



From the pages of Modern Materials Handling

Software that's on demand

Bob Trebilcock, Editor at Large -- 2/23/2005

IT managers are forever looking for ways to reduce the cost of information technology.

And software providers are constantly trying to come up with new pricing methods to make software more affordable.

In the late 1990's, it was the application service provider model, or ASP. Today, application and hardware providers as diverse as IBM, ERP provider NetSuite (650-627-1000) and LeanLogistics (616-738-6400), a TMS provider, are offering their software on demand.

The main advantage of on demand is that users pay by the seat or by the drink in a subscription model, which saves on upfront licensing and implementation fees.

If that sounds like the ASP model, there is a key difference, according to Adrian Gonzalez, director, logistics executive council, ARC Advisory Group (781-471-1000). "In an on demand model, there is one version of the software and everyone leverages it."

That's different from the ASP model, where every client had their own version of the software hosted on a server. "The problem was that every time an upgrade had to be made, it had to be made separately for every client," says Sean Rollings, senior director of marketing for NetSuite. "When we update our product, everyone receives it at the same time."

The other difference is that ASP's were typically hosted by a third party that might offer an ERP system from one vendor, a TMS from another vendor, and customer relationship management from a third. "In the on demand model, you're dealing directly with the software vendor," says Rollings.

In the supply chain management field, the on demand model works best in collaborative or networked applications. "That's why TMS is a sweet spot," says Gonzalez. "The process is inherently collaborative, with many external parties in the transaction."

Gonzalez adds that while traditional TMS applications installed at a user's location still predominate, on demand is the fastest-growing segment of the market.

Some Web-based applications may also be thought of as on demand, especially in applications where business partners share information between systems, according to Tom Dziersk, CEO, ClearOrbit (800-324-5143). "In a Web-based model, you can interact directly with your trading partner's system rather than send EDI messages back and forth," says Dziersk. "If you have a Web browser, my enterprise system is sitting there available to you on demand all the time."