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Cloud brings ease to WMS software deployments

While a latecomer to the cloud scene, [warehouse management system](#) (WMS) software is finally making its way to subscription-based and hosted models, offering companies an easier -- and potentially more cost-effective -- alternative to a traditionally complex and costly deployment.

Early cloud-based [WMS software](#) garnered little traction among customers, primarily because it had limited functionality compared to traditional on-premises applications and was viewed by many as too central to operations to be maintained off-site, supply chain experts say.

In addition, high levels of customization around WMS and the need for the systems to interact closely with ERP systems, which until recently have primarily remained on-premises, have also hindered the category from taking root in the cloud, according to Chad Collins, CMO and WMS channel general manager for Accellos, a maker of both cloud and on-premises WMS systems.

Compounding the slow transition is the fact that WMS is typically focused on promoting efficiencies and productivity gains within the four walls of the warehouse; thus, it doesn't fully benefit from the distributed nature of cloud technology, notes Clint Reiser, analyst, enterprise application software at ARC Advisory Group.

"The cloud and [Software as a Service](#) (SaaS) deployments provide limited benefits in the WMS market because the value of connectivity between different organizations isn't really relevant," Reiser explained. ARC research shows that less than 10% of WMS revenue currently comes from SaaS deployments compared with other supply chain applications like global trade management software, where 50% of revenue is directed from SaaS deployments.

The ROI of WMS software

Unlike other application categories where the cloud opens the door to new types of use cases, cloud WMS primarily addresses the same pain points in the warehouse as its on-premises counterpart: that is, facilitating inventory management, optimizing temporary staffing for peak periods and making better use of warehouse space, said Gavin Clark, chief commercial officer for Snapfulfil.com, a cloud-based [WMS system](#).

"[Cloud] can provide access to the same levels of sophistication and problem solving you get from an on-premises system without the massive initial investment," Clark said.

In fact, reducing infrastructure costs and lowering the cost of ownership are the primary appeals of cloud-based WMS, according to Ken Mullen, partner at Envista Corp., a supply chain consulting firm. Just like with any SaaS application, companies avoid having to invest in IT infrastructure, and they can amortize the cost of the deployment over a several-year period as opposed to paying an upfront expense of upwards of a million dollars in many cases.

"The ROI is more appealing if you don't have to pay licensing fees upfront and your first year of maintenance," Mullen added.

Cloud WMS means speedier implementation

Another advantage of cloud-based WMS software, Mullen said, is that it is typically much faster to implement. "It's relatively easy to start using the software because you don't have to worry about buying servers or putting in an IT environment," whereas it could take months to get a traditional WMS up and running, he explained.

As a result, cloud WMS makes the most sense for companies with a lot of small remote warehouse sites or for companies that have low-complexity warehouse operations, said Ian Hobkirk, managing director at Commonwealth Supply Chain Advisors, a supply chain consulting company. For example, cloud WMS software does a good job with bin-level inventory tracking, enabling warehouse staff to pick multiple orders simultaneously, or to eliminate manual secondary checking of orders for accuracy, Hobkirk said.

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"For companies that need an inexpensive system and a short-term cost of ownership, it makes a lot of sense," he said. However, companies seeking long-term ROI beyond the four- or five-year mark won't benefit as much, because the savings from a cloud approach start to diminish at that point.

In addition, companies with warehouse complexity, including material handling capabilities like picking systems or conveyors, are better served by on-premises WMS software, which can accommodate their integration and customization requirements, Hobkirk added.

That was the case for O.C. Tanner, a Salt Lake City-based human resource consulting and services company which considered SaaS WMS, but ultimately opted for an on-premises WMS from High Jump Software. The company needed to replace an old terminal-based system with a modern-day WMS. It decided that a cloud approach wasn't an option given its need for customization and for integrating the WMS with material handling machinery like cranes and picking systems, said Dan Murphy, O.C. Tanner's supply chain systems analyst.

Moreover, O.C. Tanner had already made an investment in data center infrastructure, which took that benefit off the table, Murphy explained. "Because we already have a server farm, we end up hosting our stuff and it doesn't add a ton of overhead or expenses to add another system," he said. "Also, when you are hosted, you aren't able to make as many changes and we wanted to own [the ability] to make changes to the system, so multi-tenant SaaS was not an option."

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