

ERP VS PLM

THE COMPETITIVE EDGE





Companies continuously face tough decisions when it comes to technology investment. One such decision: is it better to upgrade an existing ERP system or will a PLM solution investment return as much or more for the time and money invested?

TECHNOLOGY AS A COMPETITIVE EDGE

Today's fast-moving fashion, retail, footwear, luxury, outdoor and consumer goods companies must get trend-right products to market faster and more efficiently than ever. And with more product cycles squeezing into every season, these companies know that building and sustaining brand equity with high-quality, innovative products is just as important as speed to market.

Searching for a competitive edge, executives look to different kinds of technology to serve as the foundation for digital transformation initiatives to boost innovation, achieve an operational or strategic goal or get closer to the end consumer.

RETURN ON INVESTMENT

Two key technologies, Enterprise Resource Planning (ERP) and Product Lifecycle Management (PLM), have become foundation systems for fashion and other fast-moving consumer goods brands, retailers and manufacturers. While each technology brings unique value to an organization, deciding which system is the better investment to make—and when—can have a dramatic impact on return on investment (ROI).

Inventory, warehouse and fulfillment managers, financial teams and others all work directly with ERP systems. Their teams may suffer ill effects if critical functionalities are missing or impeding their efforts. With an upgraded ERP system, they argue, they could provide more timely reporting or more accurate informational updates, thereby enhancing the executive decision-making process and more efficiently and effectively drive omni-channel and other retail operations.

At the same time, the entire product development organization of many consumer product organizations function with a cobbled-together system of spreadsheets and emails, or with a Product Data Management (PDM) system the company purchased years ago to vault product data. Those teams—including design, development, sourcing, quality, line planning, collection management and marketing—may now argue that they can't continue using incumbent systems and need to upgrade to a modern PLM solution. But is that true? While some—or many—products may miss market windows, or while sourcing is problematic, or while compliance management has become a real stumbling block, is this the time to invest in PLM?

An investment in PLM will deliver greater financial and strategic impact than will a comparable investment in ERP. Perhaps more importantly, that investment in PLM will deliver competitive advantage in a way that ERP cannot approach.



THE MISSION OF ERP: MANAGE TRANSACTIONAL ENTITIES

ERP systems are oriented around business operations, covering customer service, finance, accounting, distribution, labour, manufacturing and more. At the process level an ERP solution might support sales and purchase order management, handle fulfillment, help allocate human resources, and provide a single source of cost, margin, and other commercial information.

In essence, ERP picks up from PLM and takes a finalized product forward. This means that design, development, sampling, fitting, approval, assortment planning and all the other activities essential to creating great products have already been signed off by the time those products reach ERP. With these creative actions complete, and no more changes or collaborative decisions needed, an ERP system can take a product to store shelves, handling operational concerns like logistics, warehousing, and inventory management.

With its narrower focus, ERP can also provide a treasure trove of transactional data, which businesses use to gauge their financial position and make informed decisions about their future. How much stock is selling at full price? How are we managing markdowns when it isn't? How are our supply chain partners performing? What was our overall financial position for the past season?

All of this insight, however, hinges on a business having its design and development processes properly aligned, and fully supported by PLM. While ERP can take transactional units to market with military precision, the data it uses originates in PLM, which is home to the lifeblood of the product lifecycle: the core collaborative processes that create market-ready, trend-right products.

ERP itself cannot house those processes. These systems are designed with a purposeful focus: cost, ship, sell, monitor, and repeat. That transactional data structure does not lend itself to the less predictable parts of the product lifecycle, where more freeform creativity and frequent collaboration with external partners are essential.

This is not downplaying the role of ERP, but rather pointing out that, without modern PLM, its potential is limited. While ERP can be essential for the transactional stages of the product journey, PLM is where the heart of product development – and the heart of brand and retail business – resides.

THE MISSION OF PLM: MANAGE THE BRAND FROM CONCEPT TO CONSUMER

So, whereas ERP focuses only on transactional entities, PLM encompasses all the iterative, collaborative and creative processes that make up the more vital elements of a product's lifecycle: creating and updating styles, determining product costs, adjusting fit, planning marketing collections, auditing suppliers, reviewing retail conditions, taking orders from wholesalers. PLM supports the sale of great products by supporting processes that define the brand, engage the consumer and differentiate the company's products in the marketplace. But PLM also sets the foundation for ERP. As products are born in PLM, then carry over to ERP, clean data from PLM onwards is critical to the health and efficiency of the ERP. Garbage in, garbage out.

