EPICOR
Services Partner

THE INNOVATION APPROACH TO GROWTH

How Cloud-based Software Boosts Manufacturers' Success

Why Innovation is Imperative Now

To be the authors of change rather than victims of it, manufacturers must innovate. The notion that the only constant in life is change dates back to ancient Greece, but in the 21st century change seems to have accelerated. Business changes range from a global recession and the promise of global markets, changing political and social climates, and continuing advances in technology that affect traditional relationships between manufacturers, suppliers and customers.

With always-on access to global data and information, expectations have also changed. It feels like volatility, uncertainty, complexity and ambiguity (VUCA) is the order of the day – every day. Business as usual will no longer suffice.

What may seem like a disruptive, even fragmented business climate offers companies new opportunities to achieve market leadership in traditional and new markets. It also provides an opportunity to serve customers' changing needs and expectations. Innovations in IT such as cloud computing and business analytics fully enable and even encourage businesses to innovate.

The traditional view of manufacturing companies as slow to adopt technology couldn't be more wrong when it comes to Software-as-a-Service (SaaS) business software. Nearly two-thirds (73%) of US SMBs were using SaaS in 2016, and over 90% will be using SaaS by the end of 2017.[1] Manufacturers understand that innovation is not only a key to future success, it is imperative to support future growth.

Aspects of Innovation

Innovation is one of the primary ways that companies achieve competitive advantage. Invention can be accidental, but innovation is purposeful: a key element of a company's business strategy or expressed as part of a company's vision or mission. New products or product improvements often result from innovative thinking or design. It can also take forms such as entering new markets, attracting new customers, delivering added value to current customers, streamlining outside relationships, or improving internal processes and lowering business costs.

Today's connected customers not only expect quality products, they have become used to excellent service. Social media has provided the ideal platform for customers to share their opinions, whether they are favorable or unfavorable. More than ever, companies need to be perceived as being easy to do business with, and that same perception needs
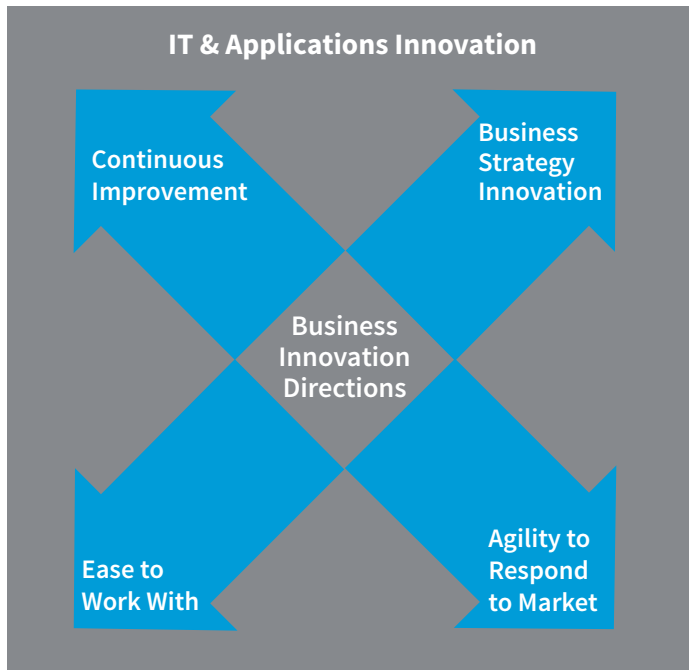
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[1]   "Within SBMs the larger cloud trend is toward Saas", Techaisle, January 2017

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IT & Applications Innovation

Continuous Improvement

Business Strategy Innovation

Business Innovation Directions

Ease to Work With

Agility to Respond to Market

Figure 1: Innovation can drive in many directions, and innovation in IT and business systems enables and can accelerate all of those.

to apply to suppliers, distributors, and even employees. An increasing tendency for people to treat opinions as facts means that companies must emphasize service and provide accurate and quick responses to customers' issues.

Companies need to become agile enough to respond to economic changes or new opportunities in the marketplace. Manufacturers who are committed to the goal of continuous improvement understand the value of using technology to support the overall goals of improving quality and lowering costs. Supporting and underlying all of that is innovation in IT and business systems. Without modern and agile systems, companies may not be able to gain full benefits from their innovations. This concept is shown in **Figure 1**, with IT innovation as a backdrop supporting other forms of innovation.

Cloud ERP Supports Innovation

With today's VUCA business environment, companies' processes and systems must move with frequent changes in markets and customer behavior. This re-quires companies to be agile in decision-making and business tactics. Specifically, enterprise resource planning (ERP) can either hinder or enable innova-tion to address rapid changes.

