



WHITEPAPER

Understanding the Difference Between On-Premise and Cloud ERP Solutions

If you're in the market for an enterprise resource planning (ERP) system, chances are you've considered the pros and cons of both cloud-based and on-premise solutions and how they could best fit the needs of your organization. There's a lot to contemplate when it comes to making a big decision like this.

The differences between an on-premise ERP and a cloud ERP are fairly straightforward: on-premise solutions are installed and stored locally on a company's servers and hardware, while cloud ERP lives on a centralized offsite server. In an on-premise model, every user owns a complete, self-contained copy of the software, which is then managed by a company's IT staff. In the cloud model, ERP software, along with its data, lives offsite on remote servers managed by a service provider and accessed using a web browser.

What isn't so straightforward is the impact each of these deployment models can have across your organization. In this whitepaper, we'll highlight some of the factors you need to consider before choosing a cloud or on-premise ERP solution.

Pricing

An on-premise solution typically requires a large cost investment upfront for both the hardware and software required to run the system effectively. If your company doesn't have a large or experienced IT team, you may have to allocate a significant amount of your technology budget and resources to training and hiring. In addition, a large amount of your IT budget will need to go towards ensuring your system is consistently maintained, updated, and secure. As upgrades and enhancements occur, more internal resources will have to go towards redeploying and reimplementing the software on your internal servers and other devices, as well as ensuring there are no bugs or issues.

Alternatively, cloud ERP comes with much lower initial costs because there are no hardware requirements – the software and hardware are provisioned for each company, customized for the unique way your company operates, and accessed using your internet connection. Your ERP vendor is responsible for upgrading your system, maintaining uptime, and dealing with outages. This ultimately allows you and your IT team to worry about running your business instead of maintaining your hardware to support your business. Upfront costs are also much lower because pricing is typically based on a monthly subscription model rather than purchasing a perpetual license for the software and paying for ongoing maintenance and support.

Consider This

One of the big selling points of cloud ERP is its low cost of entry (especially in comparison to the substantial upfront fees associated with an on-premise solution). Though overtime system costs tend to converge, purchasing an ERP as an operational expenditure (an overhead cost an organization continues to pay) instead of a capital expenditure (a large, one-time investment upfront) tends to be more attractive to small and medium-sized businesses.



Implementation

It's no secret that an ERP implementation of any sort can be a long, tedious process. With an on-premise solution, organizations must purchase and configure new hardware and test this hardware numerous times before going live on the software. With a cloud ERP, implementation is streamlined because no additional hardware is required, and organizations can begin working within the software much quicker than with an on-premise deployment.

One of the benefits of an on-premise solution is the added control organizations have over the implementation process and the greater ability they have to customize the software to fit their needs. This control and ability to customize, however, tends to slow down implementation considerably and make upgrading to future versions of the software much more complicated.

Consider This

Cloud ERP allows organizations to leave the hardware, testing, and backups to the experts and focus on the operational side of implementing instead. Choosing the right solution for your business, like an ERP that is purpose built for the food industry, gives you the option to deploy in the cloud while removing the need to customize generic ERP solutions, which helps dramatically reduce implementation costs and accelerate time-to-value.

Security

One of the biggest concerns we hear from customers about potential cloud ERP integration is data security. Issues, like sharing processing resources with strangers or having your data located in different places with unknown levels of security and oversight, are front-of-mind for those trying to choose between on-premise and the cloud. For business leaders used to complete control over the most critical parts of their business, this all sounds terrifying.

But that terror is often misguided. First, the perceived risks of a cloud solution are mitigated by IT experts who are trained and fully-equipped to successfully manage the task at hand. Second, storing your own software and data locally is much more dangerous than you realize, precisely because you may not have expertise in that area. Often, businesses learn about how secure the cloud is after the fact, and they convert to the cloud because they've experienced a security breach or ransomware attack.

Many organizations that choose an on-premise solution don't make security a priority because it can come in contention with functionality. For example, managing user security levels within the system takes an extreme amount of effort on the part of your IT team; often, on-premise organizations grant admin rights to all or many users to avoid this, which can be detrimental to the security of your data.

Consider This

Most reputable cloud ERP vendors offer safeguards like SSL encryption and multiple layers of authentication by default to help protect your system. In terms of disaster prevention, in the cloud, data backups happen continuously, while on-premise solutions require you to physically take backups offsite in case of an emergency like a fire or flood.

Performance and Accessibility

In the food industry, time is critical. You can't keep customers waiting nor can you manage without real-time data because reports have to run overnight to avoid overtaxing the system. Unlike an on-premise solution, cloud ERP transfers the obligation of maintaining hardware currency and performance to your provider. It helps take something critically important to your business, like accounting for a spike in your company's productivity or scaling the size of your servers as your company grows, and puts it in the hands of experts.

Most reliable cloud solutions are also able to guarantee an uptime of 99% or higher and provide reports on these numbers. The same can't always be said for local IT departments. Apteon, for example, offers 99.95% uptime in the cloud because of the high level of redundancy built into the system, resulting in better network performance and better application availability for customers.

Consider This

Keeping architecture and hardware up-to-date can be a full-time job for a local IT department. Leaving this piece of your business to the experts ensures that your software performs quickly and reliably without you having to think twice about it.



Upgrades and Enhancements

As with any piece of software, staying up-to-date on the most current version is extremely important in terms of performance and reliability. Cloud ERP allows vendors to perform upgrades, software patches, hotfixes, and updates in a more seamless fashion. Upgrades to on-premise solutions require planned outages or downtime and often require expensive simultaneous hardware upgrades as well.

It's also important to note that customizations done to an on-premise solution are often tied to current versions of the software, making upgrading to newer versions much more complicated and costly. Many organizations simply avoid upgrading because of the amount of time and effort it takes to reimplement these customizations on newer versions. On the flip side, customizations done to a solution in the cloud carry forward from version to version. Even more attractive is that most cloud ERPs offer web services APIs, which allows a vendor to do customizations and enhancements in a more streamlined way without affecting the core software platform.

Consider This

An overwhelming number of companies with on-site ERP solutions are running on outdated versions simply because they do not want to risk losing valuable customizations. If your IT team has the capability (and budget) to stay up-to-date, then an on-premise solution may be right for you. If, like most food manufacturing and distribution companies, your IT team is stretched thin with resources and time, then choosing a cloud ERP is likely the better option.

Conclusion

Now that you know the main factors involved in electing between on-premise and cloud-based solutions, give some thought as to which solution is most appropriate for your operation. There's a lot to consider, from price to implementation to security to accessibility to upgrades. Ultimately, it's up to you and your team to determine the needs of your organization now and for the long-term. Want to learn more about the Aptean ERP deployment options? [Contact us](#) today.



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