

Debunking Common Myths and Misconceptions About Cloud ERP



At a Glance:

This white paper outlines and refutes the six most common myths and misconceptions that exist about cloud ERP software solutions for manufacturing.

Learn how:

- Cloud ERP provides the best security available, and at the lowest cost.
- Cloud ERP delivers lower total cost of ownership than on-premise legacy ERP systems by eliminating maintenance and upgrade costs and increasing system up-time.
- Cloud ERP is offered in many flavors, but not all ERP vendors that claim to deliver cloud ERP are equal.

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There's no doubt that cloud computing is one of the most talked-about, important and disruptive technologies in today's world. Companies large and small are moving to the cloud to save money, improve IT performance and free up resources to focus on critical business functions.

Like anything new, however, there are concerns and fears that executives and decision-makers cannot ignore. Is the cloud a safe place for my company's critical business data? Is it wise to move my systems off-site and trust a vendor to deliver the services and capabilities I need to run the business? Can they really do a better job than in-house resources, and do it for less?

These are all legitimate concerns and must be addressed before making a cloud computing decision. Therefore, let's look at a half-dozen of the biggest questions (myths) there are about cloud computing.

Myth #1 The cloud isn't secure

Security has to be a top concern, whether your systems are in-house or cloud-based, no matter what the applications and the data involved. Every day brings new headlines about viruses, worms, cyber-attacks and data breaches. Why should you trust an outsider to guard your systems and data? Why would they care as much, and be as diligent as you are yourselves?

Great questions. The fact of the matter is that a manufacturing company, no matter how big and no matter what product or market it serves, is in the manufacturing business and not the IT operations business. To do a credible job of supporting and securing information systems, the manufacturer must invest considerable resources and effort in an indirect business area that doesn't generate added product value or revenue. Even if they can make the investment, they face challenges in keeping highly trained and capable IT resources from leaving the company for new opportunities.

System support and security are core functions for a cloud service provider, a key aspect of the value-add they offer to their customers. And because cloud providers serve a number of customers, the relative investment in security is many times what a single company or family of companies could practically afford to invest.

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The fact that the systems and data are not under the same roof as the manufacturing company is inconsequential and in fact can be considered a benefit – if the plant suffers a catastrophe, the data is elsewhere and therefore not at risk. As to vulnerability to a cyber-attack, physical location is moot, since the danger is in cyberspace which has no physical boundaries. Wouldn't it make sense to have the best security available at a lower cost and risk than providing it yourself? Cloud spreads those costs across hundreds or thousands of other users.

Cloud service providers specialize in security as a core competence, with a business focus to do it right. Plex performs security and access controls to the highest industry standards and completes SOC 1 and SOC 2 Type 1 and Type 2 audits annually. Plex views its responsibility for security as central to its business but doesn't keep customers in the dark. Plex provides system access to all users and provides guided facility tours to any customers visiting its cloud facility.

Myth #2 Every ERP vendor has a cloud option

Every ERP vendor on the planet offers a cloud deployment option, either directly or through partners that do the hosting. Isn't that a better way to go, since they know the software better than anyone?

It is true that any and every ERP system can be hosted on a "cloud", but that doesn't tell the whole story. There is cloud computing, which implies nothing more than IT resources available most commonly from an off-site¹ location, usually paid for on an as-needed / as used basis. And there is native cloud ERP, which is quite another thing altogether. We'll explain.

The cloud is such a powerful idea and such a great benefit to users that thousands of software and systems providers have jumped on the bandwagon and slapped the cloud label on literally anything that is offered off-premise. You can store your photos on the cloud. You can "rent" computing capabilities for software development, archival storage, special analytical projects that require more horsepower than you can afford to own in-house and much more.

¹While cloud computing is most commonly supported by off-site, centralized data centers, some vendors offer on-site or "private" cloud deployment, attaching the cloud moniker to what is essentially traditional IT outsourcing.

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Application vendors noticed that the cloud and Software-as-a-Service licensing² was gaining traction in the marketplace so they created cloud / SaaS licensing or ‘subscription’ options for their systems. In most cases, this was simply a matter of installing the system on a server controlled and managed by the supplier and charging by the month rather than the traditional up-front capital expense for the user company. This is the same software, run the same way as it would have been on-premise, except the majority of the IT tasks are outsourced to the supplier. The only gain for the user company is the swap of capital costs for operating expense and the benefits of outsourcing the IT function.

Contrast that with native cloud applications like the Plex Manufacturing Cloud. Because the Plex system is designed from the start for the cloud, it can take advantage of some of the unique characteristics of cloud computing to offer significant benefits over simply re-hosting existing apps.

