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## **redrawing the GTM map**

**By Toby Gooley**

**Vendors of global trade management software have been venturing into new territory. Here's where they're going—and why.**

Back when software was new and the idea of automating a time-consuming task was revolutionary and exciting, vendors tended to develop packages that could do one thing and do it well. Like pioneers settling the frontier, they found a good place to stake their claim and set up camp. Their flagship products attracted new customers, and revenues grew.

That strategy worked well for a long time—until the customers themselves changed. Over the years, shippers have found themselves managing increasingly complex global supply chains. As a result, customers that were once satisfied with software that handled a single function are now looking for packages whose capabilities reflect the breadth of their operations. To be precise, they want technology that provides visibility from order to delivery and allows them to integrate that information with other business processes, such as order management and finance.

It's a tall order, and one that is shaping the market for global trade management (GTM) software. GTM grew out of demand for tools that could automate import/export activities, including document creation, product classification, denied-party screening, and export-license determination. Nowadays, though, importers and exporters are looking for more than the basics from these solutions—and the vendors are responding. A few years back, for example, software suppliers noticed a surge in requests for total-landed-cost calculation, which is based on country-specific costs for product, transportation, duties, taxes, and handling; today, many vendors say they offer that capability.

This shift in expectations is redrawing the map of the GTM market. Several of the big enterprise resource planning (ERP) vendors—SAP, Oracle, QAD, and Infor—are making forays into GTM territory. Some are racking up sales by leveraging their existing customers' concerns about integration. And because connectivity between business processes is their stock in trade, they may be in the best position to respond to the market's demand for multifaceted products. "Users and software vendors have come to realize that the global trade category is really more than just a stand-alone," says Adrian Gonzalez, director of ARC Advisory Group's Logistics Executive Council. "It has an impact on so many different business processes, playing a role in procurement, transportation, and compliance, plus there are Sarbanes-Oxley implications."

But the "best-of-breed" GTM vendors aren't sitting around waiting for the ERP giants to overrun their core market. In

response to ERP's incursion—and the changing customer needs that prompted it—they are themselves diversifying. GTM vendors are buying or forming alliances with other software firms to gain the additional capabilities their customers want. They're also striking out in new directions themselves, plowing their way into transportation management, supply chain visibility, finance, and other areas where ERP vendors have already ventured.

The best-of-breed vendors' hope, of course, is that these tactics will allow them to wrest some of their old territory back from the ERP giants. But that strategy also carries some risk. By trying to cover so much ground, they may be in danger of diluting product and service quality, thereby handing the advantage to their adversaries.

### Consolidation: Good news, bad news

Consolidation is nothing new for GTM vendors; many were swallowed up when the bloated dot-com market collapsed a few years ago. The first round involved players such as Capstan Systems (bought by Qiva), ClearCross (bought by TradePoint), and From2 Global Solutions (bought by Arzoon).

Just a few years later, the buyers became the bought: Qiva was acquired by TradeBeam, Arzoon was bought by SSA Global (now Infor), and TradePoint was bought by Kewill Systems. Other GTM vendors have suffered a similar fate in the last three years: Open Harbor was bought by TradeBeam, NextLinx was purchased by Management Dynamics, and Vastera was bought by banker JPMorgan Chase. Meanwhile, smaller vendors like Blinco Systems, Integration Point, and QuestaWeb continue to hang in there but may themselves become targets for acquisition.

In general, consolidation among GTM competitors has been a good thing for their customers, strengthening both the products and the providers. "I haven't heard from a single user that has experienced any change in service level or product functionality," says consultant Beth Peterson, a customs-compliance expert and former GTM software executive who now helps clients evaluate and implement those solutions. "As a result of the mergers, the users have an increased confidence that their solution of choice will be around for years to come," adds Peterson, who founded her own firm, Beth Peterson Enterprises, in 2004.

Others see the situation differently, noting that the mergers have not always been a positive development from the

### ERPs vs. the supply chain specialists

In the race to integrate key supply chain processes with global trade solutions, a few vendors have emerged as clear front runners—and they're not necessarily the big ERP providers. Here's the lowdown on where various vendors stand.

\* Provides functionality      o Emerging capability

	Supply chain visibility	Trade compliance	Int'l logistics execution/transp. mgmt.	Supply chain finance
<b>ERP vendors</b>				
Infor	*	o	o	
JDA	*		o	
Oracle	*	o	*	
QAD		*	*	
SAP	*	*	o	o
<b>Global supply chain specialists</b>				
Agistix	o		*	
Blinco Systems	*	*	*	o
CargoSmart	*		*	
Click Commerce	*		o	
Core Solutions	*	o	*	o
Descartes Systems Group	*		*	
E2open	*		o	
GT Nexus	*		*	o
GXS	*			o
i2 Technologies	*		*	
Integration Point	*	*	*	
INTTRA	*		*	
JPMorgan Chase Vastera	o	*		*
Kewill Systems		*	*	
Log-Net	*	*	*	o
Management Dynamics	*	*	*	o
Manhattan Associates	*	o	*	
MercuryGate	*		*	
MIC Customs Solutions		*		
Mitrix	*		o	
One Network	*		o	
QuestaWeb	o	*		
RedPrairie	o	o	o	
Savi	*		o	
Sockeye Solutions	*			
Sterling Commerce	*		o	o
Supply Chain Consulting	*			
TradeBeam	*	*	o	*
TradeCard	*		o	*

SOURCE: ABERDEEN GROUP RESEARCH BRIEF, APRIL 2007

customers' point of view. Bruce Jabaay and Mahesh Rekhani, information technology professionals who support logistics and global trade at Amway parent Alticor, say they've seen a marked change in their GTM software provider since it was taken over by a larger company. Their internal customers use the software primarily for documentation, product classification, and denied-party screening for exports of household cleaning and health and beauty products to about 50 countries.

