



Cloud vs. Server

People often ask for a comparison of premise-based and cloud-based parcel shipping applications, so here it is in a nutshell.

Premise-based systems provide all of the compliance required for processing a shipment on a server that sits behind your firewall. For each transaction there is no need to go out through an external network.

Cloud-based systems utilize one or more external servers to provide the compliance (that is, labels, rates, tracking numbers, etc.) for each transaction. Often there is a hosting layer that sends requests to the individual carriers' websites to obtain the compliance.

There are some obvious pros and cons to each of these and some not so obvious. The pros of one tend to be the con of the other.

The Pros for the Premise-Based System Are:

Dedicated Response Times: This is very important today for customers who are tuning highly automated warehouses. These high-volume, high-speed warehouses do not want to go out through one or more web servers for each transaction, as performance can vary as different tenants compete for the same resources. The in-line scales, tied to in-line labelers and conveyors with deflection systems, are often so finely tuned that a few hundred milliseconds difference can cause disruptions during their peak periods.

Reliability: If the shipping system is a mission-critical component of the business, often the IT staff will want to own the server, the premise being that they will use their best-of-breed technologies for the high availability architecture and be able to respond quicker than an outsourced group. Moreover, there are no outages due to external networks.

Invoice Reconciliation: A premise-based system provides a standard that the customer maintains. If a customer negotiates a multi-year contract involving surcharges and other fees, how can any real checks and balances be performed if the rates and shipping data are being maintained on the carrier's system? Are you going to ask the same people that invoiced you

if the data is correct? A premise-based system provides a solid foundation for the reconciliation of invoices.

Data Privacy: Cloud hosting tends to be not as secure as maintaining your own security standards on your own server, behind your own firewall.

The Pros for a Cloud-Based Solution Are:

Low Entry Fees: Since the main application and compliance engine are not on site, there are no upfront capital equipment purchases. Often there are no license fees, just a monthly bill that is often based on usage.

Lower Cost of Ownership: Maintenance of the hardware and software, including all compliance updates, is done by the service provider.

Simplicity: Premise-based systems tend to be more robust, allowing for a variety of integration methodologies. For start-ups and customers without a complicated operation, simpler may be better and the bounded integration methods that are being used by all the customers is the most cost-effective option.

Scalability: While many premise-based systems are scalable, they tend to not be able to scale as quickly as a cloud-based solution.

This is a snapshot in time and reflects the opinions of the professionals I interact with today. Over time I believe the security issues of the cloud and the performance issues will diminish. Moreover the ability to maintain your own rates within the cloud may also level the playing field for reconciliation. Only time will tell, but for now I think both technologies have a fit in today's market. ■

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