

## Measuring the ROI of ERP in SMB

The December 2007 *ERP in SMB: Exploring Growth Strategies* benchmark report found Small to Midsize Businesses (SMB) with annual revenues less than \$250 million splitting their focus between growth and customer service. Today, while improving customer experience remains an important factor, the struggling economy is causing many to look to their ERP implementations to cut costs rather than to grow their business. The *2008 ERP in Manufacturing* (June 2008) report found the ERP strategies of small to midsize companies were evenly split between focusing on cost reduction (44%) and improving customer response time (41%). In the upcoming *ERP in SMB* report, to publish March 31, 2009 Aberdeen Group will look at how current economic difficulties are driving decisions and how ERP can help address them.

### Context

The *2008 ERP in Manufacturing* benchmark report found that 41% of respondents are concerned with improving customer response time, and 34% are looking to be easier to do business with. Since the survey question asked respondents to select the top two pressures impacting their ERP decisions, it would be inaccurate to simply add together these two pressures regarding customer service, however, since only about a quarter of respondents selected both, customer service pressures inch ahead to become the top concern among small to midsize businesses. Concerns around cost reduction follow, with 44% reporting it as a factor influencing their ERP strategies. However, the top pressures of customer service and cost cutting were mutually exclusive in two thirds of the combined total. While larger companies tend to balance these top pressures, companies with annual revenues under \$250 million are predisposed to concentrate on one or the other.

### Aberdeen's Hypothesis

Almost 25% of small companies have yet to invest in ERP. However, the need to improve customer satisfaction while keeping costs in check are prompting a greater number of small companies to use ERP for the transactional detail and supporting system of record. Those delaying their investment are unable to justify Return on Investment (ROI) because of perceived high costs of entry, or because they don't fully understand the benefits that ERP can bring. With the economy in recession, have their reasons for delaying ERP projects been amplified? Or is it now more important than ever to look at making this investment with ROI top of mind?

### Research Preview

A Research Preview provides an advanced look at an upcoming study and the research hypothesis which will be explored based on prior research

### How to Participate in the Study

If your company is:

- ✓ a small to midsize business with annual revenues under \$250 million
- ✓ an ERP solution provider
- ✓ a consulting firm or systems integrator involved in ERP implementations

[Contact us now to get involved in this study!](#)

### Cost of Entry

The costs of ERP and the underlying infrastructure (including hardware, databases, and technology infrastructure) have dropped steadily and significantly over the past two decades. In addition, new delivery models, such as Software as a Service (SaaS), provide lower risk alternatives to major capital expenditures associated with acquiring and maintaining hardware. As a result, solutions that were once beyond the reach of small companies are now well within their grasp.

Our research will show that to achieve cost reductions, customer responsiveness, or both, companies must blend a combination of strategic actions and new technologies to:

- Standardize and accelerate business processes
- Provide visibility to these processes in real-time to support effective decision-making
- Assign ownership to those line of business professionals who are responsible for delivering against corporate goals and objectives

ERP is designed to address these strategies, and companies that are hesitant to make the leap based on uncertain economic times may find themselves falling behind their competition. Among the hypothesized strategies, capabilities, and technology solutions that enable Best-in-Class performance (Table I), ERP plays a significant role.

**Table I: The Best-in-Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Need to reduce costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Standardize and accelerate business processes</li> <li>▪ Provide visibility to business processes across functions and departments</li> </ul>	<ul style="list-style-type: none"> <li>▪ ROI is estimated up-front in order to cost justify projects</li> <li>▪ ROI is calculated at the completion of each project</li> <li>▪ Standardized enterprise-wide procedures for order management, procurement, production planning and execution, cash collection, and financial reconciliation</li> <li>▪ Dedicated resources are/were assigned throughout ERP implementation</li> <li>▪ From summary data, decision-makers can drill down to transactions that form the fiscal and operational audit trail</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integrated ERP modules: general ledger, accounts payable, accounts receivable, fixed asset management, MRP, shop floor control, purchasing, inventory control, after market service, ECM, CRP, DRP, MPS, forecasting / demand planning, human resources, order management, project management, EAM, supplier collaboration / scheduling, sales and marketing, product configurator, payroll</li> <li>▪ Business Intelligence (BI) platform and tools</li> <li>▪ Corporate / Enterprise Performance Management (EPM)</li> <li>▪ Workflow automation / Business Process Management (BPM)</li> <li>▪ Event management</li> </ul>

