

Fierce competition: traditional ERP versus cloud

ERP vendors, who have previously dominated the market by locking in customers with growth-yielding licensing deals are now struggling to survive while the cloud ERP software market is experiencing enormous growth. According to Gartner, cloud software will drive \$3.8tn of overall IT spending in 2015.



©watchara rojjanasain via [123RF](#)

One Channel CEO Bernard Ford says this bodes well for SaaS vendors who are disrupting the established ERP model of on-premise software. "There is a definite shift towards cloud, traditional ERP vendors have to change their business models and come up with viable cloud offerings to compete with true cloud ERP vendors like Acumatica."

Fierce competition

Competition is becoming fiercer between cloud and traditional on-premise software vendors. The Gartner Worldwide IT Spending Forecast predicted that spending in the enterprise software market will hit \$335bn in 2015, a 5.5 percent increase on 2014. The report states that this growth will be driven by lower prices and vendor consolidation of software as providers of cloud-based software-as-a-service (SaaS) offerings compete with vendors of traditional software for the attention of IT decision makers.

Ford says this competition has prompted traditional ERP vendors to reduce license fees to continue to compete in this arena. "Cloud ERP vendors are now offering cost-effective solutions to companies that may not have been able to afford the on-premise software."

The impact of cloud will have a huge effect on companies and the deployment of ERP will be changed and challenged like never before. ERP providers will see a dramatic shift in their own sector with a larger push for competition, innovation and functionality.

Drivers behind the shift to cloud

The top IT priorities within organisations are cutting IT costs and improving processes and operational efficiencies. ERP software has long been out of reach financially for most small to medium businesses, but Cloud ERP makes robust enterprise software suites viable for SMBs for the first time.

Cloud ERP solutions provide SMBs with planning and execution capabilities, freeing smaller businesses from the overhead costs and risks of on-premise IT infrastructure and related support staff.

Cloud ERP options typically operate on a subscription basis, eliminating large commitments of cash upfront, an important option for SMBs who need to focus their investments on strategic business growth and profitability.

"The largest driver behind the shift toward true cloud is pricing. Expect cloud adoption to triple over the next year; there is a clear decline in the use of on-premise and private cloud hosting environments," he concludes.

For more, visit: <https://www.bizcommunity.com>