

Upgrade or Rip and Replace your ERP:
Business Considerations for
JD Edwards EnterpriseOne Customers



An Oracle White Paper
March 2012

PURPOSE STATEMENT

THIS DOCUMENT PROVIDES AN OVERVIEW OF CUSTOMER OPTIONS FOR GETTING TO THE MOST CURRENT RELEASE OF JD EDWARDS ENTERPRISEONE AND COMPARING THOSE OPTIONS AGAINST THIRD PARTY OPTIONS IN THE MARKETPLACE . IT IS INTENDED SOLELY TO HELP CUSTOMERS ASSESS THE BUSINESS BENEFITS OF UPGRADING AND TO PLAN YOUR IT PROJECTS.

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EXECUTIVE SUMMARY

The topic of upgrading an older JD Edwards ERP system often triggers discussions around the best method to deliver modern enterprise resource planning to the business: upgrade the existing implementation, implement a new version of JD Edwards application objects or look at another system altogether. This paper examines four commonly discussed options:

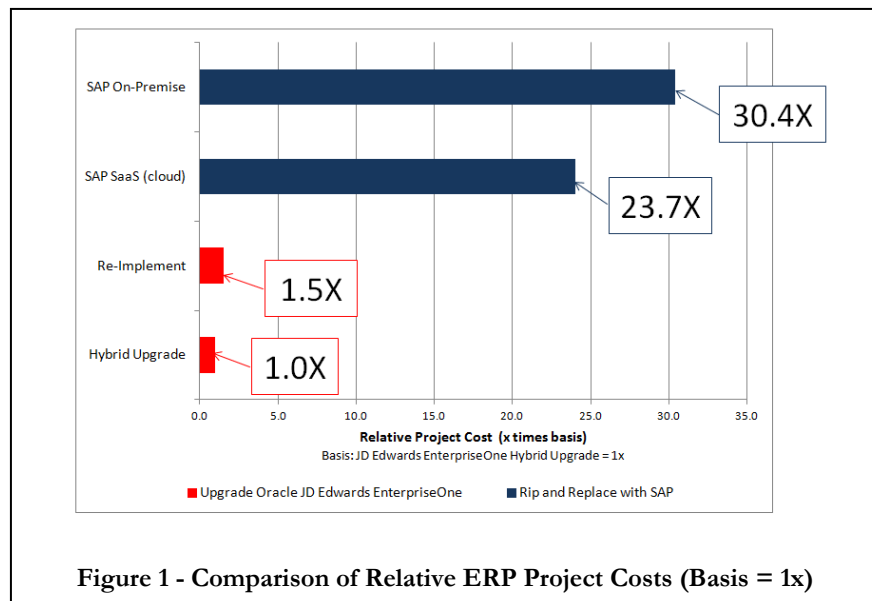
- 1) **Functional Upgrade** – Technical JD Edwards upgrade of existing business processes and modifications with limited redesign consideration
- 2) **Transformational Upgrade** – Business data upgrade with re-engineering of business process against new versions of JD Edwards application objects, abandoning legacy modifications
- 3) **Rip and Replace (On-Premise)** – Full rip and replace of JD Edwards with SAP on-premise implementation
- 4) **Rip and Replace (Cloud)** – Full rip and replace of JD Edwards with SAP cloud-based SaaS implementation

JD Edwards customers that choose the upgrade path should expect considerable savings compared to moving to SAP. Using industry standard figures for labor rates, license costs and implementation efforts, the costs of ripping and replacing an older version of JD Edwards, as noted below on Figure 1, is up to:

- 30 times more expensive than an upgrade of JD Edwards
- 20 times more expensive than a full re-implementation of JD Edwards

Moving to a new [ERP] supplier is often too costly.

- Simon Holloway
Bloor Research



INTRODUCTION

JD Edwards' customers on older versions of OneWorld or EnterpriseOne may be looking at moving their ERP system onto newer versions of the product in order to maintain Oracle Support for their systems and to take advantage of new functionalities or technologies to enhance their business productivity. One common question raised by customers on older versions is:

Should we upgrade our system or re-engineer business processes and implement new versions of JD Edwards applications objects or perhaps even look at making a change to another product?

