The business world must contend with constant changes such as regulatory requirements, geopolitical threats, and supply chain issues, to name a few. To better serve their customers and gain competitive advantage, organizations are turning to cloud ERP and industry-specific cloud solutions to achieve efficiencies.

Gain Efficiencies with Cloud ERP and Industry-Specific Cloud Solutions

February 2023

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Introduction: Change and the Digital World

The world has shifted into a constant state of change, creating a new paradigm for businesses to manage. Companies now find themselves in a continuous transformation cycle as they adapt to meet external concerns such as new regulatory requirements as well as internal concerns such as serving changing customer needs better and driving efficiencies to maintain market share within increasingly competitive markets. This new normal is reshaping many companies into digital businesses. In IDC's *Worldwide CEO Survey* (January 2022), 95% of CEOs noted they are pursuing a digital-first strategy to become a viable digital business.

Enterprises are embracing this change with a renewed vision and emphasis on digital innovation to stay competitive and avoid being disrupted in their industry. Organizations are finding that cloud ERP coupled with industry cloud solutions can enable them to start focusing specifically on their unique business processes within their industry, setting themselves apart from competitors within their market. Cloud ERP helps standardize and ground the organization by ensuring its financials are located in one area, are well understood, and are monitored for operational risk. Industry cloud solutions bring additional competitive advantages to a business beyond the ERP efficiencies and productivity gains. IDC defines industry cloud as a cloud-based platform, product, or service providing industry-specific capabilities and value through vertical integration, collaboration opportunities, and the network effect. The combination of cloud ERP and industry cloud solutions can help organizations better control their finances, automate more business processes, and transform the operation such that the performance may be impacted positively for both the bottom line and the top line.

IDC's 2022 *Industry CloudPath Survey* (July 2022) polled 2,070 users across 14 industries and 11 countries to understand the industry cloud practices that organizations are pursuing. The survey found 41% use horizontal applications, such as ERP and financial applications, which are designed for multiple industries. But when pushed on the adoption of industry-specific cloud applications, 29% of respondents indicated they use such applications. Another 29% said they customize their own applications to fit their industry. Further, 63% of organizations said industry cloud applications overall are so critical that the business would stop without them. It is clear organizations are finding significant differentiating factors for their business with industry cloud applications.

AT A GLANCE

KEY STATS

» According to IDC's 2022 *SaaSPath Survey,* organizations that move to new ERP solutions find improved visibility, digital enablement, optimized processes, improved agility, reduced costs, more insights, and an ability to predict and monitor with artificial intelligence (AI).

» 63% of the 2,070 organizations surveyed across 14 industries by IDC's 2022 *Industry CloudPath Survey* indicated that industry cloud applications overall are so critical that the business would stop without them.

» IDC's 2022 *Industry CloudPath Survey* found that 93% of organizations currently use or will use an industry cloud solution in the next 12 months.

In addition, *IDC FutureScape: Worldwide Intelligent ERP 2022 Predictions* (October 2021) found that by 2023, 40% of Global 2000 companies will use their ERP systems as the data and transactional hub for their industry-based ecosystem. Data from IDC's 2022 *Industry CloudPath Survey* appears to support this assertion as 46% of organizations surveyed said they are using industry cloud today, while 47% said they plan to do so in the next 12 months.

Why Industry Cloud?

Business leaders and CIOs together are changing up the organization to work more closely on their digital business strategy, and this includes investing in both ERP systems and industry cloud solutions.

The CIO finds value quickly in this approach by minimizing integration and support costs, enabling integrated business processes, and increasing automation across the business. In addition, companies don't need to build customizations into their ERP system. Instead, they can extend business processes seamlessly through industry cloud solutions built on a versatile technology platform. This aspect has two main advantages. First, cloud ERP either is free of customizations or maintains a clean core. Second, organizations can benefit from increased time to value through faster adoption of innovation.

For the business leader, the combination of cloud ERP with industry cloud means more resilience, efficiency, and agility. The business also finds that when ERP is connected with an industry solution, it can extend capabilities to differentiate itself, maintain process compliance, and scale innovation continuously without disruption to the clean core or disparate data sources.

