

THE BENEFITS OF CLOUD ERP: IT'S ABOUT TRANSFORMING YOUR BUSINESS

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The most compelling reason to move to cloud ERP is business transformation. For example, some cloud ERP users have reported that they can easily scale their businesses, and experiment with innovative business models, due to the flexible capabilities of their software. At first, the cost savings are compelling. Aberdeen's [*SaaS and Cloud ERP Trends and Observations: Is Cloud ERP Right for You?*](#) found that organizations with cloud ERP stayed within their budget as compared to 12% over budget for those with an on-premise solution. Also, organizations with cloud ERP achieved ROI within 24 months as compared to 31 months for on-premise users. However, cost savings are just one of the reasons organizations may consider a cloud ERP solution.

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“I have found it easier to use the cloud for passing large amounts of data between business units.”

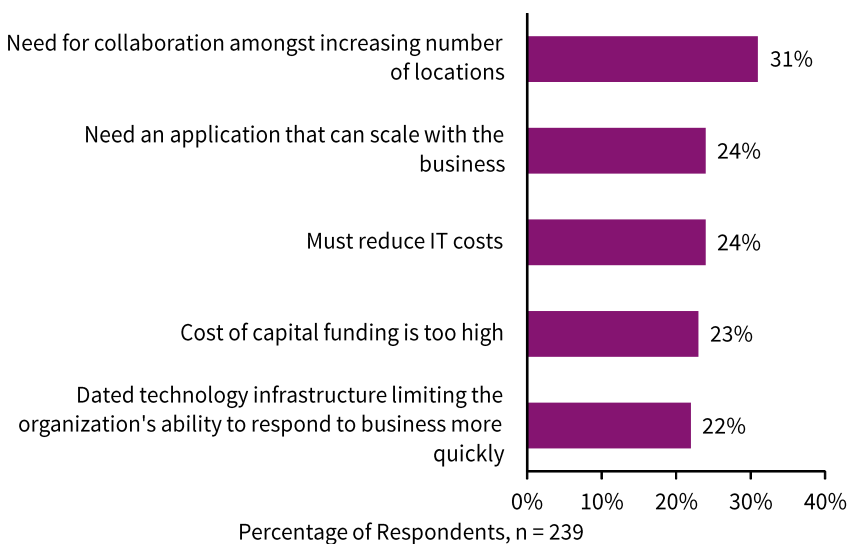
**- Laurence Rhode,
Cost Analyst,
Comprehensive
Logistics Co., Inc.**

Aberdeen's *SaaS and Cloud ERP Observations: Enabling Collaboration in the Midmarket* uncovered faster time to decision, faster cycle times of key business processes, improved complete and on-time shipments, and increased profit margins for midmarket organizations with cloud ERP as compared to midmarket organizations with on-premise ERP. Similar benefits have been noted in interviews with organizations of all sizes. This report, featuring Aberdeen data as well as four extensive success stories featuring cloud ERP users, outlines some of the less-publicized benefits of a cloud ERP solution.

Why Cloud?

Respondents to Aberdeen's *2013 ERP Benchmark Survey* were asked to signify the top two business drivers that led them to implement cloud solutions. While 24% noted that they must reduce IT costs and 23% indicated that the cost of capital for an on-premise solution is too high, other key benefits of the cloud rose to the top (Figure 1).

Figure 1: Business Drivers that Impact Cloud Decisions



Source: Aberdeen Group, August 2013

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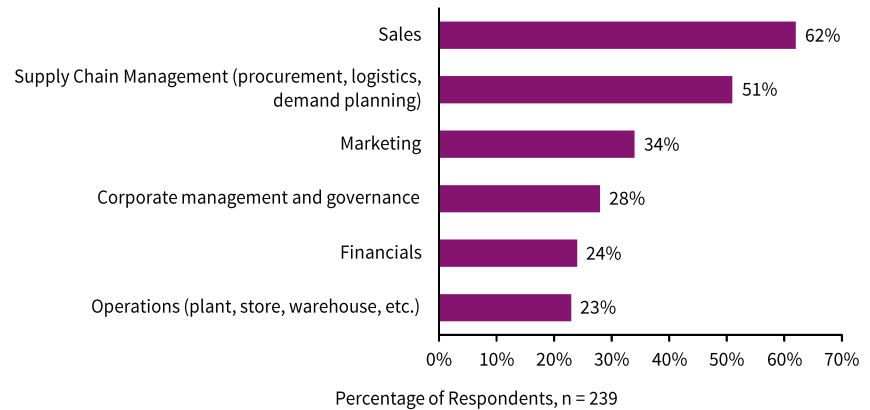
Thirty-one percent (31%) noted a need for collaboration across an increasing number of locations. Since a cloud solution can be accessed anywhere internet access is available, employees can communicate more effectively and decision-makers can have visibility into real-time data. With a legacy solution, this may not be possible, which can lead to silos in geographically dispersed organizations and decisions being made based on inaccurate data.

