

ERP vs. PLM

**A Step-by-Step Guide to Spot
the Right Investment for You**



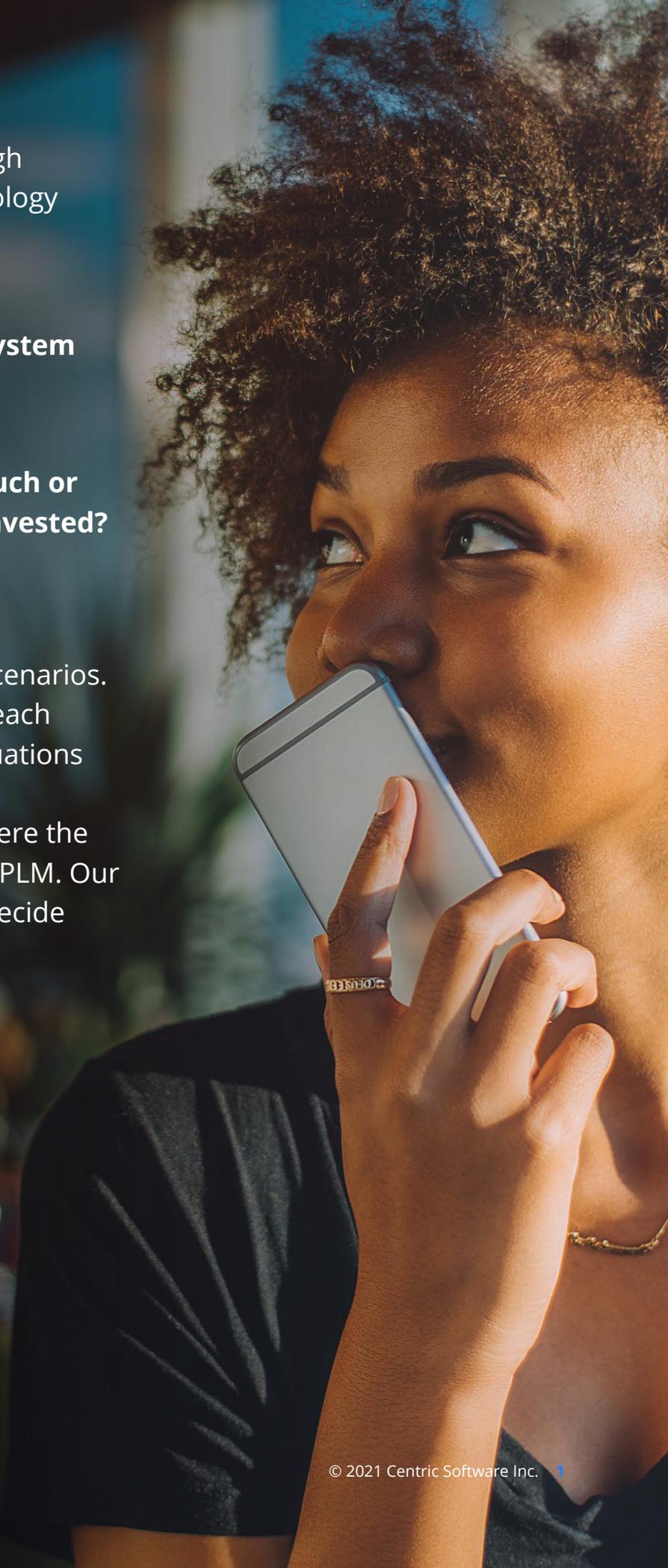
Companies continuously face tough decisions when it comes to technology investment. One such decision:

Is it better to implement a new ERP / upgrade an existing ERP system

— OR —

will a PLM solution return as much or more for the time and money invested?

It is prudent to investigate both scenarios. In this document we will explore each technology in turn and review situations where the first priority should be upgrading ERP, and situations where the first priority should be upgrading PLM. Our step-by-step guide will help you decide what is best for your company.



Technology as a competitive edge

Today's fast-moving retailers and brands 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 achieve an operational or strategic goal.

Two key technologies—which system delivers better ROI?

Two key technologies, **Enterprise Resource Planning (ERP)** and **Product Lifecycle Management (PLM)**, have become foundation systems for fast-moving consumer goods brands, retailers and manufacturers. While each technology brings unique value to an organization, deciding which solution is the better investment—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 may argue, they could provide more timely reporting or more accurate informational updates, thereby enhancing the executive decision-making process.

On the other hand, the entire product development organization of many consumer product companies functions with a cobbled-together system of spreadsheets, emails and docs, or with a Product Data Management (PDM) system the company purchased years ago to vault product data.