Cloud ERP solutions fit this new business model for many reasons. They are easy to deploy and use anywhere there is an internet browser. This makes it possible to deploy ERP capabilities to grow a remote team, or collaborate with partners or suppliers without needing a "heavy" computing infrastructure.
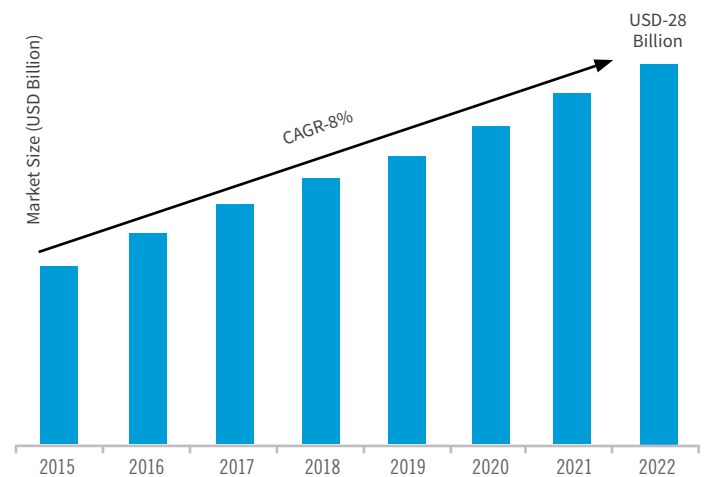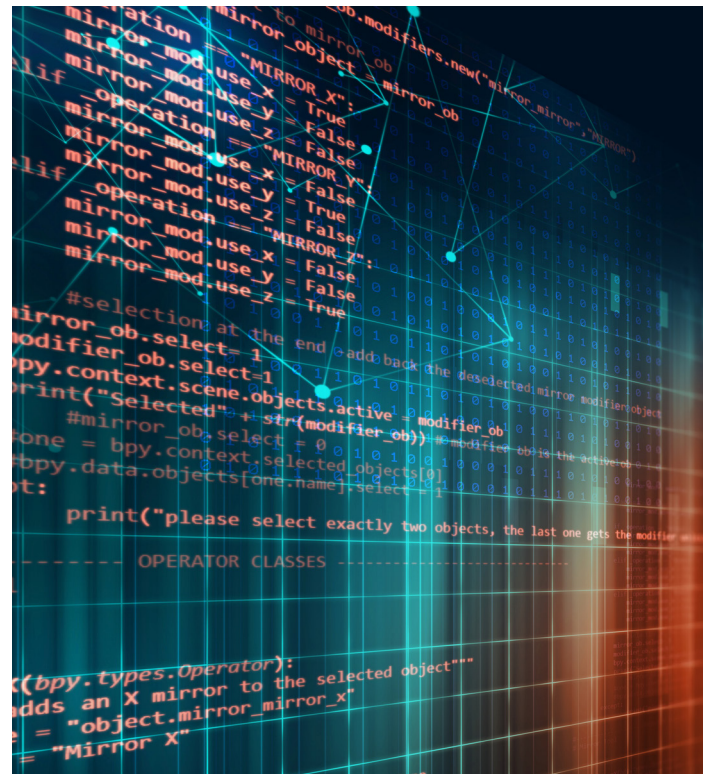

Figure 2: Cloud ERP market is expected to grow to $28B by 2022, according to *Cloud ERP Market*, a 2017 report from Market Research Future (MRFR). https://www.marketresearchfuture.com/reports/cloud-erp-market-2756

Figure 2 shows that Market Research Future predicts that sales of Cloud-based ERP will grow to $28B by 2022, a compounded average growth rate of 8%.

Cloud-based ERP solutions present a real alternative to traditional on-premise ERP systems. From a business perspective, cloud ERP allows businesses to select only the modules the company needs, which makes sense from a business perspective, as well as from an IT perspective. As a manufacturing company grows, controlling resources becomes even more important. Beyond internal resources, companies must also learn to collaborate effectively with suppliers and business partners. These partners are not in your direct control and are often are dispersed around the globe. Using the cloud to enhance managing the supply chain is already yielding positive results: 55% of manufacturing companies are achieving stronger management of their supply chain using the cloud. [2]

By way of comparison, on-premise ERP systems represent a significant investment in software, customization and IT infrastructure and staff. After the initial implementation, costs for operating the system continue in the form of hardware improvements and software upgrades, additional storage for increasing amounts of data generated by the system, and the IT staff required to maintain it all. When the business changes, IT staff often cannot change the system as quickly as the company would like.