The ERP systems enable the business overall to work smarter, glean more insights, and navigate a constantly changing world with the financial and operational risk perspectives pertinent to maneuvering the business successfully. Industry cloud solutions then augment the baseline systems, including ERP systems, with industry-specific applications. While all organizations want to standardize their processes overall, the critical differentiation is found in the industry processes that completely change up the workflows. As an example, an industrial manufacturer using an industry differentiating solution can now configure to order with a lot size of one and still meet the needs of this customer in a consistent way with the standard order. Without the ability to differentiate this order in an extremely smally quantity, the customer would be required to order in larger quantities. The value of doing this is felt immediately by the customer, and the organization itself is able to standardize across a workflow that previously was either too complex or extremely customized. Now a company can immediately find value with this industry cloud solution as it enables increased margin sales, reduction in customer attrition, and revenue uplift due to customer personalization.

The enterprise is finding the value of innovation and scale with both its ERP system and industry cloud solutions as they work hand in hand to meet financial operations requirements and differentiate themselves to their clients with additional features to make the customer journey seamless and set up repeatable revenue. Together the solutions enable an organization to scale quickly, meet clients' demands, and show customers value while protecting its own revenue and market share. Agility across the business with a seamless end-to-end industry value chain is critical to success.

Organizations that are tied into industry cloud solutions can differentiate themselves from the competition with emerging industry practices and innovations at the vertical edge. In fact, IDC's 2022 *Industry CloudPath Survey* found that 39% of organizations plan to deploy on the vertical edge with SaaS application workloads in the next 12 months, while 48% said they have currently deployed SaaS application workloads on an edge location. Deploying on the edge means the data and processes in the core of the system stay intact while the work required is done at the edge to ensure full compliance without disrupting the financial and operational perspectives the business relies upon.

The following use cases help illustrate the value of industry differentiation:

» Using industry differentiation, a construction company was able to connect its processes across the entire enterprise from the bid phase of planning capacity, costs, and budgets to collecting accurate and timely information from the field and from responsive MRP, engineering, and prefabrication and production processes to managing services contracts quickly and with ease.

» Industry differentiation made a difference for a paper and packaging firm that has thousands of customers. These customers have many different requirements for packaging, ranging from labeling and storage to the type of package containers. In this instance, the paper and packaging firm was able to apply industry differentiating standards not just to meet the bid requirements for a particular customer but also to go above and beyond with packaging the final products into distinct packaging containers. This made it easier for the customer to bring the product right to its manufacturing line, reducing valuable production time. These smart factory considerations, asset management capabilities, and the connectedness back into the ERP system enabled this paper and packaging company to meet its customer's demands. And with this better customer experience, the organization was able to bring in repeat business faster.

Where Should Enterprises Start Their Cloud Journey?

Organizations should start their journey with a solution that can help them become intelligent, sustainable enterprises in the cloud that can drive more continuous innovation. This requires utilizing cloud ERP and a vast ecosystem of trusted partner services and industry cloud applications. Organizations taking advantage of this approach are using cloud ERP with artificial intelligence (AI) and analytics, running mission-critical operations in real time, and introducing new business models in their industry to handle their specific workflow requirements.

As organizations focus on differentiating value from the industry-specific workflows, a shift occurs that brings more efficient workflows as the differentiating facets for an industry are integrated into the financial processes and can be viewed and quickly assimilated to reduce key performance metrics for the organization. This provides more context to organizations while removing extraneous processes that have no value. In addition, companies can seamlessly extend their best practices based on their industry-specific needs, which empowers them with competitive advantage.