Most significant among these is continuous innovation, which is only possible with native cloud applications in a multi-tenant cloud. Continuous innovation eliminates the upgrade process entirely by allowing Plex to add enhancements, features and fixes in real time, enabling users to take advantage of improvements immediately, versus waiting for and having to install the next patch or upgrade. Plex customers can opt in for any major features and have an included sandbox test environment for testing those features with their own data before going live. This version-less or revision-less concept is unique to Plex’s multi-tenancy environment. Continuous innovation eliminates the release upgrade process entirely.

Multi-tenant means that one “instance” of the software serves multiple user companies. Each company has its own database, tailoring and security access controls but all tenants share a single code base of the software. The significance of that strategy is that there is only one code base to maintain, and that allows Plex to install updates, improvements and expansions every day with no negative impact on the users. And for customers, because they are all on the same software version all the time, they can share best practices and tips with one another via a vibrant user community which leads to constant efficiency and process improvements – yet more uncalculated value only available via native cloud.

²Software-as-a-Service is a licensing strategy wherein the user pays a monthly subscription fee that typically includes the software license and a bundle of other services including hosting, maintenance, support, etc. SaaS is an alternative to paying an up-front license fee and optional annual maintenance fees. SaaS does not necessarily mean cloud hosted, and cloud deployment is not necessarily SaaS licensed, although the two are often linked.

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Any improvement or expansion that is new or extra is always installed switched “off”. User companies are made aware of the new capability and can choose to switch it “on” for their environment or not, at any time of their choosing. Critical also is that Plex provides that sandbox environment mentioned earlier, allowing users to test any features before making them live in production. Every user is always on the latest version of the software, improvements are immediately available for all users (no waiting for the next annual release) and the disruptive and expensive release installation process is completely eliminated.

Native cloud applications exhibit other unique features for taking full advantage of the cloud environment including superior connectivity and integration capabilities, built-in industrial strength security and more. Plex, as a native cloud ERP company, is not in the business of selling software in the traditional sense. As a subscription service, Plex is really a service provider that must earn its customers’ trust and loyalty every day by delivering real value and helping its customers succeed.

Myth #3 In the cloud, I don’t own my own data

Relinquishing direct control of your data can be scary. What if you want to work through the night or come in on the weekend to tune your database servers? What if you want to switch to a different provider, or bring the system back in-house... will you be able to do that?

As mentioned earlier, Plex provides 100 percent access, between 99.985 to 99.99 percent of the time which is better than you often get with in-house systems. Plex can be accessed from any device with a simple web browser – no “client” software to install or maintain. There’s even a mobile app for your tablet or smart phone.

With your own IT, systems must be taken off-line for updates, and sometimes for back-ups or maintenance. Hardware changes and expansions usually require the system to be unavailable for a time. Most corporate data centers are not equipped with full redundancy and failover that can keep the systems in operation when there is a system or infrastructure failure.

As for the weekend server tuning, you won’t need to do that at all...ever. All of the system hardware and software installation, maintenance, tuning,

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performance monitoring and management, security and upgrade/expansion is included in the monthly fee and invisible to the user community.

Your data is backed up frequently and copies are stored off-site. Hot site “shadowing” keeps redundant systems up-to-date, ready to take over in case of emergency with little or no data loss. But make no mistake, the data is yours and available for transfer to another supplier or to bring back in-house if you so choose. That said, you should know that Plex has earned a higher than 95 percent renewal rate with its Plex Manufacturing Cloud customers. As a service provider, not a product company, Plex must prove themselves every day to earn your ongoing business. Its success is entirely dependent on and tied directly to customer success.

Myth #4 Cloud is more expensive in the long run

You've seen analyses and presentations that show low initial costs for cloud solutions but relatively higher on-going costs that eventually exceed the initial savings. Rules-of-thumb often say that cloud costs more over three (or four or five) years.

A cloud computing contract is somewhat like leasing a car compared to buying one. There are trade-offs that appeal to different financial situations. Instead of a high initial investment (capital expense), the cloud option is based on a monthly fee (operating expense). That fact alone might determine your preference, based on your company's financial position and credit status. Nevertheless, the choice between a high up-front cost with (arguably) lower ongoing cost, compared to little or no initial cost but (arguably) higher monthly costs is primarily a matter of cash flow and finances.

That said, on the surface, it might look like cloud / Software-as-a-Service (SaaS) is more costly over a four or five year timespan. It's easy in this kind of analysis, however, to underestimate the total cost of on-premise system support and understate the additional value available from a cloud / SaaS deployment. Cloud/SaaS offers superior security and availability, seamless scalability (Plex pricing is not user-based and therefore encourages unlimited users; Plex encourages companies to add users and partners for more benefits at no additional cost) and no interruption for hardware or software upgrade or expansion.

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Most of these analyses significantly underestimate the cost of in-house IT operations. Often overlooked are such costs as server, middleware and database maintenance and upgrade charges; the internal costs of implementing and managing application release updates; managing interfaces between toolsets and application products; IT staff training and skill enhancement as technology changes; and administration and overhead associated with IT resources, among other things. The biggest unrecognized cost, however, might be the cost of installing periodic “release” updates to the ERP software solution and eventual replacement (every six or seven years, on average). When considering these costs, the Plex native cloud approach – developing solutions exclusively in and for the cloud – becomes a much more economical option.

