see their entire supply chain can make transformative changes quickly.”

Today, transformative changes are nascent and necessary. The challenge for shippers is finding solutions that help drive visibility to detail—whether it’s a shipment in transit, a breakdown of transportation costs, or critical



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### BUILD TO SCALE



SaaS-deployed solutions have made the technology gamble much more palatable for small and medium-sized businesses (SMBs). Beyond the facility of pay-as-you-go, on-demand solutions, vendors are specifically targeting this buyer demographic with direct sales efforts and tailored solutions. There are as many companies serving the SMB niche (11 percent) as there are big business, with 78 percent indicating they support both. Logistics technology companies have quickly recognized there is an emerging class of global companies whose size belies its competitiveness. Technology is an equalizing force and smaller players are leveraging logistics and supply chain solutions to expand their own horizons.

Source: 2009 IT Perspectives, *Inbound Logistics*

supplier data—and communicate these details to appropriate partners.

Standardized SaaS application deployments and service-oriented architectures have helped logistics technology buyers tackle integration and scalability issues without buying into costly and lengthy system

installations. These technology innovations enable flexible delivery/business models and rapid deployment of new products.

SaaS-delivered solutions give shippers greater latitude investing in solutions that fit to need rather than etched-in-stone legacy systems that need to fit. Businesses have less time, capital, and resources to vet, pilot, install, support, and wait for legacy systems to mesh with existing infrastructure, then redeem their value.

For smaller companies without scale and scope of resources, and where proper technology application can be the difference between boom and bust, finding vendors that deliver on demand, as promised, is invaluable.

As one respondent puts it: “We see the SaaS trend growing as a means for tapping the lower end of the market, providing high degrees of functionality for a small subscription fee.”

While a few survey respondents cite lack of customization, long-term investment parity, security, ownership, and business scope as inherent blemishes on SaaS’ sheen, most are bullish, while some are cautiously candid about its long-term appeal.

“SaaS is easier to buy, easier to pay for, and incurs less overhead,” offers an IT company. “But it also makes customization and deep integration more difficult and has the effect of commoditizing technology. This is where services become more important. Companies that are able to wrap the most valuable and innovative services around their SaaS offerings are the ones that will likely win.”

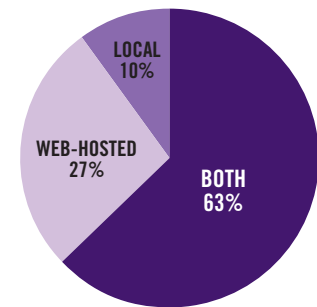
### THE INBOUND WAY

Rolled into expansive solution suites or apart from core technologies, on demand or in house, a number of supply chain solutions address different aspects of capturing visibility.

Supply chain transparency is important in terms of managing efficiency and economy over boundless distances or within bounded security and compliance mandates such as the U.S. Customs and Border Protection (CBP) Importer Security Filing (ISF). Nearly one-third of responding IT companies offer global trade management solutions, many of which have capabilities that meet the new ISF directive.

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### ANY WAY YOU LIKE IT



The SaaS phenomenon is evident in how IT companies deliver their solutions. Twenty-seven percent of surveyed companies only offer Web/hosted delivery options; the contrast is even greater among local install vendors, which represent 10 percent of respondents. Flexibility remains a top priority for technology buyers, so the majority of vendors (63 percent) provide both options. Demand for on demand is accelerating at a double-digit clip—90 percent of survey respondents offer a Web/hosted solution, compared to 80 percent in 2008.

Source: 2009 IT Perspectives, *Inbound Logistics*

One noteworthy trend regarding CBP's new 10+2 requirement is that the onus falls on both shippers and consignees who prefer keeping proprietary sourcing information within the fold, as well as the intermediaries and carriers they might otherwise charge with managing these new measures. IT companies that have exclusively targeted one or the other now have entrée into a new buyer demographic.

Visibility engages the future as much as the here and now. The ability to more accurately predict demand is increasingly important as businesses struggle to match resources with need in a capital crunch. Thirty-six percent of surveyed IT companies provide modeling/forecasting capabilities, compared to 30 percent two years ago.

Such visibility enables demand-driven, inbound logistics processes. "Inbound management tools empower companies by controlling shipments from globally dispersed suppliers, and providing real-time visibility to those shipments," reports one survey respondent.

Even if companies are doing a better

job forecasting and modeling consumption trends, and matching that to pipeline inventory, many still lack the ability to truly capture demand signals and act on them. Per end-user demand, there has yet to be a seismic shift in IT companies providing specific solutions that address demand management, with less than one-third (30 percent) selling technology to this niche need—following a similar trend line the past few years.

But there are telltale signs that some IT vendors are helping customers incrementally evolve their supply chains along this demand-driven path. Vendor management and supplier relationship management capabilities are increasingly part of IT suites, with 41 percent of respondents offering these respective capabilities. Growing demand for solutions that connect offshore trading partners suggests companies want better visibility into, greater communication with, and more control over the supply chain at the point of origin—which can create a cascade of efficiencies and economies in accordance with an inbound lead.

