Five reasons to move to the cloud

Free up capital to meet your evolving operational needs

The automotive industry is undergoing a quiet revolution as automobiles rapidly turn into four-wheeled connectivity products and the automotive supply chain hierarchy gets reshuffled by the influence of newly powerful technology suppliers. In the last 30 years, the composition of a typical new car   has gone from 56% outsourced parts to more than 85%. The most promising markets for auto sales are now in emerging economies, so manufacturers are positioning more assembly plants and supply sources across a wider geographic area. As a result, future growth for automotive companies will depend on making the capital investments necessary to build a smart, end-to-end value chain with the greatest possible degree of visibility, reliability, and agility.

A cloud-based ERP solution can help free up capital, while giving you the flexibility to meet your evolving operational needs. You'll have funds to expand your plants and facilities, and be able to quickly and easily respond to opportunities in growth markets. In this paper, we'll detail five reasons why you should move to the cloud.

1. Reduce costs

Numerous studies show that moving to the cloud can significantly reduce costs:

- Cloud-based solutions help lower overall IT costs. A survey by Computer Economics shows that organizations that moved most or all of their systems to the cloud saw an average 15% reduction in IT spending. This reduction came "not only from a reduction in data center spending but also in IT personnel costs."

- Cloud-based implementations typically require less development and testing resources, and cloud vendors usually provide much of the application support and maintenance. As a result, organizations that deploy cloud-based applications spend 40% less on consulting and 25% less on support personnel than organizations that deploy on-premise applications, according to a study by Nucleus Research.[1]

- Cloud-based solutions are typically more cost effective than on-premise solutions. A study by Strategy& (formerly Booz & company) found: "Overall, the total cost of ownership for a cloud-based solution can be 50 to 60% less than for traditional solutions over a 10-year period ."

By freeing up capital expenses that would otherwise be devoted to implementing and maintaining an on-premise solution, you have more money available to support your growth initiatives.

2. Speed time to value

With the cloud, deployments are faster, there are fewer work slowdowns during implementation, and there is no need to invest capital in upgrading your infrastructure. According to Strategy &, cloud-based implementations can be up and running in as little 4 to 8 months vs. 12 to 36 months for on-premise solutions. Because cloud launches require less internal support—in terms of both physical infrastructure and human resources—organizations typically experience little business disruption during implementation. And without the physical infrastructure that on-premise solutions require, you don't need to invest capital in new IT equipment —either during implementation, or during subsequent upgrades.

3. Grow faster

Because cloud deployments don't force you to install any physical infrastructure, they help make it significantly less expensive and less time consuming to establish a business presence in new and remote locations. If your business venture is successful, you can quickly and easily scale the solution to meet your expanding needs; and if the venture is a bust, your minimal investment in the cloud deployment for that location represents a much smaller loss than you'd incur with an on-premise solution. As *Forbes* states, "On-demand cloud resources provide the way to try out new ideas without extreme investments in supporting systems."

A cloud-based ERP solution is also much easier to update than an on-premise solution. In most cases, the cloud ERP vendor will automatically apply any patches or updates. This means that the solution will always be current and able to meet your business needs, processes, regulations, and requirements, as they evolve over time.

4. Improve efficiency

Business growth is only profitable if it's balanced with increased inventory turns, streamlined processes, efficiency gains, and other operational cost savings. Cloud solutions are ideally suited for improving the efficiency of manufacturing operations because they can help automate many of the typical steps in automotive business processes, replacing manual activities and virtually eliminating the need for duplicate data entry.

For instance, automating new product development and introduction (NPDI) processes can help get your products to market quicker. A cloud-based ERP solution can also give you a platform for easily collaborating between departments of your organization, as well as externally with your suppliers and distributors. According to *Forbes*, an increasing number of manufacturers are using cloud-based ERP solutions to improve collaboration in order better accommodate shorter design cycles.

An enterprise-wide, cloud-based ERP system can also give you early detection capabilities and real-time access to information about capacity, availability, qualifications, and interdependencies of employees, equipment, tools, and materials data. As a result, you'll have access to the information you need to adjust schedules and avoid potential disruptions.

5. Improve visibility

A cloud-based ERP system can also give you complete visibility across your entire organization. For instance, with access to information about your plant-floor resources, you can make the most effective usage of constrained resources, find areas where you can increase throughput and efficiency, and promote better material and asset management. Being able to see how all of the pieces fit together—in real time—ultimately helps you operate more efficiently and make better, faster decisions.

With a cloud-based ERP solution, you also gain access to robust collaboration tools. With collaboration capabilities that extend across your enterprise and suppliers, you can identify potential problems more quickly and accurately, analyze them more deeply, discover what's truly driving them, and identify solutions before they can create bottlenecks.

Gear up for tomorrow

As you gear up to overcome capacity-constrained plants and facilities and seize new growth opportunities, you need capital to invest and the infrastructure to support your organization's new direction. A cloud-based ERP solution delivers everything you need to free up capital and positions you to swiftly respond to whatever surprises the market sends your way.

Nucleus Research found that "cloud applications deliver 1.7 times more ROI than on-premise ones, largely because four out of five cloud deployments deliver increasing benefits over time." In other words, a cloud-based ERP solution isn't just about reducing costs: it's also about saving time, gaining agility, becoming more efficient, and making quicker and better decisions.

Cloud-based vs. on-premise ERP deployments

When deploying a cloud-based ERP solution, you can expect less complexity, lower capital expenditures, and a faster implementation time than with an on-premise ERP solution.

	On-premise ERP	Cloud-based ERP
Solution complexity	High	Low
Capital costs	High	Low
Implementation time	12-36 months	4-8 months

Source: Strategy&, ERP in the cloud: Is it ready? Are you?, January 2013

[1] Nucleus Research, Research Note: Cloud Delivers 1.7 Times More ROI, September 2012.

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