

Separating **FACT vs. FICTION** *in the cloud*

BY BRIDGET MCCREA, CONTRIBUTING EDITOR

As the cloud computing movement continues to gain momentum, the benefits it delivers to manufacturers and wholesale distributors include a wide array of “wins” that are getting harder to ignore.



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As the pace of change in business accelerates, manufacturers and wholesale distributors that rely on aged, on-premise software systems to run their businesses are struggling to keep up. Plagued by visibility issues, poor inventory utilization, a lack of reliable metrics, and inefficient order processes (among other things), these organizations simply can’t afford the time, effort, and capital it takes to use and maintain these antiquated systems to get their operations on the right track.

The same companies realize that the ability to rapidly adapt and scale is critical to their success, and it’s become a standard “must have” in today’s competitive business environment. The wholesale distributor or manufacturer that ignores this reality will quickly find itself behind the curve and losing customers to more progressive competitors.

These companies must realize the competitive advantages of using a cloud ERP system—ease of adoption, lower total cost of ownership, and flexibility and scalability. By embracing the cloud, these companies will be better positioned for today’s fast-paced, highly competitive environment.

“In today’s hyper-competitive global landscape, both manufacturers and distributors have to be focused on speed, accuracy, and the user friendliness of the buying experience,” says David Gustovich, AVP of Global Manufacturing, for the Supply Chain Center of Excellence at Oracle NetSuite. “These factors are all paramount when creating ‘stickiness’ within the customer experience.”

What customers don’t really care about, Gustovich notes, is where an order is being fulfilled from, or how that process works. Consumers just want their stuff as quickly as possible. That’s one of many core truths that make cloud computing a viable choice for companies looking to break away from their antiquated on-premise software solutions that are inflexible, slow, and not as agile compared to their cloud-based counterparts.

“The cloud is location-agnostic,” says Gustovich. “A customer can place an order from New York and have it fulfilled in California—or even overseas—just as long as he or she can place an order at the right price and with the desired delivery timeframe. Thanks to the cloud, the speed at which manufacturers or distributors can respond to the marketplace’s needs and demands allows them to maintain or grow their competitive positions.”

When evaluating CLOUD PROVIDERS it's important to ask these questions:

- 1 WHAT IS THE VENDOR'S **VIABILITY, CLOUD TRACK RECORD?**
- 2 WHAT ARE THE CLOUD SLA **COMMITMENTS, TRANSPARENCY?**
- 3 DOES THE CLOUD VENDOR HAVE THE RIGHT **CERTIFICATIONS?**
- 4 IS IT HOSTED OR A TRUE CLOUD **SOLUTION?**
- 5 HAS THE PROVIDER ACHIEVED **SCALE?**
- 6 CAN IT BE **CUSTOMIZED, EXTENDED, AND INTEGRATED?**

The Cloud, Defined

At its simplest, cloud computing is defined as the practice of using a network of remote servers to deliver business applications over the internet. However, the marketplace has done its part to con-

fuse things, offering up multiple flavors of cloud, including:

- **Public Cloud:** Shared services available for public use, including applications, storage, databases, and analytics. Essentially, multiple people using web-based systems that store and manage their data for them.

- **Private Cloud:** Cloud infrastructure created for a single organization that takes advantage of advances like virtualization and economies of scale.

Essentially, one com-

pany or many divisions of a company using the infrastructure. This is not true cloud, but rather a way for traditional providers to move to the cloud market (while still hosting on-premise).


- **Infrastructure-as-a-Service (IaaS):** Not much different from the public cloud, but the customer is just renting the processing power of the cloud, which it can scale up or down in times of need.

- **Platform-as-a-Service (PaaS):** This is where the vendor provides the computing power plus the development environment, allowing customers to build their own software applications while sharing services.

- **Software-as-a-Service (SaaS):** In this scenario, the vendor supplies everything—the processing power, the development environment, and the software itself. Customers run the applications over an Internet browser, access those applications either via a computer or mobile browser, and can feed or extract the data they need.

- **Multi-Tenancy:** An architecture in which a single instance of a software application serves multiple customers. Each customer is called a tenant. A software-as-a-service (SaaS) provider can run one instance of its application on one instance of a database and provide web access to multiple customers, or tenants.