The two agree that automating processes like product classification and document creation has produced big benefits. The issue, they say, is service. When the vendor was a stand-alone company, it was flexible and accommodating. "Now everything has to be done their way—there's no negotiating other solutions," says Jabaay. For example, Alticor's switch from Microsoft Windows 2000 to Windows XP revealed incompatibilities with the GTM software. Rather than make relatively minor adjustments, the vendor insisted that Alticor purchase a full upgrade, Rekhani reports. "Before, we could negotiate."

### **All roads lead to finance**

In the meantime, there are signs that the latest round of vendor consolidation may be over. Recently a different pattern has emerged: Rather than buying or merging with competing software providers, some GTM vendors are now forging alliances with providers of complementary products.

One vendor that has taken that route is TradeBeam. In a departure from its traditional pattern of buying its adversaries, TradeBeam announced in January that it was working with Oracle to integrate its trade-compliance modules with Oracle's Transportation Management product. The arrangement allows both vendors to fill information gaps by developing a solution that will manage international trade compliance, monitor supply chain events, track shipments, centralize performance measurement and monitoring, and much more.

Similarly, Management Dynamics struck an alliance last year with ILM Technologies, a vendor of e-commerce solutions for manufacturers and exporters. ILM has integrated Management Dynamics' total-landed-cost calculator into its Cameleon Commerce Server, which includes Web-based modules for customer and distributor management, supplier integration, order fulfillment, and product-catalog creation and maintenance. A similar arrangement was inked earlier this year with Hong Kong's Tradelink Electronic Commerce.

Companies like Management Dynamics, of course, benefit from these deals by scoring new customers through a third party. Perhaps more significant, though, is the fact that these arrangements break down barriers to sharing information between areas that are functionally separate but that all touch on international trade in some way. Once those barriers come down, vendors are able to provide customers with more cross-functional process visibility and higher-quality data.

And that, in a nutshell, is what GTM software users are asking for. It's part of the reason why QAD bought GTM vendor Precision Software. It's also the reason why Management Dynamics bought NextLinx: to combine Management Dynamics' visibility and transportation management capabilities with NextLinx's trade-compliance software.

And it's the reason why ERP and best-of-breed vendors alike are moving toward integrating trade-compliance capabilities with international logistics execution and transportation management, supply chain visibility, and supply chain finance, says Viktoriya Sadlovska. Sadlovska, a research analyst in supply chain finance and global trade at Aberdeen Group, recently surveyed some 200 enterprise executives about their trade management practices for a report titled "Global Trade Management Strategies: Surviving Growing Complexities in 2007."

Respondents to the survey identified both trade compliance and supply chain visibility as top concerns. But demand for integration with finance applications is rising and may eventually eclipse other requirements. As evidence, Sadlovska points to the emergence of supply chain costing as a high priority for improvement this year. "The convergence of supply chain finance and visibility applications can potentially help companies improve their supply chain costing processes," she explains.

It's a natural connection. "Logistics technology providers already have the ability to track documents and milestone events," Sadlovska observes. "A lot of the data they have can be used to connect with financial services, such as access to credit at various stages in the supply chain. They need to be able to use that information to provide new value-added services to their customers."

That intersection of trade compliance and shipment visibility is the critical connection for global traders, ARC's Gonzalez points out. "I've talked to shippers who say they don't know how cost accrues from order placement to delivery. They realize that they need to know how costs sometimes change depending on, for example, which port they bring goods into."

In Peterson's view, understanding cost in the context of profitability should be top of mind for GTM users. "It comes down to this: All business transactions must lead to the financials. If they don't, they're simply not measurable—read: important—on the business front," she says. If top management doesn't see the connection between global trade operations and the company's bottom line, then trade compliance won't be considered strategic and will be ignored, she believes. Moreover, companies that ignore or are unaware of the value of global trade compliance will suffer additional costs, cycle times, and product delays.

"Savvy GTM vendors realize this," Peterson observes. "ERP vendors also recognize the need to globalize their products so their customers can bring the element of global trade compliance into their financial and strategic calculation. Any company doing business without considering global trade costs will be leaving a lot on the table."

### **The human element**

Does the trend toward integrating trade-compliance functionality with other business processes signal that best-of-breed vendors will hold their own—or perhaps even recapture some territory from the ERP vendors?

Maybe, says Peterson. "The best-of-breed vendors have a huge leg up on the ERP vendors. They already have the integration points to the ERP vendors and have deep functionality that the ERP vendors still need to build," she says. Once the ERP providers build or buy the GTM functionality their customers are asking for, they will still have to keep up with the

best-of-breed vendors, who may have a more agile development process, she adds. "That said, it's time for the best-of-breed vendors to step up and deliver more functionality—tying back to the financials so they can keep one step ahead of the ERP vendors."

But even that may not be enough for GTM vendors to compete against the likes of SAP and Oracle, warns Gonzalez. "In global trade, more than perhaps other areas, technology can only get you so far," he says. "The global trade environment is so dynamic and so complex that ultimately human expertise has to be part of that environment." GTM vendors will be able to thrive if they can improve the efficiency of their customers' business processes, identify and implement best practices, and provide ongoing oversight, he says. "It's about more than just technology; it's also about value-added services and the human element. I think that's going to be one of their main competitive weapons."

*Editor's Note: Aberdeen Group's report, "Global Trade Management Strategies: Surviving Growing Complexities in 2007," is available for [free download through July 26, 2007](#).*

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