In some companies, the teams—design, engineering, product development, sourcing, quality, merchandising, and marketing—may say that they can't continue using incumbent systems and need to upgrade to a modern PLM solution. In other companies, those departments don't even realize the power of PLM and will be pleasantly amazed by the increased efficiency that PLM brings.

Which system is right for right now?

Here's a step-by-step guide to determine which one of these investments will give your organization a fast ROI and a competitive advantage among industry peers.



Get to Know the Lay of the Land

ERP vs. PLM

As stated, each solution has its respective benefits, which begs the question, “Which one is right for your company, right now?” To that end, let’s take a look at ERP vs. PLM and the characteristics of each system.

Characteristics of ERP vs. PLM systems

	ERP	PLM
WHO	<ul style="list-style-type: none"> Finance, sales, sourcing, manufacturing 	<ul style="list-style-type: none"> Design, product development, costing, planning, quality, suppliers
WHAT	<ul style="list-style-type: none"> Focuses on transactional history Oriented around business operations: customer service, finance, accounting, distribution, labor, manufacturing and more 	<ul style="list-style-type: none"> All the iterative, collaborative and creative processes that make up the more vital elements of a product’s lifecycle
HOW	<ul style="list-style-type: none"> Takes a finalized product forward from PLM Takes a product to store shelves, handling operational concerns like: logistics, warehousing, inventory management, order fulfillment, allocate HR 	<ul style="list-style-type: none"> PLM supports the processes that: define the brand, engage the consumer and differentiate the company’s products in the marketplace PLM sets the foundation for ERP Products are created in PLM, then picked up by ERP Clean data from PLM onwards is critical to the health and efficiency of the ERP
BENEFITS	<ul style="list-style-type: none"> Provides a single source of cost, margin, and other commercial information ERP provides transactional data that businesses can use to evaluate their financial position and make informed decisions about their future 	<ul style="list-style-type: none"> PLM reduces wasted time of valuable resources who no longer have to search for the latest product information Cuts down on errors and delays Reduces threats to quality and controls costs Preserves margins Increases visibility to product development
CONCLUSION	<ul style="list-style-type: none"> ERP takes transactional units to market with data that originates in PLM ERP has a purposeful focus: cost, ship, sell, monitor, and repeat Without modern PLM, its potential is limited 	<ul style="list-style-type: none"> New, modern PLM solutions are designed specifically to manage shorter product lifecycles and high volumes of new product introductions These PLM systems meet the specific needs of companies in the fashion, retail, footwear, luxury, outdoor, food & beverage, health & beauty and consumer goods markets

Take Inventory

Given the specifics of both ERP and PLM technology, here are the top 5 signs that point to which one to start with:

ERP	VS	PLM
<ol style="list-style-type: none">1 You've outgrown your existing system2 You can't report your financials3 You have inaccurate inventory4 You have an overly customized/ non-supported system5 Users are working around it for whatever reason		<ol style="list-style-type: none">1 You're maintaining the same information in different places2 Remote collaboration is challenging3 Your pricing strategy is manual and/or reactionary4 You're too dependent on specific people to keep processes running smoothly5 Your existing systems slow you down every day

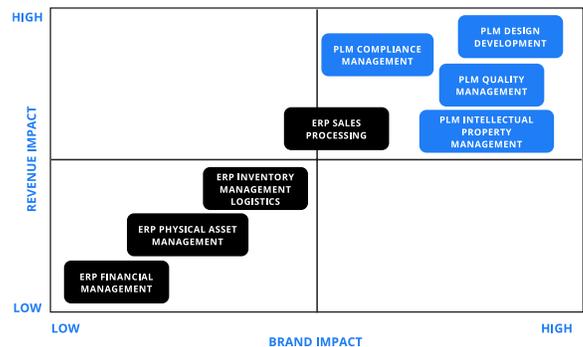


Determine if you need both ERP and PLM

Comparative impact of ERP and PLM

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. (See figure 1).