Another 24% indicated that they were looking for an application that could scale with their business. This means that these organizations would like to rely on one single solution as they grow with ongoing support from their cloud ERP vendor. Some organizations are new subsidiaries or newer organizations with aspirations for growth. In these cases, having a scalable cloud solution will help to avoid multiple lengthy implementations that will hinder their ability to grow.

Lastly, 22% noted that they needed to replace a dated technology infrastructure in order to keep in alignment with the current business environment. With a cloud solution, upgrades are handled by the ERP vendor automatically. This ensures that the organization is always up on the latest version and able to take advantage of emerging technologies such as social, mobile and analytics.

The above benefits of the cloud are somewhat broad statements. It may not really hit home how cloud technology can transform a business until people consider how the cloud can impact everyday job functions. Survey respondents were asked which functions can be improved through cloud ERP technology. These roles stretch across the organization (Figure 2).

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Figure 2: Functions that Can Be Improved with Cloud Tech

Source: Aberdeen Group, August 2013

Many of these functions are often performed outside of the office walls or deal with moving parts outside of the organization. For example, 62% indicated that sales can be improved through cloud technology. This could be because sales professionals can be constantly connected to customer data in order to improve efficiency and customer service, or sales professionals can check inventory in real-time in order to guarantee delivery times. In the case of supply chain management, warehouse employees can better communicate with other warehouses to help fulfill orders. For those in corporate management or financials, instant access to performance data no matter where they are can help to enable agile and effective decisions.

These are just a few examples of how cloud ERP can greatly impact roles throughout organizations of all types. When considering any type of solution, it is important to understand how the technology has improved (or hindered) peer organizations. What follows are four success stories of organizations that have effectively used cloud ERP and how their solutions have benefitted them beyond just costs.

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Blue Clover Devices: Creating Efficiency

Blue Clover Devices is an original design manufacturer of electronic products whose goal is to provide clients with dependable products that “work better, look better, and generate more value.” Over the past ten years, the company has grown to over 100 employees with offices in Hong Kong, Shenzhen (China), California and Michigan. As a growing company, Blue Clover Devices recently found that relying on multiple systems, spreadsheets and manual processes to manage processes such as inventory management and invoicing was no longer effective. Therefore, Pete Staples, President and Co-Founder, looked for a single solution that would consolidate their data, facilitate processes, and provide data to employees no matter where they were located.

The company selected a SaaS ERP solution that has significantly impacted the ways in which it does business. In an interview, Staples noted several problems the company faced with their old environment, reviewed the essential selection criteria that were used, and also highlighted some of the resulting benefits of the SaaS implementation. First, he noted that having a true, clean database of items was very important. In the past, systems were siloed, so source materials were not available for viewing when orders were taken. Therefore, it was difficult to tell if materials were available to fulfill orders. This created a lot of anxiety, required manual input, and the systems were prone to errors. This problem was compounded by the fact that the company has a bilingual staff, so “mistakes could ripple quickly.” Blue Clover Devices’ new cloud ERP solution has multi-lingual and multi-currency capabilities, which has facilitated these processes organization-wide.

Staples himself was significantly impacted by the SaaS ERP solution on a daily basis. Take, for example, the PO approval

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process. In the past, the company built a spreadsheet template. Buyers would fill it in manually and provide a paper version to Staples for his signature. If he was at a different office, they would have to scan the PO, email it, and then Staples would have to do the same once he had signed it. If he was away for a while, Staples could have to sign up to 50 in a row. With the new solution, he can immediately approve POs no matter where he is. This is enabled by the enhanced availability of a cloud solution and has created efficiency, accuracy, and visibility in the order-taking process.

