Top Six Things about Retail PLM Transformation
Part 5: PLM is Not ERP

by Greg Adkins and Sonia Parekh

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 fifth of this six part series.

PLM is Not ERP

Due to the highly creative and interdependent nature of functional and cross-functional teams in RFA companies, refining product development processes and enabling them with technology is much more involved than an ERP-type implementation of back-office or transactional systems. PLM is much less transactional than ERP, and much more iterative and revision-oriented. Because PLM is often the first software technology used during the product design and development lifecycle, it impacts many downstream applications that address integrated product and supplier data records, and many upstream applications that address merchandise line and assortment planning. Unlike ERP, PLM directly supports high level strategic goals, so treating PLM like ERP will marginalize potential and ultimately fail to improve process efficiencies.

At first glance, ERP and PLM initiatives appear similar – both are large scale technology implementations spanning multiple functions and requiring a significant investment of time and resources. And if implemented correctly, both ultimately drive increased productivity and support a broad reaching organizational transformation. However, upon closer look there are several key differences in the functionality, user base, business benefits and even in the structure of the software itself.

Functionality

In RFA, ERP systems are used to support the day to day transactions required to run the company. Setting up items, cutting purchase orders, and taking price changes are examples of operational tasks that are typically supported by ERP. While these tasks are incredibly important, they often can be executed in a very short, finite amount of time, by one person with minimal input from other stakeholders. PLM systems support the product design and development process from ideation through production. For RFA companies, this process impacts the lifeblood of the company – its ability to develop winning products. So the work that PLM supports is much less transactional and much more collaborative, iterative, and revision oriented as the team works together to refine the product until it is ‘perfect’.

User Base

ERP is typically used by supporting functions such as finance, logistics, or a merchant support team, and often has a very large user base. Multiple functions rely on ERP to be the central hub for data and information required to drive everyday operations. The primary user group for PLM is the product development function – including designers, engineers, sourcing, production, and quality assurance. The user group tends to be smaller but much more collaborative and interactive, leveraging the system to support a highly creative process by serving as the repository and means for communication of all product data.

Business Benefits

ERP drives transactional efficiencies on a large scale, so it’s easy to measure the tangible benefits, including reductions in resources needed to execute operational tasks such as purchase order management or month end financial closings. In addition, because the ERP system serves as the financial and operational backbone for the company, its benefits reach to all areas of the value chain. PLM implementations can result in some productivity gains, but rarely lead to significant headcount reduction. And while PLM can drive improvements to gross margin, credit for this gain must often be shared with other initiatives and functions. In most cases, the imperative for PLM is strategic – the need to maintain or gain market share and react to emerging trends faster – and business benefits include delivering better products and more value to customers in a timely manner.

Software Structure

ERP systems are modular – often with modules for merchandising, planning, allocation, price management, finance, and more – and are integrated across the platform. These modules can be implemented individually and still drive value, so companies often purchase and implement only the modules they need to meet their business objectives. PLM is an integrated toolkit. All modules work together to provide the solution, and when pieces are missing, the benefits of the system are severely impacted. For example, implementing sourcing capabilities without a bill of materials (BOM) in the system will cause the sourcing team to reenter all the information from the external BOM in order to get quotes from vendors. In addition, any changes made to the BOM will have to be manually communicated to the vendors – creating
opportunities for confusion and mistakes.

The differences between ERP and PLM are substantial. Treating implementations the same way will marginalize PLM’s potential, and limit its ability to achieve the initial strategic objectives set by the company. ERP is very important for driving efficient operations, but PLM is an investment in building long term innovation and product development capabilities. Understand the differences to maximize your investment.

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