An Epicor® White Paper

How Your Business Can Shine Through the Cloud

Understand Common Deployment Options and Know Which Questions to Ask

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Introduction

Any serious review of modern ERP systems requires you to consider the deployment model. ERP vendors increasingly aim to providea compelling cloud (or Software as a Service—SaaS) value proposition. Over the last decade, enterprise application consumers have been convinced of the lower total cost of ownership (TCO) of cloud deployment; the benefits of anywhere, anytime access; the freedom of alleviating all the back-end systems management responsibilities; and the opportunity to enjoy instant and worry-free updates and upgrades.

Hidden within this cloud promise is a sometimes unspoken tradeoff. Yes, the technical and business benefits of the cloud are compelling—but at what price? What if your business needs change? Are you comfortable delegating something as strategic as your long-term ERP strategy to a vendor who has its own long-term interests that may conflict with your own?

This white paper will outline the benefits of the cloud, because they are indeed compelling, but it will also help you determine if cloud is right for your business. Perhaps the cloud is the best choice for you. If so, you should come to that conclusion on your own—not because of pressure from an ERP vendor—and with a clear understanding determine if the cloud is right for your business, and which cloud is right for your business.

The importance of choice

Arguably, the best way to approach any ERP selection process is to begin by determining which ERP system is right for you (the vendor and product selection step). Once you've made that decision, you would determine how you want to deploy it. Unfortunately, this approach gets complicated if one of the vendors you're considering can only offer a single deployment model.

Let's assume you're evaluating only ERP vendors who are committed to providing multiple deployment options to their customers. Perhaps they offer cloud deployment of their ERP system, but also offer on-premises deployment or a hybrid deployment. What do you need to know before you make that deployment model decision? What are the assumptions you can safely make, and what are the tradeoffs for choosing each of the options available to you?

Cloud vs. SaaS ERP Deployment

Though these terms are often used interchangeably, there are important differences. Cloud refers to Internet-based deployment of a software solution—i.e., the system is running remotely and generally accessed by users over the internet. SaaS refers to a pay-as-you-go licensing model, and typically includes all system management components as part of a monthly subscription. Cloud solutions aren't necessarily SaaS-based, and SaaS solutions aren't necessarily cloud-based, so it's important to understand the difference in order to find the solution that best serves your business needs.

Deployment models

On-premises

The on-premises deployment model is typically most familiar to ERP users. It's probably how your current ERP system is deployed. With an on-premises deployment, the organization purchases the software up front, and likely agrees to additional ongoing costs associated with a maintenance or support plan for a determined period of time.

With on-premises deployments, you have a lot of latitude around how, where, and when the system and deployed. You also get to determine for yourself which of the upgrades the vendor delivers you want to deploy within your own company.

Unfortunately, on-premises deployments often come with hidden costs that aren't necessarily evident during the evaluation process. While you get to decide which upgrades you want to install, you'll likely be paying the vendor (or a third party) to provide the professional services to complete each of those upgrades. On-premises systems also come with a sizable upfront investment in hardware and infrastructure. Upkeep on those systems becomes an additional burden on your IT department. To thoroughly understand the costs of on-premises deployment, you must also factor in thousands of dollars in systems management and utility bills to cover the electricity needed to run and cool your servers.

Despite these costs, there are businesses for whom an on-premises deployment remains the right choice. Companies with exceptionally talented and well-resourced IT departments with deep ERP management skills often choose on-premises deployments. Highly regulated organizations that need absolute control over deployment, configuration, version, and upgrades because they are closely monitored and audited by regulatory agencies will often choose to maintain an on-premises ERP system.

For businesses in either scenario, the cloud still warrants thoughtful consideration, but deploying on premises may be the best option. If your company's best fit today is an on-premises deployment, consider choosing an ERP built to provide easy future migration of your system to the cloud, eliminating the risk of 'solution lock in.'

Infrastructure as a service

Some businesses want some of the benefits of cloud deployment, but still wish to retain control over their ERP deployment and administration. For them, deploying a perpetually licensed ERP system on an "infrastructure as a service" (IaaS) platform such as Amazon Web Services (AWS) or Microsoft Azure may be ideal.

