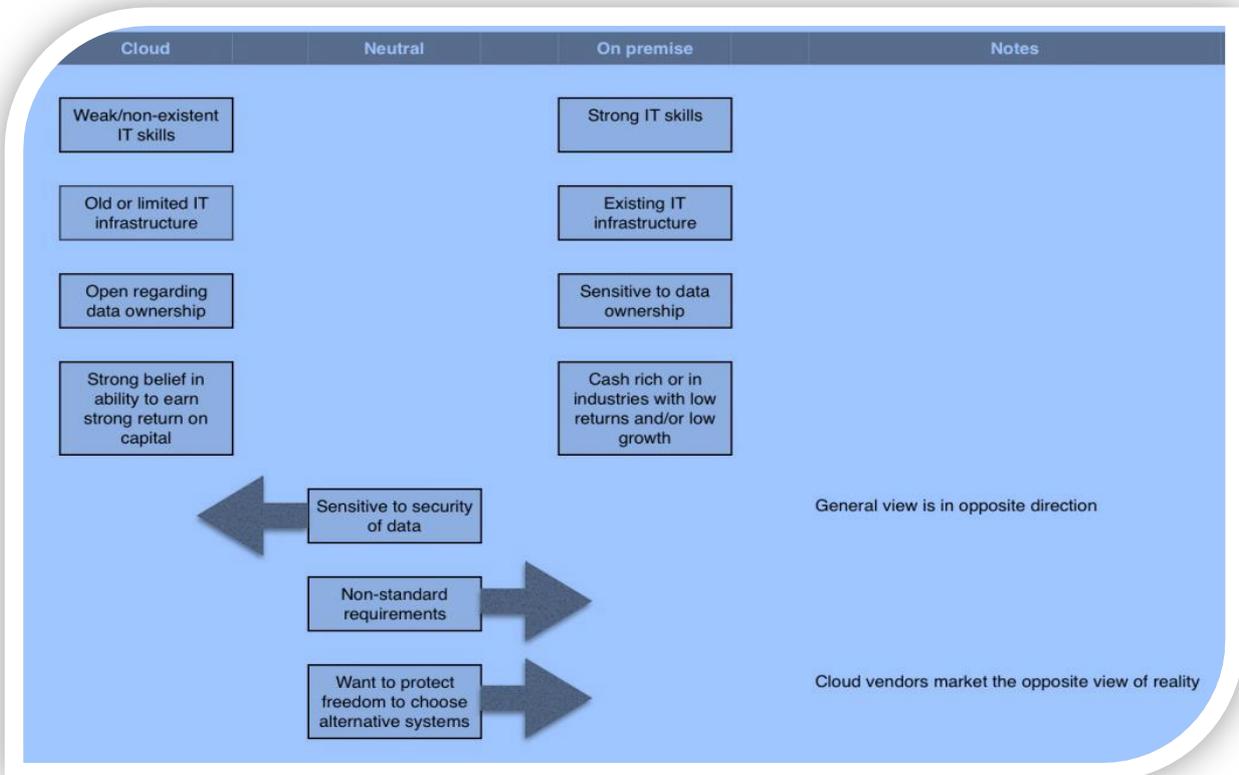


HOW TO TELL IF CLOUD ERP/CRM IS RIGHT FOR YOUR COMPANY



One of the most hyped technology developments in the last few years is the rise and rise of the “Cloud”. Industry pundits are queuing up to provide charts forecasting the growth in this phenomenon, and when we’ll all give up on in-house systems. But do you understand all the implications, and is a Cloud-based Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) system right for your company?





First, let's take apart what people mean by Cloud in this context, and how it relates to the term Software as a Service (SaaS).

All of the following are potentially components of Cloud-based solutions and SaaS (although some IT vendors are lazy, and only intend one or a handful of these to be covered by their definition):

Software application located on an internet server – this is one of the biggest implications of Cloud computing, as it takes most of the IT support headache away from your business. The server is owned by a third-party (except in rare cases), who also provides all of the networking infrastructure to access the server (routers, firewalls etc). You don't have to buy or upgrade hardware, but perhaps more importantly you probably won't need in-house system administration resources simply by letting go of the server ownership.

System administration of software and hardware provided by a third-party – typically the reseller of the cloud software also provides system management not just of the server hardware and infrastructure, but also of the software. Again this reduces the skill set and level of IT resource required by your company. If you already have IT staff, you may be less anxious to outsource this component, since again you will be paying for it within the total fees – and some cloud vendors will make it possible for you to retain responsibility in this area.