This white paper uses a detailed project cost analysis based on a fictional company, Yoyodyne Propulsion Systems, which represents a composite of multiple real customer situations from the last two years. This analysis includes:

- Challenges associated with JD Edwards upgrades and re-engineering of business processes against new versions of JD Edwards application objects
- Benefits of each model
- Example costs of:
 - A JD Edwards upgrade
 - A re-engineering of business processes against new versions of JD Edwards application objects
 - Ripping and replacing JD Edwards with SAP on-premise
 - Ripping and replacing JD Edwards with SAP in the cloud (SaaS)

FRAMING THE JD EDWARDS UPGRADE

Customers who have modified their systems significantly are typically concerned about the cost and effort to migrate them forward to the current release of JD Edwards EnterpriseOne. These customers suspect that their significant modifications, regardless of number or scope, are not as important now as when they were first approved and implemented. They come to the upgrade vs. new JD Edwards applications objects implementation debate believing it might be faster, cheaper and easier to start from scratch with new business processes and implement JD Edwards applications objects again with the new release [but upgrading production data] instead of carrying their modifications forward via a traditional upgrade. This debate depends on:

- 1) The business problems that need to be solved via the upgrade or business process re-engineering, and,
- 2) The expectations from the business on what the project will look like.

CASE STUDY ANALYSIS FOR YOYODYNE PROPULSION SYSTEMS

Background

Yoyodyne Propulsion Systems (YPS) is a fictional composite company assembled from multiple real world JD Edwards customer examples:

- \$5 billion in annual revenue
- 3,000 employees
- 1,500 JD Edwards system users (500 maximum concurrent) at facilities in North America and Europe
- Single instance of JD Edwards EnterpriseOne Xe running financials, procurement, manufacturing and order management functional areas

Upgrade Challenges

- Initial analysis shows over 3,000 customizations to the release Xe system; costs to upgrade those could be prohibitive
- Some mistakes were made in the initial release Xe implementation and should be corrected if possible in the move to the current version
- Business is interested in the limiting the expense on moving to the new version and in limiting disruption to daily business operations

JD EDWARDS UPGRADE METHODOLOGIES AND THEIR BENEFITS

We upgraded from JD Edwards
EnterpriseOne release 8.11 to
release 9.0 for \$13,000.

- James Watson
CIO
Energy Alloys
Houston, Texas USA

Technical Upgrade

Performing a technical upgrade of a JD Edwards ERP system (where business processes do not change) generally requires less time and money to execute than a new ERP implementation due to the robust JD Edwards upgrade tools which automatically migrate all production business data and most types of system customizations to the new release.

Technical upgrades typically cause less business disruption than other options because:

- There are no changes to the way people do their daily jobs
- There are no production inefficiencies as new processes becoming routine
- There are reduced allocation of business resources [power users] required for new process:
 - Re-definition as part of a from-scratch re-implementation
 - Testing
 - Training
- Any accrued [business critical] system customizations from the first implementation are migrated forward and protected

Changing the Chart of Accounts?

Making changes to your chart of accounts is **not** a reason to re-implement. Unlike other ERP systems, including SAP, the architecture of JD Edwards EnterpriseOne utilizes unique internal key IDs, category codes and column pointers for all aspects of COA editing and management; your COA is easily changed to meet your business needs and never requires a re-implementation project.

Transformational Upgrade

- **Correcting Past Mistakes** – A transformational upgrade can be an opportunity to correct business process design mistakes or inefficiencies from the initial implementation or business process issues arising from changes in the base business model. If you find yourself saying,

If we only knew then what we know now about X, we could have done Y.

Then you likely have an issue that could be addressed by some measure of transformation in your upgrade.

- **Business Transformation** – A transformational upgrade offers an opportunity to audit and introduce improvements to the way your company executes and to map those improvements into a clean-slate of new JD Edwards application objects
- **Business Reorganization** – Mergers, acquisitions or consolidation of previously acquired businesses are strong drivers toward a transformational upgrade, especially if there is a business desire to standardize business processes across LOBs and that desired standard is not in place in the active ERP production system.

A Hybrid Model – The Functional Upgrade

Some companies prefer to use a hybrid model with a technical upgrade as the starting point and then employ transformational upgrade activities selectively to correct isolated business problems. This opportunistic hybrid model offers more business benefit than a standard technical upgrade while largely staying within the project confines of the faster and cheaper technical upgrade model, thereby still keeping costs and scope under tight control.