These are just a few of the benefits that Blue Clover Devices has seen as a result of their SaaS ERP solution. At a high level, Staples mentioned some of the broadest changes that have occurred across the organization. Not only did he mention that the solution was easily implemented while still being able to be easily customized, but he noted, “the ability to track sales orders all the way through is a lot more efficient.” The nature of a cloud solution has also impacted decision-making and communication. Staples said, “status meetings are a whole lot more meaningful now.” This is because real-time data is available. Most importantly, Staples wanted to communicate how the organization’s SaaS ERP solution has enabled it to compete in the current environment. The company is evolving into an “Internet of Things” business, with services as well as products. The flexibility of their cloud solution has enabled the company to do this more quickly, enabling their transformation. Staples said, “we would not be able to handle our business without our cloud ERP vendor.”

Big Heart Pet Brands: Benefitting from Visibility, Traceability, and Collaboration

Natural Balance Pet Foods, founded in 1989, is a manufacturer of premium dog and cat foods that are used by “top trainers,

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rescuers, and caring pet owners.” The company was recently acquired by Big Heart Pet Brands (formerly Del Monte Foods), which led to a reassessment of its technology infrastructure. In the past, the company was using an old ERP system and accounting package that would not work for its new business environment. Big Heart Pet Brands was looking for a more robust solution that it could then implement organization-wide. This was a perfect opportunity to test out a multi-tiered ERP strategy, which cloud ERP solutions are perfect for.

Natural Balance needed a robust, but flexible package. In an interview with Stuart Kowarsky, Vice President of Operations, and Karmen Aghajanian, Purchasing Manager, Natural Balance employees detailed the ways in which the solution has impacted the business. Take, for example, the order-to-cash cycle. In the past, this process was completed manually with orders received by fax. Today, the system receives orders through Electronic Data Interchange (EDI). This removes the mistakes and speeds up the process. Additionally, Kowarsky noted enhanced visibility with the new system. He stated, “we used to have to roll the dice to see whether or not the inventory was available.” This is because the information needed was contained in multiple systems. With the new solution, visibility into inventory is available at the order entry screen.

Another process that was improved with the new SaaS ERP solution was the warehouse selection process. Natural Balance can now define customer requirements when taking an order, such as shelf-life requirements. In the old system, the warehouse clerk had to go through every single item and look through the dates manually. In the new system, requirements are set up in the customer profile and the clerk in the warehouse sees only the inventory that would suit that order. It “speeds up the process 100%.”

Aberdeen's [SaaS and Cloud ERP Trends and Observations: Is Cloud ERP Right for You?](#) found that organizations with SaaS ERP averaged 6.95 months until first "go live" in comparison to 11.02 months for organizations with an on-premise solution.

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Aghajanian also noted the improvements that their cloud solution has had on the purchasing process. By using the social collaboration capabilities in their cloud solution, Natural Balance has removed a lot of manual work from the process. Aghajanian says, “shipping POs requires a lot of communication. Today we can chat from the PO and others can reply directly on the PO. I can find the information I need on the PO rather than having to call so many people or fish through emails. We can chat through any issue and resolve it right on the PO. It has absolutely made my job easier.” Additionally, Natural Balance anticipates having this capability for communication with the supplier itself in the near future.

Clearly, a SaaS ERP solution has greatly impacted Natural Balance’s ability to perform. The real-time visibility, collaboration, and traceability that the cloud ERP solution provides ensures that the organization can continue to provide the high quality and safe products that its customers depend on.

Merrow Sewing Machine Company: Scaling the Business

Founded in 1838, Merrow Sewing Machine Company has long provided customized sewing solutions to worldwide customers from its home base in Fall River, Massachusetts. While Merrow has used ERP solutions in the past, its recent implementation of a SaaS ERP solution has enabled the organization to continue to innovate and grow in the modern environment.

Merrow has been able to focus on innovation because its cloud ERP solution is easily tailored. This enables the company to quickly react to business changes or process improvements, and customize the system themselves. For example, the company recently built a repair program that promotes best practices across the organization and has been an essential asset for the company. The cloud ERP solution not only enables the

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organization to improve individual processes, it also supports major changes to the business itself.

As a result of Merrow's success with its cloud ERP solution, it has been able to focus on other new business opportunities such as investments in new businesses. Charlie Merrow, CEO, states "the Merrow Global investments in these businesses are driven in large part by our confidence in (our cloud ERP vendor). Because (the cloud ERP) is so easily extensible, we can build out the backend support for these new businesses quickly at a relatively low cost. This is, in fact, why these businesses are launching."

