



Performance Made **Deployment-Independent**

QAD On Demand Solutions

A QAD Leadership White Paper for the Global Manufacturing Industry

Introduction

On-demand software deployment, also referred to as software as a service (SaaS), is the next step in the evolution of software development. In a very short time, on-demand has evolved from being perceived as a unique way to deliver point solutions, to acceptance as a viable model for deploying and managing mission-critical applications. Indeed, both Gartner Research and AMR Research are projecting growth of SaaS to be twice as fast as the overall enterprise applications market through 2011.

On-demand, outsourced IT models, such as application service provider (ASP), business process outsourcer (BPO) and managed service provider (MSP) have become fairly common. But true on-demand delivery of enterprise applications has only recently gained traction – fueled in part by improved communications availability, security, reliability and bandwidth. Customer relationship management, payroll, human resources and more are now available on demand. Companies are increasingly evaluating the potential for SaaS in the manufacturing part of their businesses.

Enterprises that embrace the on-demand model expect the benefit of having an application wherever and whenever they need it. They don't want the hassles of managing the

applications, installing the hardware and providing internal support. Instead of relying on a vendor to deliver and deploy software on their hardware, and to put in place the infrastructure needed to serve their employees, companies simply outsource the management of their applications and infrastructure to someone else. With promises of strong return on investment, low overhead and rapid application deployment, on-demand solutions have begun to skyrocket in popularity.

Another important perceptual shift is the recognition of the IT function as more than a "cost center." Today's CIO needs to be a strategic visionary with a profit-based mission. As such, the CIO needs to offload non-value-added tasks such as application patching, maintaining customizations or executing upgrades. And, with IT spend amounting to a hefty percentage of a corporation's budget (see sidebar), cost reduction is a top priority.

SaaS presents opportunities to cut costs, reduce risk and ensure business continuity, helping CIOs do more with less resources, be more efficient and better manage their IT infrastructure. For the CIO visionary, on-demand can lower the barriers and risks of switching ERP vendors and become a viable replacement strategy when it's time for a new ERP system.

In its recent report, The Cost of Functionality, Aberdeen Group summarizes survey results of 830 responses from users of ERP systems who answered questions about their evaluation processes and actual costs/benefits from their installed ERP applications. Aiming to quantify the usage of those ERP systems, as well as the costs, these findings were reported: Functionality, TCO and Ease of Use are the top three selection criteria in ERP evaluations.

Aberdeen considers five types of IT costs in calculating TCO/ROI:

1. Cost of purchased software
2. Cost of services to implement and customize the solution
3. Cost of maintenance (typically over a three-year period)
4. Cost of dedicated IT staff to support & manage the ERP solution
5. Cost of dedicated line-of-business (i.e., operations) staff to support the system (super-users, etc)

Cost types 1, 2, and 3 are considered "hard" costs, while types 4 and 5 are seen as "soft" costs. Aberdeen found that approximately 73% of total costs are represented by "soft" costs — regardless of company size or sector. These are also the least known or least measured costs. AberdeenGroup; The Cost of ERP Functionality,

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QAD On Demand and Deployment Independence

Historically, enterprise software has typically been installed on a machine at the customer's location(s); commonly called "on-premise" deployment. Until recently, the most common form of installation was to have an instance of the software running at each site, close to the users.

Stable communications costs, improved reliability and better availability engender greater flexibility in the delivery of enterprise applications across an enterprise and give businesses more choice. Organizations can choose to centralize an instance of software regionally, or occasionally globally, depending on their ability to implement the necessary communications networks.

These improvements in communications have made the on-demand model a much more viable alternative than just a few years ago. Consequently, executives are turning the corner and becoming more comfortable with the idea of having their enterprise data reside outside the physical walls of their company.

For small and medium businesses, on-demand offers a simpler and less expensive means to get enterprise-class functionality. They can connect via either the company network or the Internet, get the benefit of the software without the burden of supporting it, and easily scale it up or down as needed.

QAD On Demand editions tailored for unique industry and regional needs further remove the barriers to entry for small and medium enterprises, allowing them to embrace all of the capabilities that larger enterprises may have with a complete enterprise suite like QAD Enterprise Applications. These industry-tailored editions remove another important barrier to adoption: the fact that many, if not most, SaaS offerings are too generic and lack functionality tailored to unique industry needs.

New or rapidly growing companies can also leverage the on-demand model to help reduce startup costs and offer faster time to market, while also insulating against downturns, because they essentially only pay for what they use, rather than undertaking the costs of a full-fledged enterprise application deployment and ongoing maintenance. And, QAD On Demand delivers the resiliency larger enterprises need to respond rapidly to changes in customer demand, choose where to produce products and scale their businesses accordingly.

Why Deployment Independence?