Such a Functional Upgrade project typical begins by:

- 1) **Audit** – Audit and re-justify existing modifications with the business to determine if they need to carry forward¹
- 2) **Pare Down to New Functionality** – Further pare this re-evaluated modifications list down by comparing it against new functionality [including modules] added to the latest JD Edwards release since the initial implementation
- 3) **Pare Down to other Oracle Applications** – Pare this list down further by comparing it against other Oracle applications integrated into new JD Edwards EnterpriseOne releases
- 4) **Mistakes and Inefficiencies Discovery** – Look for initial implementation mistakes or inefficiencies [“if we only knew then what we know now about X, we could have done Y”] to correct by transformational activities targeted to areas with specified issues
- 5) **Targeted Transformations** – Combining the pared down legacy modifications list with targeted transformation activities into a the scope of work for the functional upgrade

FUNCTIONAL VS TRANSFORMATIONAL UPGRADE CASE STUDY

For Yoyodyne, with its 3,000 plus modifications, a transformational upgrade with a from-scratch reimplementing of JD Edwards would seem a natural choice. But after Yoyodyne performs a detailed multi-level modifications analysis with a partner (see Figure 2) they find that many modifications are:

- Automatically carried forward by JD Edwards upgrade tools
- Not re-justified
- Not being used
- Potentially replaced by new JD Edwards functionality introduced since their release Xe implementation.

The results for Yoyodyne after this multi-level modifications analysis: 532 modified objects vs. their starting point of over 3,000. This put them in a much different position in the upgrade framework concerning their level of effort evaluation for moving their modifications. Couple this more manageable forward fit number with the Yoyodyne business asking their IT department for the cheaper and less disruptive solution and the decision trends toward a technical upgrade; however, one of the challenges identified involved exploring the opportunity to correct some process problems from their initial Xe implementation.

¹ It is normal that a detailed review, by an Oracle partner, of your current JD Edwards system will reveal that you have fewer customizations than you initially thought [often up to 75 to 80 percent fewer] and that those customizations you do have can be segmented into different levels of difficulty [i.e. easy – less than 1 hour effort, medium – less than 1 day effort, and hard – more than 1 days effort]. This defines a more accurate scope of work for an upgrade (see figure 1).

“Overall, the reported costs of transformational upgrades are much higher...Most sites with functional or technical upgrades report costs typically do not exceed \$500,000”

