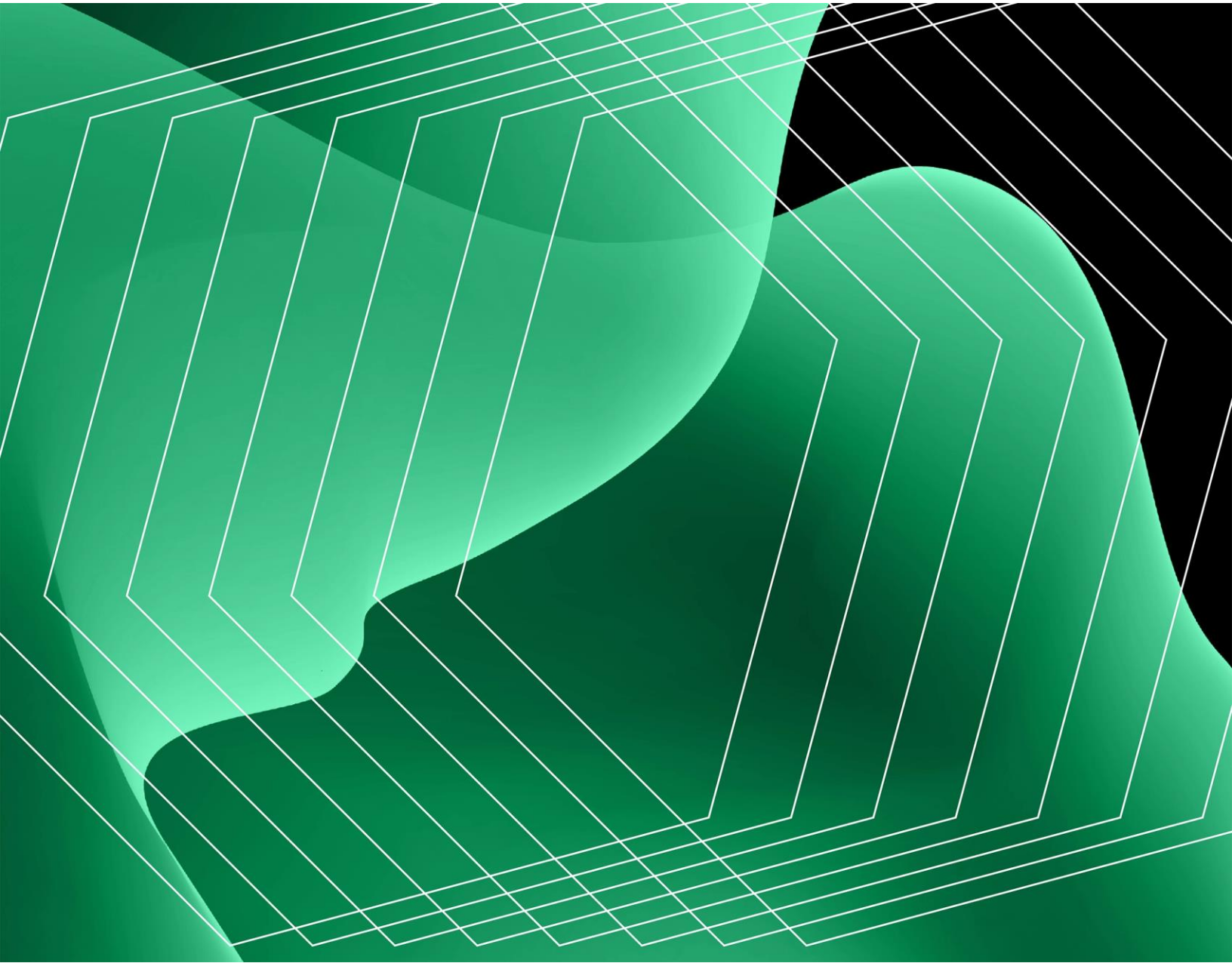
FORRESTER®

The Total Economic Impact™ Of Epicor Kinetic For Manufacturing

Cost Savings And Business Benefits Enabled By Kinetic

A FORRESTER TOTAL ECONOMIC IMPACT STUDY
COMMISSIONED BY EPICOR, AUGUST 2024



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ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

A modernized enterprise resource planning (ERP) solution is critical to running a successful manufacturing company. Manufacturers have a unique need: They need an ERP with the breadth to connect siloed business areas together, the depth of capabilities and customizability that they need to meet changing customer demands, and the ability to scale for expansion and growth. Epicor Kinetic is a cloud ERP solution optimized for manufacturers with composable modules for performance and scalability, as well as real-time business intelligence and AI, enabling manufacturers to extract incremental revenue growth, improve gross margins, and drive overall productivity.

