How Epicor ERP Transforms Manufacturing Businesses

Study reveals significant economic impact with a 264% ROI

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What's Inside

Measuring the Cross-Business Benefits of Epicor ERP 3

ERP—The Gift of Greater Visibility 4

Forrester Study Measures the Impact 5

Benefits of Epicor ERP 10—A Summary 6

Inventory and Supply Chain Management 8

Planning, Scheduling, and Production Management: 10

Customer Experience, Revenue Growth, and Front-Office . .12

Analytics, Financial Management, and Risk Management . . .14

Information Technology 16

Epicor ERP—The Smart Move for Manufacturing 17

Measuring the Cross-Business Benefits of Epicor ERP

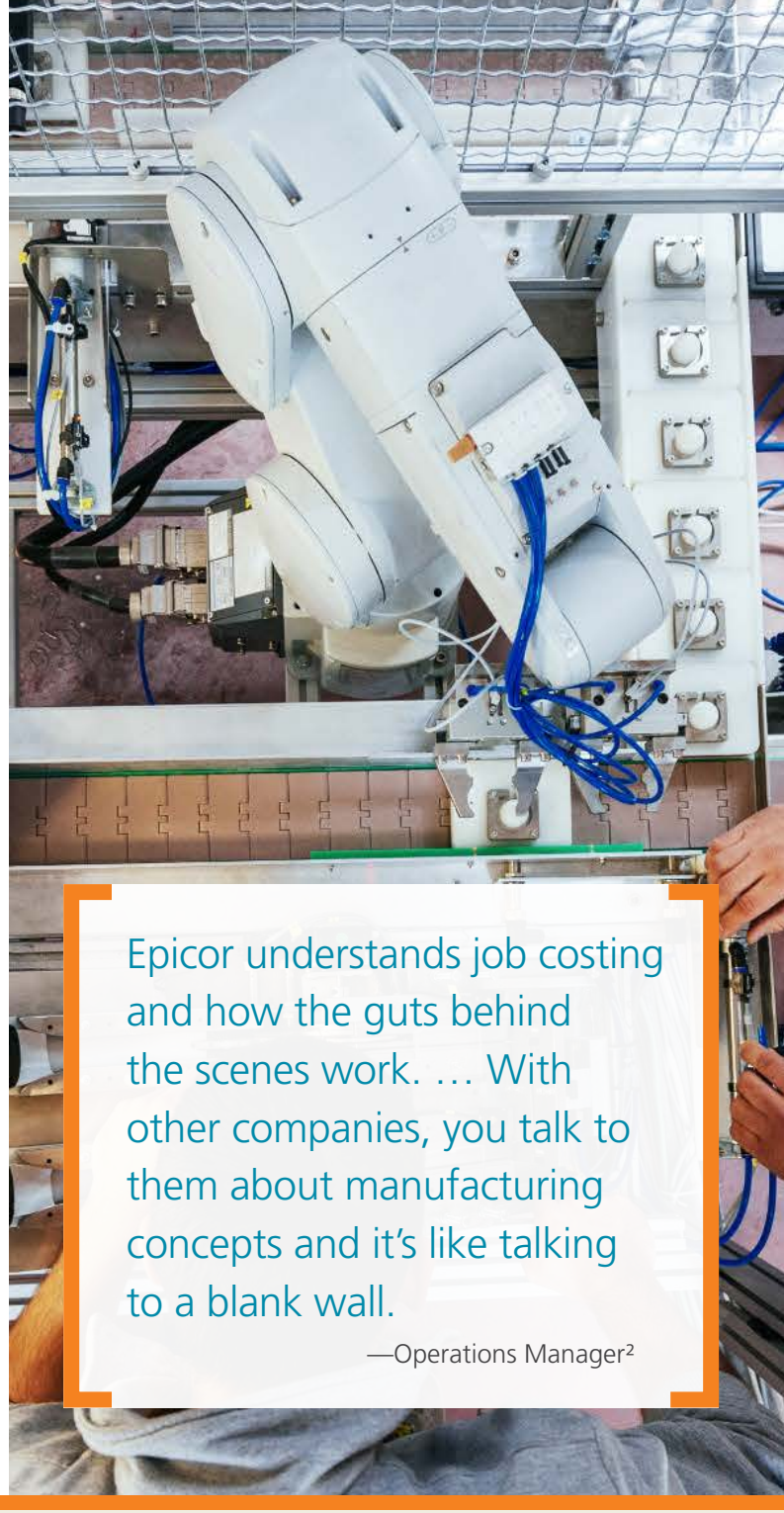
If you're a manufacturing business in the market for an enterprise resource planning (ERP) solution, this study is for you.

You'll either be investing in ERP for the first time—to replace software silos that are holding your business back—or you're looking to replace legacy ERP technology that isn't flexible, scalable, or advanced enough to support your digital transformation and growth plans.