Source: Aberdeen Group, February 2009

From the end user’s perspective, the key benefits of a successful ERP implementation are streamlined and automated processes which reduce costs and improve schedule performance and administrative efficiencies to either fuel growth or improve customer service. This is accomplished by providing:

- A clear and reproducible system of record for all fiscal transactions
- Visibility to data and business process status, including customer order status
- Consolidation and compliance with financial reporting requirements

- Better control over inventory and manufacturing schedules

For those focused more intently on customer service and response times, the objective will be to provide a measure of visibility and control to customer-facing metrics such as complete and on-time shipments as well as customer retention and growth.

## Research Methodology

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Aberdeen's research methodology will include a quantitative survey, followed by qualitative interviews of mid-level to executive managers involved in the implementation of ERP in mid-size companies.

The performance metrics which will be used to determine Best-in-Class companies include:

- Reduction in inventory levels
- Reduction in operational costs
- Reduction in administrative costs
- Complete and on-time shipments
- Inventory accuracy

## Case in Point

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In the December 2007 *ERP in SMB: Exploring Growth Strategies* report, Aberdeen published a case study on Bamboo Pipeline, a supplier of plants to landscape professionals in the western United States. Co-founder and executive Vice President Mike Cornell talked about his successful ERP implementation, completed in May 2006.

While seeing substantial results immediately following implementation, and being named in the Inc. 5000 as the fastest growing green goods supplier in the United States, a year later, Bamboo Pipeline is still seeing performance improvements from the same ERP package designed specifically for small businesses. "In 2007, our sales were up 43%, with only a net increase in operating costs of about 13%," says Cornell. "While sales barely went up in 2008, it still went up, and in this industry and economy, that's very positive. Our blended gross margin was at 37.3%, up from 27.9% in 2001. We attribute a great deal of our success to the ERP solution we implemented."

He continued, "Thanks to our ERP, we are able to also create a new business this year, and gain more productivity out of the people we have. We're able to do more without adding headcount, or piling more work on people, and that's allowed us to compete more strongly in a difficult environment. We feel good about our ERP implementation."

## Solution Snapshot

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Table 2 provides a partial list of ERP solution providers that target SMBs, along with their general industry focus and the products offered by each.

"We're launching a new business division in the spring. Since it will use our existing ERP platform, we'll get going without much effort at all. We expect that business to be up and running with a full blown enterprise system that already has all the data presentation and document reporting that's needed."

~ Mike Cornell,  
Executive Vice President,  
Bamboo Pipeline

Many of these software solution providers highlight ROI and Total Cost of Ownership (TCO) in their go-to-market messages.

**Table 2: ERP Solution Landscape**

Company	Products Offered	Industry and Focus
<b>Abas</b> <a href="http://www.abas-usa.com">www.abas-usa.com</a>	abas ERP, abas Distribution	Founded in 1980, ABAS is a provider of ERP solutions for midmarket manufacturers and distributors. abas Business Software (ERP, PPC, MRP, eBusiness) is an ERP & e-business application designed specifically for manufacturers in the Assemble-to-Order, Make-to-Order and Engineer-to-Order environment, operating on LINUX, Unix and Windows.
<b>Bowen &amp; Groves</b> <a href="http://www.bowen-groves.com">www.bowen-groves.com</a>	MI	MI by B&G™ is an ERP software system designed for small to medium manufacturers including job shops, custom and mixed mode manufacturers, and make-to-order manufacturers. Developed for Microsoft SQL Server and with a Microsoft Outlook, look and feel, MI runs on Windows 2000/XP/2003/Vista.
<b>Compiere</b> <a href="http://www.compiere.com">www.compiere.com</a>	Compiere	Compiere is an open source ERP and CRM solution that is built on a model-driven applications platform. The platform enables companies to customize the solution to match their business needs.
<b>Consona</b> <a href="http://www.consona.com">www.consona.com</a>	Made2Manage, DTR, Cimnet Systems, AXIS, EnCompix, Intuitive	Consona Corporation delivers software and services to companies of all sizes, ranging from small businesses to Global 2000 enterprises, across a number of industries. Its software solutions automate business critical tasks, ranging from marketing, service and support to planning and scheduling, material requirements planning (MRP), accounting, product configuration, and business intelligence.
<b>Epicor</b> <a href="http://www.epicor.com">www.epicor.com</a>	Epicor, iScala, Enterprise, Vantage	Epicor delivers industry-specific ERP solutions for manufacturing, distribution, retail, hospitality, and services employing service-oriented architecture (SOA) and Web services technology. Epicor offers a comprehensive range of services with its solutions, providing a single point of accountability to promote rapid return on investment and low total cost of ownership.
<b>Everest Software</b> <a href="http://www.everestsoftwareinc.com">www.everestsoftwareinc.com</a>	Everest Advanced, Everest On-Demand, Everest On-Premise	Everest® Advanced, addresses the needs of growing small and medium sized-businesses (SMBs) in the wholesale/distribution and retail industries by allowing them to quickly manage and track their business operations online and offline - from storefront to the front- and back-office. Everest® On-Demand is a fully managed, per-user, hosted subscription service. Everest deploys, manages, and professionally maintains the software.