Cloud ERP shifts the responsibility for maintaining the infrastructure and operational costs to the software supplier. The solution provider delivers additional software capabilities or upgrades. Thus, they can be deployed with minimal disruption to the end users. Service-level agreements ensure that the system is available and performs according to the company's requirements. The economics of the cloud computing model are compelling. According to research by Forbes, 81% of leaders (vs. others) look to the cloud to reduce internal costs and inefficiencies. [3]

Companies that haven't invested in an ERP system often find Cloud ERP immediately appealing. They can get started and gain benefits almost im-

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[2] "The Future of Supply Chain in the Cloud: Exclusive Market Research Study Results," Inspirage, 2016.

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[3] "BI and Data Management in the Cloud: Issues and Trends, BARC Research and Eckerson Group study, January 2017.

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mediately, because there is no large infrastructure investment required. Companies who have an existing system might be reluctant to move away from their investment, but using cloud applications doesn't need to be a binary choice. Many companies operate a "hybrid" ERP system, in which new applications are supplied by the cloud, while other ERP functions are supplied by the existing on-premise system. In this mode of operation, the company gains the benefits of cloud without making the current IT infrastructure obsolete.

Hybrid cloud ERP approaches can be either a short-term way to migrate to the cloud, or a long-term ap-proach. One area that many companies that have on-premise ERP have put into the cloud is business intelligence and advanced analytics.

Cloud Analytics Accelerate Innovation

To innovate effectively, companies are using data analytics to understand their customers and serve them better. A recent industry study found that near-ly two-thirds of companies surveyed predicted that the use of data analytics will substantially improve customer relationships and increase customer intelligence throughout product lifecycles.[4]

2/3 PREDICT
data analytics improve customer relations and intelligence

The cloud provides a fast, scalable platform for business analytics. The company can scale enterprise analytics up or down using cloud's on-demand computing model. In contrast, an on-premises in-frastructure's resources are usually committed to typical workloads and don't have available excess capacity. Companies that can leverage data effec-tively can improve responsiveness. This can be crit-ical in resolving product or customer issues quickly.

Adoption of cloud-based business intelligence applications grew by 50% over the past few years, from 29% to 43% according to recent research.[5]

The most used feature is dashboards to make it easier to access and interpret data. Using cloud-based analytics delivers not just data, but useful in-sights to anyone the company chooses. Employees and business partners around the globe can gain a view of what's important in their domain from these self-serve dashboards.

4   "Industry 4.0 Is Enabling A New Era Of Manufacturing Intelligence And Analytics," Forbes, 2016.
Click here to read more >>

5   "Business Intelligence and Analytics in the Cloud, 2017", BARC Research and Eckerson Group Study. **Click here to read more >>**

Manufacturers also have the highest volume of data uploaded to the cloud of any industry. The complex raw data is the fuel that enables companies to set up analytics applications to comb through it for pat-terns, correlations, and insights. With the complex and ever-changing customer and supply chain land-scape – not to mention innovative new products and services – instant analytics of new data that provide timely and actionable insights, and widely accessi-ble visibility is crucial.

Conclusion: Innovators Lead the Way

Today's manufacturers operate in a rapidly changing business climate, characterized by new and challenging customer behaviors, a fragile global economy, and the specter of terrorism with the potential to disrupt normal business and supply lines. But these challenges are being met by innovation. Cloud computing is a key enabler of initiatives like Industry 4.0 and the Internet of Things (IoT).

Cloud-based ERP it is also a platform for unlimited growth, freeing companies from the need to spend valuable corporate resources maintaining a datacenter, an infrastructure that is slowly growing obsolete. Companies that seize innovation and make it part of their business strategy, operations and business systems are the ones who will grow and prosper in the future.

About Epicor

Epicor Software Corporation provides indus-try-specific business software designed around the needs of manufacturing, distribution, retail, and services organizations. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution in the cloud or on premises.

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- **Human Capital Management (HCM)**
- **Financial Management**
- **Manufacturing Execution Systems (MES)**
- **Supply Chain Management (SCM)**
- **Retail Software**
- **Distribution Software**
- **Lumber and Build Materials Software**
- **Automotive Aftermarket Software**

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Arris Consulting is a highly experienced team with a wealth of Acumatica and Epicor software knowledge, spanning 38 years specializing in manufacturing & distribution. We pride ourselves on being flexible and responsive problem solvers who have fun making the complex simple. Our goal as technology advisors is to provide strategic value and a positive impact that empowers businesses to **simplify**, **adapt**, and **grow**.

We are technologists and outdoors enthusiasts, introverts and extroverts, competitive ballroom dancers, and avid readers. Yes, Arris Consulting is founded on its expertise in software consulting, but it's also made up of real humans – and we know your company is, too.

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