Payment by monthly subscription rather than up-front cost plus annual maintenance and support – before the advent of SaaS, the ERP and CRM industries had pretty much standardized on selling software up-front, and charging customers annually for a maintenance and support contract. Then Cloud vendors came along, and simplified everything into a single monthly payment, potentially covering software, maintenance (in other words free upgrades), support, hosting and system administration.

Software is browser-based – not perhaps a critical component of SaaS, but the alternative tends to require software installation on each user's machine, which undermines part of the ease of use that potentially frees you from requiring IT resources.

Multi-tenanting – again not an essential part of Cloud/SaaS, but many Cloud vendors are built on this model. Each individual server, which is hosted by the vendor, tends to support multiple customer instances. This allows vendors economies of scale in controlling customer implementations, for example being able to update every implementation on a single server simultaneously, right up to every implementation in a given country or region.





Check through the issues below to help you properly evaluate which possible benefits and risks of SaaS apply to your company:

Security – oddly this is more often seen as a risk of Cloud computing, rather than the probable benefit that I believe it to be. Bottom line, you need to compare the security that your own company is able to create, versus the security that industry specialists create for their own company, which is completely dependent on its reputation for security. In the case of companies operating across multiple sites or with remote users, the difference is likely moot: in both cases the server will be open to the internet.

Backup and disaster recovery – similarly the routines for backing up your data, and recovery in the event of a disaster of any kind, will *on average* be stronger when provided by a Cloud vendor than when provided by a private company with no special IT experience. How do you rate your resources compared to the rest of the market?

Customization – the concept of multi-tenancy pushes towards a standard approach for each implementation, and so many Cloud vendors have limited or no customization options. Look carefully at the toolset that Cloud vendors offer for tailoring. In my experience, pretty much all companies above about 10 users benefit from some measure of specificity in their implementation, whether it comes from simplifying screens, renaming fields, writing tailored reports, or more complex adaptation of logic and particularly workflow within the software – and so understanding how this can be delivered is important.

Platform-native software – browsers are touted as running on all platforms, from Windows, Mac and Linux to tablets and smartphones. However, each application tends to be written for one platform, and then work is required to make it work on others. Since each operating system offers a different user experience, with different standard keystrokes, a consistent interface across multiple operating systems can lose the intuitiveness that follows from an application behaving the way that you expect it to behave based on your experience of a specific platform. Simple examples of this include whether you can Print and Save using expected keystroke combinations, and whether screens resize automatically for smaller devices. A more complex example relates to how the software interacts with other, “standard” software – for example, since MS Office versions are different on each platform, whether the Cloud solution readily outputs data to Excel, allows forms design in Word, or allows sync’ing of email records and calendars with Outlook if you are running on a Mac.

Data ownership – technically, your data is owned by you, but the key question is what access you get to your data on cancellation of the contract. Some cloud vendors provide data in formats that are extremely difficult to reuse in other systems.





Downtime – what guarantees will the Cloud vendor provide for availability of the server? How is this expressed? Don't be fooled by 99.9% guarantees – do the maths. If your system is not available for 0.1% of the time, and this happens to coincide with working hours, this could be almost 9 hours of time per year – how will you react if your company is completely at a standstill for this length of time. More than likely this will happen as several shorter instances – how painful will it be for you each time it happens? Also be careful exactly how these uptime guarantees are worded – often they specifically exempt “planned maintenance”, meaning that if the vendor deliberately causes the downtime then these hours are not counted towards the guarantee.

Internet downtime – usually this is your responsibility, separate from server downtime. Best to build a failover internet solution for this event.

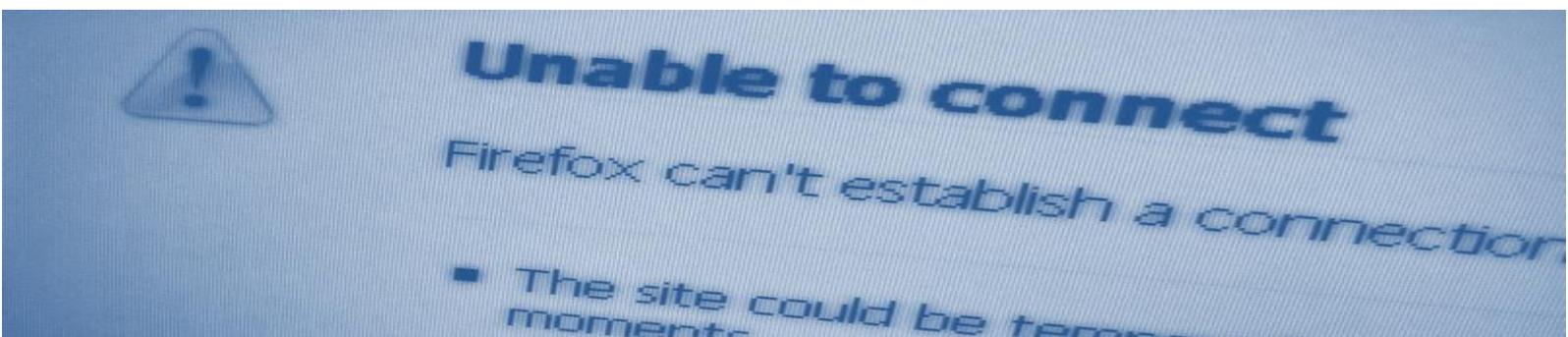
Hybrid model – if there's any chance your circumstances will change and you want to take back control of your server, this is only possible with a minority of cloud vendors. Check in advance if this option is available to you

