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IDC VENDOR SPOTLIGHT

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The novel coronavirus has shifted the world to a digitally interactive society. For small and medium-sized businesses, cloud ERP is the operationally focused digital technology that assists in business resiliency and efficiency, enabling remote workers to continue working in support of their community.

Cloud ERP Enables Business Resiliency

April 2020

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The Digital World Is Here

The digital world is no longer in the future; it has arrived. The novel coronavirus pandemic has completely transformed businesses and set up a new normal: the ability to conduct business digitally and ensure the return on investment (ROI) of an organization's largest assets — its employees. Cloud enterprise resource planning (ERP) technology helps make the digital business resilient, durable, and sustainable so that it is able to withstand the factors of health and safety, social distancing, and working from home.

At the pandemic's start, many large enterprises bought laptops, installed their legacy on-premises ERP systems onto the laptops, and then sent the devices to employees to use from home. Large, medium-sized, and small businesses using cloud ERP systems did not face this additional expense. They could simply conduct business as normal.

AT A GLANCE

DX initiatives and COVID-19 are forcing companies to look at their ERP systems. This rationalization and modernization can help organizations recognize that they need digitally resilient ERP systems that use cloud, are innovative, and enable better business outcomes. Key drivers of SaaS/cloud ERP adoption are as follows:

- Guaranteed service levels
- Ease and speed of deployment
- Improved features
- Support for remote employees
- Mobile apps that automatically adjust screens to fit any device display

Digital businesses require systems that are scalable, easy to use, and flexible. Small and medium-sized businesses (SMBs) that are digitally transformed are more likely to report double-digital growth and higher profitability. While the market dynamics for individual companies are changing with the pandemic, going digital also enables a longer-term strategy after the crisis passes. In fact, IDC's *COVID-19 Impact on IT Spending Survey* (conducted during the period of April 6–15, 2020) found that 27% of organizations worldwide are increasing their software-as-a-service (SaaS) investments compared with their original budgets. In North America, 38% of organizations are increasing their SaaS investments, with over 15% planning on double-digit SaaS spending increases.

The COVID-19 pandemic underscores the importance of being an organization that is resilient, agile, and connected, among other traits. IDC expects that organizations will continue to prioritize digital transformation (DX) investments after the pandemic. IDC's *COVID-19 Impact on IT Spending Survey* found that as a result of the virus, 54% of enterprises expect that demand for cloud software will increase in the future.

In addition, IDC has found that organizations that are digitally robust in the face of this pandemic are also digitally transformed, having moved to cloud ERP systems. Cloud computing is defined as accessing shared IT resources "on demand" and over the internet. Such systems are agile, configurable, continuously updated, quick to implement, scalable, and available anywhere and anytime. Small and medium-sized organizations with cloud ERP systems are able to

support remote workers with a great experience at any time, regardless of geography. With a cloud ERP system, processes are automated, the web browser provides a quick pathway to connecting, actionable advice is dynamically provided, and the ability exists to interface with web services and common internet APIs.

Data Is Driving SMB Cloud ERP Purchases

IDC predicts that by 2022, 90% of new midmarket ERP system selections will prioritize analytics, data, and prebuilt cognitive business processes as critical differentiating features that impact system acquisitions. As businesses continue their DX journey, they are discovering that a core attribute of a digital company is the value found in data. This is certainly true during the COVID-19 pandemic as companies must finely scrutinize their cash flow, customer orders, and purchase orders. Many organizations have stalled their purchases, concentrating on only those needed to fulfill client orders immediately. As the pandemic shifts into an "almost clear strategy," businesses will start opening up again. The attention on cash will become even greater as businesses make tough choices about what customers and operations to focus on and where to curtail work and spending. This is especially true of midmarket companies that compete with larger organizations. The transformation of SMB markets is already underway through:

- **Personalized experiences.** The customer expects every engagement, whether services or products, to be personalized. Organizations must constantly be digitally monitoring customer interactions and experiences. The customer data is the focal point creating demand and pushing cash to be spent to satisfy the demand.
- **Connected products.** As the Internet of Things (IoT) drives more connected products and the resultant visibility into product use and performance, businesses must analyze large data streams and react rapidly to support their customers in the field but also be ready to take advantage of new revenue opportunities. COVID-19 has been the perfect storm of IoT connecting to cloud ERP systems for purposes of asset management. For example, connected facilities can control lighting and HVAC settings of unoccupied office buildings and facilities. In addition, asset management provides guidance on servicing/maintenance of equipment during shutdowns to ensure a smooth transition to production quantities as the facility is opened.
- **Connected customers.** Customers are becoming connected not only to their suppliers but also to each other. Having data management capabilities and digital systems that can monitor customers and their interactions with each other gives great insight into individual customer experiences. And during the pandemic, many customers are connecting even more with cloud and mobile devices, enabling new ideas and solutions with their technology systems. The pandemic has forced employees to remain within or near their homes; however, they can still move about and use their mobile phones and tablets to work outside or perhaps in other rooms while their children are elearning on their computers.