With an IaaS deployment, companies will take their perpetually licensed ERP systems—the same way they would purchase for on-premises—and deploy them on cloud-based servers they "system" to at AWS or Azure. IaaS is a compelling deployment model for organizations that have strong ERP administration skills, but want to take advantage of the cloud's ability to globally deploy their solution to anyone with a web browser. This also relieves the administrative and financial hassles of buying, maintaining, and upgrading the supporting infrastrucutre hardware.

For some ERP customers, IaaS feels like an incomplete solution. Under this model, the client is still responsible for maintenance of the system (from backups to upgrades) and purchasing the ERP system up front. It's a step toward the cloud since it moves the ERP deployment out from behind the firewall and onto the Internet, but it's not SaaS because of the way the ERP system remains perpetually licensed.

For many companies, IaaS is the perfect answer to minimize their hardware management responsibilities while balancing their ability to retain control of system administration and providing Internet-based system access to users across the globe.

Another potentially compelling consideration is that most businesses can move to IaaS almost immediately because it doesn't typically require any approval from their ERP vendor. Though you're likely within your contractual rights to move your ERP system onto an IaaS platform, it's best to reach out to your vendor to discuss best practices and tips they've learned while supporting IaaS deployments so you can avoid unanticipated issues. Your ERP provider likely knows a lot about how to best support their own system on AWS or Azure, so take advantage of their insights.

Managed services

One step beyond IaaS for most companies is "managed services." In a managed service model, customers typically purchase perpetual licenses for their ERP system up front and then rely on the vendor or a third party to manage the ERP on a day-to-day basis, generally under a monthly or annual systems management contract and fee.

This is one step beyond IaaS because you're not only passing control for the hardware to a third party, but you're also passing the responsibility for ERP operations (e.g., database management, system tuning, backups, application of security patches, etc.) to your managed service provider.

On a more strategic front, you should expect your managed services vendor to conduct ongoing—generally monthly—consultations with you that review the services provided over the previous month, and share their expectations for the coming month. These meetings include conversations about systems performance, planning for upgrades, new user training, and upcoming features, among other things.

Managed services offerings aren't new—the managed services business took off in the 1970s and 1980s as companies recognized that experts like IBM, EDS, and HP were in a better place to run their ERP systems than they were themselves. Independent managed services companies still exist today, but it's much more common for your ERP vendor to provide this support themselves through a services division. After all, who knows how to maintain your ERP system better than the company that built it? Managed services also allow you access to a single vendor who is accountable for the entire experience of your ERP operations.

Managed services can be best summarized as an outsourced ERP operations team—usually providing all the services that were historically conducted in house with an on-premises deployment. You can relieve the burden of buying, maintaining, and upgrading your hardware, as well as managing the ERP system itself. However, with managed services, you're still not leveraging the benefits of SaaS because your ERP licenses are generally based on a perpetual up-front license payment and annual maintenance.

Single-tenant cloud deployment

Companies that want to move their ERP to the cloud and embrace a true subscription model, but require a higher level of isolation or control over their day-to-day deployment decisions tend to choose single-tenant deployment. Single-tenant is both a SaaS and cloud deployment model.

With single-tenant cloud deployments, businesses benefit from an all-inclusive monthly subscription licensing model that is compelling from a cash-flow perspective, and generally offers an accelerated time-to-value and increased return on investment (ROI)[1].

Single-tenant solutions are generally deployed on their own decided infrastructure—physical or virtual. This dedicated infrastructure provides a high level of customization opportunity and bespoke deployment flexibility. For example, single-tenant customers can generally exercise more control over which updates they will accept into their environment, when they want them deployed, and how they will assess their readiness. This increased customization and control appeals to businesses operating in heavily regulated industries (e.g., FDA or under other government/industry regulatory bodies), or those with strict internal processes around ERP deployments.

Single-tenant architectures also provide a higher level of technical deployment customization, generally allowing for greater flexibility in infrastructure and technical deployment decisions (e.g., database replication, integration into identity management systems used in the company's on-premises deployments, or the application of VPN-based gateways).