Existing IT staff and skills – if you do not already have IT staff, think carefully about who will look after your implementation if it's in-house (“on premise”). Non-Cloud vendors are starting to become cleverer in filling this gap, so it's not purely a question of how the software is delivered. You may also hear Cloud vendors claim that browser solutions are more intuitive than the alternatives – however, there is nothing inherent to a browser that substantiates this claim, and I recommend reaching your own conclusion by seeing a demo from all your shortlisted vendors.

Interfacing – what tools exist for connecting to 3rd party solutions? Do these need to be hosted? Remember that several Cloud vendors have their own data centers, and they're not particularly open to hosting any third-party solutions. If you have an existing eCommerce solution you want to retain, a third-party estimating or billing application, or something like this, you may find yourself ruling out some of the more obvious Cloud vendors quickly.

Faster installation – Cloud vendors sometimes point to faster implementation times as a result of not having to install client software, and simpler installation at the server side as well. This one is easy to evaluate – just look at the total hours of services quoted by the reseller in comparison to other vendors.

Anytime, anywhere access – aside from maintenance and downtime, the server will be continually available anytime that you have internet access. Although the interface won't always be pretty, depending on vendor, this access should generally also be through tablets and smartphones, accessing from anywhere in the world. On-premise solutions that are fast over the internet may well deliver this benefit as well, simply by your using a public IP address on the server.





Costs and cash flow – there can be cost and/or tax savings, based on the difference between an up-front investment in hardware versus a monthly subscription in a cloud service. The cloud vendor gets economies of scale by re-using some elements of hardware across multiple customers, and you might as well if the vendor passes these savings back to you in their pricing models. More obviously, paying for anything monthly rather than in a single, up-front sum should suit those companies that have clear plans for any money they can access – if you can reinvest cash in your business and earn a positive return on it, it's better to have more money up front.

Generally the best way to compare monthly subscriptions against up-front vendors is to look at a three year cash flow – for those companies offering both options, the numbers tend to be comparable over this kind of time period. For example, software that costs \$50,000 on an up-front model will typically have annual maintenance and support of somewhere around \$12,500, and so the total three year cost is around \$87,500. The same company might well offer monthly subscription at around \$2,500 per month, and so the three year cost (36 months) is \$90,000.

Dynamic scalability – the idea that the vendor can immediately bring on stream additional, necessary resources as your implementation grows, such as a larger server or more bandwidth. Generally it will be quicker and less painful for you to be growing when managed in the cloud, but check the detail of what each vendor offers.

Choice – this one you need to be careful about in managing your expectations. Some Cloud vendors make a big thing about your ability to switch them off if you're not happy (end the monthly subscription, just move over to another competitor). Read the small print before believing this: some vendors require an annual sign up, even though it is paid monthly, so you can't get off their platform immediately. Also data can be provided out of the cloud system in hard to use formats. But most importantly, the process of changing ERP system IS painful, there are costs and risks of changing, and this is not something you want to be doing regularly.

In summary, much depends on your circumstances, and your attitude to money and data ownership. If you're growing fast, and/or already have problems with your IT support, outsourcing the issue to a Cloud vendor makes sense. Also monthly subscription makes sense when you have a strong alternative use for money – if you are confident you can earn over the market return on investment for anything you do. If you already have strong IT staff and an investment in IT infrastructure you don't want to write off, or are particularly sensitive to security and ownership of data you may prefer to keep your implementation on-site. If you're slotting in ERP and/or CRM to existing applications such as eCommerce, you may have fewer choices.

*Written by [Stephen Jay](#) a Priority Software reseller.
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