Data is the resource that companies have, but most struggle with utilizing data effectively. The majority of organizations rank data and analytics as a competitive advantage or differentiator, but less than a quarter of organizations have been able to extract maximum available value from their data. All companies, no matter their size, need access to standard information to improve communication and collaboration across the enterprise. Through dynamic analysis of data sets, SMBs can achieve many benefits by understanding what is happening and why it is happening; they can also respond in a way that leads to better decision making, especially in times of crisis. Cloud ERP systems can assist in timely data capture, analytics, and insights to improve business decision making.

Future Proofing the Business

Organizations that use cloud ERP systems are future proofing their business. The cloud ERP system is built on a platform with data transparency to run the entire business. It is available anytime and anywhere, uses APIs, integrates artificial intelligence and machine learning (AI/ML), and enables low-code/no-code customization. COVID-19 has set up cloud ERP systems as the de facto business operations system. IDC believes that when organizations do postmortems on their performance during the pandemic, they will uncover areas where they came up short. For example. most businesses will likely find that their legacy, on-premises ERP systems required additional expenses during the pandemic. According to the previously mentioned IDC COVID-19 survey, organizations expect videoconferencing, remote employee learning, data security, virtual workspaces, social networks, cloud software, and cloud computing to be at the top of the technology investment list because they have leaned heavily on these technologies during the pandemic. These shortcomings will define technology investment priorities for the coming years.

IDC further finds that the required adoption of certain of these technologies during the pandemic has given some organizations the needed push to overcome investment and learning curve hurdles. IDC expects to see most of these technologies become a permanent part of the technology footprint, including cloud ERP. Cloud ERP can provide an organization with:

- **Platform advantage.** Leading organizations are shifting to platform thinking to evolve their business models and manage their technology architecture. Platform thinking is a fundamental shift in business strategy, moving beyond product differentiation and pricing and toward ecosystem-based value creation. It is also a long-term, sustainable response to new realities in the DX economy, one in which organizations digitally transform themselves into digital-native enterprises. Understanding and provisioning the platforms that will sustain, advance, and scale business and operations are essential for every business. The platform is where the future of software, infrastructure, and connectivity is evolving and where the edge will be accessed, integrated, and optimized. Today, we are in a platform economy — one in which tools, capabilities, and frameworks based upon the power of information, cognitive computing, and ubiquitous access will frame and channel our economic, business, and social lives.

- **Data transparency and insights.** In this "data-driving-action" world, ensuring the veracity of the data and transforming data into insights become strategic imperatives. Sometimes called "decision-centric computing," the need to understand and utilize data goes beyond data integration and governance. What becomes essential is to put data into context to provide meaning, to understand that data in relationship to other data and events to gain knowledge, and to add judgement and action to achieve the full potential of value realization.

  Data and intelligence represent a unique opportunity for creating unimaginable value. Real-time data from IoT, mobile devices, and other devices at the edge — combined with historical data, enterprise systems, and global information — can continually sense an environment and put it into new contexts. Combining data with AI/ML means organizations are spreading intelligence from the core to the edge to turn data into action and action into value. Automation literally extends beyond decision making and optimization into life-and-death dependencies. Competitiveness is determined by how data is transformed into insight and knowledge to create high-value differentiators for products, customers, and markets and how data delivers meaningful, value-added learning, predictions, and action that improve experiential engagement, industrial processes, enterprise decision making, and much more.

- **Anytime and anywhere availability.** Customers accustomed to the personalization and ease of dealing with digital-native consumer companies expect the same kind of service from every business in every industry. These changing expectations are most evident in the newest generations of customers, but all customers are demanding more convenience and personalization. At the same time, they want more control of what data is collected and how it is used.

  With new customer expectations being set by thriving companies that disrupt markets, the previous levels of customer service are no longer good enough. New business, operational, and organizational models are required to meet continually growing consumer expectations. According to IDC research, 38% of digital-native companies reported that they are "almost constantly online" through their device of choice — mobile phone, laptop, or tablet. Being always online is providing unparalleled access to behaviors and preferences, such that digital-native enterprises also expect to turn this information into customized engagement and experience at some point.

- **APIs.** ERP applications constructed with APIs grant organizations more flexibility in integrating their business systems and applications and connecting to data. The APIs are more agile, allowing organizations to better adapt to unforeseen future business models and market changes without missing a beat.

