



ERP Implementation Best Practices: Manufacturers and the SaaS Delivery Model

Plex Online
White Paper

At a Glance

- This paper highlights the five advantages of on-demand ERP systems, commonly referred to as SaaS.
- ERP systems based on the SaaS model meet manufacturers' financial goals: low initial capital expense, reduced ongoing operating costs, and a short time to value.
- Three "stories from the trenches" describe how real-life manufacturers benefited from Plex Online, the leading SaaS-based ERP system for manufacturers.



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ERP Implementation Best Practices: Manufacturers and the SaaS Delivery Model

In one of the most difficult economic environments in decades, manufacturers around the world are reevaluating their ERP systems. Medical device manufacturers, food and beverage processors, aerospace and automotive suppliers, and others are looking to implement ERP systems that cut costs, streamline operations, and improve performance.

“It’s more critical than ever to keep ERP projects alive – especially using the SaaS delivery model.”

Criteria for Success

ERP implementations have traditionally been judged by three financial criteria: initial capital expense, ongoing operating costs, and time to value. Yet, leading analysts find that the majority of ERP implementations rarely come in on time, often cost more than estimated, and deliver unsatisfying results.

These implementations are associated with on-premise, legacy systems that necessitate complex programming, heavy investments in servers and software, training, and disruptive version control.

Software as a Service

On-demand ERP solutions, commonly referred to as Software as a Service (SaaS) ERP systems, are increasingly attractive to the enterprise that welcomes the ability to extend scarce IT resources.

Industry observers note that SaaS offers a dramatically faster implementation process. Competitive pressures accelerate deployment of technology that supports re-engineering and business process automation. No longer can the manufacturing enterprise afford lengthy, months-long IT development cycles and competition for limited IT resources.

Timing Is Everything

In a recent report*, analysts find that with the downturn in today’s economy, a knee-jerk reaction may be to stop discretionary spending on ERP implementations— just when ERP’s cost-saving potential is needed the most.

In fact, it's more critical than ever to keep ERP projects alive – especially using the SaaS delivery model.

Using ROI estimates to cost justify projects and measure results, researchers conclude that the most effective implementations produce twice the reduction in inventory levels and other improvements as the industry average.



With inventory reductions and administrative cost savings, the majority of best-in-class companies expect ERP to pay for itself within two years. A well-managed ERP implementation can also be a continuing source of cost savings and operational improvements which help companies thrive despite these troubled times.

Five Key Advantages

Here are five compelling advantages of the SaaS model.

- 1. Faster Time to Value:** Today's economic downturn means ROI is more critical than ever. SaaS ERP implementations streamline all stages of the lifecycle including requirements gathering, process improvements, testing, and training. A SaaS implementation is a complete, prebuilt application. It is also more cost-effective to scale to multiple locations or suppliers/customers.
- 2. No Up-Front Capital Expense:** Subscription pricing is a major departure from on-premise legacy ERP solutions. Manufacturers hit the ground running and scale to meet broader business needs. The pay-as-you-go model minimizes risk because an enterprise can roll in applications based on business need. They can, for example, implement shipping first, inventory management second, and so on. Charges from the vendor are a business expense, rather than capital expense, making it cost-effective.
- 3. Minimized Operational Costs:** The costs and resources required for ongoing maintenance, support, system performance, and version control all go away with SaaS. Data security, globalization, feature enhancement, connectivity, and safety are the responsibility of the vendor, freeing the manufacturer to concentrate on core tasks. In addition, true multi-tenant architecture allows every customer to instantly benefit from system enhancements.

4. Less Technical Resource Intensive: With true SaaS ERP, those on the shop floor— closest to the manufacturing process— can do more implementation and application development. With simple drag-and-drop interface, users can create custom reports or fields without code. Non-IT employees create applications that change to adapt to shifting needs.

5. Simplified Integration: Gartner estimates that up to 35 percent of the implementation costs associated with on-premise ERP applications is for integration. SaaS ERP makes integration with other applications or hardware faster, easier, and less risky.

SaaS in Action: Three Stories from the Trenches

CAMACO, a leading seating systems solutions provider, had experienced frequent failures and lost data. Its aged EDI system used a dial-up connection, was driven from a PC, and relied upon a modem to send and receive data. Since the software was also out of date, support was no longer available.