2012 Quest International User Group upgrade activity survey of 308 customers

Figure 2 – Customization Analysis for Example Case Study Company

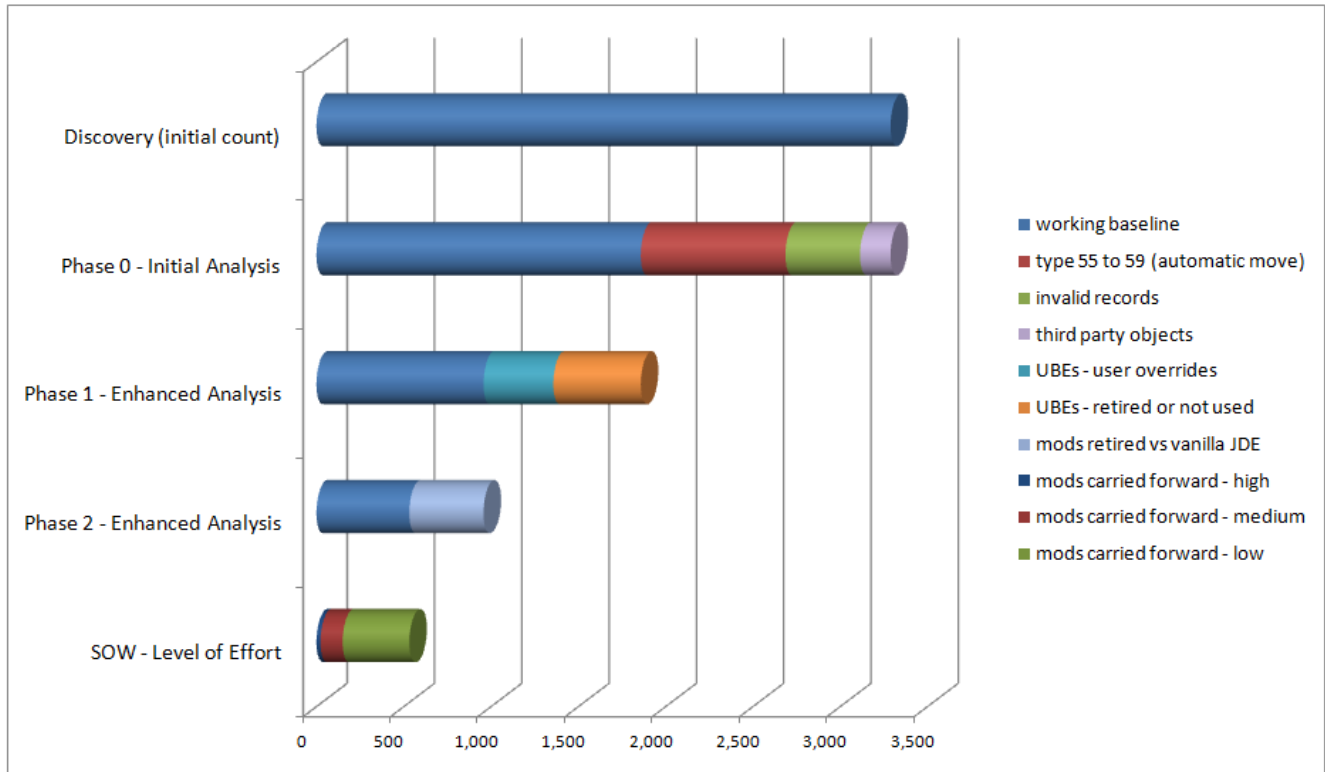


Figure 2(a) Sample output from a partner led customization discovery multi-level analysis for the case study company