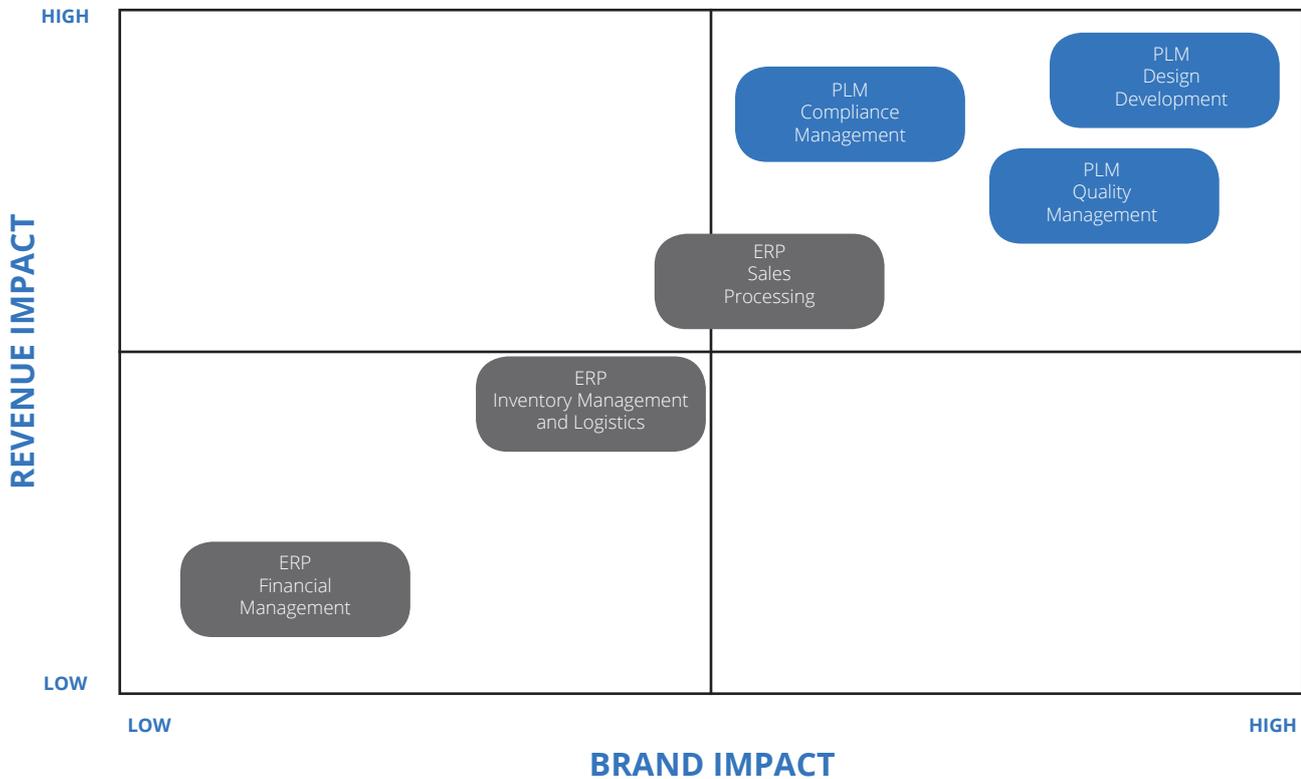
PLM solutions originated to meet the needs of the automobile and aerospace industries. Although feature-rich and complex, these systems work to manage products with multi-year lifecycles. For industries where product lifecycles are very short or very fast-moving, these PLM solutions often prove unwieldy. Instead, a new generation of modern PLM solutions is now available, designed specifically to manage product lifecycles that are very short, measured in weeks or months as well as very high volumes of new product introductions. In particular, PLM systems that meet the specific needs of companies in the fashion, retail, footwear, luxury, outdoor and consumer goods markets have appeared. Approximate 80% of fashion is new products; there are fewer and fewer carryovers.

Companies without PLM try to run their product development efforts using myriad spreadsheets and e-mails. Teams rely on the spreadsheets and e-mail to track design files, supplier progress, compliance status, delivery schedules, part number relationships, product cost projections, compliance information, bills of materials and margin calculations. Tracking and information flows become increasingly complex.

A situation such as this wastes the precious—and expensive—time of valuable resources as they sort out whether the product information in one spreadsheet is correct as opposed to the information in another spreadsheet. Inevitably errors and delay increase. Threats to quality rise. Costs may be difficult to control. Margins erode. Products predictably miss market windows.