With ERP software increasingly becoming the backbone of modern manufacturing operations, you need a solution fit for the factory of the future. ERP providers will claim a variety of benefits for their solutions, but can they back them up? To provide evidence for Epicor ERP, we commissioned a study by Forrester Consulting[1] to give you a framework for measuring the many benefits Epicor ERP can deliver.

This eBook presents the key results from the study. In it you will:

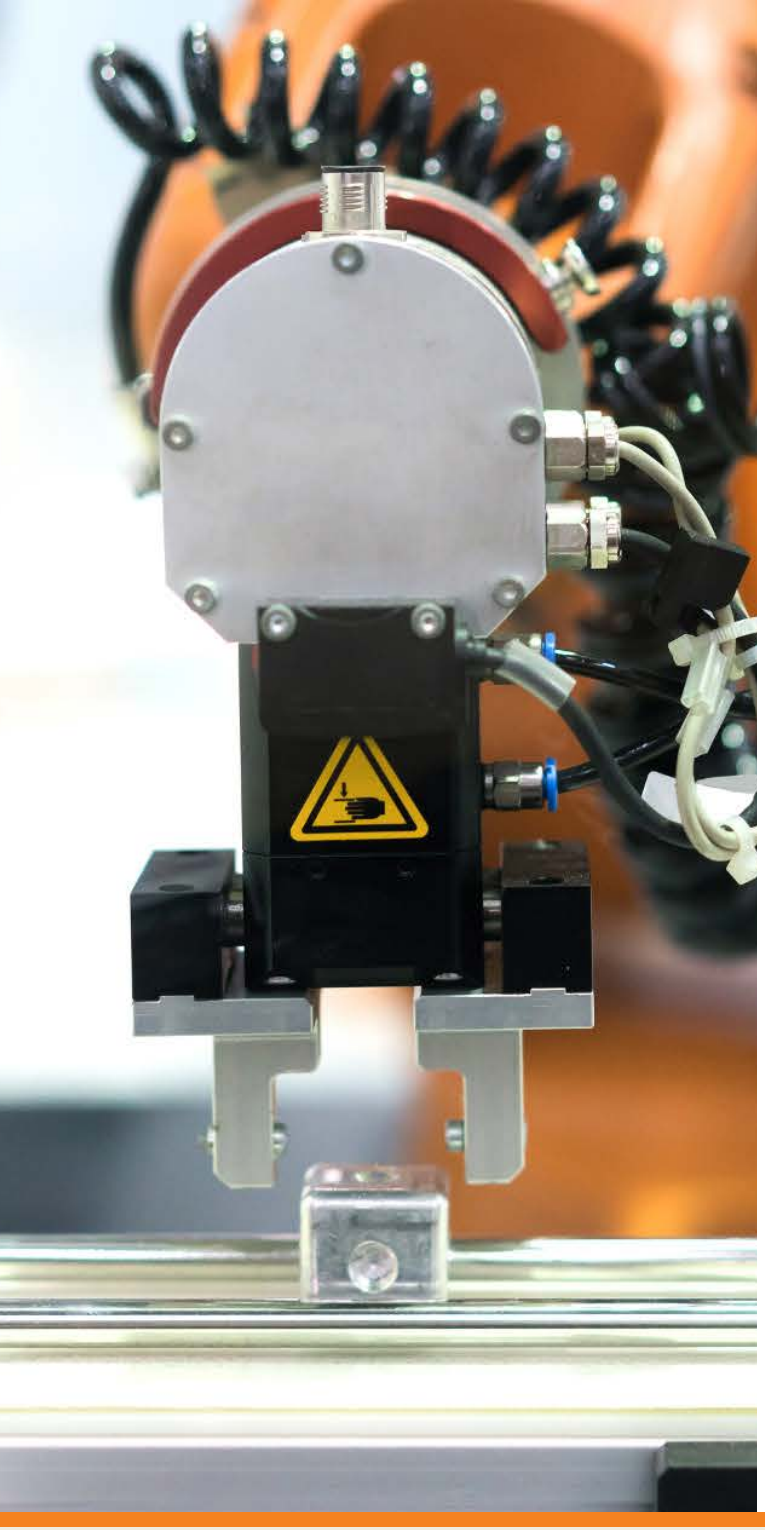
- Learn about Forrester Consulting's methodology for the study
- Delve into the capabilities of Epicor ERP that can give a typical manufacturing customer a return on investment (ROI) of 264% over three years
- Discover the important role of cross-enterprise visibility and insight in realizing this ROI



> Epicor understands job costing and how the guts behind the scenes work. … With other companies, you talk to them about manufacturing concepts and it's like talking to a blank wall.
>
> —Operations Manager[2]

[1] "The Total Economic Impact™ of Epicor ERP," a Forrester Consulting study commissioned by Epicor, August 2017

[2] All quotes in this eBook are taken from the Forrester study referred to in footnote 1 above.