According to Ken Staresinic, Director of Supply Chain Center of Excellence at Oracle NetSuite, not all hosted software offerings marketed as “cloud” are true cloud solutions. Put simply, true cloud vendors design their solutions from the ground up for the cloud. They code their software to perform better as a fully-hosted solution and build talent and expertise around hosting, maintaining, and managing the software across hundreds of servers (and across multiple levels of data redundancy in their own multi-tenant cloud environments).



“Many legacy software companies have simply ported their old code and architecture over to a private cloud and offered it up as a service,” says Staresinic.

- True Cloud is a multi-tenant system run on the public cloud offered as Software-as-a-Service.

A true cloud platform offers the following benefits to wholesale distributors and manufacturers:

Economies of scale. Running business applications in a single instance, whether it’s on-premise, with a hosting provider, or with an Infrastructure- as-a-Service (IaaS) provider such as Amazon, does not provide the economies of scale of a multi-tenant solution. A hosted provider model may save a company the hassle of managing hardware, and using IaaS for applications may allow companies to tap into shared commodity hardware, but running all customers on one instance of software and shared hardware produces far better savings. The real savings kick in when all companies are on the same version of the application globally and leveraging that computing power.

No more version-lock. Cloud customers using a multi-tenant solution don’t have to worry about being stuck four versions behind, like they do with hosted software. Upgrades come as part of the subscription service and enhancements are iterative and gradual, what many end-users have come to expect based on their experiences with consumer applications.

Easy adaptation to evolving regulations. Automatic, regularly-scheduled enhancements are particularly important as regu-

lations and standards change and evolve, including changes like the new ASC 606 accounting rules. “For on-premise customers, that means downloading a patch, testing it to make sure it works and then testing any integration that might be impacted by the change,” says Gustovich. “For on-premise or hosted cloud customers locked into older versions, it’s an even bigger headache.”

Application customization. True cloud vendors also provide a customization platform that allows customers and partners to customize the application on their platform and ensure that all customizations continue to work when a new product enhancement is rolled out. “This guarantees that manufacturers and distributors not only get to use the latest functionality without delay,” says Gustovich, “but that they do not need to constantly re-implement customizations and integrations they previously had in place every time a new product version comes out.”

The ability to go beyond just “keeping the lights on.” Multi-tenancy means the money spent on applications isn’t just about “maintaining the status quo.” For example, the maintenance fees that go into on-premise and hosted software may ensure that companies can implement the new version that comes out every couple of years, but they don’t account for the disruption and associated costs that go along with that upgrade. “With a true cloud solution, the money spent is no longer being spent simply on what you have,” says Staresinic. “It’s allocated to the newest and latest version of the software, versus just keeping the lights on.”

Separating Fact from Fiction

The largest segment of the cloud market, the SaaS sector is expected to grow by 17.8% to reach \$85.1 billion in revenues in 2019 (out of a total services market of \$206.2 billion), according to Gartner. “The increasing adoption of SaaS applications and other cloud services impacts the management, dissemination, and exploitation of enterprise content,” according to Gartner’s Craig Roth.

That high rate of adoption has transcended into the manufacturing and distribution industries, where companies are being asked to do more with less at a time when customer demands for quality, consistency, accuracy, and speed of delivery are rising exponentially. And while there were early concerns over the “loss of control” when using the cloud, which some thought would be more expensive, and more vulnerable to external threats, those myths have since been dispelled.

Gustovich says that there’s also been some confusion over just how “real-time” cloud-based information actually is. In reality, he says cloud computing is as real-time as the person who is entering the data into the system. For manufacturers and distributors, that translates into quick, educated decision-making based on the most accurate, current data. “Data is refreshed within seconds of being entered,” he explains.

“That real-time capability permeates throughout the rest of the integrated business system, where all users have access to the data at the same time.”

Data security is another area where the cloud continues to shine, even though some mistakenly view this software delivery method as being “less secure” than on-premise options. “The question over data security used to come up a lot earlier in the cloud lifecycle, but it’s basically gone away over the last few years,” says Gustovich. “That’s because companies are using 2-factor authentication and other advanced security protocols and discovering that cloud security is significantly better than that of traditional, on-premise solutions.”