COMPARATIVE IMPACT OF ERP AND PLM ON BRAND AND REVENUE



ERP systems are vital tools. In fact, it is unlikely that a company can form and become fully operational without a basic ERP system. But PLM systems manage the functions that define and enable brand development, market penetration and corporate success.

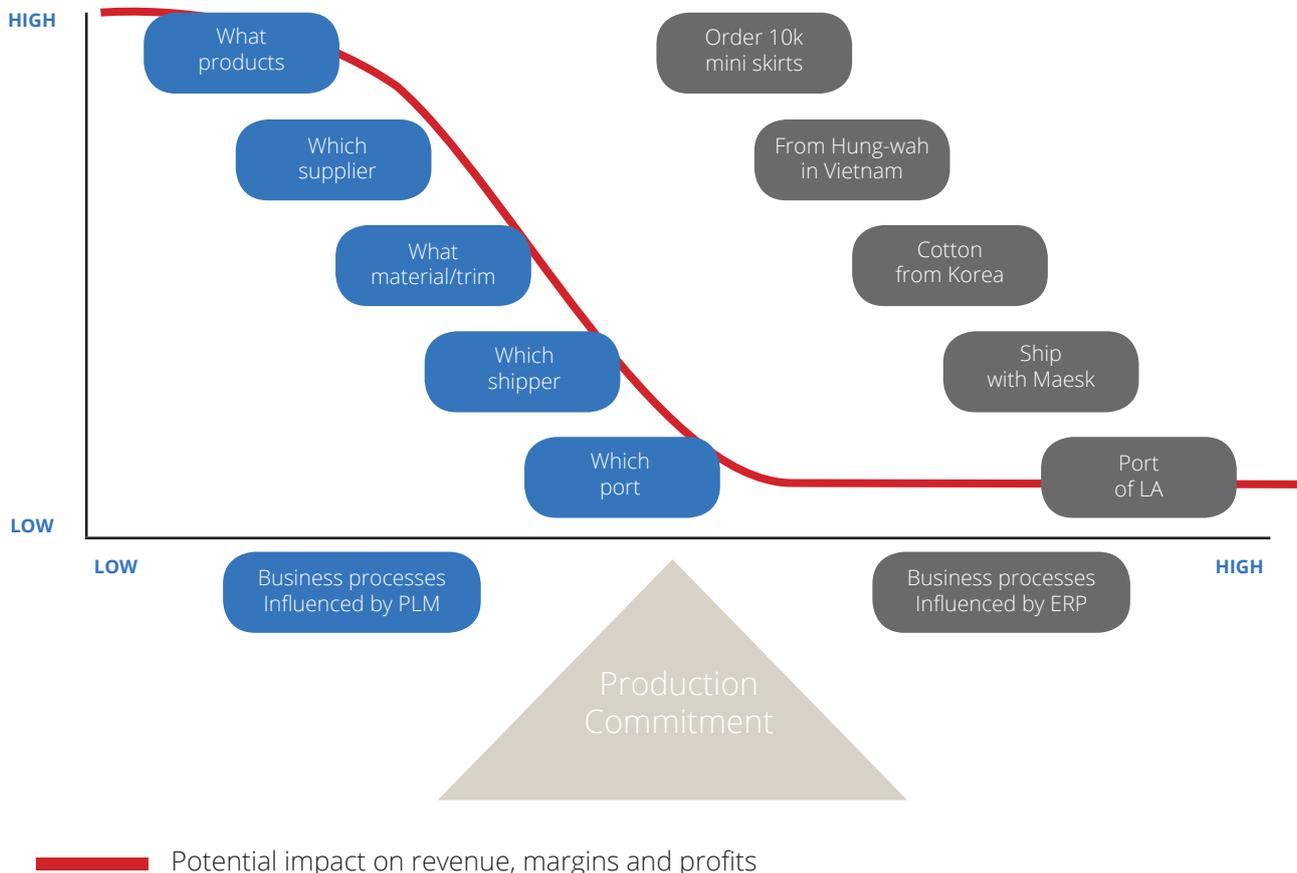
Fashion and consumer goods markets now accept PLM systems as best practice. As more companies adopt PLM, they are reaping tremendous productivity gains. PLM allows everyone involved in a product's design, development and manufacture—from marketing professionals and product designers, to sourcing departments and international suppliers—to work collaboratively with one set of comprehensive, accurate, up-to-date information. This flow even extends to wholesale and retail.