In analyst firm Mint Jutras 2014 ERP solution survey³, lower total cost of ownership was the number one objective of companies moving to cloud ERP (52 percent), followed closely by lower start-up cost (51 percent). Research by Computer Economics⁴ found that cloud users spend an average of 16.3 percent less as a percentage of revenue on IT operations and 18.5 percent less per user, compared to traditional on-site IT operations.

In fact, Plex continuous innovation completely eliminates the dreaded (disruptive and expensive) application software “release” cycle, putting system enhancements in users’ hands as soon as they are available – no waiting for the next release and its associated installation and rollout. Most release-oriented software companies (even those with a cloud story) purposely avoid adding the cost of upgrades into a multi-year TCO calculator, which either leaves the customer on perpetually old software versions or with a very incomplete view of the true cost and effort of ownership. A pure dollar-for-dollar comparison might well indicate a higher net cost for cloud / SaaS over the long term (probably longer than you might think) but the true value of cloud / SaaS ERP cannot and should not be ignored.

³2014 Trends in ERP Convergence, Mint Jutras, February 2014, survey of more than 425 companies investigating goals, challenges and status of ERP implementations

⁴Economic and Strategic Benefits of Cloud Computing, Computer Economics, February 2014

Myth #5 Outages occur more frequently in the cloud

You rely on your ERP system all day, every day. Outages can be disastrous. Can the cloud provide industrial-strength reliability?

As addressed earlier regarding security, cloud providers must be focused on security and reliability as a core part of their service and its value. It is at the

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heart of their business model. Using economies of scale, with hundreds or thousands of customers all contributing to the cost, cloud providers invest in physically secure data centers, the best and most reliable equipment, full redundancy for every part of the system that is subject to failure or disaster including communications lines, failover and “hot site” back-up systems, and every possible safeguard to keep your system up and running. Can your company do all that for your in-house systems?

Also as mentioned above, Plex (with its n-tier architecture) keeps your system up and available even during system maintenance and upgrades, something that is not possible with on-premise equipment and systems.

Plex delivers 99.985 percent uptime. That translates to about one-and-one-half minutes per week, on average, that the system is unavailable. Can any internal IT department deliver that level of up-time?

Myth #6 Cloud is one-size-fits-all. We're unique.

Many companies feel that their ERP requirements are unique, and they have (or need) specific functionality that is critical to their competitive success.

Cloud deployment or on-premise, users must be able to tailor their ERP system to address their unique needs without modifying the software code. Plex is highly configurable. User companies have abundant choices for configuring functions, features and capabilities to make their Plex environment truly their own. Plex users have the flexibility to control their own menu structures, screens and workflow, for each individual user, group of users (department, for example) or universally. And because there is no “release” cycle, any tailoring is preserved throughout the growth and longevity of the system.

Nevertheless, there may be a perception that cloud-based applications cannot be modified or that modification is heavily restricted. This is simply not true. Plex will work with you to define what's truly needed (if it can't be accommodated through tailoring and configuration) and help develop the right strategy for gaining the functionality you need while preserving the integrity of the system and keeping your costs down. Often, custom modifications or extensions are incorporated into the system for the benefit of all users (only if they want the

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enhancement and choose to 'opt in', of course), relieving the original requestor of the modification from future maintenance concerns.

The Plex Advantage

The Plex Manufacturing Cloud is built natively on the cloud with industry-leading functionality, unparalleled security and reliability, and a focus on customer success. The basis of the Plex business model is to provide manufacturers with a low cost, highly scalable, reliable solution that meets today's and tomorrow's business needs.

Plex is not a traditional ERP software company; we don't sell ERP software. Plex is a cloud company, providing a comprehensive native cloud ERP-based service, partnering in our clients' success. The Plex Manufacturing Cloud service is our only product. Companies that offer software products with optional cloud deployment must operate under two different business models and necessarily struggle to serve very different markets with very different value propositions. As a cloud-only service provider, Plex's entire business model and organization is purposely aligned to our customers' success – we only grow when our customers grow.

Cloud is more than a technology; it's a culture and a business model. The cloud is central to what Plex does and provides us with the environment and the tools that make our solution highly functional, flexible, scalable, reliable, secure and affordable. Our customers' success is the foundation of our business.

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About Plex

The Plex Manufacturing Cloud is the first and only cloud ERP built to meet the tough requirements of today's manufacturers. Hundreds of innovative companies, across industries including aerospace and defense, food and beverage, and motor vehicles, rely on Plex to operate their manufacturing businesses and generate profit from every inch of the plant floor. With insight that starts on the production line, Plex helps manufacturing companies see and understand every aspect of their business, enabling them to lead in an ever-changing market.