



SUPPLY CHAIN NETWORK SOLUTIONS

WMS IN THE CLOUD: ROI CONSIDERATIONS

The cloud makes advanced technology accessible—and affordable—for any company.



According to Gartner's latest forecast, global spending on IaaS is expected to reach almost \$16.5 billion in 2015, an increase of 32.8 percent from 2014, with a compound annual growth rate (CAGR) from 2014 to 2019 forecast at 29.1 percent. Secondly, Gartner's 2015 CIO survey indicates that 83 percent of CIOs consider cloud IaaS as an infrastructure option, and 10 percent are already cloud-first with cloud IaaS as their default infrastructure choice.



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INTRODUCTION

There's an evolution taking place in the IT industry: the continuous and steady progression from traditionally installed software to cloud technology. In the cloud computing model, the vendor provides Web-based access to applications as a service, through a subscription pricing model. The vendor takes responsibility for everything, including servers, storage, backups, system updates, applications, databases, and maintenance. This eliminates the need for customers to buy, deploy, and manage IT infrastructure, saving the customer large upfront deployment costs and ongoing maintenance headaches.

In recent years the shift of enterprise software to the cloud has intensified, driven by a perfect storm of dramatically lowered cost of storage, increased processor speed, elimination of the need for a software and hardware to be physically connected.

Warehouse management system (WMS) technology is now available in the cloud delivery model from some providers, offering a lower cost, reduced risk option. When evaluating WMS providers, it is imperative for every business to understand the total cost of ownership (TCO)—including both direct and indirect costs—of the technology and labor associated with adopting WMS technology. The scrutiny of new technology projects has never been higher, and building a business case to justify an investment in supply chain management technology has never been more crucial. While some see cloud as being simply the next level of technology, the shift towards cloud computing also has very tangible financial benefits.

Read on to explore how warehouse management, delivered via cloud technology, can have a positive financial impact not just in your distribution logistics, but on your internal IT spending as well.

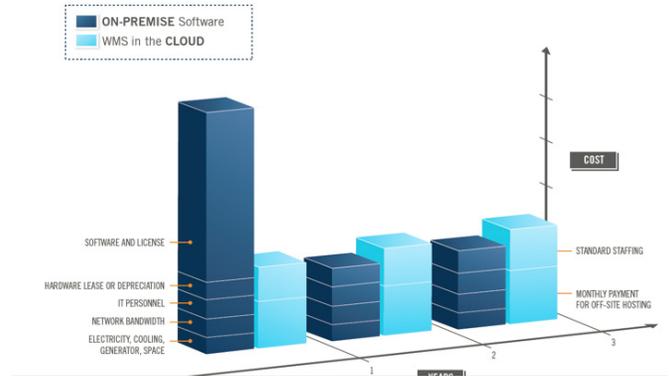
Component	On-Premise	In the Cloud
Pricing model	Perpetual software license	Monthly subscription
Server hardware	Customer purchases	Included
OS licenses	Customer purchases	Included
Software licenses	Customer purchases	Included
Maintenance fees	18-22% of software cost	Included
IT operations	Customer purchases	Included
Operating costs	Customer purchases	Included

RETURN ON INVESTMENT CONSIDERATIONS FOR CLOUD

More Technology for Less Cost

For most businesses, infrastructure, development, and IT management are not core competencies or business differentiators. The anemic economy compels businesses to look even harder at their core competencies and costs. Ask yourself: can someone else do it for you more effectively and at less cost? Take, for example, the explosive growth of 3PL/logistics services providers, hired to take on tasks manufacturers and distributors used to do themselves, because the 3PL can perform the service more efficiently and at less cost than the company can itself.

Cloud allows you to switch from a fixed cost capital-intensive business model to a variable cost pay-as-you-go operating expense model. Eliminating the need to gain approval for a large, up-front capital investment to cover the cost of software makes stepping into a WMS easier for many companies, especially smaller operations with less cash on hand.