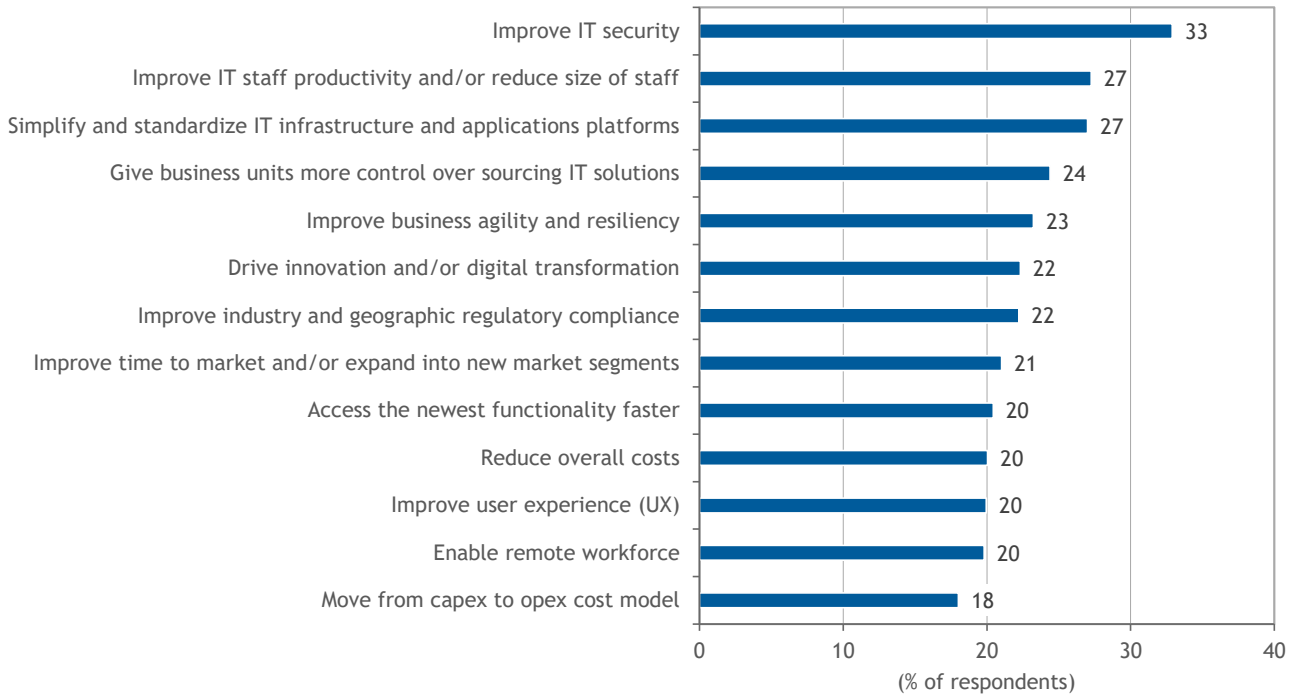## Benefits of Cloud ERP and Industry-Specific Cloud Solutions

The benefits of cloud ERP and industry-specific cloud solutions include:

» **Industry-specific processes:** Every organization has unique operational needs that set it apart from its competitors. Industry workflow requirements can serve any situation specifically, immediately enhancing the value for a precise workflow that is specific for the functions within the business. In addition, industry-specific regulations can quickly be tied to the business process to ensure greater governance and compliance.

» **Intelligent insights:** Employees need smarter insightful information tied to customer requirements so they can make more actionable decisions, immediately impacting the customer's needs and the organization's performance for the better.

Figure 1 illustrates some of the benefits of moving to the cloud.

FIGURE 1: *Benefits from the Move to the Cloud*

Q *Where have you experienced the greatest benefits in your cloud journey?*

Benefit	% of respondents
Improve IT security	33
Improve IT staff productivity and/or reduce size of staff	27
Simplify and standardize IT infrastructure and applications platforms	27
Give business units more control over sourcing IT solutions	24
Improve business agility and resiliency	23
Drive innovation and/or digital transformation	22
Improve industry and geographic regulatory compliance	22
Improve time to market and/or expand into new market segments	21
Access the newest functionality faster	20
Reduce overall costs	20
Improve user experience (UX)	20
Enable remote workforce	20
Move from capex to opex cost model	18