PLM's essential value is that it delivers a "single version of the truth" about a product to everyone working in any aspect of product development. People around the office, country and world can all work together in real time on the same design. They can seamlessly exchange information with everyone in the supply chain, including partners, outsourcers and compliance experts.

THE ERP-PLM CONTINUUM

Whereas ERP focuses on transactional history, PLM touches the iterative, collaborative and creative ERP systems are vital tools for fast-moving consumer goods businesses. They have proven essential for growing companies and have served a positive and crucial role in helping companies survive and thrive.

COMPARATIVE IMPACT OF ERP AND PLM ON MARGINS AND PROFITS



PLM systems manage the critical “What” questions that steer the strategic success of a business and affect its margins and profitability. What products should we develop? What supplier should we work with? What materials and trims will we use? ERP systems manage “How Many/Where/When” questions that record and report transactions. PLM’s domain has a greater impact on margins and profitability than does that of ERP.

Companies poised for growth face challenges inherent in working with global supply chains. At the same time, they must ensure that they retain existing customers and attract new ones by producing the products the market wants. Staying competitive means actively managing brands, getting trend-right products to market quickly, working with ever-shorter product cycle times and increasing productivity throughout the supply chain.

Today, brand differentiation and competitive advantage are at the heart of the product development process. How does a company conceive products and empower its creative teams? How does it construct a product? How does it increase gross margin through better design and development processes or through better sourcing practices? These are the questions PLM can answer and this is why PLM technology investment makes sense as the investment of choice on a fixed-dollar investment pool.

Affecting the profitability of the entire company, PLM creates benefits far beyond the incremental. Directly working to more cost-effectively deliver more competitive products to market, PLM provides one of the best rates of return on investment a fashion or consumer goods company will see.



DETAILING THE IMPACT OF PLM

Today, companies know that they need to make smart, cost-effective technology investments. Those investments must be able to provide short-term meaningful returns on PLM investments. How does PLM deliver ROI?

- Top line growth: increased income and sales up to 5% to 10%
- Faster time to market: by days or weeks which results in increased sell through; 2% high sell through for each week cut from time to market
- Reduced operating costs: reduced stock by 20-40% and cut down logistic costs by 10-15%
- More new products to market: style creation time cut from half a day to 30 minutes
- Accelerated development time: Shorten development by days. Reduce data entry time by days or weeks.
- Increased efficiency: Decreased data errors by 20-30 percent and reduced product information search time by approximately 30%
- Improve supplier relationship: 20% decrease in questions from suppliers after initial tech pack distribution
- Less waste: Cut material purchase errors by 30 percent
- PLM system deployment in 3-4 months



LET'S GET IN TOUCH

Centric Software was founded on 3 pillars with a clear mission; hire the best team, build the best product, get the best customers and keep them happy.

From its headquarters in Silicon Valley, home to the best tech minds in the world, and offices in trend capitals across the globe, Centric staff, mainly comprised of industry and IT experts, builds technologies for the most prestigious names in fashion, retail, footwear, luxury and consumer goods.

Along with the best team, we are on a mission to build the best product and work with the best customers. Our focus is based on mobility, innovation and extending the value proposition beyond traditional PLM. All of Centric's innovations are highly market driven. Our products are inspired by the best brands and road-tested around the world. We work hand in hand with our customers and our product roadmap is driven entirely by them. Centric was the first to offer mobile apps for PLM, issuing over 500 new features in the past 3 years. Our adaptable, agile methods prioritize the things that matter, creating a sensitive, sustainable approach to software deployment, with the industry's fastest time to value. Recently, Centric launched Centric SMB, which packages extended PLM functionality inspired by best-in-class technologies. Flexible, mobile and fast to deploy Centric SMB makes innovation inclusive, giving businesses the key to improving product design & development, merchandising, cost control, quality and compliance.

The benefits? Centric customers report an increase in sales from 5 – 10%, a reduction in stock by 20-40% and a decrease in logistics costs of 10-15%.

Enthusiasm from the market has driven Centric's massive growth and worldwide leadership position. Over the past year, approximately 40% of Centric customers have spoken publically in support of their solutions and approximately 95% have done so privately.

We are very proud of our customers and look forward to continuing to innovate the PLM solutions of the future. More than 400 fashion, retail, luxury, footwear, outdoor and consumer goods brands around the world already trust Centric.

Want to learn more or see a demo?
Contact us to learn more centric

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