ERP—The Gift of Greater Visibility

In a sector shaped by Industry 4.0 technologies, manufacturers are busy transforming their businesses into the factories of the future.

Why ERP?

Probably the most frequently cited reason for investing in ERP is transformation of operational efficiency. When you manage diverse processes in one place—the core function of ERP—it is simply much quicker and easier to do business, and your factory becomes much more productive and responsive with less effort.

If we delve more deeply—asking how it is that a good ERP solution transforms efficiency—we quickly realize that it's not just about saving time by joining up processes or automating what used to be manual.

It's just as much about giving people greater visibility—through access to information that previously wasn't readily available, including insight into what is happening downstream and upstream from their own jobs.

It's this enhanced visibility that helps businesses:

- Do things they couldn't do before, such as identify and fix problematic processes or push information to customers as soon as it's needed
- Collaborate more effectively, for example by enabling someone to cover for a colleague at a different facility
- Make more informed decisions more quickly, such as making the case for investment in new technologies based on concrete, accurate data about process costs

Fundamentally, greater visibility adds to overall business efficiency, agility, intelligence, and customer responsiveness, enabling even greater competitiveness and growth.

Forrester Study Measures ERP Impact

When you're exploring ERP solutions, you'll want to know more than "this will help us drive business transformation and growth." You'll want concrete information about the improvements you can expect and what they will mean for your manufacturing business.

To this end, the Forrester Consulting study, **Total Economic Impact™ of Epicor ERP** provides a framework to evaluate the potential impact of the Epicor ERP solution on your bottom line.

Methodology in brief[3]

Forrester designed a composite organization based on the characteristics of four manufacturing firms interviewed for the study, each with years of experience using Epicor ERP. It then used its TEI methodology[3] to construct a risk-adjusted financial model representative of the interviews, in order to determine the impact of Epicor ERP in financial terms.

The composite manufacturer

The composite organization has these key characteristics:

- Industrial goods manufacturer
- ~$350 million annual revenue
- Headquartered in U.S., serving customers globally
- 1,000 employees (500 on the production floor)
- Six manufacturing facilities
- One distribution center

> The game changer was the dashboards, real-time data, reporting, and customizability.
>
> —Interviewed Manager

[3] For a more complete description of the Total Economic Impact™ framework and methodology, please refer to the full study at www.epicor.com/teistudy/

Benefits of Epicor ERP 10—A Summary

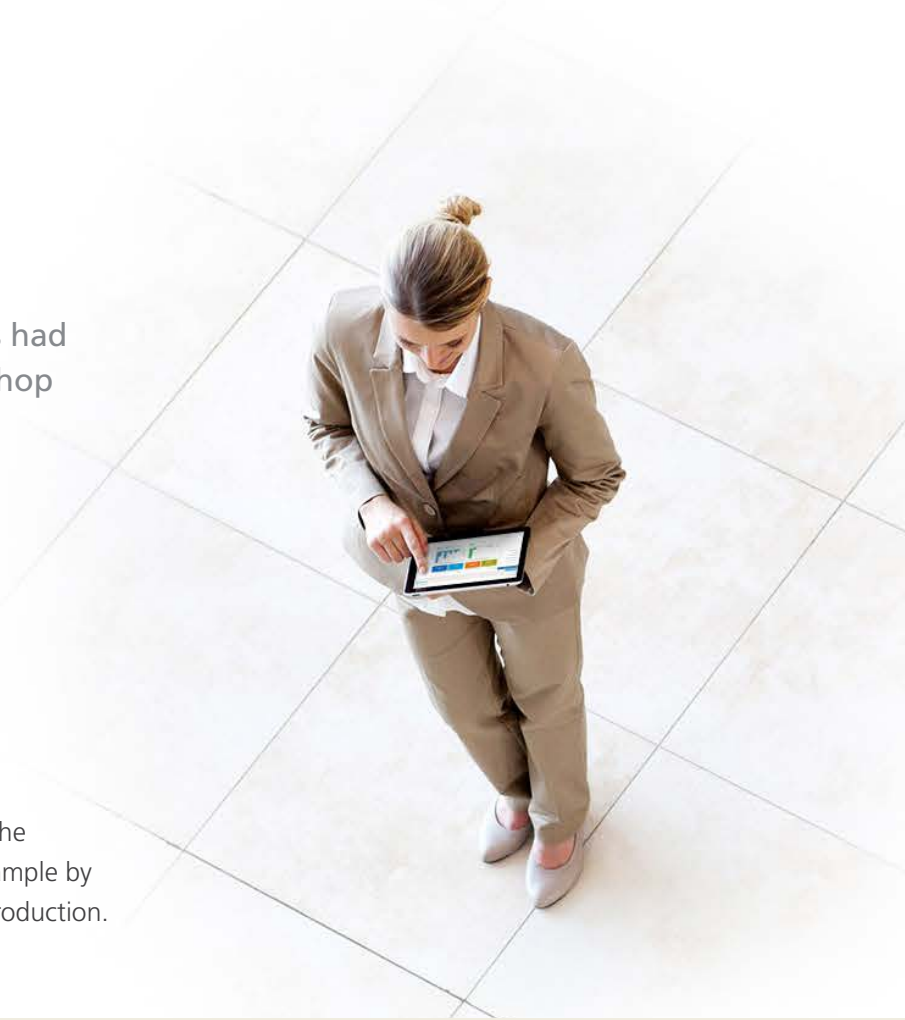
Before the composite manufacturer deployed Epicor ERP, some of its facilities had legacy ERP systems, while others had different siloed software suites on the shop floor and for financial functions.

