Putting the spotlight on ERP

BY BRIDGET MCCREA, CONTRIBUTING EDITOR

According to our latest ERP usage study, adoption rates and interest are both high. But just how far have logistics professionals gone in putting their ERP to work to solve today’s logistics and supply chain challenges?
With the goal of digging deeper into the supply chain software space to find out how logistics professionals are currently using enterprise resource planning (ERP) systems as part of their strategy, Peerless Media’s Research Group decided to peel back the layers of this complicated segment in a survey that yielded 225 manufacturers, retailers, and distributors back in April.

Conducted on behalf of Logistics Management and Supply Chain Management Review, the Adoption of Enterprise Resource Planning (ERP) Systems and Applications survey was conducted to provide a better understanding of the adoption of ERP platforms and their solutions for supply chain and logistics applications.

Spun out from the manufacturing resources planning (MRP) systems that gained popularity in the 1980s, today’s ERPs span numerous areas of an organization including manufacturing, engineering, finance, customer service, project management, human resources, and accounting.

ERP also reaches outside of the traditional corporate boundaries to include supplier and customer systems. When this occurs, ERPs get pushed out into the supply chain—a place where giants like Oracle, PeopleSoft, and SAP have been moving toward over the last few years.

Also over the last number of years, more of those solutions have been pushed into the “cloud,” a place where users access their software online via a subscription format. The survey addressed this trend as well, focusing on whether or not logistics and supply chain professionals are moving in that direction along with their ERP vendors.

The survey also addressed the adoption of ERP systems and applications; benefits and barriers to an ERP implementation; and user satisfaction with current ERP implementations and their ERP vendors, among other key points.

All respondents were involved in the evaluation and purchase decision process for IT systems, solutions and/or applications relating to supply chain and/or logistics operations.

Over the next few pages we’ll discuss the survey results with a few of the top supply chain software analysts. They’ll also give us a look at some of their own research and help us to predict the future for ERP in serving the logistics and transportation sectors.

**ADOPTERS AND INNOVATORS**

According to our findings, adoption rates for and interest in ERP are high. In fact, very few companies are completely untouched by the all-encompassing systems. Twenty-seven percent of shippers have a fully operational ERP in place, and another 26 percent are adding/upgrading apps to an existing system (for a total of 53 percent adoption).

With more than half of responding companies already using an ERP, another 12 percent are just now rolling out such systems, and a final segment (20 percent) are either evaluating vendors, or the solutions themselves, to figure out if the IT solution will be a valuable addition to their company operations.

But not all logistics professionals are so enamored by ERP. According to the survey, key reasons for not implementing an ERP include high capital investment; inability to visualize the benefit; and a prevailing “if it ain’t broke, don’t fix it” mentality. Other barriers to implementation include limited/overworked IT resources and concern over integration with legacy applications.

Of the supply chain applications currently in use or planning to run through our respondents ERP platforms, the top were warehouse management systems (WMS) (59 percent); supply chain planning (SCP) (42 percent); and

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**Company’s current status on ERP adoption**

- Have a fully operational ERP: 27%, 53%
- We are adding/upgrading apps to existing ERP: 26%
- Just now rolling out an ERP system: 12%
- We’re evaluating ERP vendors: 9%
- We’re evaluating ERP as a business solution/Just starting out: 20%
- Neither run nor have plans for ERP: 11%
- Other: 10%
- Source: Peerless Media LLC Research Group
Supply Chain Technology

transportation management systems (TMS) (28 percent). Over the next two years, 40 percent of respondents plan to add a WMS to their ERP, 31 percent plan to add SCP, and 25 percent will plug in a TMS.

Companies that have adopted ERP report that they’re seeing benefits like improved warehouse management, better customer service, inventory reductions, and enhanced demand forecasting. Shippers voiced further benefits that depended on whether they selected a single ERP vendor, a best-of-breed, or a hybrid approach. Those working with a single vendor, for example, cited easier implementations, less confusion and an initial, cost-effective investment.

Best of breed ERP users said flexibility and an “out of the box” integration process were among the top benefits, while hybrid users cited easy integration, ease of use, and an ability to adapt quickly to agile companies as the biggest benefits. Integration was by far the most important aspect of any ERP implementation, “but ease of use and cost efficiency also comes into play,” said one respondent.

Of the companies surveyed, 39 percent of shippers using a single ERP provider were extremely satisfied with their choice, while 28 percent were somewhat satisfied, and 13 percent were not satisfied at all. Of the best-of-breed users, 46 percent were extremely satisfied; 43 percent somewhat satisfied; and 11 percent unsatisfied. For the hybrid users, 36 percent were extremely satisfied, 55 percent somewhat, and 9 percent not at all.

When asked what their vendors could be doing better, ERP users provided direct comments like: “Have better knowledge of what the system can do,” “allow more time to integrate with other systems,” and “provide more user-friendly reporting tools.”

CLOUDY SKIES AHEAD?

