



Cloud ERP: a sound return on investment

In today's business world, on-premise infrastructure simply doesn't make sense.

“The pricing of Advanced was very attractive, especially given the way that it stacked up against some of the other products, particularly because some of the higher priced products didn't necessarily cater for our needs.”

Lauren Wildash,
Corporate Services Manager
of Woolcock Group

Costs are critical

Every business today is cost-driven, to some extent. Capital outlay and recurring costs are concerns that keep financial controllers awake at night – and the cost of implementing and maintaining IT infrastructure is a major factor. The recession of 2008/2009 forced a major assessment of cost factors; with most organisations spending an average 3% of their revenue on IT (double that if they're in growth mode)¹, return on investment for that expenditure (ROI) became a significant target.

Cloud computing has dramatically and permanently altered the business IT landscape. ERP systems that once required large, expensive on-premise servers, with associated high implementation and maintenance costs, can now be accessed in a variety of ways that slash those costs while providing superior performance.

Service models are available, tailored to suit needs and budgets, for a regular fee that covers all the required functionality, maintenance and upgrades. Platform as a Service (PaaS), Infrastructure as a Service (IaaS) and Software as a Service (SaaS) are being offered by vendors as flexible, affordable solutions for businesses. Because they are accessible via the Cloud, they're not only more cost-effective; they're more widely available to everyone who needs them, wherever they may be.

This report explains how Cloud-based ERP is outstanding return on investment.

A 60% cost saving

Analysis of ROI case studies conducted by Nucleus Research² found that cloud application projects deliver 2.1 times the ROI of on-premise ones – up 24% since 2012.

An Aberdeen Group study³ found that organisations with Cloud ERP stayed within their budget as opposed to 12% over budget for those with an on-premise solution. Also, organisations with Cloud ERP achieved ROI within 24 months as compared to 31 months for on-premise users.

“Cloud deployments incur 63% lower initial consulting and implementation costs than on-premise ones,” according to the Nucleus study.

“MYOB Advanced has ensured that we have significant reporting on a timely basis and it has saved us 7 to 10 days on a monthly basis from a processing transactional reporting perspective.”

Jon Bronner,
General Manager of
Woolcock Group

Nucleus also found that on average, companies spend 55% less on support personnel for cloud applications, as opposed to on-premise. Support costs for service-delivery models are included in the user charges; the user pays for what is delivered, and so wage costs are reduced.

Power to the customer

Customer expectations have driven down vendor pricing and delivery models; customers feel empowered, knowing that it's now much easier to switch vendors if they're not happy with the service they're receiving.

Cloud applications also are generally more configurable to a customer's special needs, whereas on-premise systems may require expensive customisation. On-premise implementations and upgrades are both time-consuming and costly, disrupting business and inconveniencing staff, especially if system changes are required for expansion and growth. Cloud solutions are more readily scalable; new or expanded functionality is just switched on – an important factor with increased demand for emerging technologies such as mobile access, social media and analytics.

And let's not forget the green aspect: Nucleus found that cloud applications used, on average, 91% less energy than on-premise ones. Removing the need for a server room that requires constant cooling makes quite a difference to the power bill.

Greater value across the board

The business benefits delivered by cloud-based IT translate into long-term ROI as well.

“The cloud ROI multiplier is driven by a number of factors, including lower initial and ongoing costs and the ability to deliver greater value over time without the cost and disruption traditionally associated with upgrading, expanding, or changing business applications,” the Nucleus report says.²

Cloud solutions accessed via the internet enable more effective communication and access to real-time data, the Aberdeen report says.³ They also provide a competitive advantage, through quicker response to customers. Sales representatives can deliver quotes to customers or place orders on the spot, with all the information they need available to them on their mobile device.

In the wholesale & distribution sector, supply chain management is improved by enabling access to inventory stored in different warehouses at various locations. In the warehouse, staff are equipped with portable scanners that can pick orders simply by scanning barcodes; a wi-fi connection transmits all the data back to the Cloud-based management application. Access via portable devices rather than terminals means equipping staff is cheaper and more convenient.

Approval of purchase orders is streamlined, through paperless sign-off via the web. Efficiency, accuracy and visibility are all improved. This also leads to better decision-making, because managers always have ready access to data.