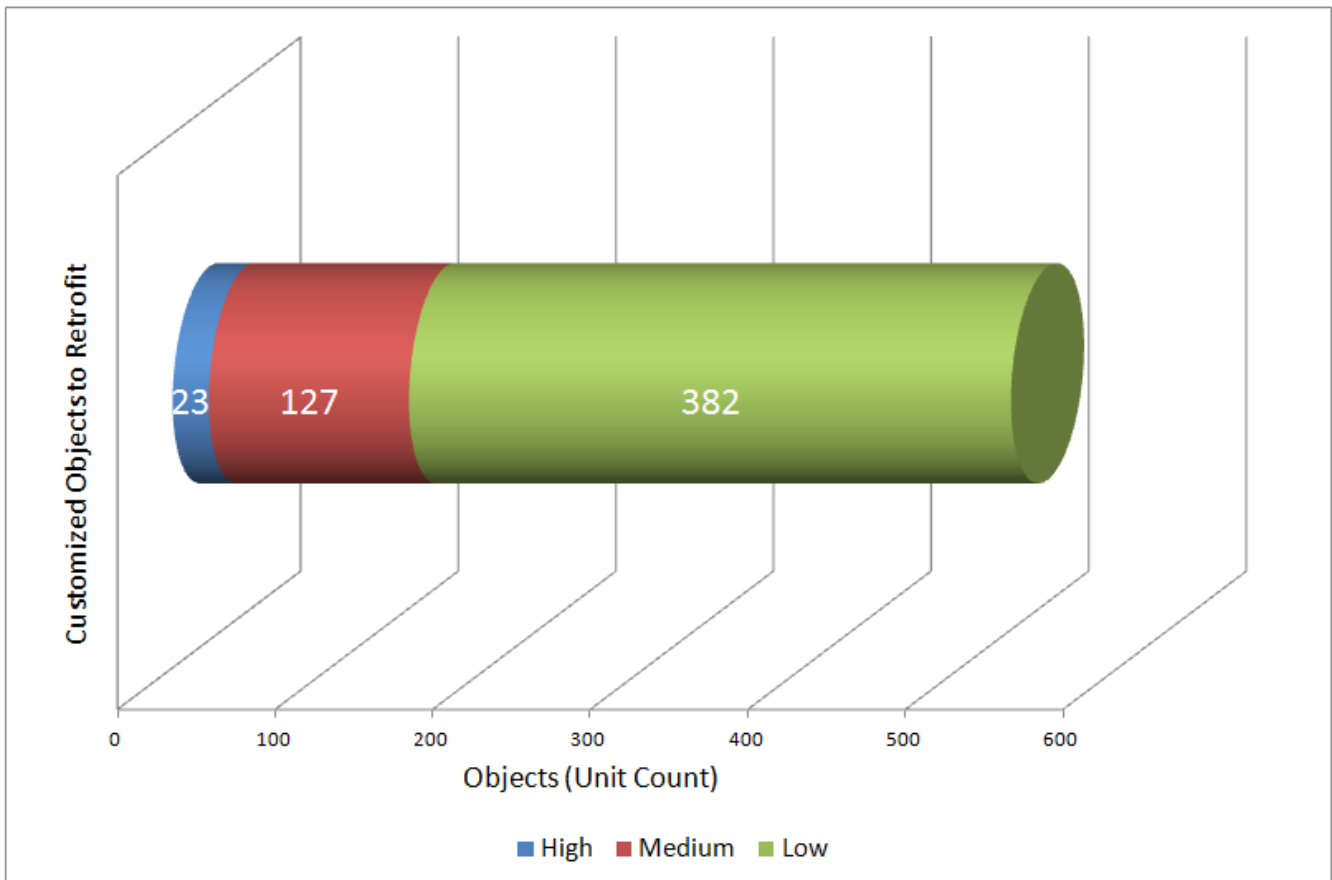
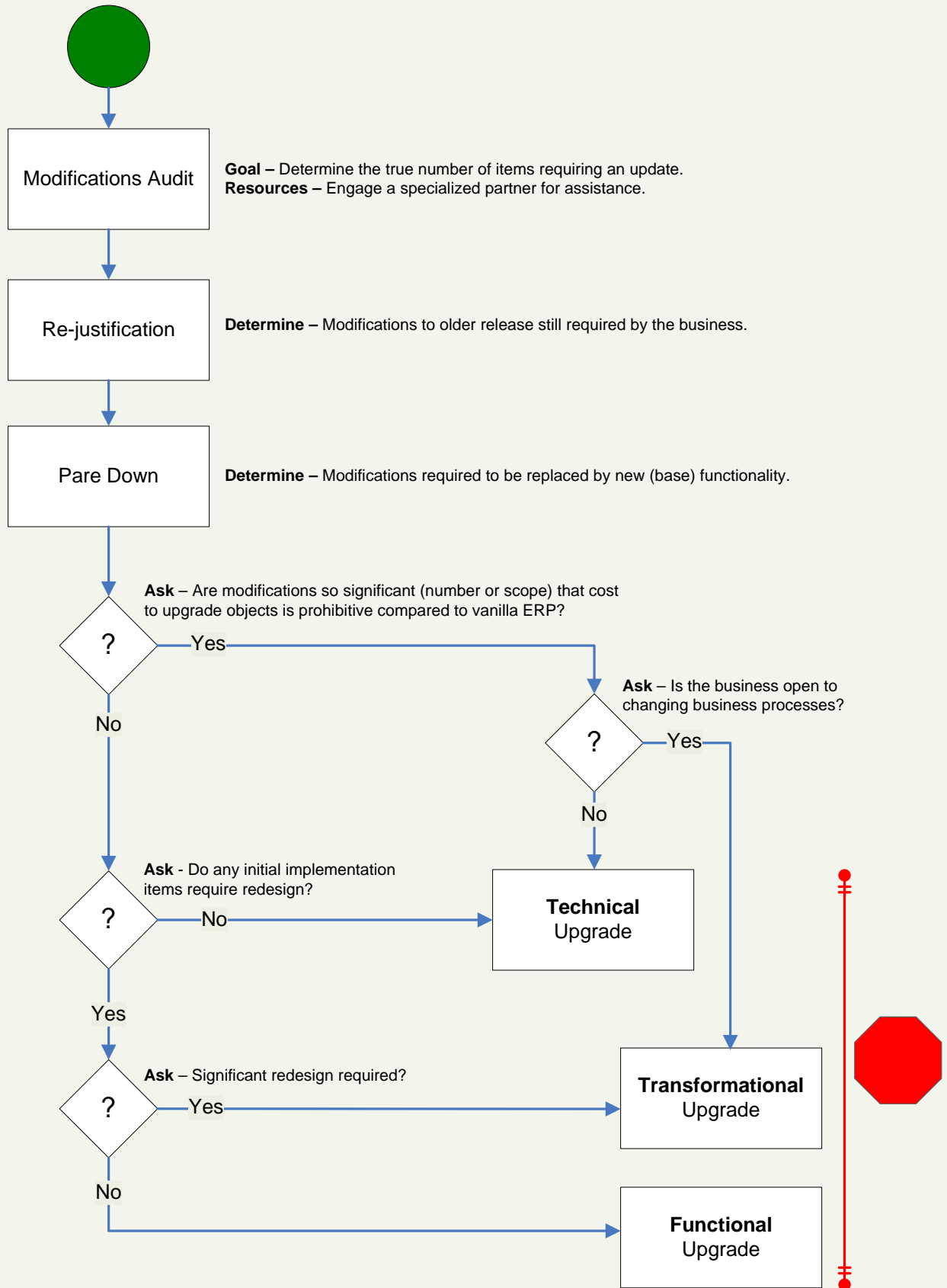


Figure 2(b) Detailed level of effort analysis from the case study company's statement of work (SOW)

Yoyodyne then worked through a technical or transformational upgrade decision process (see Figure 3) and when examined closely, the number of process problems was not significant enough to mandate the more costly transitional upgrade option. Yoyodyne selected the hybrid model functional upgrade to restrict cost and scope while still solving some high profile problems that a full transitional upgrade would have solved.

Figure 3 - ERP System Upgrade or Re-Implement Decision Process



The potential costs for both models are further explored using this case study.

For the following project studies the factors in Table 1 were utilized.

