ENTERPRISE APPLICATIONS MOVE TO THE CLOUD

You’ve already read about Salesforce.com in this book. It’s the most successful enterprise-scale software as a service (SaaS). Until recently, there were few other SaaS enterprise software applications available on the Internet. Today, that’s changed, as a growing number of cloud-based enterprise resource planning (ERP) and customer relationship management (CRM) application providers enter this marketplace. While traditional enterprise software vendors like Oracle are using their well-established position to grab a share of the cloud-based application market, newcomers like RightNow, Compiere, and SugarCRM have found success using some different tactics.

Most companies interested in cloud computing are small to midsize and lack the know-how or financial resources to successfully build and maintain ERP and CRM applications in-house. Others are simply looking to cut costs by moving their applications to the cloud. According to the International Data Corporation (IDC), about 3.2 percent of U.S. small businesses, or about 230,000 businesses, use cloud services. Small-business spending on cloud services increased by 36.2 percent in 2010 to $2.4 billion.

Even larger companies have made the switch to the cloud. For example, camera manufacturer Nikon decided to go with a cloud-based solution as it attempted to merge customer data from 25 disparate sources and applications into a single system. Company officials were hoping to eliminate maintenance and administrative costs, but not at the expense of a storage system that met their requirements, was never out of service, and worked perfectly.

Nikon found its solution with RightNow, a cloud-based CRM provider located in Bozeman, Montana. The company was founded in 1997 and has attracted firms intrigued by its customizable applications, impeccable customer service, and robust infrastructure. Prices start at $110 per user per month and the average deployment time is 45 days.

Nikon had been using several different systems to perform business functions, and was struggling to merge customer data located in a variety of legacy systems. While looking for vendors to help implement a Web-based FAQ system to answer customer questions and provide support on the basis of these data, the company came across RightNow. Nikon found that not only did RightNow have the capability to implement that system, but it also had an array of other useful services. When Nikon discovered that it could combine outbound e-mail, contact management, and customer records into a single system in RightNow’s cloud, it made the move, expecting to receive a solid return on the investment.

What Nikon got was far more than expected: an astonishing 3,200 percent return on investment (ROI), equivalent to a savings of $14 million after three years! The FAQ system reduced the number of incoming calls to Nikon’s customer service staff. More customers found the information they needed on the Web, call response times dropped by 50 percent, and incoming e-mail dropped by 70 percent. While Nikon still hosts its SAP ERP system internally due to its complexity, Nikon switched its entire CRM system to RightNow.

Not all companies experience gains of that magnitude, and cloud computing does have drawbacks. Many companies are concerned about maintaining control of their data and security. Although cloud computing companies are prepared to handle these issues, availability assurances and service-level agreements are uncommon. Companies that manage their CRM apps with a cloud infrastructure have no guarantees that their data will be available at all times, or even that the provider will still exist in the future.

Many smaller companies have taken advantage of a new type of cloud computing known as open source cloud computing. Under this model, cloud vendors make the source code of their applications available to their customers and allow them to make any changes they want on their own. This differs from the traditional model, where cloud vendors offer applications which are customizable, but not at the source code level.

For example, Jerry Skaare, president of O-So-Pure (OSP), a manufacturer of ultraviolet water purification systems, selected the Compiere Cloud Edition versions of ERP software hosted on the Amazon EC2 Cloud virtual environment. OSP had long outgrown its existing ERP system and was held back by inefficient, outdated processes in accounting, inventory, manufacturing, and e-commerce. Compiere ERP provides a complete end-to-end ERP solution that automates processes from accounting...
to purchasing, order fulfillment, manufacturing, and warehousing.

Compie uses a model-driven platform that stores business logic in an applications dictionary rather than being hard-coded into software programs. Firms using Compie are able to customize their applications by creating, modifying, or deleting business logic in the applications dictionary without extensive programming. In contrast to traditional ERP systems that encourage subscribers to modify their business processes to conform to the software, Compie encourages its subscribers to customize its system to match their unique business needs.

The fact that the Compie software is open source also makes it easier for users to modify. OSP was attracted to this feature, along with the robust functionality, scalability, and low cost, of the Compie ERP Cloud Edition. Skaare said that he was comfortable that “the little idiosyncrasies of my company” could be handled by the software. Though Skaare is unlikely to make any changes himself, it’s important for him to know that his staff has the option to tweak OSP’s ERP applications. Open source cloud computing provides companies that flexibility.

Not to be outdone, established CRM companies like Oracle have moved into SaaS. Pricing starts at $70 per month per user. Oracle may have an edge because its CRM system has so many capabilities and includes embedded tools for forecasting and analytics, including interactive dashboards. Subscribers are able to use these tools to answer questions such as “How efficient is your sales effort?” or “How much are your customers spending?”

Bryant & Stratton College, a pioneer in career education, used Oracle CRM On Demand to create more successful marketing campaigns. Bryant & Stratton analyzed past campaigns for tech-savvy recent high school graduates, as well as older, non-traditional students returning to school later in life. Oracle CRM On Demand tracked advertising to prospective students and determined accurate costs for each lead, admissions application, and registered attending student. This information helped the school determine the true value of each type of marketing program.


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CASE STUDY QUESTIONS

1. What types of companies are most likely to adopt cloud-based ERP and CRM software services? Why? What companies might not be well-suited for this type of software?
2. What are the advantages and disadvantages of using cloud-based enterprise applications?
3. What management, organization, and technology issues should be addressed in deciding whether to use a conventional ERP or CRM system versus a cloud-based version?

MIS IN ACTION

Visit the Web site of RightNow, Compie, or another competing company offering a cloud-based version of ERP or CRM. Then answer the following questions:

1. What kinds of open source offerings does the company have, if any? Describe some of the features.
2. Toward what types of companies is the company marketing its services?
3. What other services does the company offer?