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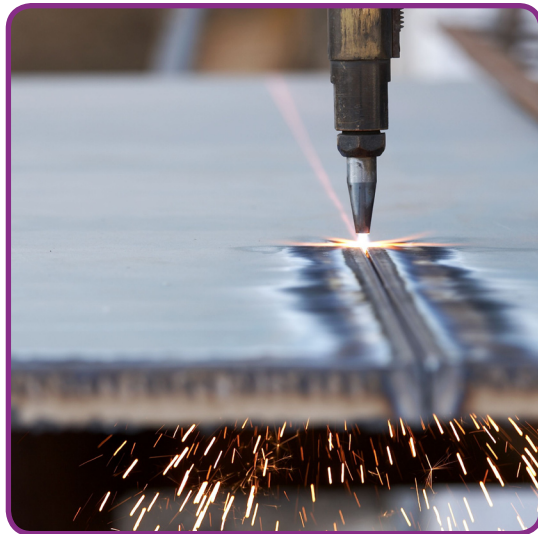
The company needed an up-to-date systems solution that would address its network issues while reducing its high maintenance costs and expensive hardware and software upgrades. With an eye toward the future, CAMACO wanted an integrated, all-encompassing solution so it would not have to hire a database administrator or a third-party consultant to develop additional modules or provide custom support.

The company found that Plex Online met all of its requirements and did not require any up-front capital investment. Today, Plex Online provides a completely integrated, real-time MRP/ERP system in all of CAMACO's locations. Thanks to Plex's on-demand (SaaS) model and its exceptional service, the company has been able to manage the new system without having to hire additional staff.

CAMACO was pleased to find that the system provided even more benefits than originally hoped for. Plex Online's multi-tenant architecture ensures that

data, information and reports are accessible to all of CAMACO's locations in real time, and that all locations benefit from systems enhancements seamlessly without any additional steps or "patches." The new system has enabled CAMACO to improve its inventory management, traceability, productivity, and production planning so it can continue to thrive despite the challenges of our current economy.

Okay Industries, Inc. (OKAY) is a stamping, machining and prototyping company specializing in precision metal stampings for the medical and surgical device industry, defense and firearms industry, and specialty industrial and automotive markets.



The nature of its business requires that OKAY comply with many ISO requirements. These requirements have changed often over the years, and each adjustment required the creation of at least one new, specialized database. As a result, OKAY's managers soon found themselves with 18 different databases that integrated with each other through "patches," but not with their UNIX server.

This UNIX system was accessed by administrators with terminals, but there was no access on the shop floor. Because data accessibility was spotty at best, all of OKAY's management reports had to be created manually.

OKAY implemented Plex Online to simplify and integrate its systems. Without having to make a large start-up capital investment, the company was able to make real-time information accessible to everyone. Today, users at all levels of the company can easily pull data from various modules and produce useful, real-time reports electronically.

OKAY did not have to add any personnel, either to launch Plex Online or manage system maintenance afterward. Because data security, globalization, feature enhancement, connectivity, and safety are all the responsibility of Plex Online, the operational costs to OKAY were significantly reduced over time.

Jagemann Stamping Company (JSC), a full-service stamping company, needed a lower-cost information system in order to reduce waste, improve productivity, and respond more quickly to market changes.

Prior to implementing Plex Online, the company used dissimilar systems on different platforms; spent significant time applying various patches, updates and upgrades; and created redundant, isolated programs and reports. Its systems did not natively communicate with one another.

Jagemann chose Plex Online to replace and enhance its previous collection of systems. Plex Online had the modules that JSC needed running on offsite servers housed by Plex Systems, requiring JSC to provide only an Internet connection and inexpensive personal computers. This significantly reduced Jagemann's ongoing maintenance costs.

Plex Online was launched in under six months, and JSC did not experience a single late customer delivery or manufacturing order. Because the system required less technical resources to support it, JSC was able to redeploy some of its IT resources to continuous improvement projects. By refocusing these resources, the company generated over \$200,000 in savings within the first three months after Plex Online's launch.

**"Measuring the ROI of ERP: Keeping Projects Alive Just When You Need Them the Most" benchmark report by Aberdeen Group, a Harte-Hanks Company.*

About Plex Online

Plex Online, built on a "Software as a Service" (SaaS) model, offers more than 350 functional modules, providing manufacturers instant access to vital information and management functions using a simple Web browser. The on-demand solution features product lifecycle management (PLM) functions such as program and change management, enterprise resource planning (ERP) functions such as accounting and finance modules, customer relationship management (CRM) features such as order entry and tracking, manufacturing execution systems (MES) functions such as production scheduling and machine integration and supply chain management (SCM) functions such as supplier quality and traceability.

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