- **AI/ML.** AI innovation and application are being driven by massive investments in all kinds of industries. Hospitals are testing how AI can enhance care; manufacturing is using AI to run systems, train employees, and reduce downtime; school districts are looking at AI-equipped cameras that can spot guns; and human resources departments are using AI to sift through job applications. AI is changing the way ERP systems are utilized.

- **Low-code/no-code customizations.** The digital workspace is one in which line-of-business (LOB) employees increasingly interact with business and customer data through mobile devices, including employer-provided and personally owned mobile phones, tablets, laptops, and wearables. Data from enterprise applications and databases as well as data generated by mobile devices themselves, such as location and sensor data, is increasingly needed — customized and even melded together at times — by employees both inside and outside the traditional four-walled office. Collaboration, efficiency, and productivity are rapidly becoming core values of businesses. Device familiarity and ease of use are becoming essential to the workforce and require a method for nontechnical employees to connect.

  Organizations are turning to low-code/no-code mobile app development tools that can be easily learned and used by their nontechnical LOB employees. Low-code/no-code mobile app development is enabled by software with visual drag-and-drop, out-of-the-box, pre-integrated connectors to cloud-based services or enterprise data sources, often using REST APIs to third-party components. Employees who use these tools don't need to know app coding languages. They need to know only what workflow is being mobilized and what inputs, outputs, and contextual information are needed to make decisions, such as travel request, time off, or expense approvals. Employees simply drag the visual components into place, and the result is a usable mobile app with editable code created in the background that can be reviewed by IT and technical developers.

  No-code mobile app development is increasingly available to organizations. It is largely in the form of templated mobile apps requiring minimal customization or no customization. Mobile app templates are predesigned with simple user interfaces to meet either horizontal business needs, such as expense management approval workflows or sales offer approvals, or industry-specific use cases, such as the classic banking or financial services use case. Employees are using a wide range of mobile devices, including phones, tablets, ruggedized devices, retail point-of-sales (POS) devices,

and smartwatches. These low-code/no-code mobile app development tools evolved from web app development tools and have proven successful in enabling employees to develop mobile apps for these devices, leveraging services in the cloud and via APIs.

Definitions

- **API.** IDC defines API management and API gateways as a submarket of the integration software functional market. API management software and cloud services support the secure and scalable publishing and management of APIs. This software helps API publishers design, monitor, and manage access rights, usage metrics, and the versioning of APIs. In runtime, API management provides secure gateway services and enforces access rights through authentication.

- **Cloud ERP.** This is a packaged integrated suite of technology business applications with common data and process models that digitally support administrative, financial, and operational business processes across different industries. These processes manage resources, including some or all of the following: people, finances, capital, materials, suppliers, manufacturing, supply chains, customers, products, projects, contracts, orders, and facilities.

  ERP suites and the associated applications are utilized to run the business. They typically start with finance and include procurement and inventory/asset management; they may also include human capital management (HCM), order management, manufacturing, distribution, services, engineering, product life-cycle management (PLM), and supply chain. The software can be specific to an industry or designed to be more broadly applied to a group of industries.

  Typically, ERP suites are architected with an integrated set of business rules and metadata, accessing a common data set (logical or physical) from a single, consistent user interface. ERP suites are available as on-premises, hybrid, and cloud SaaS deployments.

- **Low code/no code.** APIs or model-driven application platforms (MDAPs) facilitate increased automation by streamlining the flow of data between applications. MDAPs combine development and runtime into a single offering. They typically consist of graphical modeling environments, point-and-click configurations, and relatively simple scripting. These environments are popular for rapid development and with development teams that include both business participants and developers. Most of the platforms include data modeling and configuration capabilities. Many also run in the cloud as a platform-as-a-service (PaaS) tier and, increasingly, provide Docker images that can be deployed in containers.

  MDAP products also support workflow automation and case management. These process-centric application platforms are used by enterprises and independent software vendors (ISVs) to develop and execute custom process workflows and automation. Process-centric application platforms automate people-oriented activities that require manual steps or human decision making, such as loan approvals or onboarding new employees. They also support system-to-system activities that automate all or part of a process.

- **DX platform.** IDC defines the digital core, or "DX platform," as the future technology architecture that accelerates DX initiatives for the enterprise, enabling the rapid creation of externally facing digital products, services, and experiences while aggressively modernizing the internal IT environment in parallel. The platform's key objective is to create a network, or ecosystem, of connected customers, partners, and suppliers that use (and pay for) the information and services available to them. Cloud-based API strategies orchestrate the exchange of data across the business ecosystem. The digital platform also contains an agile application architecture bringing new customer experience technologies that fully support customer- and ecosystem-facing business models.