Deployment of Epicor ERP 10

In a six-month timeframe, the manufacturer implemented a variety of Epicor ERP 10 modules in an external hosted environment:

- Customer relationship management (CRM)
- Sales management
- Financial management
- Production management
- Enterprise performance management
- Governance, risk, and compliance
- Planning and scheduling
- Project management
- Supply chain management
- Product data management
- Global business management

The manufacturer also took advantage of the Epicor service-oriented architecture, for example by integrating a separate system for RFID in production.



Unquantified benefits

Beyond the results quantified within the Total Economic Impact™ (TEI) model, the interviewees talked about other benefits of choosing Epicor ERP, including:

- Increased versatility with deployment options such as the Epicor cloud offering
- Flexibility to customize the software
- Access to deep expertise in manufacturing best practices
- Faster time to market for new products or geographical expansion
- Additional efficiencies and savings with implementation of additional Epicor ERP capabilities such as social, mobile, and business intelligence

> I like the way that Epicor ERP sets us up with the capabilities for our next acquisition. We like the fact that we can use the same module in a different fashion. And with the cloud-based Epicor ERP technology, we are ready for growth.
>
> —Operations Manager, Industrial Parts Manufacturing

Quantified benefits

All of the quantified benefits in the study are given as the total after three years of using Epicor ERP.

Wherever given as PV (present value), it means that the benefit has firstly been adjusted for specific risk factors, and then discounted to more accurately reflect the present value of the three-year benefit.[4]

The total PV benefit comprised:

$10.2 million

in savings, efficiencies, and productivity improvements across the business, from shop floor to top floor, from back office to front office

$2.7 million

incremental profit from increased revenue

In exploring these results more closely, we'll discover how Epicor ERP supports manufacturing growth—and how important greater visibility is to realizing this goal.

Within this framework, the composite manufacturer achieved:

Total PV benefit[5] (gross)

$12.9 million

Net PV benefit:

$9.3 million

(after subtracting total Epicor ERP costs)

ROI: 264%

Payback: 13 months

[4] For the calculations behind all of the results presented in this eBook, including the PV discount rate, please see the full study at www.epicor.com/teistudy/

[5] PV is present value. It means the value has been adjusted for specific risk factors and further discounted to more accurately reflect the present value of the three-year benefit.

Inventory and Supply Chain Management

Take control from the start

$4.4 million

inventory benefit (PV)[6]

$65,000+

supply chain management benefit (PV)

For our composite manufacturer, the most significant overall financial benefit of deploying Epicor ERP is in inventory and supply chain management, where the critical role of visibility in building the factory of the future is clear to see.

If a manufacturer lacks the visibility to accurately forecast demand or track incoming orders, procurement will always be under pressure and just-in-time manufacturing is all but impossible. If it takes laborious manual counts just to know what's on the shelves, discrepancies will inevitably build between inventory and customer demand.

Such gaps in visibility typically result in:

- Planning, scheduling, and production issues (addressed in the next section)
- Slow or inaccurate response to customer inquiries (addressed on page 12)
- Mounting inventory costs, either from holding parts unnecessarily—excess inventory—or from overproducing and carrying excess product

No wonder manufacturers turn to an ERP solution. With the cross-enterprise visibility delivered by Epicor ERP, our composite manufacturer can now forecast demand and plan appropriately, and has minimized the manual effort involved in inventory counting, order tracking, and buying.

[6] 'PV' is present value. See footnote 5.

> Visibility of real-time data was a huge issue for us, and to get there, we had to [implement] Epicor ERP. … Each facility makes products for each other, and we transfer finished goods and materials between facilities all the time.
>
> —IT Manager, Automotive Manufacturing

Multisite operations? No problem.

For one Epicor ERP customer, the move to real-time inventory management also increased savings by allowing bulk buys of materials across multiple facilities. Increased visibility allowed for easy coordination between facilities, ensuring that no facility would run short.

What could your manufacturing business do with Epicor ERP?