Table 1 – Analysis Factors				
Partner Labor Rates				
Rate	Name	Cost	Method	Skill Sets
1	Offshore	\$72 person/hour	80/20 offshore/onshore blended rate at \$40/hour offshore and \$200/hour onshore	Offshore - primarily developer resources for retrofitting, unit testing, test scripting, training scripting
2	Onshore	\$168 person/hour	20/80 offshore/onshore blended rate at \$40/hour offshore and \$200/hour onshore	Onshore – primarily project mgmt and business process resources

Labor Levels of Effort Classification			
Code	Category	Effort Each	Examples
L	Low	1 hour	<ul style="list-style-type: none"> ▪ Change field names ▪ Vocabulary overrides ▪ Simple report output changes
M	Medium	8 hours	<ul style="list-style-type: none"> ▪ Add data schema elements ▪ Event Rules logic
H	High	40 hours	<ul style="list-style-type: none"> ▪ Code rewrite ▪ Application flow changes ▪ Master BSFN changes

Project A – Functional Upgrade

Table 2 – JD Edwards Functional Upgrade Cost Analysis

Partner Costs [using labor rates 1 (offshore) and 2 (onshore)]			
Item	Activity	Description and Assumptions	Cost
A	Modification analysis	Partner led effort - multi-layer analysis of true level of effort for SOW detail	\$50,000
B	Modification retrofit	Partner led effort to forward fit and unit test 532 modifications based on level of effort. Five partner resources required (total of 2,318 man hours at \$72/hour). See Figure 2.	\$167,000
C	Limited Transformation	Partner led effort to redesign some business processes in order to correct inefficiencies (total of 10 man months – 1,678 hrs using \$168/hour onshore).	\$282,000
D	Testing – automated	Partner led implementation of Oracle Applications Testing Suite to integrate and automate testing	\$50,000
E	Training – automated	Partner led implementation of Oracle User Productivity Kit for automated end-user training	\$50,000
TOTAL			\$599,000

Where did these estimates come from? ►

JD Edwards' systems integrator partners were surveyed in February 2012 for their estimates for the Yoyodyne model company functional upgrade and the average was \$599,000. The transformational upgrade was \$910,000

Retrofit Level of Effort

Typical activity with average level of effort

Item	Description	Category (Table 1)	Count (each)	Effort Each (hours)	Effort Total (hours)
B.1	UI and report format changes	Low	382	1	382
B.2	Event rules and application flow changes	Medium	127	8	1,016
B.3	Intrusive logic and data changes	High	23	40	920
TOTAL			532	n/a	2,318

Level of effort categories and labor ►

As described in Table 1 and demonstrated in Figure 2, IT projects often categorize labor efforts into three groups for better estimations based on previous project experiences.

Cost Analysis

Based on per user cost

User Cost	Amalgamated cost per user for the Hybrid Upgrade	\$399
	Amortized cost per user (5 years)	\$80

Project B – Transformational Upgrade

Table 3 – JD Edwards Transformational Project Cost Analysis			
Partner Costs (using labor rate 2 - onshore)			
Item	Activity	Description and Assumptions	Cost
A	Business Process Discovery	Partner led effort to detail effort	\$50,000
B	Business Process Design	Partner led effort for “to be” effort with 4 partner resources	\$270,000
C	Implementation	Implement JD Edwards EnterpriseOne to the “to be” design. See detail below.	\$465,000
C	Testing – automated	Partner led implementation of Oracle Applications Testing Suite to integrate and automate testing	\$50,000
D	Training – automated	Partner led implementation of Oracle User Productivity Kit for automated end-user training (additional training required vs. Hybrid)	\$75,000
TOTAL			\$910,000

Implementation Level of Effort			
Typical activity with average level of effort			
Item	Description	Count	Effort (hours)
C.1	Financials	4 resources	640
C.2	Procurement	4 resources	640
C.3	Manufacturing	4 resources	640
C.4	Order Management	4 resources	640
C.5	Modifications for each functional area	4 areas	200
TOTAL			2,760

Cost Analysis		
Per user cost		
User Cost	Amalgamated cost per user for a JDE reimplementation	\$607
	Amortized cost per user (5 years)	\$121

A good question to ask at this point is:

How many customizations would it take for the cost of a technical upgrade project to outstrip the cost of a transformational upgrade?

Continuing with our example use case, Yoyodyne would need to retrofit over 2,300 real customizations for the project to be more expensive than a transformational upgrade compared to a from-scratch reimplementation of JD Edwards as the starting point.

CONSIDERATIONS FOR RIPPING AND REPLACING JD EDWARDS WITH SAP

Let's examine the issues and costs associated if Yoyodyne chose to replace its production JD Edwards EnterpriseOne with SAP either on-premise or in the cloud.