Two-factor authentication and other advanced cybersecurity measures are also helping manufacturers and distributors stick to doing what their best at—running and growing their businesses instead of worrying about data centers, servers, software patches, and upgrades. “Here at NetSuite, we live and breathe this stuff day in and day out,” says Staresinic. “It’s our job to make sure companies are on the current versions and never concerned about patches or upgrades. All of that is handled behind the scenes, virtually eliminating the risk and worry for the manufacturer or distributor.”

Hang on Tight, the Cloud Ride is Accelerating

As cloud computing becomes more widely adopted, more wholesale distributors and manufacturers are leveraging the cloud to create a competitive edge, versus just viewing the cloud as just another piece of IT infrastructure. In 2018, Forrester said cloud computing became the “must-have technology for every enterprise, and that it was no longer just an affordable option for companies needing more storage or servers.”

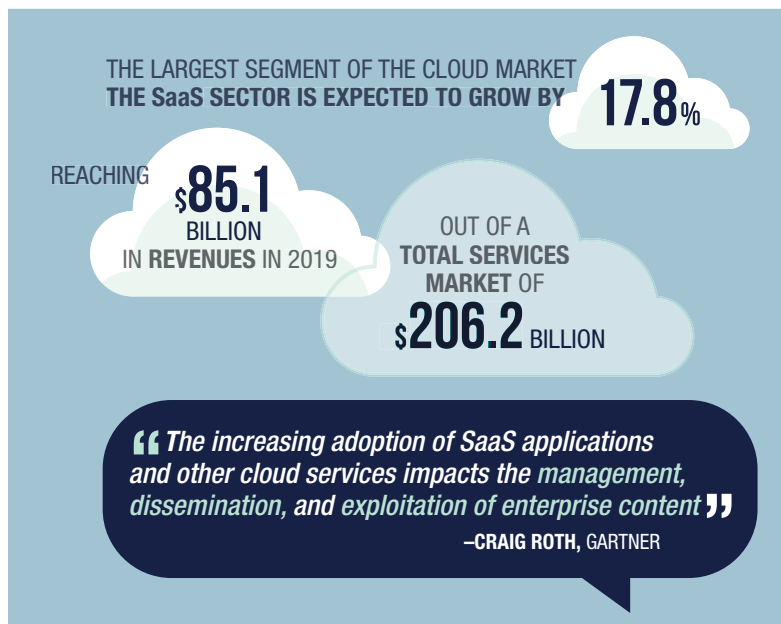
NetSuite has tailored its true cloud solution set in a way that


helps distributors and manufacturers start and ramp up quickly in the cloud environment. The company’s robust platform scales up to meet the needs of individual businesses as their requirements change—a flexibility that’s all but mandatory in today’s evolving business environment. “A good cloud strategy can help companies respond to the competitive pressures of the marketplace,” says Gustovich, “while also helping them innovate and seek out new revenue opportunities.”

Calling cloud computing “short-hand for how companies turn amazing ideas into winning software — faster,” Forrester says that nearly

60% of North American enterprises now rely on public cloud platforms (five times the percentage than did in 2013). It expects that number to continue growing over the next few years.

“In 2019, cloud computing will firmly establish itself as the foundation of tomorrow’s enterprise application platforms,” Forrester concludes. “It’s the best way to create the compelling software experiences that your customers demand and your competitors fear. Cloud spending will spike as enterprises eagerly adopt cloud tools and services wherever and however they can. Buckle up: The cloud ride is accelerating.”





SEPARATING FACT VS FICTION IN THE CLOUD

ORACLE® NETSUITE

ABOUT NETSUITE

NetSuite, founded in 1998 and now a wholly owned subsidiary of Oracle, empowers thousands of fast-growing manufacturers and wholesale distributors with software to transform and accelerate their businesses. Using NetSuite, manufacturers and distributors run their businesses on a single, unified platform reducing IT costs and gaining comprehensive, real-time visibility across their organizations.

NetSuite's platform offers customer-facing

sales force automation and B2B e-commerce, as well as marketing and customer service capabilities that link seamlessly with back-office inventory management, fulfillment and accounting. In delivering NetSuite for manufacturers and distributors, NetSuite has leveraged experience and lessons learned from thousands of customers, complemented with a best practice professional services implementation methodology and customization services.

For more information, visit: netsuite.com

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