For a company that proudly points to the fact that it has invested $1 billion in technology for 15 years in a row, use of an outside software vendor might seem anathema.

But it’s also a sign of the changing times. Freight forwarders large and small are increasingly turning to software vendors to provide critical functionality their customers demand in areas where existing systems (mostly cloud-based) are well-developed.

When UPS’s global forwarding business began looking a few years back at its options to provide richer order management functionality to its customers, the first step was naturally to look internally.

“Part of our vetting process was deciding whether we should buy it or build it,” Tom Boike, vice president of supplier management at UPS, said in an interview with American Shipper. “That’s the first step. We ended up deciding to take a look at what’s in the marketplace.”

What they ended up with was something unique and unusual for the forwarding unit’s UPS Supplier Management product — a cloud-based order management solution provided by GT Nexus.

“This was a big leap for UPS to go into the cloud,” Boike said. “It’s the first foray from a supplier management system standpoint to go from a closed to an open system.”

GT Nexus is known particularly for its international visibility capability — as well as broad capability in the order-to-cash cycle thanks to its merger with TradeCard. But its foundational technology is based on providing a network for shippers, their suppliers, transportation providers, and logistics providers to work from a single set of data related to their shipments and execute those shipments.

UPS essentially uses a white label version of GT Nexus, but this is far from getting a can of plain-labeled soda marked “Cola” on the outside. The product, which UPS brands Order Watch, has become a differentiator and growth tool for the company in a highly competitive forwarding market, based on the dual strengths of GT Nexus’ well-reputed system and UPS’s services and brand recognition.

Boike said it’s characterized to customers using Order Watch that GT Nexus is essentially the back office for the product. “Our brand is extremely powerful in the marketplace,” he said.

Both Boike and Steve Flowers, president of global freight forwarding for UPS, emphasized the value of GT Nexus for its customers’ order management comes within UPS’s broader portfolio, including the integration of its forwarding capabilities with its vast domestic ground network.

“We’re not going to customers as a forwarder using GT Nexus,” Flowers said. “We’re going to them as UPS. Order Watch is not a standalone offering, it’s part of a larger product we sell, and that’s Supplier Management. None of this is standalone — it’s the glue that holds everything together.

“We’re constantly looking for differentiation,” Flowers said, adding that Order Watch is one of its fastest growing products.
UPS Supplier Management encompasses the front-end of supply chains, the interaction between shippers and their suppliers in far-flung points across the globe.

Order management is becoming an increasingly vital offering for forwarders and other types of third-party logistics services providers. Shippers, particularly retailers, are faced with heightened complexity when it comes to juggling a huge portfolio of suppliers, and are coming to demand visibility to those orders before they even become freight.

A major lure of the GT Nexus platform is its growing network.

"It's a one-plus-one-equals-five value return," Boike said. "If they and their suppliers are on the platform, there's high data integrity. And often, if they're already on board, it makes it easier for us to sell them on the benefits of the product. The large importer customer is likely already on GT Nexus, and their vendors are already on it, so you're dealing with a finite number of vendors. And once they're on the network, they're on the network for everyone."

For UPS, the journey to find the right solution for order management was not a simple one.

"We did a full-blown RFP (request for proposal)," said Boike. "We started with a dozen IT providers."

Boike said the fact that UPS was already on the GT Nexus network — as are, incidentally, a number of other major global logistics companies — was a key consideration during its decision-making process. But it certainly was not the only one. Given the size and breadth of UPS's operations, its external IT procurement process can be laborious.

UPS sent out a 2,700-question RFP, a comprehensive list of questions designed to sort the pretenders from contenders. The number of questions also speaks to UPS's size and its determination to keep its brand integrity intact when working with third-party vendors.

Among the questions for software vendors:

- What was already built?
- What was the company's IT roadmap over the next 18 months?
- Evidence of the company's financial stability.
- The makeup of the company's executive committee.

"The system is a big part of it, but it's not close to everything," Boike said.

Boike also noted the degree to which prospective vendors emphasized the customizable nature of their platforms, which wasn't necessarily a positive for UPS.

"A customized system sounds good if I'm a midsized importer, but not if I'm a $60 billion global brand," he said.

Order Watch has given UPS new capabilities, especially access to multiple players within each shipment, Boike said.

"That resonates with an importer," he said. "It really hits home with them because you're then not depending on one entity to be the end-all to collect data. Our growth rate has doubled since we rolled out Order Watch."

When the product was unveiled in 2012, UPS touted its ability to not only "streamline management of vendors, but also manage all of their inbound shipments via a single platform. This can provide opportunities to consolidate ocean freight shipments and improve container usage to realize cost savings. Once an order is placed, PO-level shipment planning and execution capabilities enable visibility and control from order creation through shipment delivery, providing customers with a virtual on-hand inventory view of incoming orders and merchandise."

The use of the GT Nexus network has had a multiplier effect of sorts.

"The more [the customers are] getting into it, the more they're using it," Boike said. "It implements well, it sells well, and it shows well with users. A lot of different departments see the value of it, not just the transportation manager."

Flowers noted that using a third-party vendor enables UPS to benefit from GT Nexus's product development and reduce its own related costs.

"A key component is that GT Nexus keeps investing in and enhancing the product offering," Flowers added. "There's significant internal infrastructure investment that goes into system development. Not having to invest our own capital was a big part of the decision-making process, as was speed to market."

Boike also stressed that UPS's "version" of GT Nexus might not look anything like the version used by another global forwarder. That speaks to the idea that the management and application of systems is as important as the technology itself.

"Not everyone who has GT Nexus has bought everything on the list," he said. "So two companies may be on the network, but it's not the same. We use it to reconcile internal data and we use it to allow customers to create their own reporting. The way you differentiate yourselves is how you use it."