In typical enterprise data centers, large initial capital outlays also make ongoing upgrades in servers, operating systems, and database software prohibitively expensive. Over time these costs remain fixed, but so does performance. The economies of scale available with the cloud allow cloud providers to purchase and maintain large volumes of hardware storage at very low costs. In this way, the cloud enables costs to decrease and performance and functionality to increase steadily over time.

While a move away from capital expenses is undoubtedly attractive to most organizations, it is in the total cost of ownership analysis that the economic benefits of WMS in the cloud become clear.

Lower Total Cost of Ownership (TCO)

Performing system upgrades is one of the most dreaded IT tasks related to traditional WMS software. Did you know there are a large number of businesses out there that have had to cough up a million dollars just to upgrade their WMS? With WMS in the cloud, your vendor performs routine software maintenance for you, including scheduled upgrades and patches.

Additionally, in traditional enterprise data centers; it is fairly common to experience capacity constraints or waste caused by spikes and troughs in demand throughout the year. You either need to wait while additional server hardware is ordered, shipped, and brought into operation—which can take months and cause lost business and unfulfilled orders—or you have excess capacity, meaning wasted space and expense. The cloud is elastic and scalable, so you can access more power when you need, and scale back during slower periods.

Hidden Cost	Description
Internal resources	Staff required to operate and maintain on premise software, administrative, quality assurance, end user support resources
Training cost	Training for your IT and administrative users on running, managing, and maintaining the software
Infrastructure	Server hardware, software, facilities, and data center to support WMS application
Upgrade to future functionality	Adding more features in the Future to supplement your existing solution

There are many, easy-to-overlook "hidden costs" which represent a significant component of many TCO analyses of traditional WMS system deployments.

Without the analysis of hidden costs, it is difficult to build an accurate picture of TCO. Cloud computing removes the heavy cost and time requirement of software and infrastructure maintenance, freeing up time for your IT staff to refocus their time and

resources. There is no server hardware to purchase or maintain, and you are no longer required to manage vendors, support contracts or carry insurance on your server hardware.

Removes the IT Requirement.. And Empowers The Supply Chain Team

In many companies as much as 70 percent of the typical IT budget is spent just on making sure the business remains operational—tasks such as keeping servers running and performing upgrades. In the best cloud models, IT staff can devote their time to improving the business, rather than trying to solve infrastructure issues and applying software patches. IT can move from being an interchangeable commodity to a differentiator, shifting from maintenance to innovation.

When an IT team knows they need to run the underlying infrastructure, they realize there will be an inherent expectation that the business will rely on them for broader application support. Using cloud applications forces businesses to think differently about who will truly be accountable for the software and its implementation. If it is determined that the business process owners should "own" the software, the business process owners should likewise be accountable for it.

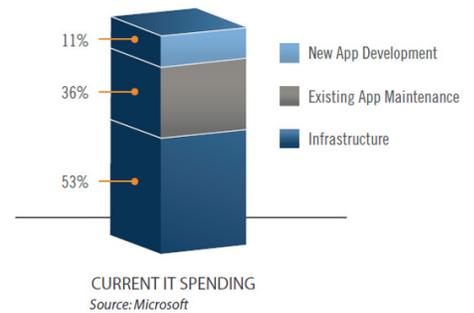
In order to make good business decisions about information technology investments, the business process owner—not the IT department—must make the decision about investment and commitment to information technology. Sound business decisions about using technology cannot be made if the business owner perceives to be getting the system "for free" from IT. Similarly, a decision to invest in IT should not be limited by lack of internal IT resources or IT project prioritization. If a technology project stands on its own business merit, there should be a mechanism to execute on that project. That means that IT is freed up, and the supply chain department is empowered to make more rapid and informed technology decisions.

The Cloud Reduces The Risk Involved With Supply Chain Investment

Perhaps you are intrigued by WMS capabilities but you think you may be rolling the dice by putting a large capital investment on the table and wondering if the resulting efficiencies will be great enough to make the system purchase worthwhile.

With cloud computing, a simplified implementation and the "pay as you go" subscription model enable you to realize a return much more quickly than with traditional on-premises software. According to a recent Gartner Group study, the average number of months to measure the total value achieved from using cloud computing is 10.4 months, which is typically three months to eight months sooner than with on-premises investments.

