



# CLOUD ERP GETS 43 PERCENT FASTER PAYBACK

ANALYST

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## THE BOTTOM LINE

**Cloud enterprise resource planning (ERP) customers experience 43 percent faster payback than on-premise ones.** In analyzing the data, Nucleus found that cloud customers are getting 42 percent higher return on investment, spending 50 percent less on initial personnel, and spending one-fifth as much on consulting versus on-premise ERP customers. The results illustrate the benefits of cloud regardless of deployment size or industry.

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## OVERVIEW

Through discussions with customers, Nucleus found that some vendors are downplaying the savings and benefits that can be gained from the cloud. These vendors have been slow to enter the cloud enterprise resource planning (ERP) race, and have relied on customer reticence to move from on-premise solutions. If you are relying on actual data instead of marketing, the advantages of cloud ERP versus on-premise are clear.

## THE DATA

To understand the real difference, we analyzed case study data from 45 cases over the past eight years to determine the relative payback period and average cost for cloud and on-premise deployments. The data consist of case studies across a range of industries. Although on-premise deployments are frequently larger deployments than cloud, our cases include an equal distribution of small, medium, and large ERP deployments and the actual factor driving differences. As a result, the higher cost

and slower payback for on-premise systems was not due to the size of the deployments.

## THE FACTORS

The case studies illuminated key cost differences between on-premise and cloud ERP deployments. Some advantages for cloud ERP are:

- 50 percent lower initial personnel costs. Cloud ERP systems require fewer employees to implement and manage the system, with many of those tasks outsourced to the cloud provider. System integration and testing is simpler and leverages no-code tools to develop business applications. As a result, companies can hire less specialized employees, such as business analysts rather than database administrators, which further reduces personnel costs.
- 1/5 as much spent on consulting. Cloud deployments are faster to implement and require less outside consulting than on-premise systems due to the lack of customizations and easier data integration. With less work needed to scope and provision cloud ERP systems relative to on-premise, consulting engagements are shorter.
- 5.5 times lower ongoing personnel costs. With no hardware to manage and maintenance outsourced to the cloud vendor, customers shrink IT staff and spend less time troubleshooting. Additionally, upgrades and patches done in the cloud are more seamless, and result in less down time and lost productivity.

## THE RESULTS

Nucleus found that organizations that deployed in the cloud achieved significantly different results relative to those with on-premise ERP systems:

- 43 percent faster payback. Payback period is an effective measure of investment risk; a shorter payback period means a company gets returns equal to the cost of an investment faster, and can reinvest that capital sooner. Cloud ERP customers were able to get more immediate value from their deployment and recoup the cost of their investment. In the fast-changing world of business technology, companies with the ability to reinvest more often are better able to take advantage of new products and capabilities vendors are developing.
- 42 percent higher ROI. While many ERP systems are complex and cumbersome, cloud ERP systems achieved higher ROI due to lower initial and ongoing costs.

Cloud systems also delivered productivity gains through automating and simplifying business processes. Employees needing less time to do the same amount of work means they can focus on profit-generating activities.

## CONCLUSIONS

In our analysis, cloud ERP customers are spending less and achieving better results relative to their on-premise competitors. For company decision makers who are concerned with getting greater value for money and a faster return on their investment, the choice to go with cloud is clear.

Customers should pay no heed to messaging from vendors that are ignoring and downplaying the benefits of the cloud ERP for small and large enterprises alike. Vendors that aren't adopting a "cloud first" strategy risk being left behind by a market that is embracing the cloud. For any company that is not interested in growing, changing, or remaining competitive, vendors who are marketing on-premise ERP as on par with cloud, are more than happy to accommodate.