Because of the reduced density compared to multi-tenant deployments, the high level of flexibility of a single-tenant option generally comes at an increased monthly subscription cost. Despite these higher fees, most businesses will still find single-tenant deployments provide much more compelling long-term TCO and ROI than on-premises, IaaS, or managed services.

Multi-tenant cloud deployment

"Multi-tenant" is the term used to define a deployment model where many customers are deployed on common infrastructure. Multi-tenant applications are popular in business-to-business technologies such as Salesforce.com, as it provides massive efficiencies of scale to the back-end infrastructure. Because all of these customers are sharing the same infrastructure—application servers, database servers, e-mail servers, reporting servers, etc.—it makes the wholesale management and upgrade of all users on that system very cost-effective.

This shared infrastructure is why most multi-tenant deployment scenarios provide customers their ERP application upgrades at no additional cost. When a multi-tenant cloud provider can automatically upgrade thousands of customers at once (as opposed to thousands of customers having to upgrade individually as they do with on-premises, IaaS, and managed services deployments) it's easy to understand the appeal and economic case for multi-tenant deployment.

Multi-tenant deployments, because of their shared infrastructure, do ask customers to make some tradeoffs. For example, the wholesale upgrade discussed above is only possible when all users on a system agree to a concurrent upgrade across all their organizations. In a multi-tenant deployment, you can't abstain from an upgrade occurring on a specific date. In this sense, multi-tenant customers must accept their place within a larger community and recognize that what's

[1] *Nucleus Research, "Cloud Based ERP delivers 2.1 times ROI than on-premises counterparts, " May 2016. http://nucleusresearch.com/clouds-hat-trick-three-cloud-benefits-driving-value-beyond-capex-reduction/*

good for the community may require certain sacrifices on the part of the individual. It's vital that you understand and accept those tradeoffs before choosing this deployment model for your business.

Forward thinking organization may consider some of these "tradeoffs" to be benefits. If not being able to define the date of your upgrade or the specific city in which your data resides comes with free upgrades, a professionally managed ERP deployment with massive redundancy, and exceptionally high ERP system security, you might find that those are pretty compelling tradeoffs. Increasingly, businesses ultimately conclude that the benefits of a multi-tenant deployment far outweigh the tradeoffs.

Choice

There are two times when deployment choice is exceptionally important to you—when you're first making your ERP deployment decision, and every time your business faces substantial technical or business changes. Ongoing choice—that is, the ability to move from one deployment model to another—should be expected in most modern ERP solutions.

You need the ability to choose the deployment model that is right for you, and you should be suspicious of any vendor that only offers a single deployment model. It's critical that you ask potential ERP providers to fully explain the options they present, and what happens if you need to change your deployment model at a later date.

Most leading vendors have the technology and licensing models to allow you to migrate from one deployment model to another. Others may not have an answer for you when you ask how you can move their cloud system on premises—or the other way around—if your business or technical needs change. Be wary of vendors who cannot sufficiently convince you of their ability to support you as your needs may change.

With vendors who do offer multiple deployment models, ensure you understand the technical and commercial viability of migrating to or from the cloud. Can you easily lift data and shift from one deployment model to another? Will you be able to preserve all your data? Are there compelling licensing rights that allow you to move from on-premises to cloud deployment (or the other way) without having to re-purchase everything? Are the development, implementation, and support teams who work on the ERP system accustomed to working across both cloud and on-premises deployment scenarios—or might you risk technical glitches and have to redefine processes with your move?

Although the deployment options might seem overwhelming, this fact is simple—your company must avoid getting locked into an ERP system that cannot grow and change with you. You shouldn't delegate something as critical as your ERP deployment model to a vendor who isn't committed to supporting the right choices for your company.

