

Cloud vs. On-Premise ERP Deployment:

A Guide to What's Best For Your Business

At Third Wave Business Systems, we speak with customers every day who are constantly bombarded with an overwhelming amount of conflicting or disjointed information about how to vet and select an appropriate enterprise resource planning (ERP) deployment method.

There are many common misconceptions surrounding ERP deployment, including the pros and cons of each method, and how an organization should approach making a decision as to where the software should live.

Because we can deploy and implement your ERP solution anywhere—in the cloud or on-premise—we have created this guide to help you evaluate deployment options.

We will discuss when in the process you should begin to consider your deployment options, and why choosing your ERP solution and choosing your deployment method are two very distinct decisions.

We cover what you should consider when it comes to the different pricing models, the primary differences between deployment options, and, finally, the benefits of working with an ERP partner versus a vendor.

This guide focuses exclusively on ERP deployment options. For more on the benefits your business can gain from implementing an enterprise resource planning solution, [click here](#). For more tips on selecting your ERP solution, visit our [blog](#) or contact a Third Wave ERP and SAP Business One expert.

We have packed a lot of information into a few pages, and we know that you are busy with your business. If you have questions at any point or need something clarified, please don't hesitate to [contact us](#) to speak with an ERP and SAP Business One expert, and we will get back to you in a timely matter.

This Guide Is For

Growing small- to medium-size businesses who have outgrown their legacy business systems and processes and are looking for a scalable solution to streamline and automate all of their processes and provide a competitive advantage in their industry.



When Should You Consider

Deployment Options?

Even though this guide focuses primarily on ERP deployment methods, it's crucial to note that selecting a deployment option is one of the last decisions your business will make during the evaluation of enterprise resource planning solutions.

The functionalities that the ERP solution can provide are far more important than how the software is deployed. Don't put the cart before the horse; make sure that your business needs are met and that the ERP solution will provide significant ROI for your bottom line, and then consider if

you'd like the solution to live on-premise or in the cloud. Throughout our more than 25 years of experience, we've seen that businesses find the most success with ERP implementation when they complete these steps prior to selecting a deployment option.

Steps Prior to Selecting a Deployment Option.

1

Identify your business needs and make a list of requirements.

Compile an extensive list of current and future functional and process requirements for each department.

2

Decide if you should work with a technology partner to implement and support your investment, or if you would like to work with an ERP vendor.

A trusted long-term partner like Third Wave can help your organization implement and scale your ERP solution with in-depth business and technical expertise, ongoing advice and support.

3

After you've identified your needs and requirements, and chosen a partner or vendor to acquire and implement the software, it's time to evaluate how the solution will be deployed.

Because the solution's functionality won't change based on deployment, it is essential that this is the final decision before implementing an ERP solution within your business.

Many companies turn to an ERP partner, like Third Wave, to leverage unbiased strategic advice and guidance on how to best deploy an ERP solution to meet your industry-specific business needs.

Unlike most ERP partners, Third Wave has the unique ability to deploy the ERP on-premise, in a private cloud, or in multi-tenant cloud, which gives your team the flexibility and autonomy companies need to manage their businesses and growth.

4

Common Misconceptions

About Choosing a Deployment Model

MISCONCEPTION 1:

"Upgrades are seamless at no additional cost with a public cloud (SaaS) ERP."

REALITY:

An organization still has to do testing and train on new functionalities before moving to the upgraded version.

Many customers will need consulting services to help them test and implement new functionalities. Many SaaS cloud ERP vendors fail to mention this fact. Instead they focus on the elimination of time needed to physically upgrade software which removes a very minimal amount of the cost.

Some vendors also charge up to 30% of the annual SaaS fee to provide a sandbox testing environment which allows you test your specific implementation, customizations and integrations. The steps, effort and cost of upgrading on-premise, private cloud, or SaaS (multi-tenant cloud) deployments are all the same. The cloud simply means your ERP solution is running on someone else's hardware; it's still software!

MISCONCEPTION 2:

"All ERP software is basically the same; I just need to know that I can run it in the cloud."

REALITY:

Each ERP solution has its own set of benefits and features, with some being more appropriate for certain industries over others. The biggest strengths of SAP Business One are its depth of functionality and flexibility; it can be deployed on-premise or in the cloud.