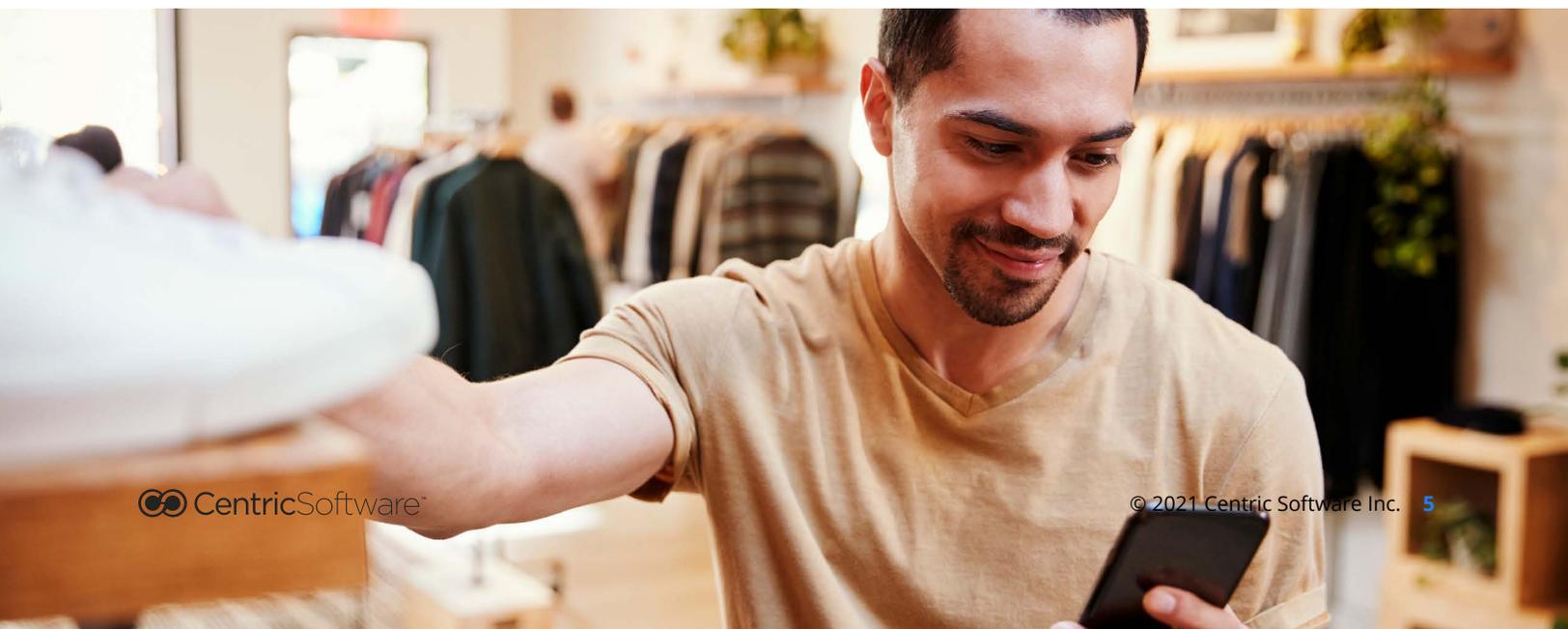
FIGURE 1
Comparative impact of ERP and PLM
on brand and revenue



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.



Should you start with PLM?

5 points to consider when deciding whether or not to start with PLM:

1

QUICK WINS HAVE A HIGHER NET PRESENT VALUE

- Focus on projects that are relatively quick with a high return on investment:
- Projects that extend beyond 12-18 months require building towards speculative business objectives
 - Simplify your ROI discussion (remember the 80-20 Rule!)
 - Consider both project and program cost

2

FOCUS ON VALUE DRIVERS

- Strategic initiatives that contribute to winning in the market
- Customer Centric (Feedback Loops/Innovation/Flexibility...)
- Strategic Sourcing (Quality/Time-to-Market...)
- COGS (Material Management/Capacity Planning)

3

CREATE MOMENTUM FOR CHANGE

- Identify projects that demonstrate success and leave the organization wanting more

4

TACTICAL DECISIONS

People are often biased by shiny objects and lose sight of basic principles. Make sure to keep your eye on the prize:

- One version of the truth—the right data in the right place
- Get rid of spreadsheets
- Re-train before you re-implement
- Stay decision-focused

