Top Six Things about Retail PLM Transformation
Part 4: PLM Business Cases are Multi-Dimensional

by Steve Riordan and Greg Adkins

Retailers overwhelmingly recognize the need to leverage advanced product lifecycle management (PLM) tools in the coming years in order to remain competitive. However, there are six key concepts retail, footwear and apparel (RFA) decision-makers need to understand before considering transforming their business via PLM. Here is the fourth of this six-part series.

PLM Business Cases are Multi-Dimensional

Developing a strong quantitative and qualitative case for PLM is a critical step and a huge challenge. While productivity gains are predictable, PLM implementations rarely lead to significant headcount reduction. PLM drives a lot of intangible benefits which help a company achieve strategic business and growth goals. Reduction in product costs and material cost savings due to consolidation is perhaps the most tangible quantitative impact. PLM often drives improvements to gross margins, reduced cycle times, increased efficiency, and higher product quality. However, the credit for these gains must often be shared with other initiatives and other parts of overall supply chain.

Strategically, PLM enables scalability to achieve growth objectives. To take advantage of this, business cases should measure PLM benefits across strategic, operational and financial dimensions. Here are our tips to help project sponsors build a persuasive, multi-dimensional justification for investment.

Common Business Case Challenges

There are several common challenges when developing a PLM business case.

First, PLM projects do not normally lead to hard quantitative selling, general and administrative (SG&A) savings, such as headcount reduction in design, tech design and/or sourcing. Rather, these projects tend to lead to indirect or intangible benefits.

Second, the most significant benefits - such as a reduction in the cost of goods - must often be shared with broader merchandising or supply chain initiatives such as assortment and space planning projects, strategic sourcing projects and forecasting and demand planning projects.

Third, costs and benefits often are unevenly spread across functions within the product development process with designers and product developers increasing their levels of effort for the benefit of sourcing and production executives.

Categorizing Benefits

To overcome these challenges, successful PLM business cases should include three categories of benefits, including strategic, operational and financial benefits.

Strategic benefits tend to be intangible, yet very important, such as enabling a higher profile private label program or enabling a much greater emphasis on innovation at the front end of the product development process. Examples include:

- Increased customer and consumer satisfaction
- Increased market share via new products
- Increased shareholder value
- Lower cost of capital

Common pitfalls when developing a solid business case for PLM:
- Over-reliance on “soft” benefits
- Lack of current operating metrics
- Missed link to company strategy
- Understated strategic impact
- Narrow focus on design and product development
- Valuation of time based improvements
- Time phasing of costs and benefits
• Improved competitive positioning
• Improved merchandise innovation capabilities
• Improved positioning in supply markets

**Operational benefits** are focused on improvements in efficiency and effectiveness, such as shortening the overall product development lifecycle, creating more capacity to scale the business, and reducing errors caused by data entry and the reliance on spreadsheets. Operational benefits may eventually generate financial statement benefits as a byproduct, but rarely do so directly. Examples include:

• Shorter product development lifecycle
• Scalable, repeatable and predictable product development capabilities
• Reduction in reliance on spreadsheets, email and “X” drives
• Better data quality and decision making
• Increased regulatory and social compliance
• Improved quality
• Reduced vendor abrasion, better collaboration
• Reduced dependency on tribal knowledge and heroism

**Financial benefits** result in direct impacts to the income statement, balance sheet and cash flow of the company, such as headcount avoidance, reduction in product costs and reduction in costs associated with maintaining legacy systems. Examples include:

• Headcount reduction and/or avoidance
• Reduction in raw material costs from concentrated sourcing
• Elimination of legacy system upgrading/maintaining costs
• Improved gross margin from new products

**Aligning for Project Justification**

Frequently, these categorized benefits are necessary, but not sufficient to gain project approval and funding. It is also important to build a cross-functional and/or cross-category team of project sponsors, selected from the end-to-end product development process, to develop, refine and gain approval for the project. The project sponsors often consist of representation from design, planning, tech design, sourcing and production. This group of sponsors is much more likely to develop a credible, impactful justification as a group than they would individually.

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