MISCONCEPTION 3:

"When my ERP is deployed in the cloud, our company owns the data, and we can easily download all of it anytime, at no additional cost."

REALITY:

Some cloud ERP vendors are notorious for holding a company's data hostage.

They make it very difficult and expensive to extract your data which makes it painful to leave their ERP solution while subjecting you to excessive price increases. With Third Wave and SAP Business One, you will own your data and have unlimited access to your data whether the solution is deployed on-premise or in the cloud.

MISCONCEPTION 4:

"On-premise deployment always means higher costs."

REALITY:

This is a complex topic, with many factors affecting whether or not an on-premise deployment has higher costs versus a cloud deployment. Focusing on the 10 Year Total Cost of Ownership provides a clearer evaluation of costs associated with each of the ERP solutions being evaluated. SaaS Cloud ERP solutions generally have a significantly higher 10 Year TCO than the other deployment options.

To Cloud or Not to Cloud:

What's the Difference?

The deployment option does not determine the functionality available in an ERP Solution. The functionality and flexibility of an ERP solution is determined by how the vendor developed the software. The deployment option dictates where the software and data lives, if computing resources are shared and your level of control over your ERP solution.

With all of that being said, what does your business need to take into account when evaluating a cloud vs. on-premise deployment?

Here are the main considerations you should take into account:

TOTAL COST OF OWNERSHIP

Situations can vary, but in general, the 10-year total cost of ownership for an on-premise or private cloud deployment with a one-time license fee model vs a subscription-fee/Software-as-a-Service (SaaS) model deployed in a public cloud is significantly less.

A private cloud deployment may be a better solution for rapid-growing companies that want to retain control and ownership of their ERP system and their data.

DATA OWNERSHIP

An on-premise deployment, or deploying to a private cloud, means you own your data no matter what. You will retain complete access to all information at all times.

On the other hand, if you deploy in a multi-tenant cloud—which we'll cover in more depth in the following section—with SaaS software delivery through a vendor like NetSuite, you risk losing access to your company's critical data if the contract is not renewed or a payment is missed. Be aware that some SaaS vendors are known to surprise customers with huge price increases because they know it is difficult and time consuming to move to another ERP solution. These SaaS ERP vendors hold your company and data hostage by making it difficult and expensive to export your data.

SYSTEM CONTROL

By selecting an on-premise or private cloud ERP deployment, companies maintain a higher level of control of their system, allowing them to become the “master of their domain.” This control results in significant business benefits and cost savings:

- **You decide when it's convenient for your business to implement software upgrades and avoid untimely business interruptions.**
- **You own the environment and do not compete with other companies for system resources.**
- **Avoid hidden costs associated with transaction volume spikes that some SaaS vendors charge.**

AGILITY AND SCALABILITY

A cloud ERP environment offers better agility and scalability than an on-premise deployment. A private cloud deployment allows you to easily add computing power and disk space when needed vs buying an oversized server that you might not grow into.

On-premise deployment is the only option when reliable internet access is not available or too expensive. Companies that have strict restrictions on security, data access and location will also choose the on-premise option.

Neither on-premise or cloud ERP deployment options eliminate the need for management of a local IT infrastructure. Your local infrastructure provides connectivity to the internet, printer management and more. In other words, you will always need some level of local IT infrastructure regardless of your ERP deployment option.

CONNECTIVITY

A business without adequate internet access will want to strongly consider an on-premise deployment to avoid possible connectivity and downtime issues associated with cloud deployment.

Leveraging SAP Business One and Third Wave as your strategic partner, your company can move from on-premise to cloud deployment, or between multiple cloud types as your business grows and your ERP requirements increase and become more complex.

As North America's longest-standing SAP Business One Partner, we've *literally* been with our customers every step of the way and are deeply passionate about their success. Our leadership team ensures each SAP Business One customer benefits from both our implementation discipline and creative problem-solving to support their current and future needs.

It's important to keep in mind that what works for your growing organization today may not be the best deployment option in the future.

An ERP solution that provides deployment options lets you decide what is best for your company at any point in time.

A Deeper Dive Into Cloud Model Options:

Private Cloud vs. Multi-Tenant/Public Cloud

If you have decided that deploying to the cloud makes the most sense for your business, there are two types of cloud environments to choose from, both with respective benefits and drawbacks: private cloud and multi-tenant (or public) cloud.