In the short-term, direct expenses are not the only factors to consider when evaluating a cloud-deployed WMS solution. Enabling the organization to grow, obtaining consistency and predictability over a multi-year horizon, benefiting from WMS vendor innovation, and eliminating non-core activities that drain IT resources are all important considerations.



Value Drivers	Description
Total cost of ownership	Direct and hidden costs associated with overall software footprint
Time to value	How long will it take to be up and running, achieving business objectives?
Certainty	Confidence the investment will pay-off. Over the next five years, what additional costs/risks will be added?
Risk	Chances of achieving business objectives without incurring substantial new expenses or project delays
Innovation	Pace of technology innovation – evaluate today's capabilities and tomorrow's opportunities for multi-year investments

THE CLOUD SECURITY QUESTION

Questioning the security, reliability, and availability of your data makes sense with any application you run. With cloud computing, the risk and liability are managed by the service provider, and most cloud providers have security policies that are far more stringent than a company's internal IT department. The hardware and applications are hosted in a secure, state of the art data center that is designed to ensure the privacy, integrity, and availability of customers' systems and data. When you are a cloud solution provider, your data center and IT infrastructure are the lifeblood of your business so you are always investing more money in it. For most other types of businesses, it's the opposite. Overhead and data center budgets are constantly being reduced and IT staffs trimmed.

Most cloud solution providers will detail their security procedures and processes in the service contract, as well as offering multi-tiered service level agreements (SLAs). These can cover security, backup and recovery, infrastructure and service reliability, and quality of service, which can help business users become comfortable with deploying applications in the cloud

CONCLUSION

The resources required to maintain and grow an IT infrastructure to support the needs of the business can be enormous. In the final analysis, cloud computing is not just about data center technology. It's about streamlining business processes to make organizations and people more strategic, more responsive to change, and more focused on core business. When comparing the costs of on-premises WMS and WMS in the cloud, it is important to accurately assess the true costs of both options. Businesses should take a long-term view of their supply chain application footprint and understand how best to position themselves for efficient and cost-effective growth.

ABOUT HIGHJUMP WMS IN THE CLOUD

Full warehouse management features —lightened IT Load

Just like the installed version, HighJump WMS in the cloud provides the means to ensure fast, accurate fulfillment through directed, optimized workflow. The HighJump warehouse management system gives companies across industries a foundation of best practices for receiving, put-away/flow-through, inventory management, order processing, replenishment, pick/pack, loading and shipping, as well as the ability to build their own industry-leading business processes using our adaptability tools. The only difference is that HighJump WMS in the cloud is hosted in a secure data center instead of being installed on-site at your business.

Grow into enterprise-level WMS

Your business may not require a laundry list of complex warehouse management features right away. HighJump WMS in the cloud delivers just the solution set you need to run your business and acclimate to a system. When you are ready, HighJump can help you leverage more complex warehouse management capabilities such as labor management, slotting, and yard management.

ABOUT HIGHJUMP

In almost every industry, buyers are becoming more fickle, and more demanding. For logistics executives, effectively meeting buyer needs has become a relentless quest for speed and agility. Traditional supply chain solutions – siloed, complex and hard-to-implement – no longer suffice, as competitors find ways to deliver goods faster and more profitably.

In this "now" economy, HighJump helps you stay agile, with adaptable, connected solutions that harness the power of your trading partner community. From the warehouse to the storefront, from the desktop to the driver's cab, we can help you achieve new levels of supply chain responsiveness, performance and profitability.

HighJump's suite of warehouse management, business integration, transportation management, and retail/DSD solutions form a complete, powerful and adaptable platform that allow you to drive growth, customer satisfaction and revenue. **HighJump: supply chain accelerated.**

www.highjump.com



THE HIGHJUMP TEAM IS HERE TO HELP!

If you have any questions regarding HighJump or how our products can improve your business, our passionate team is here for you.

**Call us today at 800.328.3271
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