

An Epicor® White Paper

Understanding ERP Deployment Choices

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ERP Deployment: Making a difficult choice easier

Combine the complexity of ERP systems with widely varying business practices and rapidly evolving technologies, and the job of choosing a deployment model quickly gets confusing. Moving to the cloud gives you more options, but what do you need to be thinking about as you consider a cloud ERP deployment strategy?

- ▶ Licensing
- ▶ Management
- ▶ Isolation

Let's take a look at how Software as a Service (SaaS) typically combines these three essential aspects: subscription licensing, vendor management, and shared resources.



License



Management



Isolation

Critical Aspects of Cloud ERP Strategy

Licensing

The methods of licensing software have changed dramatically in recent times. For many years, ERP vendors hosted systems for their customers using an Application Service Provider (ASP) or Hosting model. ASP is essentially the same as a traditional software project, except the software is installed on machines at the vendor rather than on premise. For a monthly fee, the vendor maintains the system and manages backups, upgrades and other procedures.

Long-term licensing

Like on-premise deployments, ASP agreements involve the perpetual licensing of software, giving you the permanent right to use the software, even if the agreement with the vendor ends.

Short-term costs

Subscription licensing, on the other hand, means you can use the software for a set duration, after which the subscription must be renewed. Subscription licenses avoid substantial up-front costs for the license, as well as maintenance charges for updates. Subscriptions consolidate the license, maintenance, and many other costs into a monthly fee.

Perpetual licenses for ERP solutions have traditionally been significant capital expenditures, amortized over several years. Subscriptions require a smaller cash commitment and are usually funded as an operating expense, which lowers the barrier of entry for many companies.



	On-Premise	Managed Hosting	SaaS Single-Tenant	SaaS Multi-Tenant
License Owner	Customer	Customer	Vendor	Vendor
Maintenance Fee	Yes	Yes	No	No
Hosting Fee	No	Yes	Yes	No
Expense Type	CapEx	CapEx/Opex	OpEx	OpEx
Data Isolation	Physical	Physical	Physical	Logical
Customization	Yes	Yes	Yes	May be limited
Upgrade Responsibility	Customer	Co-Managed	Co-Managed	Vendor

Management

Managing a production ERP system in a larger company requires dedicated staff and strong IT skills. These are mission-critical systems, so maintenance and backup are extremely important.

Sole responsibility or shared responsibility?

On-premise ERP systems put the maintenance burden squarely on your shoulders. Managed hosting (ASP) shares maintenance responsibilities: the vendor manages tasks like backups or anything requiring physical access to the hardware, while you install upgrades and customizations.

How about zero responsibility?

Subscription-based systems put the management and maintenance responsibility solely on the vendor. This is by design, because cloud-based solutions share software and infrastructure across customers, which keeps costs down and system reliability up. Subscription customers have less control of how frequently the software is updated or when changes are applied, but vendors often provide better services because they can continuously work to improve the system.

Isolation

While sharing resources keeps service costs down and makes it easier for vendors to improve their offerings, sharing data is obviously not something you want to do.

Building better walls

Cloud ERP vendors ensure that data is well protected—walled off to avoid having information belonging to one system tenant (i.e., customer) seen by another. Partitioning data in this way (on shared hardware and software) is the typical practice for subscription-based solutions running on multi-tenant systems.

ERP customers in regulated industries, such as medical products, may require their ERP systems to be certified. In these cases, any changes to the system have to be certified, or otherwise validated to otherwise ensure compliance. This makes it impractical for the ERP vendor to retain full control of the system.

Keeping data to yourself

Many Cloud ERP vendors generally offer a “single-tenant” version of the solution, which runs on dedicated hardware or on infrastructure that’s highly isolated from other tenants. A single-tenant option also helps ensure that performance remains high during peak processing. Single-tenant



subscriptions often carry a higher price to cover the additional vendor resources, but this can be charged as a separate monthly premium.

Portability

Business needs and technical preferences can vary wildly over the life of a typical ERP deployment, so it's good to choose a solution that lets you easily 'port' or migrate from one deployment model to another. Being able to move from on-premise to the cloud—or even within a deployment model (such as migrating from single-tenant cloud deployment to multi-tenant cloud deployment) is critical to your company. Make sure you understand the limits of your system's portability in advance.

Conclusion: The Advantages of Flexible Deployment

By utilizing an ERP solution that is available as on-premise or in-the-cloud, your organization can maintain agility in today's rapidly changing business environment.

What this means for you:

- ▶ The ability to deploy ERP on-premise, in the cloud, or in any combination
- ▶ Greater adaptability in fluid, dynamic and always-evolving value networks
- ▶ Faster deployment, faster upgrades, and the ability to stay on top of technology
- ▶ Enhanced support of business growth and the improved ability to scale up or out to meet emerging opportunities—while minimizing risk
- ▶ Powerful, yet intuitive tools for easy configuration to specific business needs

Increasingly, companies will find cloud-based ERP an excellent option. Smaller companies implementing their first ERP system will often find subscription SaaS the most cost effective way to deploy a world-class ERP solution. Larger companies that are expanding operations worldwide can use cloud ERP to replicate business processes consistently around the globe.

The growing momentum of cloud-based ERP is well documented, and many companies are beginning to realize that it can mean higher reliability and lower management costs than on-premise deployments. Plus, the speed and ease of cloud-based deployments stand in stark contrast to the somewhat daunting memories of early ERP deployment. What's more, cloud-based ERP lets your IT team focus on strategic projects.

Simply put: yesterday's ERP is not today's ERP. And cloud-based, flexible deployment will be the hallmark of what's next.



About Epicor

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