Company	Products Offered	Industry and Focus
<b>Friedman Corporation</b> <a href="http://www.friedmancorp.com">www.friedmancorp.com</a>	Frontier	Friedman's flagship product, Frontier®, helps manage customer orders, the supply chain, and internal manufacturing and financial processes. It easily coordinates multiple manufacturing and distribution points.
<b>Global Shop Solutions</b> <a href="http://www.globalshopsolutions.com">www.globalshopsolutions.com</a>	One-System ERP Solutions	Global Shop Solutions manufacturing ERP software is specifically written for the Microsoft Windows 2000/XP™/2003 environment. Global Shop Solutions focuses on ease of use, flexibility, processing performance, and reliability.
<b>Glovia</b> <a href="http://www.glovia.com">www.glovia.com</a>	Glovia (Xerox Chess), GSInnovate	Glovia's extended ERP solution helps manufacturers in over 1,000 sites manage their global businesses, by supporting multiple languages, multiple currencies, and multiple complex business structures. GSInnovate is an integrated suite of Software-as-a-Service/Web-delivered applications built to help SMB manufacturers manage business operations.
<b>Harris Data</b> <a href="http://www.harrisdata.com">www.harrisdata.com</a>	HarrisData ERP Manufacturing (also HarrisData Distribution Management Systems)	The Omni license package includes an ERP/HR/Financials solution for unlimited users, 5 years of unlimited maintenance and support, source code, development licenses, and upgrades. HarrisData's applications utilize IBM technology and offer browser-based drill-down interfaces.
<b>Infor</b> <a href="http://www.infor.com">www.infor.com</a>	COM, BPCS, ERP LN, ERP LX (BPCS), MANMAN, MK Manufacturing, KBM, MAXCIM, CAS, PRMS, Masterpiece, Infinium, Prism, Protean, BAAN, Visual, TRANS4M, Xpert, XA, Syteline, Adage, System 21, A+, FACTS, SX.e, Anael, Sun Systems, Varial	Infor offers a variety of ERP solutions that help companies in a wide spectrum of subsectors automate, plan, collaborate, and execute according to their unique business requirements. The ERP solutions are built on an open, flexible, service-oriented architecture (SOA) with web-based user interfaces. With multiple deployment and buying options for Infor ERP, including SaaS, manufacturers can choose the model that meets their specific requirements.
<b>Intuit</b> <a href="http://www.intuit.com">www.intuit.com</a>	QuickBooks Enterprise Solutions	Intuit QuickBooks Enterprise Solutions helps streamline critical business operations such as finances, inventory, sales, purchasing, and paying employees. QuickBooks Enterprise Solutions also goes beyond financial management with a new line of business software, seamlessly integrated to help manage sales opportunities and activities, inventory across multiple warehouses, and workers in the field.
<b>IQMS</b> <a href="http://www.iqms.com">www.iqms.com</a>	EnterpriseIQ ERP	The IQMS single-source solution runs on an embedded Oracle®-powered database with an intuitive graphical interface in a Windows environment. All modules are written, developed, and supported by IQMS.