5

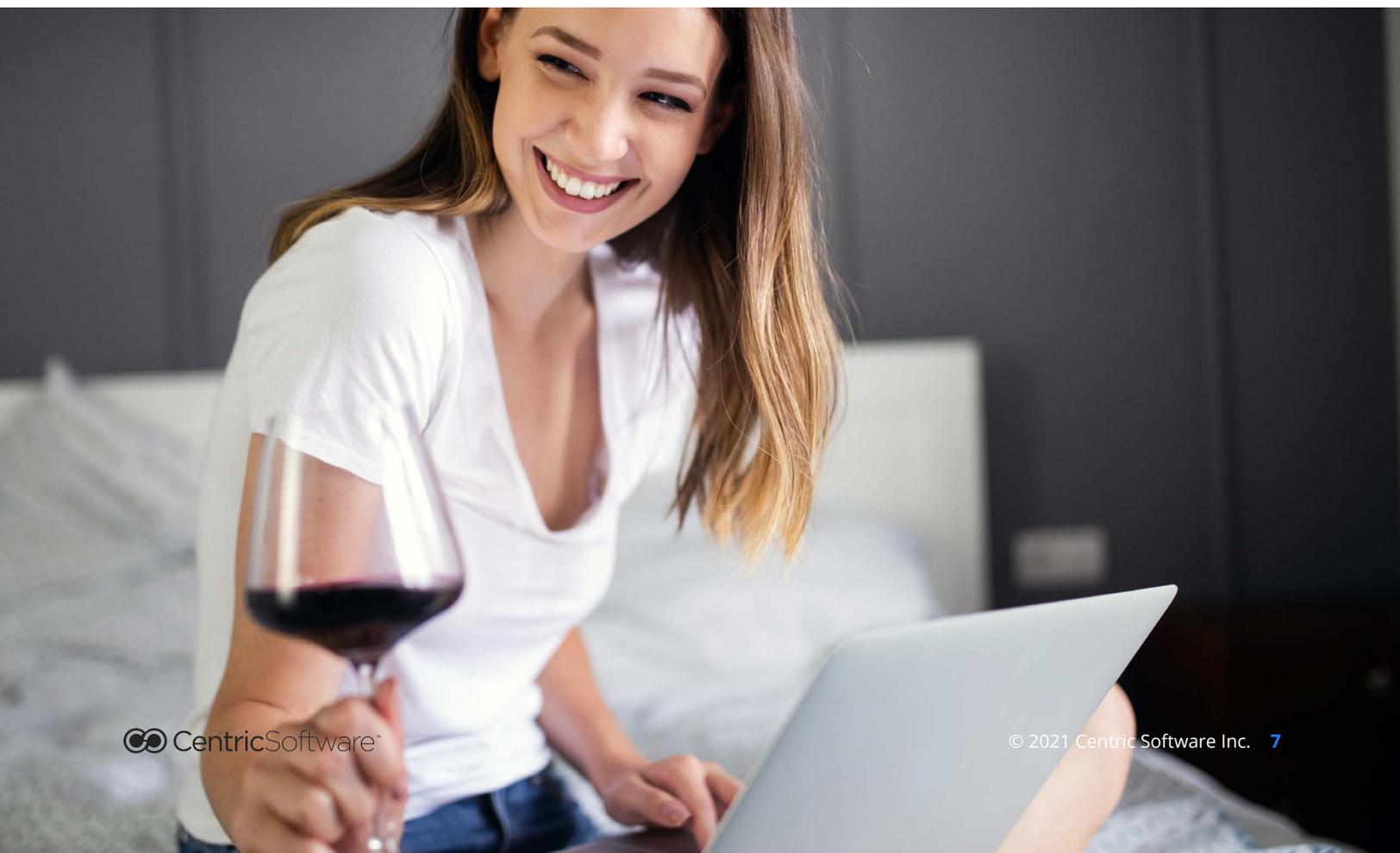
AMPLIFY YOUR ERP PROJECT

- ERP uses data that originates from PLM
- Clean data from PLM means healthy data into ERP
- A successful PLM implementation guarantees a higher success rate of your ERP implementation

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:** e.g., a fashion company can cut style creation time 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% and reduced product information search time by approximately 30%.
- **Improve supplier relationship:** 20% decrease in questions from suppliers after initial tech pack or product brief distribution.
- **Less waste:** cut material purchase errors by 30%.
- **A modern PLM solution deploys in 3 to 4 months**



Going Further: Integration of PLM and ERP

Once PLM is established, consider ERP integration for even more impact. **Centric PLM has integrated with over 40 different ERP systems** so you know we can integrate with yours.

With integration to ERP, there are a few advantages:

- Build BOMs directly in Centric PLM and reduce data errors in ERP that cause costly mistakes and hold-ups.
- Make better-informed decisions with enhanced visibility, improved team collaboration and decision making, to enable dynamic, 'quick-response' scenarios and proactively manage risk.
- Simultaneously manage many different types of collections and unique products with varying data intricacy, quantities, timelines and budgetary criteria at once and send that accurate, complex product data to ERP.
- Give users a unique environment where they can easily find all product related information—a single source of the truth.



Fashion, retail and consumer goods markets now accept PLM systems as best practice. As more companies and industries adopt PLM, they are reaping tremendous productivity gains.

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 products. They can seamlessly exchange information with everyone in the supply chain, including partners, manufacturers and compliance experts. All of this leads to improved efficiency, lower COGS, improved margins, increased speed to market and not to be overlooked, happier employees who can spend their days focusing on the important and rewarding parts of their jobs.

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.



We Want to Hear From You

Armed with the information you've acquired, explore possible next steps with us! **Contact Centric Software to learn more or set up a demo tailored for your industry and company.** Our experts would love to discuss your unique situation and give you their insights from a company that has done **450+ PLM implementations representing over 2000 brands.**

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