- **AI.** AI software consists of tools and platforms for supporting the life cycle of data analysis and presentation. Software products in this market category support a broad range of analytic techniques (descriptive, diagnostic, predictive, and prescriptive) and can operate on a wide variety of data, text, and rich media types. AI software platforms facilitate the development of AI models and applications, including intelligent assistants that may mimic human cognitive abilities. They typically include APIs and microservices for the various functionalities that developers can include in their AI applications. In addition, AI software platforms include advanced ML development and operations tools, including pretrained AI models that help developers and business users experiment, automate machine-based learning, and build and deploy AI models into production.

Benefits

Cloud ERP changes the way a business utilizes its technology systems. Standardized processes, real-time information, and embedded analytics driving new business insights from massive amounts of data can help quickly steer a business to new pathways as it navigates changes in markets, competition, customer requirements, and supply chain issue resolution.

According to ERP data from IDC's 2019 *SaaSPath Survey*, end users value high availability and uptime, ease of use, ease of implementation, and robust data security. These attributes are available with the selection of the right cloud ERP platform. In addition, a cloud ERP platform can help bring more value into the business through additional integrations into other software, leading to new innovations with cognitive tied to the workflows. When coupled with additional workflows from partners in the cloud ERP vendor ecosystem, these integrations can enhance the value of the cloud ERP platform. All areas can help bring the organization to life with insights that quickly alter the business course as needed.

Trends

According to IDC research, demand for cloud-based ERP systems continues to grow because of their ability to access and analyze massive amounts of data in near real time. Businesses have also turned to structured machine learning to speed up and streamline key ERP processes, including financial closes, fraud detection, cash management, procure to pay, compliance, inventory, and auditing. In addition, data is becoming a potential revenue stream as organizations are able to harness the data flowing through their ERP systems and find valuable business insights.

IDC's 2019 *SaaSPath Survey* found that SMBs buying ERP systems are focused on the cloud. They also expect the cloud ERP product to have or be tightly integrated within 18 months of purchase to project tracking, professional services automation, supply chain, manufacturing, and/or HCM functionality.

Considering Acumatica

Acumatica is a private software vendor offering a complete cloud ERP solution for business management needs, including finance, accounting, inventory management, procurement, distribution, and customer relationship management (CRM). Special editions for field services, manufacturing, commerce, and construction provide deep industry specialization, and mobile apps enable work to be done anywhere, anytime, and on any device. Flexible deployment options (public cloud, private cloud, on-premises) and consumption-based licensing help enable rapid ROI.

Acumatica has over 6,500 customers worldwide, and the company sells localized versions of its product in 23 countries. Acumatica's industry focus includes service, retail, ecommerce, wholesale, distribution, software and technology,

agriculture and farming, chemicals, government, healthcare, education, nonprofits, property management, energy and utilities, food and beverage, travel and hospitality, telecom, transportation, equipment rental, and staffing agencies.

Challenges

Acumatica's strong platform, ERP system, industry focus, and innovation focus are appealing to SMBs. However, many organizations are not yet ready to change from the spreadsheets, data extracts, and personal modeling currently done by employees and, in many cases, the CFO. Yet success in the digital world and during the pandemic depends upon using advanced and innovative technology to its fullest advantage to ensure the viability of a company as it stops, restarts, and ultimately grows. Moving to a cloud ERP platform can help an organization find new methodologies of working that enable more innovation and intelligent workflows. Business processes, data, and intelligence can quickly change how a business utilizes its technology, enabling a stronger, more informed business.

The current pandemic also brings challenges as businesses shore up spending by looking for more innovative and less costly ways to manage and run their operations. Organizations may decide to stick with their spreadsheets and data extracts during this time. However, those that do may be missing out on insights, new working methodologies, and digitizing the work that can help them weather these current conditions and set up for future success.

Conclusion

The digital world is here to stay. The pandemic has illuminated the benefits of a mobile workforce able to work from anywhere. Organizations recognize they need to be more virtual, mobile, and agile. This new world starts with cloud and a cloud ERP system that manages the business for the short term and the long term. Added to this new world is an evidence-based culture where information from the ERP system and the surrounding data sets is fed into a platform that shapes decision making for the organization.

IDC believes the cloud ERP market will continue to be significantly important to organizations, during and after the pandemic, so that they remain relevant and can compete in the digital world. Acumatica's solution is addressing the business needs and challenges for SMBs with its cloud ERP platform. To the extent that the company manages the challenges described in this paper, it has a significant opportunity for continued success.

IDC believes the cloud ERP market will continue to be significantly important to organizations, during and after the pandemic, so that they remain relevant and can compete in the digital world.

About the Analyst

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The content in this paper was adapted from existing IDC research published on www.idc.com.

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