Company	Products Offered	Industry and Focus
<p><b>Microsoft Dynamics</b> <a href="http://www.microsoft.com/dynamics">www.microsoft.com/dynamics</a></p>	<p>Microsoft Dynamics AX, Microsoft Dynamics GP, Microsoft Dynamics NAV, Microsoft Dynamics SL</p>	<p>Microsoft Dynamics is a line of integrated, adaptable business management solutions that automate and streamline financial, customer relationship, and supply chain processes. Microsoft Dynamics solutions include applications and services for retailers, manufacturers, wholesale distributors, and service companies, doing business domestically or in multiple countries.</p>
<p><b>NDS Systems</b> <a href="http://www.ndsapps.com">www.ndsapps.com</a></p>	<p>On Oracle ERP Solution, Xephr (a Business Information and Integration System)</p>	<p>The NDS ERP suite is web-based and completely integrated. Over the last 22 years NDS ERP has been installed in hundreds of manufacturing and distribution companies throughout North America. NDS Systems offers an Enterprise Site License for its entire ERP Solution for \$1.00 and an affordable Product Support Contract.</p>
<p><b>NetSuite</b> <a href="http://www.netsuite.com">www.netsuite.com</a></p>	<p>NetSuite, NetSuite OneWorld, NetSuite Small Business</p>	<p>NetSuite is an on-demand Accounting / ERP solution that supports back-office operations and manages financials, order fulfillment, purchasing, inventory, time and billing, payroll, employee self-service, Web presence, and more. The Accounting / ERP software system components are tightly integrated, giving customers access to real-time business intelligence. It is also seamlessly integrated with CRM and ecommerce for end-to-end business process management.</p>
<p><b>OpenPro</b> <a href="http://www.openpro.com">www.openpro.com</a></p>	<p>OpenPro</p>	<p>OpenPro software is written in open source php and open architecture, and can therefore run on any hardware, operating system, and SQL database. It is a complete end-to-end solution that includes Financials, Distribution (supply chain), E-commerce, Manufacturing and Customer Relationship Management. OpenPro offers SaaS, ASP, or on-premise packages for corporations of all sizes.</p>
<p><b>Oracle</b> <a href="http://www.oracle.com">www.oracle.com</a></p>	<p>E-Business Suite, PeopleSoft, JD Edwards EnterpriseOne, JD Edwards World</p>	<p>Oracle Accelerate delivers a comprehensive set of applications, rapid implementation tools, and an extensive partner system, so that companies and government entities can maximize their budgets and achieve real business value quickly. Rapid implementation solutions for Oracle E-Business Suite and JD Edwards EnterpriseOne customers are delivered through Oracle's approved partner channel or Oracle Consulting.</p>
<p><b>Plex Systems</b> <a href="http://www.plex.com">www.plex.com</a></p>	<p>Plexus Online</p>	<p>Plex Online is a fully integrated Software as a Service (SaaS) solution that connects and manages the entire manufacturing process, from the shop floor to the top floor. It is an Extended ERP System, which handles everything a traditional ERP package handles (Parts, Orders, Shipping, etc.), plus many additional functions required by manufacturing companies, such as Quality, Engineering, Tooling, and Traceability.</p>

Company	Products Offered	Industry and Focus
<b>Pronto Software</b> <a href="http://www.pronto.com.au">www.pronto.com.au</a>	PRONTO-Xi	PRONTO-Xi includes fully integrated business functionality covering Accounts, Sales and Purchase Orders, CRM, Warehouse Management, EDI, Retail POS, Facilities Management, Manufacturing, Supply Chain Management, and other related functions.
<b>QAD</b> <a href="http://www.qad.com">www.qad.com</a>	QAD Enterprise Applications (MFGPRO)	QAD offers a complete suite of ERP products that addresses the needs of single-site and multinational organizations, and supports shared services, cross-border trade, multi-site manufacturing and multi-entity accounting. QAD's enterprise solution is designed to streamline the management of manufacturing operations, supply chains, financials, customers, technology, and business performance.
<b>Ramco</b> <a href="http://www.ramco.com">www.ramco.com</a>	Ramco SMB Series, Ramco Enterprise Series, Ramco OnDemand ERP	Ramco ERP products are based on Ramco VirtualWorks, a collaborative solution innovation platform that delivers flexible business processes and focused analytics. Its collaborative co-creation process results in configurable enterprise solutions that integrate seamlessly with other technology systems, platforms and applications. Ramco ERP can be deployed on-premise or on demand (SaaS).
<b>Sage Software</b> <a href="http://www.sage.com">www.sage.com</a> <a href="http://www.adonix.com">www.adonix.com</a>	Sage Accpac ERP, Sage MAS 90/200/500, Sage Pro ERP, Sage PWF ERP, Sage X3 ERP	Sage products are developed locally by in-country experts, tested locally, sold locally and supported locally. Sage Accpac ERP and Sage X3 ERP are two ERP solutions that work across geographical boundaries.
<b>SAP</b> <a href="http://www.sap.com">www.sap.com</a>	R/3, SAP Business Suite (including SAP ERP), SAP Business One, SAP All-in-One, SAP Business By Design	SAP delivers more than 1,000 industry-specific solutions, with both on-premise and on-demand deployment options. SAP ERP addresses core business software requirements with solutions that include financials, human capital management, operations, and corporate services.
<b>Solarsoft Business Systems</b> <a href="http://www.solarsoft.com">www.solarsoft.com</a>	SolarSoft ERP	Solarsoft supplies enterprise software and IT services to manufacturers, distributors and wholesale businesses across North America, Europe and Asia. The company has grown organically and through acquisition since 1986. With over 2,000 companies Solarsoft delivers systems optimized for specific industries with features designed by industry experts. Solarsoft products support sales, purchasing, finance, inventory and warehouse management, e-commerce and EDI, supply chain logistics and manufacturing (MRP).