“The great thing about Advanced is that I no longer have to sift my way through reports and e mail accountants to try and get data. Now I can just tap my iPad and pull up all the information I need.”

Kent Brown,
General Manager of
WineWorks Australia

Keeping projects on track

For companies whose job entails managing large-scale projects, cloud-based systems are rapidly gaining popularity.

“Beyond the cost and IT benefits of a cloud solution, organizations that implement cloud solutions for project management are more likely to have capabilities that improve collaboration, agility, and effectiveness,” an Aberdeen Group study says.⁴

The study found that 71% of organisations with cloud project management solutions have a single repository for all project information. If a project leader is at a remote location, they can still access their data in real-time and so make immediate decisions, as well as maintain their timelines and stay within budget. The Aberdeen study notes that “these organisations can be more agile in reacting to scope-changing events when they happen”.

Other key benefits noted by the study:

- + Collaboration. Organisations that have implemented cloud project management solutions are 3.1 times as likely to have social networking practices incorporated into project and portfolio processes.
- + Agility. Those with cloud solutions are 70% more likely to have real-time visibility into all project information.
- + Effectiveness. Those with cloud solutions are 65% more likely to be able to map required skills to project resources.

A healthier alternative

The health sector has become an enthusiastic adopter of cloud systems, particularly the Software as a Service (SaaS) model.

“In their efforts to grow, healthcare organisations must utilise their resources effectively to continue to increase profits. Industry consolidation increases competition, which means that there is a constant need to keep costs steady, even though ongoing investments must be made,” says a report on healthcare ERP.⁵ Cloud-based financial management systems, delivered as a service, are enabling healthcare organisations to manage their costs, and to grow.

The pharmaceutical industry, for example, has gone through rapid change in recent years; small owner-operated pharmacies have been acquired by large franchise operations, which are able to offer cost-effective SaaS business systems. Because pharmacies now draw the bulk of their income from retail sales rather than prescriptions, they need to handle numerous small transactions. One popular SaaS model handles all the transactions from POS terminals, while also delivering business intelligence on which product lines are selling best, and when re-stocking is required. Because it's a modular solution, the cloud-based SaaS model enables users to pick (and pay for) just the functionality required to meet their organisational needs.

Choose solutions wisely

We'd be remiss if we didn't conclude here by acknowledging business concerns about switching to the cloud. Data security, access and ownership cannot be dismissed lightly. However, as we noted earlier, businesses are now greatly empowered by competition among cloud vendors. When shopping for a cloud solution, they can demand written guarantees about where their data is stored, how it is accessed, and how they'll get it back should they decide to change vendors.

Data recovery in the event of a breakdown is another key point to nail down; the best service providers even offer a system that restores data to the point of breakdown, and can immediately switch to a back-up supply so work can continue uninterrupted. Any good vendor should also be able to demonstrate system performance where speed of response is critical.⁶

If you're concerned about your IT costs – especially if your legacy system is a drag on your business or nearing the end of its life span – you owe it to yourself to take a good look at what cloud-based solutions can offer.

Top business drivers for Cloud:

- + Reduced IT costs
- + Capital cost for on-premise solution too high
- + Need for collaboration among an increasing number of locations
- + Need an application that scales with the business
- + Dated infrastructure limits business change response.

Source: Aberdeen Group, 2013

References

¹ <http://www.optimalnetworks.com/how-and-how-much-it-spending/>

² <http://www.oracle.com/us/corporate/analystreports/nucleus-cloud-deliversmore-roi-3011187.pdf>

³ <http://www.acumatica.com/analyst-reports/benefits-cloud-erp-software-transforming-business/>

⁴ http://v1.aberdeen.com/launch/report/research_report/13978-RR-cloud-project-ppm.asp

⁵ http://v1.aberdeen.com/launch/report/research_report/13120-RR-ERP-HCM-healthcare.asp

⁶ <https://www.greentree.com/latest-news/avoiding-cumulus-congestus>

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out more?

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Contact Endeavour

0800 422 272

sales@endeavour.co.nz

endeavour.co.nz

Australia
1300 555 110

New Zealand
0800 69 62 39

myob.com/enterprise

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