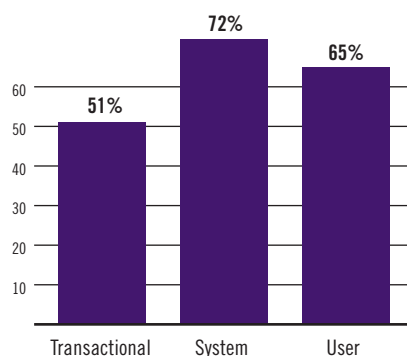
Control over processes upstream in the supply chain allows companies to become much more flexible in how they manage inventory. Given difficult-to-figure consumer forecasts, some are more inclined to employ postponement strategies and push least-value-added product farther back in the supply chain; others are engaging vendor-managed inventory programs to similarly flex inventory-carrying needs and mitigate risk.

More sophisticated companies are linking lean processes, inbound control, and forecasting to scale production to demand. The past three years have brought an increase in the number of IT vendors offering inventory management capabilities in all of its guises—58 percent of participants this year, compared to 54 percent in 2007.

While much capital and attention has been paid to technologies that reduce cost, some companies are tapping supply chain solutions to redeem value and create new revenue streams.

Sustainability efforts represent the lowest priority for shippers, according to 27 percent of IT companies surveyed.

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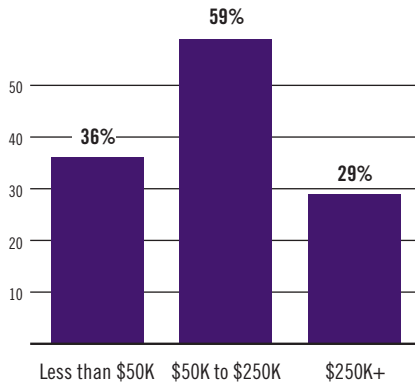
## CHECKS & BALANCES

Transactional pricing remains steady among IT providers with one in two offering pay-as-you-go applications. This trending has varied little over the past few years and reflects steady demand for "technology as needed" type investments where businesses can plug and play solutions without the risk of investing capital, time, and resources into a full installation. Full system installations, particularly in the WMS and TMS space, remain the bread and butter for IT companies, with incremental growth over the past three years, from 68 percent of respondents in 2007 to 72 percent in 2009. Per-seat pricing, which provides scale based on number of users, falls in between with 65 percent of IT companies offering this payment structure.

Source: 2009 IT Perspectives, *Inbound Logistics*

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## BARGAIN SHOPPING



Regardless of pricing structure and deployment, the cost of technology has dropped considerably. The majority of IT vendors (59 percent) report that their average customer falls in the \$50k to \$250k spend range, while 36 percent target the less than \$50k market, and 29 percent go after clients who spend more than \$250k on technology. In the past three years the number of IT companies catering to “thrift” buyers has increased from 31 percent to 36 percent, while high-rolling technology purveyors have dropped from 35 percent to 29 percent. The middle-of-the-road IT buyer remains the core sell and this slice will likely expand even more as SaaS- and SMB-tailored solutions saturate the marketplace.

Source: 2009 IT Perspectives, *Inbound Logistics*

While it may not be a pressing boardroom concern as everything else crumbles, some companies recognize that green stewardship, supply chain leadership, favorable PR spin, and consumer buy-in are inherently linked.

Practical green solutions that aim to reduce and recycle waste, such as reverse logistics and product lifecycle management, remain areas of embryonic growth for IT companies and their customers, with 36 percent and 19 percent, respectively, providing solutions in these niches. The fast-growing entrée of a-la-carte sustainability solutions such as procurement and carbon emissions footprinting, network optimization, and green packaging are beginning to ripple throughout the marketplace, but have yet to make a wave. ■

## Top 100 Logistics IT Companies: Tag, They're IT

Technology buyers today are explicit in the type of solutions they need. Consequently, IT companies are making their best efforts to capture this demand with targeted applications and services.

Whether entertaining a homegrown TMS or an on-demand global trade management module, discerning the value between IT functionality and solution platform requires a great deal of diligence. Consideration for one without the other can severely marginalize a company's flexibility, short-term effectiveness, and long-term costs.

With so much logistics technology variability, and so many solution partners to pick from, shippers need to be calculating in finding a deployment that best meets functionality and cost requirements. *Inbound Logistics'* annual Top 100 Logistics IT Companies is a good place to begin this process.

Selecting the Top 100 Logistics IT Companies is a measure of identifying our readers' unique challenges and technology requirements and matching them with IT companies adeptly positioned in the market and equipped with the right experience and resources. We look for companies where logistics and supply chain solutions are a core business and where shipper successes are earned and embraced. Our list includes a mix of logistics solutions companies, from legacy WMS providers to niche SaaS vendors; start-ups courting SMBs and up-starts with Fortune 500 accounts.

*//* editors winnowed this year's crop from more than 300 applicants, using questionnaires, online research, and interviews to validate our picks. The Top 100 Logistics IT Companies list presents a drill-down focus of the technology partners that can help your enterprise reach its current and future goals.

If questions about specific companies arise—and we hope they do—visit the online IT Decision Support Tool ([inboundlogistics.com/lit/lit100.shtml](http://inboundlogistics.com/lit/lit100.shtml)) to solicit companies for additional information about their services.

If you have any questions about our IT Perspectives or Top 100 list, please feel free to send us an e-mail: [editor@inboundlogistics.com](mailto:editor@inboundlogistics.com)