Company	Products Offered	Industry and Focus
<b>SYSPRO</b> <a href="http://www.syspro.com">www.syspro.com</a>	SYSPRO	SYSPRO is a business solution aimed at small to mid-size manufacturers and distributors. SYSPRO offers a comprehensive ERP system that is well suited for the global marketplace with multi-national, multi-company and multi-location facilities. SYSPRO ERP is modular-based with focus on financials, distribution, and manufacturing; and has tight integration into SYSPRO CRM, Planning and Scheduling, Analytics, and e-commerce functionality.
<b>Technology Group International</b> <a href="http://www.tgilt.com">www.tgilt.com</a>	Enterprise 21	Enterprise 21 is a fully integrated ERP software package specifically designed for small to mid-market manufacturers and distributors. TGI also offers a special program tailored to meet the needs of small businesses with less than ten concurrent users.
<b>Vormittag Associates Inc.</b> <a href="http://www.vai.net">www.vai.net</a>	S2K Enterprise Edition	VAI is an IBM Premier Business Partner and software developer of ERP solutions for all types of businesses. VAI's S2K Enterprise Software is used by a wide variety of companies worldwide, with a number of clients in the manufacturing, distribution, retail, metals, food, and related service industries. S2K Enterprises supports advanced applications such as Warehouse, EDI, CRM, and e-Business.
<b>Workwise Inc.</b> <a href="http://www.workwiseinc.net">www.workwiseinc.net</a>	WorkWise TCM™ (Time Critical Manufacturing®)	WorkWise offers ERP to manufacturers that are make-to-order, engineer-to-order, repetitive, make-to-stock and mixed-mode manufacturers, primarily in small to midsize companies under \$100 million.
<b>Xperia</b> <a href="http://www.xperiasolutions.com">www.xperiasolutions.com</a>	Xperia EXECUTIV™ ERP Solution Series	Xperia has been providing ERP Software solutions for over 20 years to small-to-midsize manufacturers, importers and distributors.
<b>xTuple</b> <a href="http://www.xtuple.com/openmfg">www.xtuple.com/openmfg</a>	OpenMFG Edition, PostBooks Edition, Standard Edition	xTuple delivers open source ERP software. All three editions are built on the same code base and use the same client software. xTuple's ERP solutions run on Windows, Linux, or Mac, and are fully internationalized (multi-currency, support for multiple tax structures, and multilingual translation packs maintained by our global community). All editions contain a full copy of OpenRPT, the open source report writer also created and maintained by xTuple.

Source: Aberdeen Group, February 2009

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### Related Research

[ERP in Complex Manufacturing: Improving Collaboration and Visibility;](#)  
December 2008

[ERP Plus in Process Industries: Beyond Compliance;](#) November 2008

[The 2008 ERP in Manufacturing Benchmark;](#) June 2008

[ERP in SMB: Exploring Growth Strategies;](#)  
December 2007

[The 2007 ERP in the Mid-Market Benchmark Report: Serving the Needs of 1.2 Million Businesses;](#) September 2007

[The 2007 ERP in Manufacturing Benchmark;](#) July 2007

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