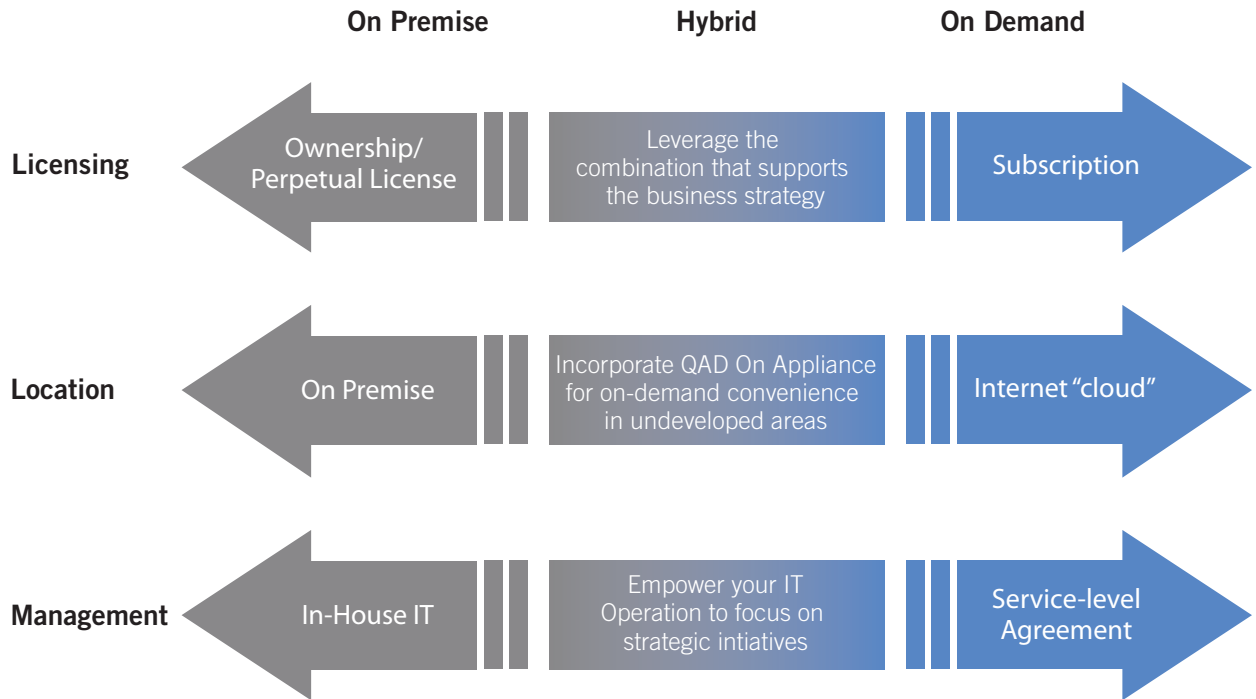
Unfortunately, the options made possible by recent improvements in global telecommunications still aren't readily available everywhere. In developing areas, an exclusive on-demand model may not be practical; telecommunications may not be reliable, or can be too expensive. For example, in remote regions of China, Latin America and even some territories in Eastern Europe, it's still not practical to connect to a third-party data center because of issues with telecommunications.

Why On Demand?

- Costs trimmed across the enterprise
- Risks mitigated or eliminated
- Improved management of IT talent
- Faster go-live with short time-to-value interval
- Minimal effort needed to plan and execute implementations
- Additional infrastructure not required
- Corporate standards and version compatibility ensured
- Significant reduction in local resource allocation
- Easier mobility and scalability
- Capital expenditures reduced
- Simple, cost-effective upgrade path
- Devote more focus to true core competencies - manufacturing!

QAD Deployment Independence

QAD On Demand Solutions Provide Deployment Independence, Greater Flexibility



On-Premise: The enterprise purchases perpetual licenses, pays annual maintenance and installs applications on systems infrastructure that exist inside the four walls of their business. Both Corporate IT and Business Analyst team resources are required to manage and support the applications and application environment.

On Demand: The enterprise pays a monthly recurring subscription fee to use the application as a service, accessed over the public Internet or through their corporate data network. The service is supported and managed with a service level agreement for uptime and availability. The enterprise is liberated from the cost of hardware and in-house IT resources needed to support applications.

Hybrid: Enterprises may choose to leverage aspects of both on-premise and on-demand deployment. For example, an enterprise that desires to capitalize application license cost over a fixed period could purchase an application license and then subscribe to the additional services described in the on-demand delivery model. Or, companies can run on-premise versions of their software, while giving smaller divisions or acquisitions that need to get up and running quickly the option of running the on-demand version. For new division in undeveloped areas, QAD's on-appliance option offers another option to leverage hybrid deployment.

QAD Deployment Independence

Manufacturers who operate in remote or undeveloped regions face a paradox: they could reap significant advantage and benefit from on-demand application deployment, yet lack access to the necessary communications infrastructure. That's why QAD offers another option: the "On Appliance" delivery model.

QAD's On Appliance model offers similar conveniences and cost benefits to pure on-demand. QAD provides a dedicated machine, loaded with QAD Enterprise Applications, maintained and managed by QAD. An enterprise that opens a new plant in a remote region of China doesn't have to worry about training a local IT team and can launch operations very quickly with world-class software. The On Appliance option requires only a nominal on-site IT presence to make the final install and boot up the system, as well as to report problems and act as liaison between QAD and the business users. Just as important, QAD's On Appliance option offers an easy answer to any lingering concerns about security.