Specific results included:

10%

improvement in material efficiency and inventory accuracy

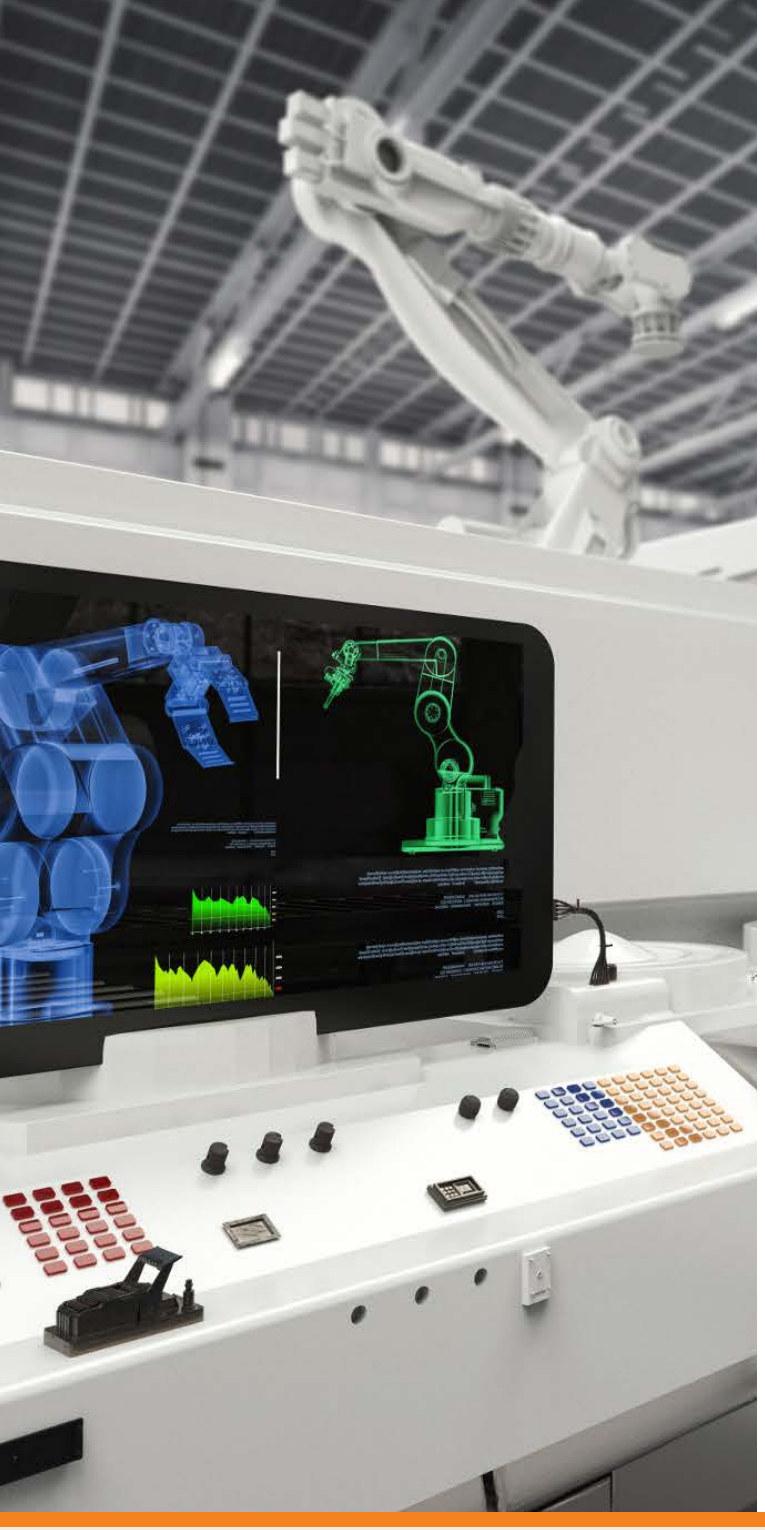
67%

reduction in inventory counting efforts

Saving 16 hours each for 70 people annually—a total of 46+ days saved annually

5%

improvement in buyer productivity



Planning, Scheduling, and Production Management

Transform the heart of your operations

$1 million

planning and scheduling benefit (PV)

$1.7 million

production management benefit (PV)

Even if you hold excess inventory (see previous section), your ability to grow will still be limited if your planners, schedulers, and production staff don't have full visibility of demand and production data.

It's common for manufacturers to come to Epicor because they're tired of struggling with delayed jobs, inefficient line loading, and production errors—which in turn lead to overtime, rework, expedited shipping costs, pressure on customer service, and missed sales opportunities.

With Epicor ERP—by contrast—our composite manufacturer has the visibility to forecast, plan, and schedule more effectively, monitor its operations more easily, and use its production lines and labor more efficiently. By doing so it has achieved faster turnaround times, greater production accuracy, and greater productivity for its planners, schedulers, customer service staff, and production line operators.

What keeps you up at night?

Before using Epicor, one interviewed manufacturer had two issues a week that required expedited shipping, at $10—20K per incident. These incidents are now significantly more rare.