Because SAP migrations can increase per user IT costs while reducing worker productivity, they can take longer to realize a positive return on investment (ROI) than a JD Edwards EnterpriseOne upgrade.

The Hidden Dangers of Migrating to SAP

- David Andrews
Andrews Consulting Group

Which SAP?

SAP Business ByDesign runs just in the cloud. SAP's traditional applications run just on premise. JD Edwards runs on both.

Benefits

- Opportunity to start over from scratch. Granted customers could do this with a reimplementation of their existing ERP product but some might feel their existing product is lacking in some way for a truly clean start

Drawbacks

- The customer would be required to license a new ERP product (either on-premise or cloud-based) and this expense would need to be factored into any comparative cost or ROI calculation
- A complete retooling of IT's ERP skill set can be a profound disruption to business operations
- Changes to the way people do their daily jobs may create production inefficiencies until new processes become routine
- Business disruption from allocation of business resources [power users] required to help re-define new business process flows as part of a pre-implementation planning workshop and the new implementation itself
- Current testing infrastructure (scripts, use cases, etc) will need to be completely redone
- Current training infrastructure (lessons, documents, certifications, etc) will need to be completely redone
- Current production data may be left behind. A typical ERP replacement project will migrate master data only and will NOT include a full business production data conversion from your current ERP product format [schema] to the new ERP system. These projects normally convert limited [open] data by simply re-keying open order, transactions and balances into the new system as a fresh starting point at go live. IT may not think is an issue, but business owners think of their business data as a key asset and may not be open to such a limited data conversion.

Project C – Rip and Replace JD Edwards for SAP On-Premise Implementation

Table 4 – New SAP (On Premise) Implementation Project Cost Analysis

Partner Costs (using labor rate 2)			
Item	Activity	Description and Assumptions	Cost
A	Licenses	1,500 user license for financials, manufacturing, procurement and order management with a 75 percent discount	\$6,750,000
B	Business Process Discovery	Partner led effort to detail effort – 12 week effort and 5 partner resources	\$405,000
C	Implementation	Implement SAP to the “to be” design. See detail below.	\$10,800,000
D	Testing – automated	Partner led implementation of Oracle Applications Testing Suite to integrate and automate testing	\$50,000
E	Training – automated	Partner led implementation of Oracle User Productivity Kit for automated end-user training (additional training required vs upgrade)	\$200,000
TOTAL			\$18,205,000

Why are Oracle testing and training tools here? ►

Oracle's OATS testing tool and UPK training tool are used in this analysis to maintain consistency in the comparison of the ERP applications effort. These Oracle tools work with SAP and any other web based applications, though SAP likely has comparable ERP testing and training products

Implementation Level of Effort

Typical SAP on-premise implementation activity

Item	Description	Count	Effort (hours)
C.1	Financials – 25 weeks project	15 resources	15,320
C.2	Procurement – 25 weeks project	15 resources	15,320
C.3	Manufacturing – 25 weeks project	15 resources	15,320
C.4	Order Management – 25 weeks project	15 resources	15,320
C.5	Modifications for each functional area – 100 hours each	4 areas	3,200
TOTAL of 372 man months			64,480

How did we get this estimate? ►

Nucleus Research surveyed 21 SAP customers and found their average implementation effort was 372 man months.

Cost Analysis

Per user cost

User Cost	Amalgamated cost per user for SAP on-premise	\$12,137
	Amortized cost per user (5 years)	\$2,427

The cost to implement SAP is 30 times more expensive than the cost of the JD Edwards functional upgrade and 20 times more expensive than the transformational of JD Edwards. ROI might be difficult to find that could justify this project. Let us see if implanting this new system on a SaaS or Cloud model can help cut costs.

Project D – Rip and Replace JD Edwards for SAP Cloud Implementation (SaaS)

Table 5 – New SAP (SaaS) Implementation Project Cost Analysis			
Partner Costs (using labor rate 2)			
Item	Activity	Description and Assumptions	Cost
A	Licenses	1,500 user license for financials, manufacturing, procurement and order management – \$199/user (SAP SCM user profile from SAP.com) with a 5 year contract	\$14,925,000
B	Hardware and IT savings	Other models factored IT staff as equal and any required hardware updates as equal. Here we credit this back to offset the benefit of a cloud model (Staff and HW factored as 1% of \$5 billion in YPS revenue)	(\$5,000,000)
C	Business Process Discovery	Partner led effort to detail effort – 12 week effort and 5 partner resources	\$405,000
D	Implementation	Implement SAP to the “to be” design. Assumes 1/3 the effort to implement on-premise due to less modification in standard Cloud delivery models. See detail below.	\$3,600,000
E	Testing – automated	Partner led implementation of Oracle Applications Testing Suite to integrate and automate testing	\$50,000
F	Training – automated	Partner led implementation of Oracle User Productivity Kit for automated end-user training (additional training required vs upgrade)	\$200,000
TOTAL			\$14,180,000

