

Logistics News: Readers Respond – Do On-Demand Transportation Management (TMS) Systems Really Cost Less to Deploy?

A Variety of Opinions from SCDigest Readers; Is the Issue Scope or Effort Required?

SCDigest Editorial Staff

We received a number of excellent Feedback responses to our recent article on implementing on-demand Transportation Management Systems (TMS). (See Do Companies Often Limit Goals When Implementing On-Demand Transportation Management Systems?)

The question in that piece was why on-demand TMS implementation costs should be dramatically less, as vendors of on-demand solutions argue they are, given that most of the work required would seem to be the same regardless of whether an on-demand or traditional TMS is being deployed.

Tim Hinkle of Lexington, KY says the scope of on-demand projects does tend to be different.

"We implemented an on-demand solution because we wanted something to go live quickly and had a limited budget," he wrote. "I think this is common among on-demand TMS adopters, so I agree that overall the scope of the project is less than a traditional TMS, which is why the costs of on-demand seem lower."

Jay Friedman of Agistix, however, says that the ability to incrementally implement functionality with on-demand TMS is an important factor to consider.

"A better way to look at this is a customer buying what they need when they need it and adding more functionality or services at a time they believe is appropriate," Friedman wrote. "On-demand applica-

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tions allow this approach where the typical deployment does not. Remember the issue being addressed in the article is cost of 'implementation.'"

He also notes that "On-demand implementations do not require much of the startup costs of the traditional deployment: no special hardware, no software installations, very little customization, relatively minor startup consulting."

Greg Aimi, an analyst at AMR research, says that there are some real cost advantages for on-demand TMS, especially with regard to carrier integration.

"The connectivity of the carrier base is quite an issue that is time consuming and fraught with difficulty, so that is one area of simplicity from on-demand," Aimi says. He also notes some costs may be reduced because the TMS is already up and running, so the company can start loading their data "on day 1."

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Stan Hirshman of Sterling Commerce agrees on the carrier connectivity issue: "Managers of on premise TMS installations often underestimate the difficulty of establishing trading partner relationships with carriers and suppliers. Even smaller shippers typically work with over a hundred carriers, particularly if they use multiple shipping modes," he said.

He agrees that transportation consultants often "run the other way" from on-demand TMS projects because high caliber on demand TMS applications and skilled enrollment teams render expensive consulting services unnecessary."

Lori Kestin of UTI, however, says "I would be willing to bet if we compared the cost and time to benefit of 10 on-demand TMS implementations to 10 similar in scope, apples to apples - traditional TMS implementation, on-demand would come out ahead - but not by much."



She adds that "all the work related to getting the TMS up and running for your environment still has to occur, regardless."

So, a variety of opinions. The bottom line as usual: make sure you know what you really want and need, and do your homework well.