Deployment independence allows companies to choose how they want to deploy their applications: on-demand, on-appliance or on-premise.

Companies can leverage different deployment models without damaging system integrity; deployment portability lets manufacturers switch between models as they like. For example, an enterprise can use the on-appliance model to get a new site up and running quickly or choose on-demand deployment to fill in gaps in their in-house application. Global enterprises can leverage deployment independence to maintain system

integrity at sites in diverse geographic areas, regardless of the viability or sophistication of local communications systems.

Combining approaches in a hybrid deployment provides the ease of on-demand delivery combined with the control of on-premise deployment. In other words, how the application is deployed is independent of how the business receives benefit.

QAD On Demand Fuels Performance

QAD On Demand helps manufacturing enterprises satisfy the urgent need to stop piling cost and complexity on IT. QAD's deployment-independent approach helps drive measurable business benefits, such as increases in revenue or gains in operational efficiency.

Primary reasons for a CIO to consider QAD On Demand are:

- Faster deployment times
- No up-front license and infrastructure costs
- Freedom from the issues of upgrading

Fewer servers for the IT department to maintain, reduced in-house maintenance expense and easy software upgrades add up to tighter control of the IT budget and less capital to shake loose from the CFO for software licenses and hardware. As a result, the cost structure of the deployment-independent approach reduces underlying costs across the business.

QAD On Demand offers significant strategic benefits to IT organizations. There's less risk in deploying QAD On Demand solutions quickly

QAD Deployment Independence

than there is in investing a lot of money in scarce internal resources. The hybrid approach removes the burden of maintaining IT resources and skills, circumventing staff shortages while keeping the IT organization lean. Reducing or eliminating the requirement to maintain talent alleviates the risk of talent drain, especially critical for smaller businesses.

The managed application services bundled with QAD On Demand pull from a global pool of experienced professionals. QAD Global Services provides the ongoing help-desk support, enhancement, development, system administration and optimization of the QAD application landscape. These services relieve the IT organization of the burden of application support and ensure optimal system performance. A comprehensive metrics program, detailed service level agreement and consistent global coverage ensure exceptional service levels.

QAD Global Services has developed rapid, simplified upgrade and migration processes that help reduce or eliminate customizations, streamline business processes and ensure the ongoing support and services needed to keep systems current and running at optimal levels. These processes make it easy to take advantage of new QAD applications and functionality.

Deployment independence gives manufacturers more options to change their QAD system as business needs change. Enterprises can quickly 'switch on' new

plants and acquired businesses. Employees, customers and supply chain partners benefit from this ability to adjust quickly to changing requirements; the enterprise can easily scale up or down as external and internal requirements evolve.

Deployment Independence and the Perfect Lean Market

QAD On Demand plays a distinct role in the application portfolio, operating as part of a mosaic of solutions. QAD On Demand and deployment independence support QAD's vision for a Perfect Lean Market.

The key element of this vision is disseminating Lean concepts throughout the enterprise and to the entire supply chain. While Lean is well understood within the four walls of the business, companies are finding it difficult to extend Lean concepts beyond the shop floor. And smaller companies struggle hardest, knowing that they need to implement sophisticated systems that will enable them to implement Lean principles both within and outside the plant.

QAD On Demand helps disseminate Lean thinking beyond the shop floor to other departments in the company. Removing cost and waste from IT business processes not only keeps "soft" IT costs in line, but also has a downstream ripple effect on the rest of the enterprise. Simple to deploy and painless to maintain, QAD On Demand helps manufacturers embrace Lean principles throughout their business and collaborate more effectively with suppliers and customers

Why QAD On Demand?

- QAD's manufacturing focus
- Ability to change models as needed or adopt hybrid approach
- Industry-specific QAD Enterprise Applications editions
- Process-driven implementation maps enable rapid implementation
- Leverage experienced industry resources
- Application and database management services
- Systems infrastructure (servers, storage, networking)
- System infrastructure management services
- 24x7x365 technical and functional support
- Disaster recovery services
- Industry leading service level agreement; 99.9 per cent availability

QAD Deployment Independence

Why QAD?

QAD targets the needs of manufacturers — and only manufacturers. With all the functionality and none of the overhead, QAD On Demand makes IT another business weapon in your organization's competitive arsenal. Thus, QAD's deployment independence further enables manufacturers to be agile and successful in their pursuit of the Perfect Lean Market.

On-demand and SaaS solutions are being touted by all the leading ERP vendors, but few are truly ready to deliver right now. Some provide a basic on-demand offering that can't address the needs of the global manufacturer, while others talk about on-demand strategies that are still in the development stages. A few have announced plans for comprehensive offerings tailored for global manufacturers — but most of these solutions will not be available for several years.

QAD customers are enjoying the world-class capabilities of QAD Enterprise Applications, on demand, now. QAD has been at the forefront of the on-demand movement, offering managed application services and on-demand solutions for knowledge management and supplier visualization for over five years. Now you can get the power and performance of QAD Enterprise Applications with the flexibility and cost-effectiveness of on-demand or on-appliance delivery.

Find out more:

Learn more about how QAD On Demand can help make your enterprise Lean at www.qad.com.



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