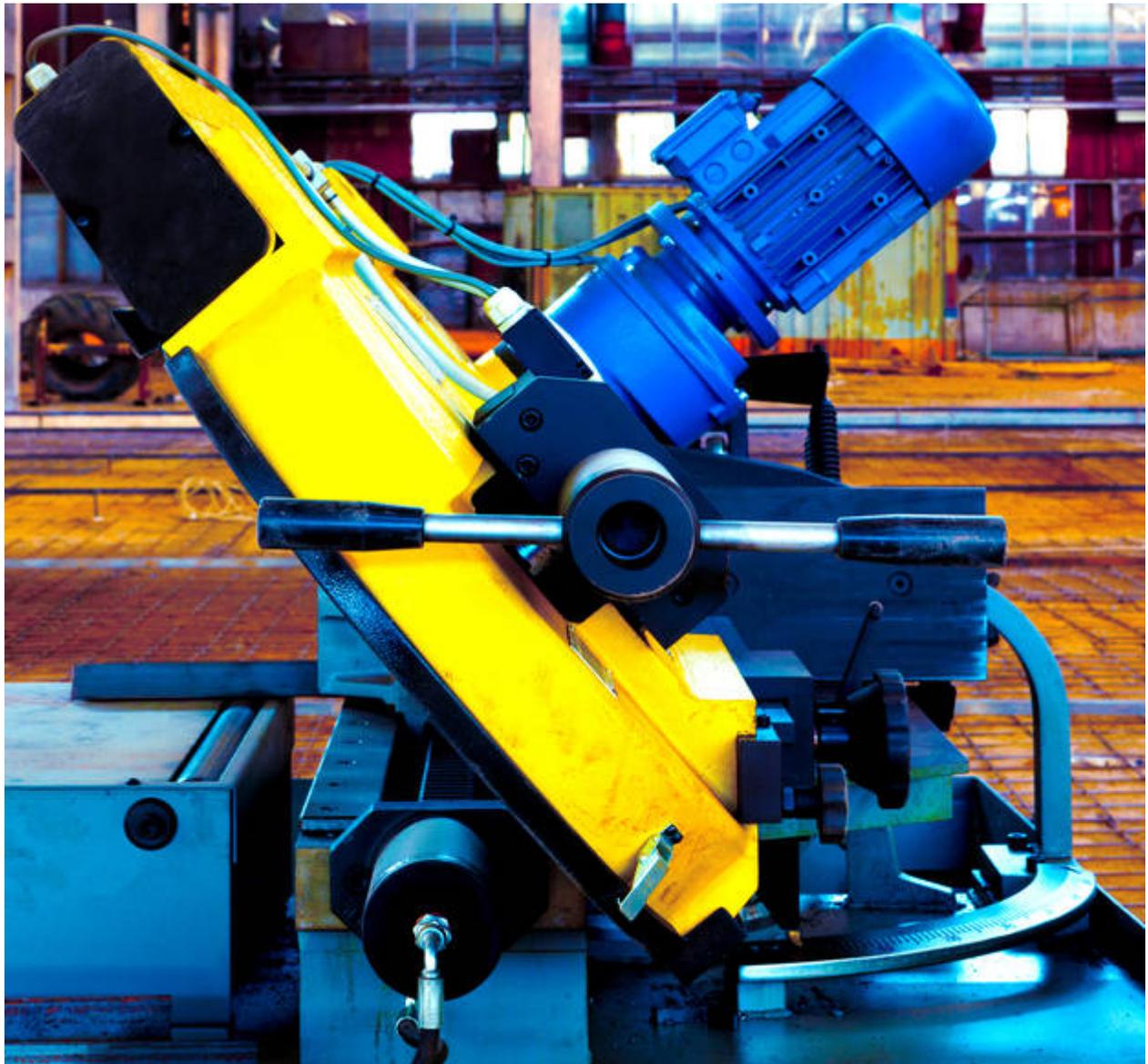


Executive Brief

How cloud solutions can help manufacturers achieve multi-dimensional growth



The call for change

There is no denying that manufacturing has seen numerous setbacks, from losing marketing share to global competition, to losing jobs to nations with low labor costs. On top of fierce competition and thin margins, Baby Boomers are retiring and leaving skill gaps that have manufacturers struggling to recruit and retain right-skilled workers. For the today's millennial workforce, manufacturing doesn't hold the allure, stability, or guaranteed high wages that previous generations took for granted. During the post war peak of booming growth, manufacturing accounted for 26% of US Gross Domestic Production (GDP). Today, it has eroded to 12%.

Despite the hometown hardships caused by mass plant closings and worker lay-offs, Americans have not given up on the role manufacturing plays in the economy, according to [research conducted by Deloitte and the Manufacturing Institute](#). Survey results show 86% agree that manufacturing is directly linked to the standard of living, and 77% believe it is very important to national security. Manufacturing is still seen as an important source of jobs, as well. When asked how they would prefer to create 1,000 new jobs in their communities, those responding indicated they wanted those jobs to be in the manufacturing sector—more so than any other.

Manufacturers need new ways to transform, redefine, and restructure their business model to achieve growth. Increasingly, they're discovering that cloud solutions can provide just the kick-start to dynamic, multi-dimensional growth they need.

Cloud deployment holds answers

Cloud solutions have monthly subscription rates and can be covered as an operating expense, rather than a hefty one-time capital investment; so, even companies with limited capital reserves can take advantage of new best practices and modern, flexible architecture. Cloud deployment of game-changing software solutions can help manufacturers adopt the customer-centric approach that today's market conditions demand.

Let's look at five ways cloud deployment lays the groundwork for manufacturing growth.