(% of respondents)

n = 2,070

Source: IDC's Industry CloudPath Survey, July 2022
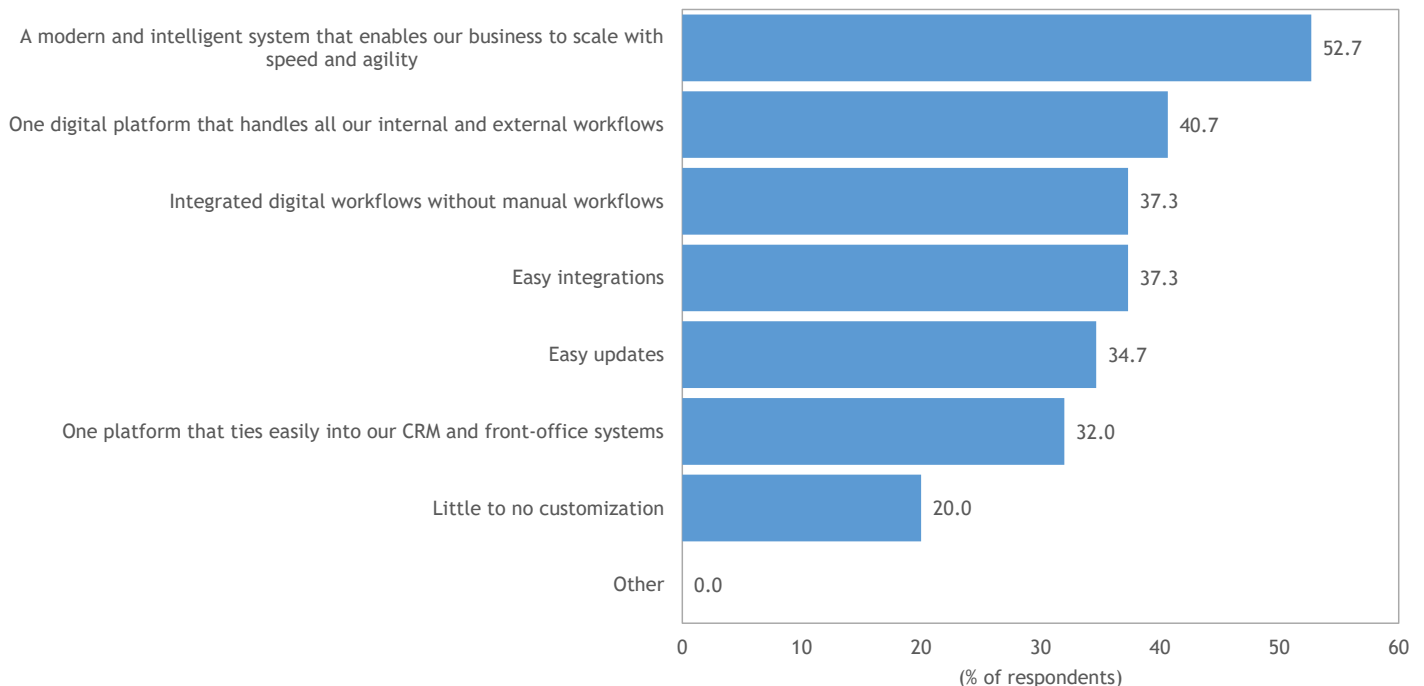
Trends in the Market

Cloud ERP systems are undergoing a plethora of changes from the days of legacy on-premises systems. These changes include SaaS and cloud-enabled applications chock full of AI, machine learning (ML), microservices, APIs, automated workflows, and industry-specific solutions. These modern, modular, and intelligent systems can manage vast amounts of data in real time, enhancing the performance capabilities of an organization nearly overnight. As the pace of business continues to increase and business operational data becomes more vast and more complex, businesses are turning toward algorithms, AI, and ML to process and consume information quickly. Contextual analytics alongside AI and ML technologies are working their way into cloud ERP systems with the promise of helping the user do more with fewer resources and in less time. While efficiency is an attractive aspect of contextual analytics, cloud ERP is using the technology to provide users with faster time to insight. Streamlining and automating the core operational processes allow organizations to reallocate scarce business-user time toward actual decisions, which can, in turn, drive valuable outcomes.

IDC research finds that by mid-2025, 50% of end users will leverage AI-infused applications, moving from systems of record to systems of intelligent planning, providing a path toward better outcomes. For example, intelligent planning systems can provide users with contextual updates denoting issues within the business that need to be corrected and even make recommendations related to particular or surrounding transactions that influence the decisions.