Merrow Sewing Machine Company has been in business for several generations, which means it had to evolve in order to continue to succeed. Fall River's long history of success and failure in its local mills has proven that those who innovate can still thrive. Merrow's cloud ERP solution will enable it to continue to be a Fall River success story.

Helix Linear Technologies: Mobilizing for Efficiency and Collaboration

Helix Linear Technologies manufactures linear motion products with a primary focus on precision lead screws. While the company is part of a larger organization, Nook Industries, it has taken a separate approach to its technology infrastructure. When the new business was established in 2010, the organization made a SaaS ERP solution an integral part of the launch, along with staffing new employees and opening a new state of the art facility.

In fact, Chris Nook, CEO, stated "Our main focus was on a cloud platform because it would play a critical role in growing the business. A cloud-based product allows us to do a lot of things, like leverage employees who don't work out of our factory,

Aberdeen's SaaS and Cloud ERP Observations: Enabling Collaboration in the Midmarket uncovered improved performance for midmarket organizations with SaaS ERP in comparison to midmarket organizations with on-premise ERP:

- Decrease in the time it takes to make decisions over the past two years: **36% vs. 18%**
- Decrease in cycle time of key business processes over the past two years: **24% vs. 16%**
- Improvements in complete and on-time delivery (as a result of ERP): **25% vs. 17%**
- Improvement in profit margins over the past two years: **21% vs. 7%**

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provide quotations to customers from anywhere in the world, and collaborate with internal and external design teams.”

While Nook knew that a cloud ERP solution would be an important foundation for the business, he may not have anticipated how the solution would impact individual processes and functions. The mobile capabilities of Helix’s cloud solution have a substantial affect on the sales and design processes. Ninety percent (90%) of Helix’s business is custom. One of its key differentiators is to be able to deliver a custom product, fast. Enabling sales people to check available inventory of parts immediately, while they are on the road, speeds up the prototype cycle and leads to increased sales and more satisfied customers.

Nook explains, “It is important for our salespeople to be able to check inventory and our production schedule from anywhere in the world. Our customers are engineers in the medical device, aerospace, and semiconductor industries and they need accurate answers fast. Our goal from a service standpoint is to deliver a product very fast- a freaky kind of fast. Our competitors simply can’t do that. We know that we can turn around a prototype in days rather than weeks or months. As a result, we’re helping our customers accelerate their design cycle and therefore more likely to get future orders.”

Nook also mentioned the impact that the mobile cloud solution has had on the shop floor. At Helix, every shop floor employee has a tablet. Rather than walking to a workstation, they can pull up the work order and see the parts and dimensions that they need to make, complete the work, and move on. They can also check inventory. Not only has this impacted efficiency, but it has also introduced cost savings. Nook states, “A standard terminal is about \$500 or \$600 compared with \$300 for a tablet, allowing us to put one in everyone’s hands.”

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The very nature of Helix's cloud ERP solution has already shown significant benefits that will help the organization put space between itself and competitors. Nook notes that in the future, the organization plans to take advantage of the social collaboration capabilities contained within the solution. But in the meantime, cloud ERP has become a foundation for Helix's growth.

Key Takeaways

Some of the important reasons for considering a SaaS ERP solution include no large capital expenditures and a lessened impact on IT. But selecting an ERP is about more than just cost savings. For growing organizations or organizations that want to use it in a multi-tiered ERP strategy as they start or acquire new business units, SaaS ERP is a compelling option. Cloud solutions have a few unique benefits that can make them particularly attractive. The four stories in this report illustrate how modern organizations have benefitted from enhanced visibility, collaboration, efficiency, and access to emerging technologies as a result of their SaaS ERP solution. By emulating the experiences of these peers that have made SaaS ERP a foundation of their businesses, organizations can make SaaS ERP a critical component of ongoing success.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*SaaS ERP in Wholesale and Distribution: Enabling Collaboration Across a Wide Network*](#); March 2014

[*SaaS and Cloud ERP Observations: Enabling Collaboration in the Midmarket*](#); December 2013

[*The Case for Cloud ERP in Manufacturing: Alleviating Outdated Concerns*](#); March 2013

[*Your Marriage with Cloud ERP: A Lifelong Commitment*](#); February 2013

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Our process is simple – we conduct thousands of surveys every year to identify top performing organizations and uncover what makes them different. We share these insights back with the market in the form of in-depth research reports and content assets to help our readers build business plans capable of driving better results with the right set of tools to help them get there.

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