Decoding the true TCO of cloud ERP in APAC

Intensifying global competition and disruptions from the COVID-19 pandemic forced organisations in the Asia-Pacific region to look at making significant changes to their businesses, including revamping their work processes and supply chains. And as a second and third wave of lockdowns happened globally and in Asia, organisations became increasingly susceptible to the consequences of **movement restrictions**, such as having to close physical offices.[1]
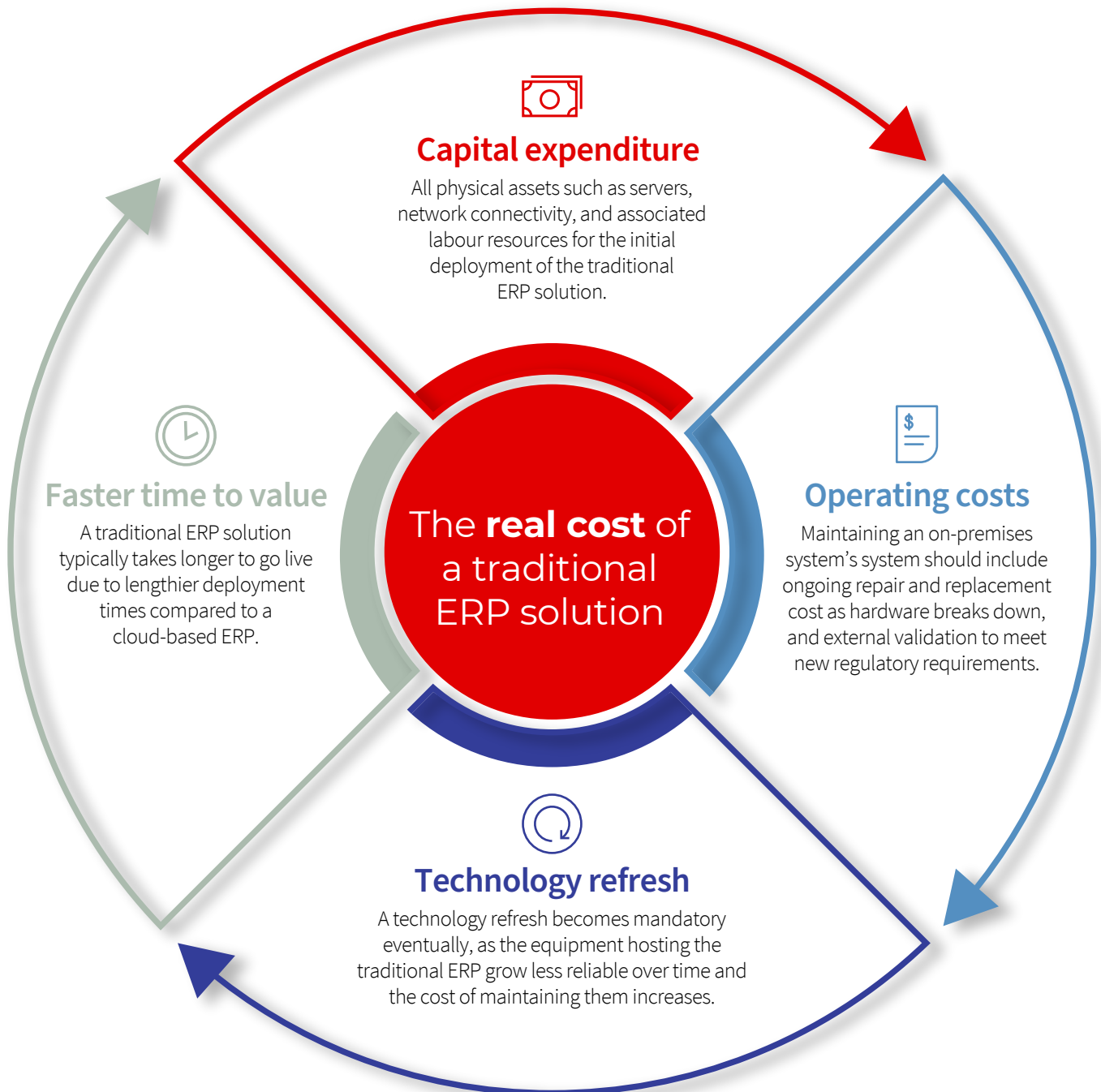
One of the ways organisations looked to strategically respond to these new challenges was by deploying a new digital foundation that could help them improve customer experience, reduce costs, and capitalise on new market opportunities. To ensure continuity of business operations, organisations increasingly turned to cloud-based ERP solutions, which typically offer more agility, faster innovation, and greater cost-effectiveness than on-premises solutions. In fact, IDC reported that the **Asia-Pacific region's spending on public cloud** was projected to be US$34.5 billion for 2020—up from US$25.9 billion in 2019.[2]

As organisations consider the move to cloud-based ERP solutions, they need to know that doing so represents a significant reduction in the total cost of ownership (TCO) versus other alternatives, such as on-premises solutions.