This intelligence helps build better performance overall for the organization. As ERP systems become intelligent planning mechanisms, so too do industry cloud solutions, changing the customer experience and bringing competitive advantage to the organizations using them due to the differentiating business processes they contain. Industry cloud solutions enable the business to gain insight into specific industry pain points, solving them faster while also enabling an outcome that meets regulatory and industry requirements. When this capability is tied into cloud ERP, it not only provides the organization with more visibility into the pain points and their solutions but also improves the customer experience and the financial performance.

Figure 2 details how organizations envision the perfect ERP system.

FIGURE 2: *ERP: The Vision for a Perfect System*

Q *What is your vision of the perfect ERP system?*

n = 150

Source: IDC's Industry CloudPath Survey, July 2022

Considering RISE with SAP

The RISE with SAP solution is designed to help companies become sustainable, intelligent enterprises and drive business innovation in the cloud. SAP enables customers to innovate in the cloud by bringing together a cloud ERP for every business need, capabilities to drive business process transformation, outcome-driven services and tools from SAP and its partners, and industry next practices and extensibility options founded on a versatile technology platform. Complementing the cloud ERP system are the following capabilities within RISE with SAP:

» **Industry-specific capabilities.** Organizations can utilize capabilities that are tailored for their specific industry as well as enhance innovation that has a direct impact on top-line, bottom-line, and green-line growth. The industries an organization focuses on mean it can put the emphasis on the market share it competes for, winning and retaining customers, developing new business models, and accelerating time to value by leveraging best practices. In addition to SAP's own innovation, the company can incorporate next-practice innovations developed by a large number of industry cloud software partners around the globe.

» **Continuous insight.** Organizations find that with continuous insight to optimize business processes, they can remove inefficiencies and realize productivity gains faster.

» **SAP Business Technology Platform (BTP).** SAP helps its customers take charge of change with SAP BTP. This allows customers to build and run end-to-end industry-specific business processes and provide a seamless experience across the application landscape.

Challenges

As companies migrate to cloud ERP and industry cloud solutions, they will need to be educated on the opportunity such solutions can bring to the business, from top-line and bottom-line value to industry and competitive differentiation. SAP's industry solutions were established to help organizations differentiate their value. While industry solutions are not new, SAP's solutions are a work in progress as organizations rethink methods to enhance their customer experience.

While organizations understand their own industry nuances, they don't necessarily see these unique identifying workflows as a way to differentiate themselves against competitors. Many are still in the early stages of adopting industry cloud solutions. As they mature and spend more time enabling agility, navigating the constant barrage of changes, and scaling the business, their ability to recognize industry-differentiating workflows will help shift their focus to harnessing industry cloud solutions.

Conclusion

The digital business era brings greater technology innovation to the forefront so organizations can stay competitive and avoid disruption in their industry. Organizations understand that without industry cloud solutions, business can stop or be disrupted, and competitive advantage can be lost. But the key is integrating industry cloud solutions with an organization's cloud ERP system. Cloud ERP coupled with industry cloud solutions empowers an organization to focus specifically on its unique business processes within its industry, setting it apart from market competitors. Together, the two are a winning formula for success, helping bring differentiating value to the business.

About the Analyst

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Mickey North Rizza is Group Vice President for IDC's Enterprise Software. She leads the Enterprise Applications and Strategies research service along with a team of analysts responsible for IDC's coverage of the next generation of enterprise applications including digital commerce, employee experience, enterprise asset management and smart facilities, ERP, financial applications, HCM and payroll applications, procurement, professional services automation and related project-based solutions software, supply chain automation, and talent acquisition and strategies.

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To avoid being disrupted, enterprises need to focus on developing new business models, drive new operational efficiencies to reinvest into growth, and modernize mission-critical systems. RISE with SAP can help you to address those challenges successfully. It is the solution to become an intelligent, sustainable enterprise in the cloud. It comes with a cloud ERP for every business need, extensibility options, analytics and business process transformation capabilities, and outcome-driven services.

In addition, you can leverage leading, industry-specific business applications and services from SAP and our partners that enable end-to-end, industry specific business processes. It combines the best of SAP's 50 years of deep industry expertise with the innovation potential of our partner ecosystem, so you can become an intelligent, sustainable enterprise in the cloud.

To learn more, contact your SAP Partner.

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