Implementation Level of Effort			
SAP SaaS implementation activity at 1/3 complexity of on-premise			
Item	Description	Count	Effort (hours)
C.1	Financials – 8.5 weeks project	15 resources	5,200
C.2	Procurement – 8.5 weeks project	15 resources	5,200
C.3	Manufacturing – 8.5 weeks project	15 resources	5,200
C.4	Order Management – 8.5 weeks project	15 resources	5,200
C.5	Modifications for each functional area – 100 hours each	4 areas	400
TOTAL of 124 man months			21,328

Return on Investment Analysis		
Per user cost		
User Cost	Amalgamated cost per user for SAP via the cloud	\$9,453
	Amortized cost per user (5 years)	\$1,891

The cost to implement a SAP using a SaaS Cloud model is about 24 times more expensive than the cost of the JD Edwards functional upgrade and 15 times more expensive than the transformational upgrade with a from-scratch re-implementation of JD Edwards as the starting point. ROI would be difficult to find that could justify this project as well.

NEXT STEPS

JD Edwards customers interested in upgrading their systems are encouraged to investigate the tools, resources, methodologies and workshops on the JD Edwards Upgrade resource page at www.upgradejde.com

PROJECT METHODOLOGIES COMPARED

Results from the four scenarios for the case study are compared in Table 6.

CONCLUSIONS

Oracle provides powerful and comprehensive JD Edwards upgrade tools and methodologies that offer substantial cost savings and reduced business disruption associated with upgrading any JD Edwards ERP system. Companies using older versions of JD Edwards should always compare the potential for substantial cost savings of a technical, functional or transformational upgrade of their current systems to the typically greater cost and higher business disruption associated with changing ERP systems.

Table 6 – Comparison of Analysis Methods

Activities			Methodologies			
Item	Activity Name	Activity Description and Notes	JD Edwards Functional Upgrade	JD Edwards Transformational Upgrade	SAP Rip and Replace On-Premise	SAP Rip and Replace SaaS (cloud)
1	Software licenses	Licenses discounted from list price <ul style="list-style-type: none"> ▪ 75% discount for on-premise ▪ \$199 per user for SaaS with a 5 year contract 	N/A	N/A	\$6,750,00	\$14,925,000
2	Business process discovery	Partner led effort	N/A	\$50,000	N/A	N/A
3	Business process design	Partner led effort	N/A	\$270,000	\$405,000	\$405,000
4	Limited System re-implementation	Partner led effort	\$282,000	\$465,000	N/A	N/A
5	Full System implementation	Partner led effort	N/A	N/A	\$10,800,000	\$3,600,000
6	Modification analysis	Partner led, detailed multi-layer modification analysis to determine true upgrade level of effort for SOW	\$50,000	N/A	N/A	N/A
7	Forward fit modification	Consulting costs for forward fit effort including unit testing	\$167,000	N/A	N/A	N/A
8	Testing - Automated	Partner led implementation of Oracle Application Testing Suite to automate integrated testing (OATS)	\$50,000	\$50,000	\$50,000	\$50,000
9	Training – Automated	Partner led implementation of Oracle User Productivity Kit (UPK)	\$50,000	\$75,000	\$200,000	\$200,000
10	IT Savings from SaaS model	Non-cloud models factored IT staff and HW as equal. Staff and HW savings factored as 1 percent of \$5 billion in YPS revenue	N/A	N/A	N/A	(\$5,000,000)
TOTAL			\$599,000	\$910,000	\$18,205,000	\$14,180,000
Relative comparisons (Basis = 1x)	1x = JD Edwards EnterpriseOne Functional Upgrade		1.0x	1.5x	30.4x	23.7x
	1x = JD Edwards EnterpriseOne Transformational Upgrade		0.7x	1.0x	20.3x	15.6x
Cost per user	Total for 1,500 users (\$/user)		\$399	\$607	\$12,137	\$9,453
	Amortized annual per user cost over a 5 year period (\$/year/user)		\$80	\$121	\$2,427	\$1,891
	Rank (1 = least expensive, 4 = most expensive)		1	2	4	3



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Number: E1WP-1101 (A.9)

Original: March 2012

Revised: -

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