AERIES

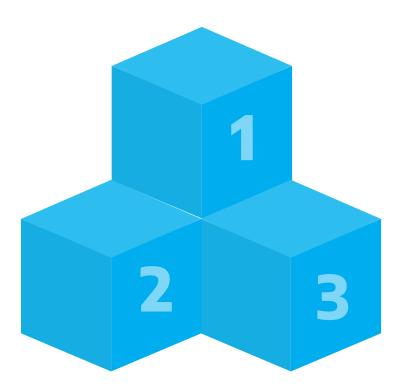# 8-Point Checklist for Selecting On-Premise vs Cloud ERP

Where is the ERP market heading?

The ERP market is rapidly evolving to meet the new demands of a digital-first world. The coronavirus pandemic has significantly expedited the transition towards cloud-based solutions as numerous industries have shifted to remote working models. This trend indicates a shift towards more flexible, scalable, and accessible ERP systems, adapting to new work environments.

01
The global IaaS market surged by 29.7% in 2022, reaching $120.3 billion, compared to $92.8 billion in 2021. (Gartner).

02
Cloud infrastructure spending is projected to experience an 11.3% CAGR from 2022 to 2027, hitting $156.7 billion in 2027 and making up 69.4% of the overall compute and storage infrastructure expenditure. (IDC)

03
Global end-user spending on public cloud services is predicted to surge by 21.7% to reach $597.3 billion in 2023, a significant increase from $491 billion in 2022. Among cloud service categories, Infrastructure-as-a-Service (IaaS) is anticipated to lead with the highest growth rate at 30.9%, followed closely by Platform-as-a-Service (PaaS) at 24.1% in 2023. (Gartner)

Table 1. Worldwide Public Cloud Services End-User Spending Forecast (Millions of U.S. Dollars)

	2022	2023	2024
Cloud Application Infrastructure Services (PaaS)	111,976	138,962	170,355
Cloud Application Services (SaaS)	167,342	197,288	232,296
Cloud Business Process Services (BPaaS)	59,861	65,240	71,063
Cloud Desktop-as-a-Service (DaaS)	2,525	3,122	3,535
Cloud Management and Security Services	34,487	42,401	51,871
Cloud System Infrastructure Services (IaaS)	114,786	150,310	195,446
Total Market	**490,977**	**597,325**	**724,566**

BPaaS = business process as a service; IaaS = infrastructure as a service; PaaS = platform as a service; SaaS = software as a service
Note: Totals may not add up due to rounding.
Source: Gartner (April 2023)

With cloud infrastructure emerging as a pivotal piece in digital transformation initiatives, more and more enterprises are looking to shift their enterprise resource planning (ERP) systems to the cloud.

According to a global analysis by Emergen Research, the ERP shift to cloud is being fueled by growing demand for better data-driven decisions, efficient and paper-free accounting, and improved order management solutions. In 2022, the global enterprise resource planning (ERP) software market saw an 8% growth, reaching a total software revenue of $44 billion. (Gartner) Additionally, the cloud ERP market is projected to achieve a 15.6% CAGR, aiming for a valuation of $141.68 billion by 2028, driven by extensive adoption within the banking and financial services industry. The research firm also noted increasing adoption of cloud ERP by small and medium enterprises and higher propensity for cloud in the Asia Pacific market.

ERP on cloud versus ERP on-premise?

If you are a technology decision-maker and are considering a shift of your on-premise ERP to the cloud or if you are seeking new ERP solutions and wondering whether you should go with an on-premise ERP or opt for ERP on cloud, this paper will put your doubts to rest.

On-Premise ERP

An on-premise ERP is a system hosted and run on IT infrastructure located within your own offices or at locations under your control. You must buy licenses for using the ERP software and an IT team appointed by you looks after the system. What are the benefits of such a solution?

Benefits of on-premise ERP

Control over your data: Security, visibility, and control are clearly the biggest benefits of having your ERP on your premises, especially for industries that are heavily regulated or deal with a lot of sensitive data (think financial services, healthcare, and even retail). The data and apps reside on ERP systems on the organizational premises and are maintained by an internal IT team, who can regulate and monitor access to these.

Reliability: With on-premise ERP on your own IT infrastructure, your dedicated team can quickly and effectively address any issues that arise.

Customizability: On-premise systems offer greater flexibility to customize workflows and apps to your unique business needs.

Compliance with new regulations: Governments across the world are bringing in new laws and regulations that deal with data security and privacy. Some like the European Union's General Data Protection Regulation (GDPR) insists that servers remain in their country or region. In such a scenario, a robust on-premise infrastructure assumes importance.

Drawbacks of an on-premise ERP system

Higher capex: On-premise ERP involves upfront capital expenditure to procure and set up the physical infrastructure.

Longer lead times: Setting up an on-premise ERP system is a time-intensive process, involving the assembly of hardware, installation of software, and integration of data and systems, followed by extensive testing and training.

End of Life: ERP providers often discontinue support for outdated versions upon releasing new ones, leaving users to self-manage any software issues or face potential upgrade expenses.

