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Do Companies Often Limit Goals When Implementing On-Demand Transportation Management Systems?

No Inherent Reason for Implementations to be Dramatically Simpler, as Most of Work is Still the Same; Consultants Generally Run the Other Way

SCDigest Editorial Staff

Over the last few years, there has been growing interest and adoption of on-demand TMS (Transportation Management System) technology. That interest should only increase, as the on-demand solutions become more mature, and companies in the current economic climate are perhaps more likely to look for solutions that require less up-front investment.

On-demand TMS solutions offer not only the potential for a different economic model (up front software license versus subscription/"pay as you go" model), but most vendors also tout that there are much lower implementation costs.

But is that because on-demand implementations really are that much simpler, or because the scope of deployment for on-demand TMS solutions, for whatever reason, tends to be less ambitious than a traditional deployment?

On-Demand TMS Solutions Have Evolved

In the early days of on-demand TMS solutions, roughly in the first few years of this decade, most of the available solutions had relatively modest functionality, generally focused on basic execution processes (e.g., shipment planning, routing, tendering, track and trace).

Over the next few years, on-demand TMS solutions increased their capabilities, and eventually, over the past few years, almost all of the industry's largest vendors began to offer an on-demand alternative to their traditional deployments.

Schneider says that in total, for his project the TMS implementation costs were more than $400,000 – though he is quick to add the project still offered a substantial payback.

Yet, even for the on-demand implementations of the larger systems, the scope of implementation tends to be much lower.

"We generally walk away from on-demand TMS implementations because there aren't enough services dollars," one industry consultant recently told SCDigest.

But how can this be? Shouldn't any TMS implementation, regardless of its being traditional or on-demand, have the same requirements for such items as:

- system configuration
- interfaces
- testing
- process re-engineering
change management

Adrian Gonzalez, a transportation analyst at ARC Advisory Group, notes there are some real cost benefits from the on-demand model, such as being able to re-use integration with carriers.

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"Carrier connectivity, which is a time and labor intensive process with in-house implementations, is greatly simplified with on-demand," Gonzalez told SDigest. That's because the TMS vendor can just leverage existing carrier connections, rather than rebuilding them each time, as often happens in traditional TMS implementations, he said.

Gonzalez adds that in general, on-demand TMS implementations do tend to be simpler projects.

"Most on-demand TMS implementations are North American trucking centric, so the scope is often fairly limited and standard," he said. He also said that many on-demand TMS solutions are implemented in a piece-meal fashion, which lowers initial implementation costs.

"A customer might start with basic execution, then add optimization, then add freight audit and settlement, etc., over time," Gonzalez added.

Core Effort Should Still Largely be the Same

Still, others are also confused as to why on-demand TMS implementations seem to involve less total effort.

"The idea that an on-demand TMS application does not require significant up front implementation effort or cost is a fool's errand," says **David Schneider**, president of David K Schneider & Company, LLC, and former logistics executive at auto parts retailer Pep Boys.

Speaking from his own experience implementing an on-demand TMS at Pep Boys, Schneider says that even with a fairly straightforward execution-oriented system, "There are integration efforts needed on both sides of the relationship. On the shipper side there is interface files needed to transfer order or shipment information into the TMS. There are the origin and destination points that have to be built in the system, listing the physical ad-