What substantial costs could your factory slash with Epicor ERP?

Specific results included:

$500,000+

saved annually by avoiding expedited shipping

10%

greater staff efficiency in planning, scheduling, and customer service

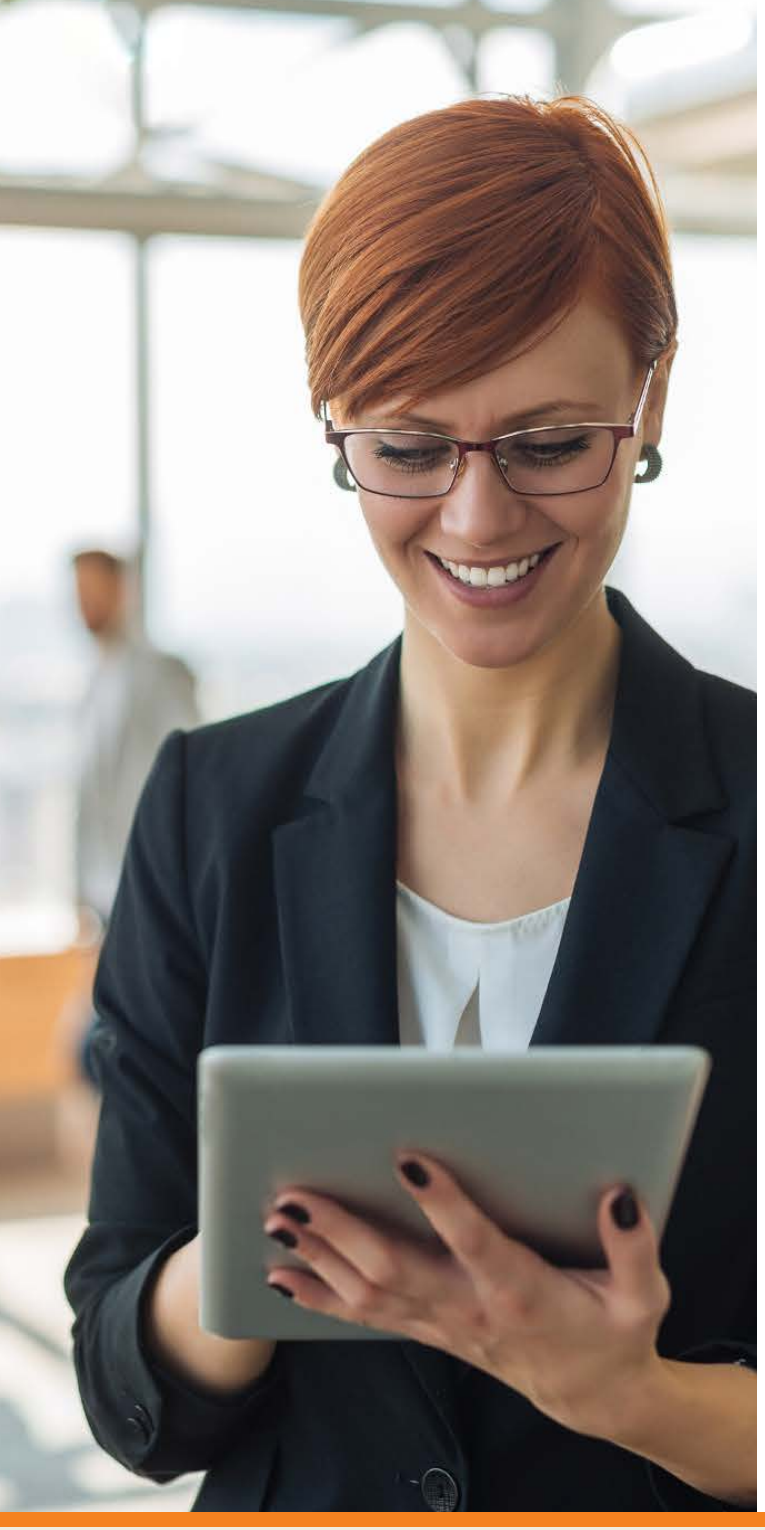
$250,000

saved annually in rework reduction

$600,000+

saved annually in overtime reduction

> [Epicor ERP] made it a lot better and a lot faster to get our product out the door. One person in another facility could cover for a person in a different facility if needed, because we were all sharing information. Flexibility on the shop floor has improved.
>
> —Interviewed Manager



Customer Experience, Revenue Growth, and Front Office

Boost your top line

$2.7 million

incremental profit (PV)

$400,000+

front office labor savings (PV)

With improved visibility across the enterprise—and the resulting operational efficiencies—one of the most important outcomes for our composite manufacturer has been growth in revenue as a result of better customer relationship management.