Legacy: At a time when obsolescence cycles are becoming shorter, you can't afford to let your on-premise ERP stagnate. So, you will have to invest in the latest updates and upgrades to stay competitive.
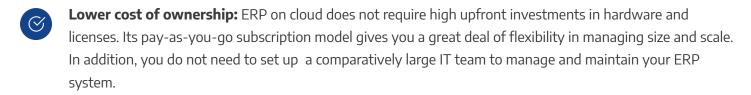
ERP on cloud

Research conducted by Oracle-NetSuite in 2020 found that organizations that fully or largely migrated to the cloud reported an average savings of 16% per user. The savings were achieved from a reduction in data center spending and lower IT personnel costs.

The shift to cloud is also being driven by ERP product companies, many of whom have announced that they will gradually move all their ERP solutions to the cloud over the coming years.

Clearly, shifting to the cloud brings major benefits. Let's look at some of them.

Lower cost of ownership: ERP on cloud does not require high upfront investments in hardware and licenses. Its pay-as-you-go subscription model gives you a great deal of flexibility in managing size and scale. In addition, you do not need to set up a comparatively large IT team to manage and maintain your ERP system.

Plug and play: ERP systems on the cloud are almost plug and play. Cloud solutions significantly reduce deployment time compared to on-premise systems.

Quick to scale: For growing enterprises, ERP on cloud makes sense because you can add capacity simply by buying new subscriptions.

Ease of use: Cloud systems are designed to be intuitive and easy to use. With the right service agreement, ERP providers handle upgrades and updates, ensuring a smooth experience for users. Conversely, on-premise systems may grow increasingly complex and cumbersome.

While the benefits are many, ERP on the cloud has some downsides, too

Higher subscription costs: Cloud ERP operates on a pay-as-you-go model, typically through monthly or annual subscriptions. For larger organizations with extensive workforces and databases, this could lead to increased operational expenses.

Connectivity dependent: ERP on the cloud is heavily dependent on internet connectivity. Outages can disrupt your work and schedules and leave end users without access to critical data.

Data privacy: In an on-premise system, all your data resides on your physical infrastructure. ERP on the cloud usually resides on third-party servers. While servers of major players are secure and reliable, enterprises with sensitive data may prefer to keep their apps and data on-premise.

Limited customization: Cloud-based ERP offers limited customization as it often relies on standardized workflows and processes. While on-premise systems allow for more tailored solutions, private cloud options provide some customization at an additional cost.

Cloud or on-premise: Decision checklist

Choosing to adopt a new ERP system or migrate an existing one to the cloud is a critical decision for organizations. So, how can you decide what is best for you?

Here's a broad checklist:

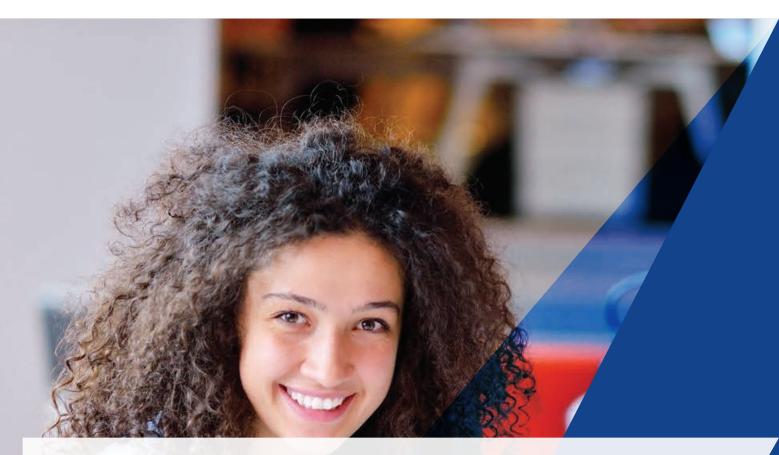| NO.	FACTORS TO CONSIDER	CLOUD	ON-PREMISE
1	Data Security	◕	●
2	Customization	◐	●
3	System Performance	●	◕
4	Global accessibility	●	◕
5	System Upgrades and Enhancements	●	◐
6	Deployment time	●	◐
7	Total cost of ownership	●	◕
8	Data Control	◐	●
9	Regulatory Compliance	●	●

◔ Inadequate ◐ Adequate ◕ Good ● Exemplary

Whether you're considering implementing a new ERP or aiming to enhance the efficiency of your current ERP system, be it cloud-based or on-premise, Aeries' team of ERP experts can help you find the optimal solution.

We have helped many companies across industries and sizes get exceptional return on investments on their ERP implementations. Some of our clients include a Fortune 500 aeronautics giant, major manufacturing multinationals, marquee retail brands, and pure technology companies.

We partner with some of the biggest vendors and niche players in the ERP space to ensure that our clients get the best solution possible for their business needs.

About Aeries Technology

Aeries Technology (Nasdaq: AERT) is a global professional services and consulting partner for businesses in transformation mode and their stakeholders including private equity sponsors and their portfolio companies with customized engagement models that are designed to provide the right mix of deep vertical specialty, functional expertise, and the right systems & solutions to scale, optimize and transform a client's business operations. Founded in 2012, Aeries Technology now has over 1,600 professionals specializing in Technology Services and Solutions, Business Process Management, and Digital Transformation initiatives, geared towards providing tailored solutions to drive business success. Aeries Technology's unique approach to staffing and developing their workforce has earned them the Great Place to Work Certification.