> ❝ **Cloud deployments allowed the customer [organisations] to recover the cost of their initial investments 2.5 times faster than for on-premises deployments.**❞
>
> Nucleus Research[3]

Here are four areas that organisations should consider in order to get an accurate TCO of cloud-based ERP solutions.

Capital expenditure

All physical assets such as servers, network connectivity, and associated labour resources for the initial deployment of the traditional ERP solution.

Operating costs

Maintaining an on-premises system's system should include ongoing repair and replacement cost as hardware breaks down, and external validation to meet new regulatory requirements.

Technology refresh

A technology refresh becomes mandatory eventually, as the equipment hosting the traditional ERP grow less reliable over time and the cost of maintaining them increases.

Faster time to value

A traditional ERP solution typically takes longer to go live due to lengthier deployment times compared to a cloud-based ERP.

The **real cost** of a traditional ERP solution

Capital expenditure

The one-time expense for the initial deployment of an ERP solution is considered a capital expense (CAPEX). For an on-premises deployment, this includes all physical assets, such as servers, facilities to host the systems, and network connectivity, as well as associated labour resources. It's also customary (and desirable) to overprovision the hardware for redundancy and to meet surges in demand—although this isn't necessarily obvious during the evaluation stage.

For a cloud-based ERP solution, there's no infrastructure acquisition investment, so costs are instead incurred as an operating expense (OPEX). In addition, any hardware considerations—such as scaling to additional systems or repairing faulty systems—are typically the responsibility of (and managed directly by) the cloud provider.

Operating costs

A cloud-based ERP solution's operating costs are a function of the resources used and are typically billed on a monthly basis. The required resources can be scaled up or down to meet actual requirements (although fixed commitments often result in a discount). And while the operating cost of an on-premises ERP solution might be lower than that of a cloud-based ERP solution, recurring costs—such as maintaining an on-premises system's environment and the human resources needed to ensure that systems continue to run smoothly—can add up quickly.

Additional overhead for on-premises system can include expenses related to repair and replacement cost when hardware breaks down, as well as regulatory requirements, such as cybersecurity validation and compliance certification. For cloud-based ERP solutions, virtually all these costs are borne by the cloud ERP providers as part of the regular service agreement.

> 66 **The speed of deployment with cloud solutions commonly delivered on a timeline of weeks to months, while on-premises technology often takes multiple years."**
>
> Nucleus Research[4]

Technology refresh

An aspect of on-premises ERP solutions that's often left out of discussions is the inherent requirement for periodic technology refreshes. Newer systems tend to cost less to operate, be more power-efficient, and take up less physical space. As equipment grows less reliable over time and the cost to maintain that equipment increases, there comes a point that a technology refresh becomes mandatory. This typically isn't a factor for customers of cloud-based solutions. It's important to consider this in any comparison of the TCO of cloud-based versus on-premises solutions.

When it's time to upgrade a cloud-based ERP solution, the process is usually simple and quick. In fact, a fully managed cloud ERP solution provider might incorporate regular updates and upgrades that are seamlessly performed in the background.

Faster time to value

A cloud-based ERP solution is typically significantly faster to deploy than an on-premises solution. This means that an organisation that takes a cloud approach can help ensure that business goes live quickly and can be productive faster—regardless of industry. A cloud-based solution also offers greater reliability than an on-premises solution, as it's fully accessible via an Internet connection and is managed by the cloud provider.

> 66 **Cloud technology deployments deliver 4.01 times the ROI as on-premises deployments."**
>
> Nucleus Research[3]

Infor's cloud-based ERP solutions are built to deploy quickly. They're designed with deep industry functionality built in, so that the majority of the solution can be implemented "out of the box" for accelerated time to market.

Infor® offers 24x7x365 support for all severity-1 infrastructure outage and production system issues to SaaS customers, with response times of 30 minutes. This ensures that downtime is never a problem and frees up the customer's in-house IT from mundane, non-value-added operational or maintenance activities. Instead, customers can use the opportunity to work on new capabilities or business initiatives to improve the bottom line directly.

The Infor Multi-tenant Cloud Customer Bill of Rights

The Infor Multi-tenant Cloud Customer Bill of Rights was born from building and living our customer-first culture. The Bill of Rights articulates Infor's vision for providing modern cloud solutions and building long-term relationships based on trust and shared success. It formalises our commitment to flexibility, transparency, reliability, and providing customers with peace of mind.

We know that plans can go awry, businesses grow, and needs change over time. We want to be your partner and support you—even as your business evolves differently than you expect.

Learn more about the Infor Multi-tenant Cloud Customer Bill of Rights

1. Nadirah H. Rodzi, "Movement curbs extended in Klang Valley as daily cases hit another record," The Straits Times, October 26, 2020.
2. Lewis Page, "Cloud growth outweighs Covid effect in APAC," IDG Connect, September 9, 2020.
3. Nucleus Research, Cloud delivers 4.01 times the ROI as on-premises, November 2020, p. 1.
4. Nucleus Research, p. 2.

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