1. Set up new locations more quickly

The global economy is evolving at a remarkable rate. The market conditions that once made outsourcing and off-shoring such an attractive option for manufacturers seem to change daily—or with each breaking news bulletin. Over the five years from 2006 to 2010, average real wages in China and India increased 75% percent and 175% percent, respectively, according to [Deloitte Review](#). In January, 2014, Bloomberg News reported minimum-wage workers in Shenzhen in Guangdong province received a 13% boost in salary, while the gain for those in Yangzhou, Jiangsu province, was 15.6%.

Changing labor costs like these, coupled with grass roots public demands for manufacturers to boycott countries with unsafe employee working conditions, make it possible—and cost effective—for companies to re-consider the location of their contractors, fabricators, and suppliers. The high cost of transportation and the consumer demand for accelerated delivery and service also help make the case for moving plants and distribution hubs nearer to headquarters, product engineers, and consumers.

To see significant gains from relocating, though, manufacturers need to expedite the process. Cloud deployment lets them set up new branches, divisions, and distribution centers without the time and expense of researching, investing, implementing, and supporting an extensive infrastructure of hardware, customized software and servers. Cloud deployment enables the new location to be operational in weeks, not months.

2. Speed ROI on mergers and acquisitions

Many companies in mature markets like the US and Europe, frustrated with the slow rate of organic growth, are turning to M&A as a way to catapult to a higher plateau or better align with changing customer demands. "In a recent survey, nearly 45 percent of manufacturing participants said their company is highly likely to, or definitely will, contemplate M&A opportunities in the next 12 to 18 months," [a recent Deloitte report said](#).

In order to minimize disruption to the core business and maintain visibility across multiple operations after the merger, manufacturers need to deploy one integrated end-to-end system as quickly as possible. The lengthy implementation timetables typically involved in on-premise deployment would mean delays in realizing the ROI benefits of the merger or acquisition. Cloud deployment speeds this process, completing the full benefits of the M&A effort.

3. Adopt a customer-centric approach

The need for a customer-centric business model has permeated nearly every segment of manufacturing, from consumer packaged goods to metal fabrication. Today's customers, whether they're B2B or B2B2C, have extremely high expectations, little brand loyalty, and they voice any disappointment loudly through social channels. [IDC summed it up by saying:](#)

"Future manufacturers will have to meet customer expectations for speed, flexibility, and capability. They will need to be faster in understanding emerging demand trends, introducing new products to the market and meeting very specific customer fulfillment needs, in multiple global markets, each having different expectations for product features, quality, and costs. In the future, fulfilling customers' needs through a "make-to-individual" approach—fulfilling clients with a single, specifically tailored, customized product, made on demand—will be the norm." ¹

In order to meet these expectations, manufacturers need advanced ERP solutions deployed in the cloud. These solutions can help streamline the complexity, making even highly configured, mission-critical products more profitable to produce. With cloud deployment, manufacturers can spend time on the product innovation and customer relationships, and less time on managing the implementation and IT infrastructure.

4. Gain end-to-end value chain visibility

As manufacturers learn to adapt to a global economy, they will also need to better monitor a global network of suppliers, contractors, and partners. A complete real-time view of the end-to-end value chain will be essential to creating a collaborative and customer-centric approach.

"Having a full picture of supply, demand, and capacity across all levels of their supply chain will enable future manufacturers to get trading partners working together more effectively, stimulate collaboration, maximize responsiveness, and improve performance," [says the IDC report.](#)

Full end-to-end supply chain visibility is an ambitious goal that most manufacturers can't currently meet. According to that IDC report, almost half of surveyed manufacturers say their current supply chain visibility ends at their immediate suppliers.

Cloud deployment of ERP solutions can help improve real time connectivity with a vast network of partners and stakeholders, including customers by providing unlimited bandwidth and flexible storage capabilities. It supports a multi-prong approach to communication, data storage, and data sharing between enterprises that make data available anywhere, at any time.

5. End the modification merry-go-round

The time consuming and costly need to update software completely goes away with cloud deployment, letting the solution provider and hosting company bear that burden. They also focus on security and uptime, ensuring that backups are readily accessible and security threats are continually monitored and addressed.

How does delegating this important role to a third party help a manufacturer achieve greater growth? The answer is twofold: Without this continual upgrade distraction, manufacturers will have the resources to focus on other issues, and they will have the most up-to-date tools to help them out-perform the competition. These two benefits alone can give manufacturers a valuable competitive edge as they move forward in the new era of re-defined manufacturing.

¹IDC Manufacturing Insights, "Future of Manufacturing" by Lorenzo Veronesi, 2014

What's ahead for cloud-savvy manufacturers?

As manufacturers brace for the next chapter in the saga of evolving industrialization, it is clear that many changes lie ahead and technology will be an integral factor in the change, the outcome, and the coping mechanisms. Cloud deployment, because of its flexibility, agility, and subscription pricing, offers definite advantages to growth-hungry companies ready to move to the next level of customer satisfaction, product innovation, and global competitiveness.

IDC echoes this sentiment, predicting wide scale adoption among manufacturers, who are being pressured to turn to the cloud or fall far behind upstart competitors. "Cloud technologies have become the standard for infrastructure. By 2016, more than 60% of enterprise grade storage capacity will be provisioned in cloud," writes Lorenzo Veronesi [in the IDC paper he authored](#). "By the same year, global cloud spending will reach \$179 billion. These technologies will prove essential for manufacturers to speed IT implementations and reduce costs, as well as achieving process standardization and integration along the supply chain. The lower total cost of ownership of cloud solutions will help manufacturers upgrade and replace outdated systems with greater ease, allowing even small to midsize organizations to deploy world-class business applications to stay competitive with larger organizations."



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