When asked about using a cloud/on-demand platform for ERP, 5 percent of respondents said they’ve adopted SaaS software, while another 25 percent are evaluating the possibilities. The remaining companies were unsure of how an on-demand strategy could fit into their ERP platform.

Reasons for going with a SaaS solution included the desire to run a leaner operation; greater utilization of resources; scalability; greater communication with customers and vendors; and the cost structure. Shippers cited the potential drawbacks to a cloud-based ERP as security concerns, system reliability, and system performance.

The analysts we spoke with about the survey weren’t surprised at the low interest in, and adoption levels for, on-demand ERP solutions. “TMS is the only application where we’re seeing high SaaS adoption,” says Steve Banker,
director of supply chain solutions for ARC Advisory Group. “For the rest of the [applications], companies aren’t really interested in the cloud computing environment.”

Dwight Klappich, research vice president for Gartner, Inc., in Stamford, Conn., says that adoption of SaaS solutions is growing across the supply chain space, albeit in a “targeted” manner that doesn’t necessarily include the multifaceted ERP space. “For example, a company may use Salesforce.com for sales force automation and another vendor for an on-demand TMS, but still use Oracle for ERP,” says Klappich. “We expect that kind of targeted SaaS use to continue, particularly among smaller shippers.”

**ASSESSING THE NUMBERS**

When asked to compare their own research and numbers with the ERP adoption rates uncovered in the April survey, all analysts said the results were in line with what they’re seeing in the market overall.

Klappich says the survey numbers are particularly relevant for the manufacturing and wholesale distribution sectors, where just over half of companies have adopted an ERP.

Ben Pivar, vice president and North American Supply Chain Lead for Capgemini, says that if firms with $1 billion+ in revenues were surveyed, the deployment numbers for ERP packages would be even higher. Holding some of the smaller shippers back, he says, are the implementation and maintenance costs associated with ERPs.

To address those issues, Pivar says some of the larger ERP vendors are releasing “slimmed down” or less sophisticated versions of their solutions, with an eye on hitting those shippers that don’t need the full package. “The economics of installing a TMS package on a client server, for example, doesn’t really work until you have nearly $100 million in freight spend,” says Pivar. “That’s why on-demand is so popular in that space.”

Banker says that he was surprised that WMS stood as the top application currently running on respondents’ ERP platforms. He also says that the high percentage of shippers that are currently evaluating new modules or ERP solutions for purchase within two years are probably being overly optimistic.

“When you ask people what applications they’re planning to install or upgrade within the next 24 months, the numbers are always much bigger than what really happens,” says Banker. “They may want to do it, but getting through the budgetary approval and [integration] process is always much tougher than people think.”

**MORE TO COME?**

Klappich added that other barriers for logistics professionals include the total cost of ownership, and the complexities that come along with rolling out enterprise-wide IT solutions.

He pointed to SAP, Red Prairie, and Oracle as three large providers whose solutions include “very sophisticated, IT-centric tools” that help users get through the latter challenge.

“At the same time, the applications themselves have become increasingly complex, which often results in a third challenge: dealing with the complexities of the ERP systems themselves,” says Klappich, who like the other analysts interviewed for this article, feels that ERP’s future is bright, particularly in the “hybrid” category.

“The days of cobbling together full best-of-breed ERP solutions are gone, and in most cases the new implementations are some form of hybrid, with shippers putting as much as they can on their ERPs and supplementing as needed,” says Klappich. “That’s what we’ll continue to see going forward.”

Bridget McCrea is a Contributing Editor to Logistics Management

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**Barriers to implementing an ERP system**

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<thead>
<tr>
<th>Barriers to Implementing an ERP System</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Budget limitations</td>
<td>30%</td>
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<tr>
<td>Limited/overworked IT resources</td>
<td>40%</td>
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<tr>
<td>Integration with legacy systems</td>
<td>24%</td>
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<tr>
<td>Limited knowledge of ERP and available solutions</td>
<td>22%</td>
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<tr>
<td>Corporate commitment</td>
<td>28%</td>
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<tr>
<td>User acceptance</td>
<td>27%</td>
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<tr>
<td>Lack of confidence in available ERP apps</td>
<td>17%</td>
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<tr>
<td>None</td>
<td>9%</td>
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<tr>
<td>Unsure</td>
<td>5%</td>
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Source: Peerless Media LLC Research Group

**Status toward cloud computing/SaaS**

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<thead>
<tr>
<th>Status toward cloud computing/SaaS</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>We’ve adopted</td>
<td>31%</td>
</tr>
<tr>
<td>Currently evaluating/ will evaluate within 2 years</td>
<td>26%</td>
</tr>
<tr>
<td>Not an option for us</td>
<td>19%</td>
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<tr>
<td>Not sure what cloud computing is</td>
<td>9%</td>
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<tr>
<td>Not sure of company’s interest</td>
<td>37%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
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Source: Peerless Media LLC Research Group