If you're considering an ERP system for your business, chances are you're being bombarded with choices. As you consider your options, one of the most important decisions you'll need to make is whether to select a cloud-based ERP solution or one that's installed locally.

The basic difference between on-premise ERP and cloud ERP is clear: On-premise ERP solutions are installed locally on your company's hardware and servers and then managed by your IT staff while cloud ERP—also called SaaS, or Software-as-a-Service—is provided as a service. With this type of deployment, a company's ERP software and its associated data are managed centrally (in the Internet "cloud") by the ERP vendor and are accessed by customers using a web browser.

What may not be so clear is that the type of ERP deployment model you choose can have a significant impact across your business. Here are some key factors that you need to consider when weighing whether to use on-premise or cloud-based ERP software.

Ownership Costs

On-premise ERP systems usually require large upfront and ongoing investments to purchase and manage the software and the related hardware, servers, and facilities necessary to run it. If your company doesn't have a large or experienced IT staff, you may also have to also invest more time and money in additional personnel and train them. Even more importantly, on-premise systems require that your IT team spend a significant amount of their time and budgets ensuring your system is up-and-running when you need it, including maintenance of hardware, server rooms, and more. When its time for your ERP system to be upgraded, IT must then redeploy the system across the various users' computers and re-implement various customizations and integrations that your business installed on your previous software.

For cloud-based ERP, initial costs are typically much lower because you simply implement the software to your requirements and then access it through your computer's internet connection. The cloud ERP provider hosts and maintains all of the IT infrastructure for you, ensures the system is always running, that the data is secure, and that product enhancements are rolled out painlessly to your solution without breaking your previously implemented customizations. Ultimately, this all allows your IT resources to focus on innovating and helping grow the business more effectively, rather than spending a disproportionate amount of their time on maintaining and managing your on-premise systems.

Cloud ERP also offers a predictable, pay-as-you-go subscription model that can make cash flow management and planning much easier.

Over time, those IT savings add up. When comparing the total cost of ownership of on-premise ERP solutions relative to cloud systems, one industry analyst study found that cloud-based ERP can cost 50 percent less than on-site ERP for a 100-employee company over a four-year period.[1]

System Upgrades and Enhancements

On-site ERP software can be customized, but those customizations are tied to your current software deployment and are not easy to re-implement with future versions. As your ERP provider releases new product updates and enhancements, your previously implemented customizations will be wiped out when you upgrade and your IT team will have to start customizing from scratch again. That's the main reason many companies simply avoid upgrading their on-site ERP software and just settle for running their business on out-of-date technology. In fact, two-thirds of mid-size businesses are running outdated versions of their ERP software. [2]

In contrast, cloud ERP solutions like NetSuite are continually upgraded by the provider so you can be sure you're always using the latest, most advanced version of your ERP software. Because of the cloud platform today's leading cloud applications are built upon, your previously implemented customizations and integrations automatically carry forward when the solution is updated without additional investment.

Improved System Performance and Accessibility

Cloud ERP often delivers better performance than on-premise solutions. Cloud software architecture is designed from the ground up for maximum network performance, which can mean better application availability than traditional on-site ERP systems. Cloud-based ERP also offers optimized performance that can adapt to your needs. If there is a spike in your business, cloud ERP automatically adjusts and dynamically provisions additional resources to handle the surge. For example, NetSuite commits to 99.5% availability for its customers, has 99.98% average uptime performance over the past 12 months, and makes uptime performance information available to all customers at all times at http://status.netsuite.com. A local IT department is unlikely to be able to achieve

these results, and may not even be able to regularly report their system uptime results to management.

It's also important to note that a cloud-based ERP solution provides real-time data that can be accessed via the Internet anywhere at any time. That means that staff at your company can see accurate information on laptops, smartphones, and tablet devices while they travel or telecommute—all without extra setup fees or ongoing costs.
Not only can cloud-based ERP provide better performance and greater accessibility, but better security as well. Because it's their core competency, Cloud ERP providers like NetSuite make securing their systems a top priority by providing strong, industry standard data security certifications such as compliance with PCI DSS and SAS 70 standards. Moreover, NetSuite follows other rigorous security, disaster recovery, and back-up procedures that would be cost-prohibitive with on-site ERP solutions.

Deployment Speed

Every ERP deployment takes time and requires careful planning, but cloud ERP offers clear advantages when you consider speed of deployment. Since cloud ERP requires no additional hardware, your business doesn't have to waste time procuring and installing IT infrastructure. With cloud ERP, you can easily roll it out across multiple regions, subsidiaries, and divisions, avoiding the cost associated with those rollouts. If you chose a cloud-based ERP system, these differences can add up to a significant time savings: Cloud ERP deployments usually take 3-6 months compared to the 12 months that it typically takes to implement an on-premise solution.
Cloud-based ERP systems are also easier to scale, giving you the flexibility to add more users as your business grows. On-site ERP solutions don't offer the same freedom—to give more employees access to an on-site system, it's often necessary to provision additional hardware.

Every business is unique, so taking the time to consider how different ERP deployment options will affect your company is critical. To learn more about deploying a cloud-based ERP solution, contact us.