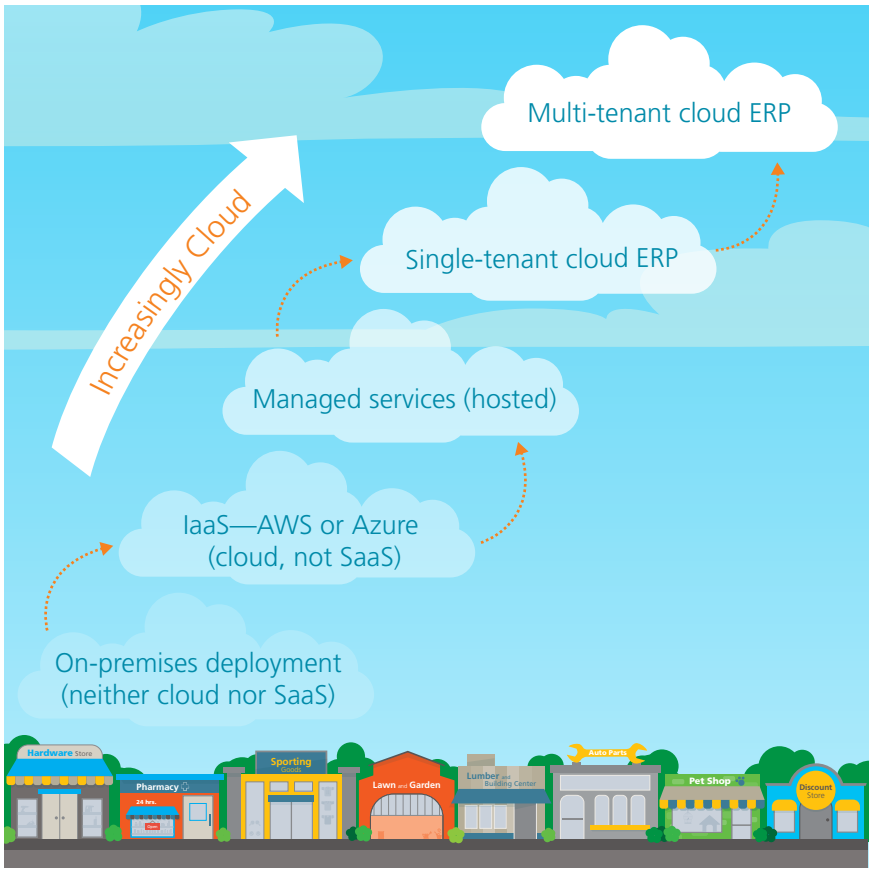
Five questions about deployment choices to ask your ERP vendor:

1. Can you seamlessly move my data from one deployment model to another without losing anything?
2. How do you allow me to move from one deployment model to another?
3. Will all my custom reports and workflows move from one deployment model to another?
4. Will I have any substantial downtime when moving from on-premises to cloud or vice versa?
5. What are the professional services fees related to the move I should expect to pay if moving from one deployment model to another?

In closing

There is little doubt that the cloud is a compelling deployment model for ERP. However, for every company the question remains, "Which cloud option is best for us?"

Saugatuck Research[2] summarized it best, "Being locked into a specific deployment and usage format can severely limit the ability to manage the business, and therefore the firm's competitive abilities…That's why it's so important to select business management software that not only enables choice of deployment, but which also enables changing that choice without fear of significant business change."



[2] *"Cloud, On Premises, and More: The Business Value of Software Deployment Choice," Saugatuck Research, 2014.*

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EPICOR

Contact us for more information on Epicor Products and Services

+1.800.999.6995 info@epicor.com www.epicor.com

Corporate Office
804 Las Cimas Parkway
Austin, TX 78746
USA
Toll Free: +1.888.448.2636
Direct: +1.512.328.2300
Fax: +1.512.278.5590

Latin America and Caribbean
Blvd. Antonio L. Rodriguez #1882 Int. 104
Plaza Central, Col. Santa Maria
Monterrey, Nuevo Leon, CP 64650
Mexico
Phone: +52.81.1551.7100
Fax: +52.81.1551.7117

Europe, Middle East and Africa
No. 1 The Arena
Downshire Way
Bracknell, Berkshire RG12 1PU
United Kingdom
Phone: +44.1344.468468
Fax: +44.1344.468010

Asia
238A Thomson Road #23-06
Novena Square Tower A
Singapore 307684
Singapore
Phone: +65.6333.8121
Fax: +65.6333.8131

Australia and New Zealand
Suite 2 Level 8,
100 Pacific Highway
North Sydney, NSW 2060
Australia
Phone: +61.2.9927.6200
Fax: +61.2.9927.6298