A Cloud Solution

Is it the best option for your ERP software?

by: Robert C. Goldberg, BTA General Counsel

Many software solutions that are presented to dealers (and also presented to end users by dealers) are cloud based. This is clearly the trend for many reasons, but are they the best solutions? Cloud-based solutions are more profitable to the provider. There are also fewer variables to address, such as hardware and on-premise support, making the sale simpler.

Enterprise resource planning (ERP) software providers have been anxious to move users to the cloud. Cloud solutions result in a continuing revenue stream that, in the long run, will cost customers more than on-premise solutions. Longer relations translate into increased profits. The ease of implementation, lower support costs and the reduced need for IT resources are attractive selling points in moving a dealership's ERP software to the cloud. But the reality is that the advantages of the cloud are exaggerated, and have substantive risks and disadvantages. While the cloud has been described as "the next generation" and "the future," there are a number of issues to consider.

Most ERP software packages being sold as cloud platforms were not originally designed as cloud platforms. Often, the cloud-based alternative is not ready for use and often contains bugs and failures. The effect is that while users may be gaining some more advanced technologies in the cloud, you may be giving up sophisticated functionality that was stronger in the on-premise solution. Users may also be stuck with decreased functionality because of the inability to modify or customize a cloud solution.

It is extremely important not to get caught up in the excitement of cloud migration. Despite what a salesperson may tell you, it is not an appropriate solution for every ERP user. Closely evaluate the costs involved in migrating to the cloud — both hard and soft costs. Hard costs can be quantified, however, soft costs (such as a change in operational procedures) may be difficult to estimate. Preestablish what procedural changes will be required with the cloud solution.

Perhaps the greatest concern is the security of your data. Unlike in the use of an on-premise solution, a dealer will no longer be in control. Clear delineation of security responsibilities must be set forth in the provider agreement. Since the user will not be operating or controlling the cloud infrastructure, the contract must specify, in great detail, the obligations and responsibilities of each party to maintain the security of the data being stored. It is one thing if your employee forgets his (or her) tablet with access to your ERP system on a plane; it is another thing entirely if the cloud files are breached due to lax protections or security by the software vendor. The provider must ensure the safety of the data, protect it from being corrupted, hacked or otherwise accessed without authorization, and have experts on hand to react immediately if something goes wrong. With so many common business names in the office technology industry, it is possible an incorrect party could gain or be given access to your most confidential data. Establish what safeguards — such as multifactor authentication — are in place to prevent this.

Much like a prenuptial agreement, make certain that your agreement with a cloud provider addresses what occurs when the relationship ends. Will the provider be required to convert and transfer your data to another provider? Will there be a charge? Will the provider maintain a backup version or will all data be deleted? Always proceed with the knowledge that the data belongs exclusively to your company.

As providers push cloud solutions for your ERP system, carefully evaluate if this is the proper course for your business. You are often giving up customized functionality for more generalized but sophisticated technology — and paying more for it over time. Understand what you are getting into and make sure you can get out of it with minimal business disruption and cost. ∎

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