**The cloud model you choose
does not define the functionality
available in the ERP solution.**

Here is a brief overview of private cloud and multi-tenant cloud options, and what they offer in terms of running your ERP system:

PRIVATE CLOUD

A private cloud offers all of the same options to an organization as an on-premise deployment, with several additional benefits.

For our private cloud customers, Third Wave utilizes Amazon Web Services (AWS) secure cloud services platform because of the high level of service, reliability, scalability, security, and cost-effectiveness.

The additional benefits to the private cloud deployment include:

- Avoid server investment
- Does not share computing resources with unknown companies
- Full control over your environment for upgrades etc.
- AWS is much more secure than an on-premise server room
- Easily add more computing resources when needed
- Access AWS easily from anywhere there is an internet connection

MULTI-TENANT/PUBLIC CLOUD

When deployed to a multi-tenant or public cloud, the ERP solution and company data live within the same cloud computing infrastructure as other businesses.

Deployment to this type of cloud means several things:

- Multiple organizations share computing resources, which can pose problems since your access and data throughput may be throttled at times.
- You lose control of the timing of your software upgrades, so they may occur inconveniently.
- Because this model is usually offered as a Software-as-a-Service (SaaS) where you risk losing access if there is an issue with a contract negotiation or payment. You are subject to non-negotiable price increases from a vendor like NetSuite, which gives them the ability to hold your company hostage.

Which ERP Pricing Option Is Right For Your Business?

The way you purchase your ERP solution will affect your deployment options.

There are two ways to purchase an ERP solution. The first is a one-time license fee with an annual maintenance fee. This option provides a perpetual use license for the software that allows you to use it as long as you like. The second option is a subscription or Software-as-a-Service (SaaS) fee that allows you to use the ERP solution as long as you pay the subscription fee.

Unlike many ERP solutions, SAP Business One can be purchased using either pricing model, and organizations can shift to a different payment option when it makes sense. For example, a company might initially implement Business One with the SaaS option deployed over a multi-tenant cloud, but migrate to a private cloud with a licensing fee as they grow and require more control.

At Third Wave, we believe that the license/maintenance fee option is the best option for all organizations for several reasons:

- 1 You gain the flexibility to deploy the software either on-premise, in the private cloud, or multi-tenant cloud, with the freedom to migrate Business One between deployment options.
- 2 Organizations own the software versus subscribing/renting. Even if the maintenance fees are not paid, the company will still be able to use the system and access their data.
- 3 After about three years, the license/maintenance fee option becomes increasingly *less expensive* than the SaaS fees. This is due to the fact that the annualized cost of the one-time license fees and annual maintenance fees drops significantly, while the subscription fees for the SaaS model stay consistent or increase year-to-year.
- 4 The license/maintenance fee model also makes it easier to work with the partner best aligned to your company's needs.

What Benefits Can You Gain From Working with an ERP Partner Over a Vendor?

Imagine this: your company goes through the long process of selecting an ERP solution, selects the purchase model that works best, decides where the solution will live, and ultimately picks a vendor to work with.

After implementing the solution, the vendor's customer service representative says, "The system is live, good luck! Call our support team next time you have any questions," and hangs up. From this point on, every time you call in to the vendor, you will speak to someone different who doesn't know anything about your business, or how your system was implemented. Every time you call you will need to spend time to educate them. The answers you get from the support team may be technically

correct, but incorrect for your business and implementation. This frustrating situation can be avoided by teaming up with a strategic ERP partner like Third Wave Business Systems.

After helping you to decide which options are best for your business, Third Wave will implement the solution, gaining valuable knowledge about your business processes, culture, system setup, and more along the way. In the future, your dedicated SAP Business One expert will be available to help your business maximize your ROI and scale SAP Business One as your company grows over time. Think of our team as your dedicated strategic ERP solution advisors.

About Third Wave Business Systems

As North America's longest-standing SAP Business One partner, we work with you every step of the way as your business grows, starting with a detailed evaluation of how the solution will meet your company's ERP requirements. Our passion and expertise ensure our clients receive the strategic business system needed for success, now and in the future.

To learn more about how your business can benefit from implementing an ERP solution, fill out our [contact form](#) to get in touch with an ERP solutions expert. You can also [schedule a custom SAP Business One demo](#) that we will tailor to your business.

Request a Demo