

Technology firms target 3PLs

BY PETER M. TIRSCHWELL

For technology companies in the international logistics arena, marketing to proprietary shippers has long been an uphill battle. They must sell into complex, bureaucratic organizations that are often gun-shy about technology investments and take months or years to make decisions.

Further complicating the picture is the fact that many shippers are turning to their third-party logistics providers for technology, instead of investing in the technology themselves. Long gone are the days when forwarders, customs brokers and warehouse firms operated in vacuums; today shippers are asking their 3PLs to provide a range of logistics services, from customs brokerage to deconsolidation and cross-docking to rail intermodal. Underpinning these services is technology — global visibility down to the SKU level, exception management, and rapid response on rate quotes, to name a few aspects of technology that 3PLs are being increasingly asked to provide.

This trend has forced a number of technology firms to pay more attention to the 3PL market even as they continue to pursue proprietary shippers.

“The market is shifting,” said Jane Biddle, a logistics technology consultant. “You have your luminaries like DuPont, but there aren’t that many companies that are grabbing a hold of this and running with it. The tech companies are either learning to sell into the forwarder market, or they are suffering the consequences.”

Many 3PLs have turned to technology providers to provide systems that the 3PLs, in turn, market as if it were theirs. BDP International has a long-time relationship with G-Log, which

also counts Crowley Maritime Corp. and Exel PLC as clients. Management Dynamics recently announced plans to sell its services to the non-vessel-operating common carrier Ocean World Lines, and has developed tariff-publishing services specifically for NVOs. Clients of Log-Net include DHL, P&O Nedlloyd Logistics, GeoLogistics and FMI International.

“For 3PLs, the challenge has always been and will always be: ‘Do I

The intermediary market is central to technology firms in the logistics sector

buy technology, or do I build it?’” said Gary Frantz, director of corporate communications for GT Nexus.

The most recent example was the announcement last week by Globe Express Services to contract with GT Nexus for ocean contracting, rating and shipment processing, moving beyond their legacy in-house system. The GT Nexus services will allow the Charlotte-based 3PL to automate its five ocean contracts and, because GT Nexus is a Web-based, hosted system, to make those contracts available in real-time to its remote offices.

“We needed to centralize our contracts, and we needed a Web-based system because we need our origin offices to have access to our pricing,” said Kelly Gilbert, pricing manager at Globe Express, which handles mostly imports from Asia, largely for southeastern-based importers of furniture, footwear and general department store merchandise. She said that to be competitive, Globe Express must

rapidly respond to rate quotes.

The deal is another notch for GT Nexus, which has pursued a single-minded strategy of developing a fully Web-based system since its founding in 1998, and counts several 3PLs among its customers, including APL Logistics, Century Distribution Systems (a “K” Line unit), and NYK Logistics. It does not offer software that customers install behind their own firewalls and maintain themselves, and says that strategy of “renting” software has yielded it 12 consecutive quarters of revenue growth and 140 percent revenue growth from 2002 to 2003. Frantz said the firm is “on the cusp” of having positive cash flow.

“The company does not have an identity crisis, which Descartes has had for a very long time,” said Ann Grackin, chief executive of Chainlink Research,

an independent consulting firm in Boston. She referred to the struggling Descartes Systems Group, which has flip-flopped between business models over the years and now faces deep financial problems. “GT Nexus from the get-go has said, ‘We are committed to this hosted network type model, building the GTN Portal, and leveraging this hosted model to serve shippers, carriers and 3PLs with the concept you don’t have to buy software.’”

GT Nexus operates the GTN ocean carrier portal, which competes more or less head-on with Intra. Frantz said carriers representing about 45 percent of global capacity are connected to the portal and that the percentage of their booking, shipping instructions and documentation transactions moving through GTN is in the “mid- to high-single digits.” The company also offers hosted software for procurement, route optimization, contract management, inventory visibility and supply-chain performance measurement. ♦