For different manufacturers this may play out in different ways, but usually involves:

- Providing more accurate and competitive quotes thanks to better cost visibility
- Offering faster, more reliable turnaround on customer orders through streamlined planning and production
- Accessing the latest information to address customer questions instantly and communicate proactively

> Epicor ERP allows us to address issues while they are happening. We can go back with this information to our customers and be more proactive. … We increase our responsiveness and push transparency. … We've gotten customer referrals because of this.
>
> —Operations Manager, Industrial Goods Manufacturing

Satisfied customers, productive employees

Typically, such improvements in customer responsiveness lead to referrals and incremental sales. The effect of the resulting growth is magnified by the ability to scale operations without hiring as heavily as you would expect, thanks to productivity improvements delivered by the ERP solution.

Our composite manufacturer has certainly used the visibility and efficiencies delivered by Epicor ERP to be more collaborative, proactive, and transparent with its customers, improving the customer experience and closing more business.

Instead of hiring additional staff to cater to this growth, the manufacturer leveraged the productivity improvements from using Epicor ERP to redirect front-office staff to production and other work.

What might your growth look like?

One Epicor customer identified a six-fold increase in its quote hit rate from 5% to 35%, closed contracts with three times as many customers per year, gained $50,000 per year in referrals, and found that increased collaboration and visibility enabled it to sell parts to more customers.

How much could your manufacturing business grow with Epicor ERP?

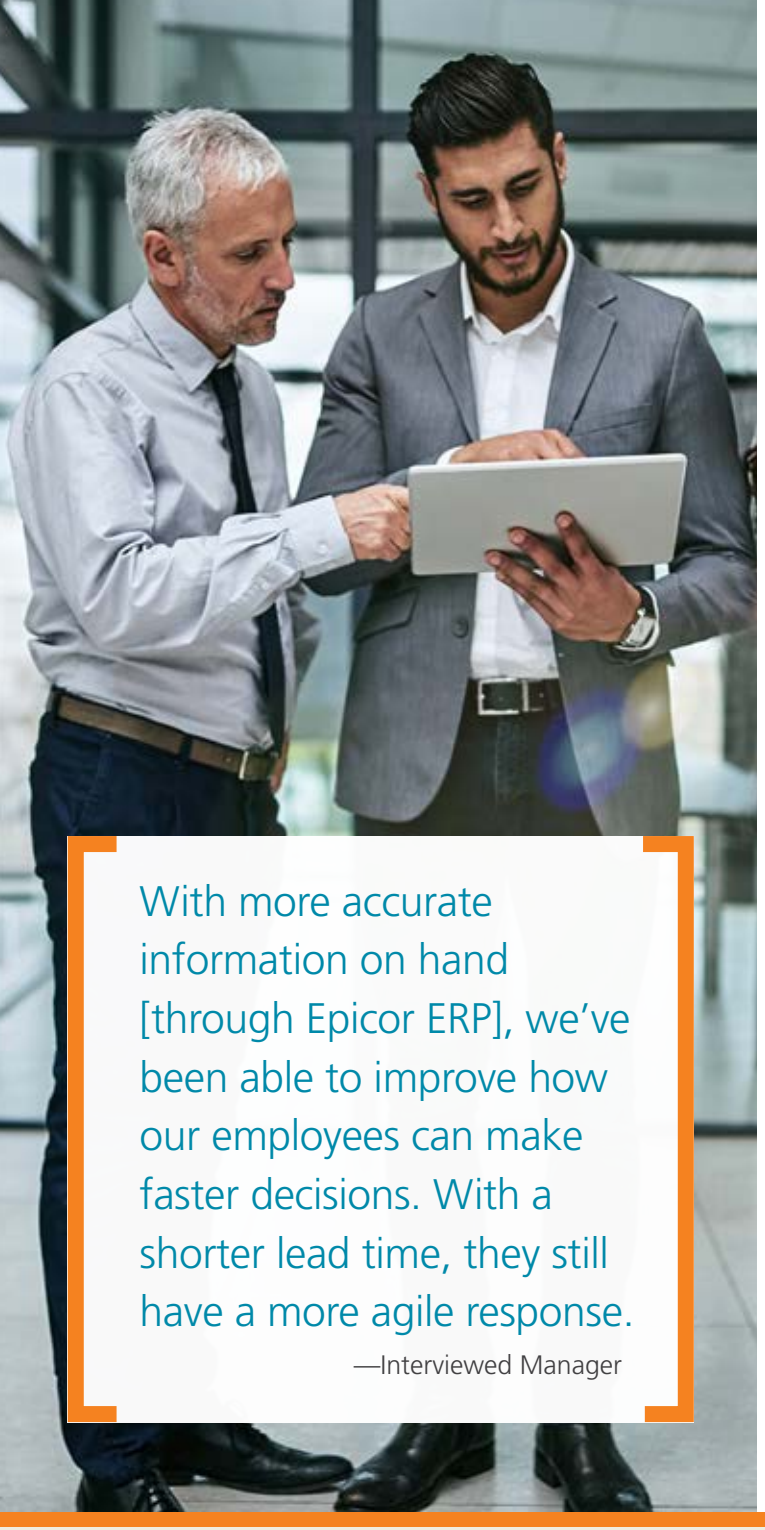
Specific results included:

6%

increase in annual revenue

3 FTEs

labor saved



> With more accurate information on hand [through Epicor ERP], we've been able to improve how our employees can make faster decisions. With a shorter lead time, they still have a more agile response.
>
> —Interviewed Manager

Analytics, Financial Management, and Risk Management

Be more agile and well-governed

Ultimately, transformation and growth depend on effective decision-making and risk management—strategic or tactical, financial or operational. This is why it's so vital to have timely access to accurate data and readily available reporting and analytics.

Without the right tools, manufacturers struggle to extract, validate, and manipulate business data for greater insight. This lack of visibility not only makes it harder to transform or grow the business, but also to fulfill regulatory requirements or prove compliance.

Prior to using Epicor ERP, for example, our composite manufacturer's six-person analytics team had to work with the IT department to mine data from back-end systems to generate reports. The ease of creating and using dashboards within Epicor ERP has saved this time and effort, and has simplified end-of-month financial reporting.

$70,000+
analytics benefit (PV)

$150,000+
financial management benefit (PV)

$50,000+
governance, risk, and compliance benefit (PV)

Streamline compliance and decision-making

The manufacturer has also been able to automate reporting for compliance purposes, and simplify the process of coordinating trade and shipping compliance with different agencies worldwide.

Overall, the increased visibility delivered by Epicor ERP enables manufacturers to improve agility through faster decision-making, make better strategic decisions because of better data quality, and reduce the risk of fines or other regulatory issues.

When decisions can be made with confidence

One Epicor ERP customer with its own injection molding department found that clear visibility of its cost structure, with concrete cost data, meant it could look at a proposal for a robotic arm and justify why the investment made sense from an efficiency standpoint.

What decisions could your manufacturing business make more easily with Epicor ERP?

Specific results included:

1 FTE
saved in compliance

144
hours saved annually for financial managers and accountants

0.5 FTE
saved on the analytics team

Information Technology

Simplify growth

$2.3 million

IT benefit (PV)

Whatever efficiencies are gained by investing in ERP, it's important that this extends to the IT department itself.

We've already seen that IT saves time if they no longer have to help the business extract and manipulate data. Similar time savings will apply wherever IT no longer has to help staff work across different systems.

Beyond this, though, our composite manufacturer has also realized specific IT savings by replacing multiple legacy systems—and the associated licenses, fees, hardware, and databases—with Epicor ERP.

Options for growth

One manufacturer using Epicor as a cloud-based service noted that it liked the versatility of a solution that could scale incrementally as the business grew. It also noted that whereas it had been unable to keep up with upgrades for its legacy onsite ERP system, with its switch to the Epicor cloud delivery model it benefited from automatic upgrades and new capabilities without additional development effort.

How much more easily could your manufacturing business keep pace with change if it were using Epicor ERP?

> You can create a dashboard for users on the fly and give them insight into what's happening in a format that they want. It saved a lot of time for us trying to run queries and give the data to them.
>
> —IT Manager, Industrial Goods Manufacturing

Specific results included[7]:

$800,000

eliminated annually in maintenance fees and infrastructure costs

2 IT FTEs

labor saved

$50,000

in annual backup and recovery savings

[7] These savings exclude the cost over the three years to implement and maintain Epicor ERP, which is accounted for in the net PV benefit on page 7.

Epicor ERP—The Smart Move for Manufacturing

As manufacturers step up to the challenges and opportunities of digital transformation and Industry 4.0, they need the right supporting technology. Epicor ERP is the result of more than 45 years of working with manufacturers to help them ease business complexity, realize their strategic goals, and profitably grow their business.

From a mobile-ready interface to ready-to-use analytics mapped to the most common manufacturing needs, Epicor ERP is designed with your industry and ways of working in mind. As we've shown, it can give you the visibility you need to drive efficiencies and smart decision-making across your business, and deliver measurable benefit. No wonder it's the choice of manufacturers worldwide.

> You need to realize that you are operating in a global landscape. We needed a system with lots of versatility, as we had an aggressive plan for growth.
>
> —Interviewed Customer

Next Steps

Go to www.epicor.com/teistudy/ to download "The Total Economic Impact™ of Epicor ERP," a Forrester Consulting study commissioned by Epicor in August 2017.

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software designed to fit the precise needs of our manufacturing, distribution, retail, and service industry customers. More than 45 years of experience with our customers' unique business processes and operational requirements are built into every solution—in the cloud or on premises. With this deep understanding of your industry, Epicor solutions dramatically improve performance and profitability while easing complexity so you can focus on growth. For more information, connect with Epicor or visit www.epicor.com.

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