

Understanding The Tiers of ERP Systems



Digital Transformation Center

Understanding the Different Tiers of ERP Systems

Have you ever wondered what an ERP system does? An ERP system is a program used to manage day-to-day operations, such as accounting, procurement, project management, risk management and compliance, and supply chain operations. These systems are designed to help organizations improve their performance by providing a single source of truth to prevent data duplication and guarantee data integrity. In this blog post, we'll take a look at the different tiers of ERP systems.

Enterprise performance management software is proving essential in today's corporate environments, providing users with the tools and processes to plan, budget, predict, and report on organizational financial results. ERP suites enable businesses to keep track of all their data in one place with one single source of truth. With common databases interconnected by a consistent schema, variable user experiences across the company are prevented. These solutions permit agile team collaboration across departments such as finance, engineering, human resources, marketing and operations due to the interconnectivity and optimal data flows that the ERP suite integrates into the business infrastructure. In this way, organizational decisions are made more quickly while maintaining accuracy.

Numerous criteria are considered when choosing a system including cost, typical customer size, number of users supported, functionality and supplier size. Generally speaking, ERP solutions exist in three tiers - depending on the complexity.

Tier 1 and 2 solutions are typically selected by smaller or mid-size companies. On the other end of the spectrum are tier 3 solutions which are usually selected by large enterprises with multiple locations and hundreds or even thousands of users accessing their data simultaneously.

Understanding the Different Tiers of ERP Systems

ERP Tier 1

Tier 1 Enterprise Resource Planning (ERP) systems are deemed as the top-tier solution for businesses that have annual revenues exceeding \$750 million. This category of systems is typically been dominated by two heavyweights: SAP S4 Hana and Oracle.

In recent years, however, worthy competitors such as Microsoft Dynamics and Infor have managed to pull up their socks through innovative acquisitions, emerging as strong contenders in the fray for market control.



Understanding the Different Tiers of ERP Systems

ERP Tier 2

A Tier 2 ERP is an ideal solution for mid-sized and small businesses looking to upgrade their legacy systems. Thanks to its comparatively lower cost and implementation time, Tier 2 ERPs provide a good balance of features such as out-of-the-box accounting, sales, human resources and supply chain capabilities.

Additionally, these platforms often include tailor-made solutions that extend beyond the traditional business sectors, including options that cater to retail, manufacturing or other specialized industries. Well-known examples of Tier 2 ERPs include Microsoft Dynamics Business Central, SAP Business By Design and Sage X3.

ERP Tier 3

Tier 3 ERP systems are an ideal solution to meet the needs of smaller-than-medium enterprises, due to their cost-effectiveness and accessibility. These systems provide simple financial management solutions along with inventory management. As technology has advanced, many tier 3 solutions have become increasingly more sophisticated in comparison to tier 2 systems, offering features of similar complexity.

Popular examples of such solutions include QuickBooks, ZohoOne, Sage 50 and SAP Business One. Together they represent an increasingly viable option for companies seeking an ERP system that meets their budget and size requirements.



The Most Important Consideration in Selecting Your ERP

Understanding and outlining the needs of your business is vital when searching for an ideal Enterprise Resource Planning (ERP) solution. This process can help to clarify expectations, define business goals, and detail the functionality required. Small and medium sized enterprises (SMEs) should focus less on the ERP tier, and more on desirable elements such as the cost of ownership, security, data, and automation.

Implementing an ERP solution into a business has become increasingly popular in recent years, as more businesses look to drive operational efficiency and gain access to invaluable insights about their customer base. Making sure you have an understanding of what you need from an ERP system prior to purchase.