Mark Brannan, general manager of **AEB (International) Ltd**, looks at the future of Software as a Service (SaaS) in the logistics sector.

Soft option

Many companies consider Software as a Service (SaaS) as a great way to reduce costs, allowing them to reduce reliance on their internal IT departments.

SaaS applications are accessed via a Web browser, eliminating the need for businesses to invest in new hardware, handle installations or undertake maintenance programmes. This decrease in total cost of ownership combined with on-demand, subscription, or 'pay-as-you-go' pricing models means that companies are often able to use operating budgets rather than capital expenditure to meet their software needs.

SaaS has therefore enabled small- and medium-sized enterprises to utilise software solutions that were previously only affordable to large companies.

SaaS is one of the key elements of another concept that has come to the forefront in recent years: cloud computing. In this model, shared servers provide resources, software and data to other computers and devices via the Internet. Companies taking advantage of cloud computing services are able to outsource the majority of IT requirements – including software, data storage, hardware, networking components and operating systems – and access these on-demand. Instead of adding additional hard drives to its own data centre, for example, a company can 'rent' the required disk space online. This reduces the total cost for operating a solution.

The greatest growth in cloud computing applications for supply chain operations will be in areas that are critical to competitiveness but which can be standardised. A good example of this is selection of the cheapest or fastest carrier, including generation of carrier-specific labels and electronic notification messages. Electronic customs declarations – including automated import and export filing with the respective authorities and handling of the corresponding responses – is also an area, where companies are able to take advantage of a standard solution that doesn't need to be tailored to individual business requirements. Given that many SMEs have low volumes of international trade and therefore need to make only a few declarations per month, SaaS can be a very cost-effective solution.

The future: Hybrids

Sometimes neither SaaS nor cloud computing have the right functional fit. For example, where using the same software as a competitor for business critical processes is not an option, or in situations where the workflow for specific processes varies too much from company to company, making it more difficult to deliver a solution using the conventional SaaS model.

Many logistics operations are simply not like office tasks that can lend themselves to generic functionality. And while cloud may be fashionable, many supply chain management (SCM) operations are based on systems that can be categorised with one word: legacy.

This stable environment is the backbone of the supply chain business and will remain so for quite some time. It will take some time until there are solutions available for these technically mature core processes. And even then we may question the willingness of some companies to process and store their business-sensitive data 'in the cloud'.

That's why hybrid – where cloud computing applications are used alongside more traditional solutions – is likely to be the new trend in complex supply chain and warehousing processes. Hybrid solutions are driven by the necessity to connect the relevant SaaS functionality as seamlessly as possible to the existing IT infrastructure so that these applications aren't just isolated add-ons but become easily activated plug-ins with all their benefits.

This will be a welcome solution for managers and CEOs that like the idea of transparent and predictable IT costs but expect flexible and adaptable solutions without increased hardware and IT support. ●

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