



# SOFTWARE ROI THE VALUE *of* e~TOOLS

BY MARCIA JEDD



*Many companies today are seeking quick hits to their bottom lines in the form of ROI from investments in supply chain software. In today's tricky environment, adopters of supply chain tools are gaining more than just ROI with point solutions — they're finding new ways of managing their supply chains.*

In today's recovering economy, companies need to ensure every dollar spent is returned and then some. A fast pay back or return on investment (ROI) is understandably sought following years of expensive and time consuming ERP implementations. In recent years, many companies have gained boosts to their supply chain processes and bottom lines from tools such as transportation management systems (TMS) and other supply chain execution and management tools.

### Seeking Quick Hits to the Bottom Line

Companies are leveraging what they already bought in new applications, suggests Dave O'Brien, quantitative research director at AMR Research in Boston. O'Brien says many of the quick ROI hits come from warehouse management systems (WMS), TMS and other narrowly focused applications that allow companies to collaborate and consult with carriers and vendors that serve their supply chains. "Other areas such as demand planning and forecasting (DPF), advanced planning and

scheduling (APS) are hot now but usually have to be in place two years or more to see results," O'Brien says.

John Fontanella, vice president of CPG/Life Sciences and the Retail Industry Group at AMR Research, notes it's a measured approach in using supply chain tools, many of which are focused toward planning and event management. "The planning systems are mature now and proven benefit. Companies are taking a slow migration to integrate different functions together and build them into a process," he says. He notes a rise in spending for supply chain applications downstream by mid-level manufacturers who face tremendous pressure to automate with their higher-tier customers.

Indeed a recent survey to 100 companies by AMR Research found the supply chain-ROI mission is driven by the need to reduce inventory costs and cycle times as well as improving fill rates and visibility of supply chain-related information. Tools that best serve these goals include DPF and planning (inventory and transportation planning) as well as order management systems like WMS.



# WMS: means to an END

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*Some of the biggest bang for the buck in return can be had in the area of inventory*

*management. High tech and ever-changing warehouse management systems are up to the task in helping companies keep track of the stacks.*

Warehouse management systems (WMS) were one of the first applications on the supply chain execution scene in decades past. When used effectively, these systems yield

some of the strongest returns. Depending on a firm's level of supply chain savvy prior to deploying a WMS, most companies can expect to realize a return on investment (ROI) in the range of 10 percent to 20 percent, suggests Tom Ryan, director of sys-

tems integration services at eSYNC International, a Toledo, Ohio-based systems integrator and consultancy.

While some providers might boast faster pay back, Ryan says justifying a WMS project on a two- to three-year pay back is reasonable for most companies. Boston-based AMR Research concurs as it recently found that WMS, along with its supply chain execution (SCE) counterpart, transportation man-

agement systems (TMS), deliver significant benefits when used longer than two years. AMR Research notes users to supply chain management system say key drivers to their ROI quests are the need to reduce inventory costs and cycle times, while improving fill rates. Lowering overall warehousing costs, however, was only a secondary contributor to the push for ROI gains.

Ryan notes that WMS inherently offers only a fixed view of inventory and thus cannot capture all inventory within a supply chain. "WMS does control the static piles you can touch in your warehouse and you can keep track of the inbound and outbound when you work with supply chain visibility tools and TMS," he says.

One WMS user, ADP, had established proven methods including an ISO 9002 certified manual process to track the inflow of pallets onto final shipping. But despite these solid procedures and given its labor-intensive industry of financial document processing, it had considerable room to improve its handling processes when it chose HighJump Software for its WMS system. HighJump's Warehouse Advantage Suite (WAS) is used



**HighJump Software's robust supply chain execution solutions provide optional warehouse efficiencies.**

Photo courtesy of HighJump Software



## THE VALUE of e~TOOLS

**“Customers have said ‘it’s not the cost of the software that kills us but the cost of the modification’.”**  
— Chris Heim, HighJump Software, Inc

complements high-volume environments or special circumstances such as freezers.

Large companies, such as General Motors and Panasonic look to Catalyst International for its WMS. As one of the first truly Web-based WMS tools, Catalyst attracts multi-site and multinational companies. High-volume retailers like Home Depot seek its automation capabilities such as for integrating with Advance Shipping Notice systems, says Dan Trew, vice president of product strategy at Catalyst.

In addressing the often-hidden part of inventory that is available to promise or far out in order delivery dates and definitely not in the warehouse, Trew suggests integration with ERP systems such as SAP (which owns 10 percent of Catalyst) to help remedy the systems gap. “The ERP can immediately funnel the order to Catalyst and in most instances, we commit it entirely to the system,” he says.

“Catalyst WMS’ primary value proposition is increased productivity in the workforce,” Trew says. Sony Music, a distributor of music and entertainment products, found it gained some 23 percent in across-the-board savings after

installing Catalyst WMS among four facilities. Even higher efficiencies were found in productivity as Sony Music Distribution eliminated a work shift to two shifts per day at its facilities, while gaining speed in order processing times to ship order out within 48 hours or less.

### Justifying Warehouse Management

Some supply chain functions are so sorely needed that firms may bypass going through the hoops of justification or extensive ROI analysis, suggests John Fontanella, vice president of CPG/Lifesciences and Retail at AMR Research. But particularly when upgrades from legacy or other outdated systems are involved, benchmarking along a number of fronts is in order before selecting a replacement such as for WMS.

When implementing WMS, without extensive customization, a mid-size or larger company can expect a deployment time anywhere from about three to six months, suggests Tom Ryan, director of systems integration services at eSYNC International. That is, if the firm breaks down the implementation into manageable pieces such as inbound stock locating and outbound processing.



## Web Showcase



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