As business executives modernize their legacy technology to meet today's business needs of agility and innovation, they are replacing their traditional ERP systems with cloud architected software-as-a-service (SaaS) solutions. These new systems are more open, modular, cloud-architected, and ecosystem oriented compared with their predecessors. Increasingly, they support modern development techniques and provide AI capabilities. Forrester uses the term modern ERP to refer to this newer generation of ERP systems.[1]

However, general-purpose ERP tools are built horizontally to support a broad swath of industry verticals and can be challenging to implement for most organizations with annual revenue less than $5 billion (vs. mega enterprises that are pragmatically not limited by resources). ERP solutions optimized for manufacturing include features such as supply chain optimization; configure, price, and quote (CPQ) for complex and customized manufacturing; bill of materials (BOM) management; inventory management; and financial reporting to comply with global standards. With an overlay of AI capabilities optimized for manufacturing ERP platforms, organizations can accelerate their delivery of new products and product variants.[2]

In addition to technological advancements, market and customer expectations for more customized products, innovative delivery mechanisms, and add-on services create market demands for these manufacturers. Largely due to the COVID-19 pandemic, which was both an unexpected and drastic demand and supply shock, manufacturers have been compelled to transform operations and realign their global supply chains.

Factories that produce varying volumes for a smaller set of customers and/or deal with a limited set of suppliers are uniquely challenged to handle more complex operations with on-time delivery.

Epicor Kinetic is a cloud ERP solution designed specifically for manufacturers. The system utilizes real-time business intelligence and tailored collaboration tools to streamline manufacturing processes for even the most complex products. Kinetic leverages the experience of Epicor in the world of diversified manufacturing organizations.

Epicor commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Kinetic.[3] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Kinetic on their organizations.

Return on investment (ROI)

270%

Payback period

20 months

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives from four organizations with experience using Kinetic. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a discrete diversified manufacturing organization with $150 million in annual revenue in Year 1 expanding through acquisition to $300 million in Year 2.

Interviewees said that prior to using Kinetic, their organizations' legacy ERP systems didn't provide the resilience and scalability needed to continue growing. Their ability to collect data across all sites was limited, and their systems were not optimized or designed with manufacturing processes and systems in mind. These challenges hindered their organizations' ability to compare performance, control pricing, drive improvements, and scale at the enterprise level. Ultimately, the legacy systems that were in place at the interviewees' organizations, which included homegrown systems or less effective ERP platforms, were not meeting their needs and were hindering their ability to remain competitive in their respective industries.

> “How do you put a value on a 30% improvement in inventory when we were a $100 million business? That’s $30 million we could use to go and buy another business. We would not be where we are as a company had we not made the decision to go with Epicor.”
>
> DIRECTOR OF ERP, AVIATION COMPONENTS MANUFACTURER

After the investment in Kinetic, the interviewees noted their organizations immediately saw improvements in their end-to-end processes. Key results from the investment in Epicor Kinetic include increases in revenue, improved margins, and better productivity across their ERP support, IT, and operations teams. The interviewees’ organizations also experienced a smooth, fast implementation process with Kinetic, which provided faster time to revenue than they had with their legacy platforms.

Net improvement in gross margin with Kinetic

1.9% by Year 5

KEY FINDINGS

Quantified benefits. Five-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Net revenue improvement of 6.6% by Year 5 due to operations efficiencies.** With Kinetic, the composite organization realizes operational efficiencies for factory production and the ability to deliver more units of product without a meaningful increase in resources. Compared to the prior state, the composite sees improvements in operational efficiencies for factory workers and experiences reductions in lead times and past-due backlog, among other revenue-driving metrics. The five-year profit generated from this incremental revenue is just over $4.1 million.
- **Faster time to revenue with Kinetic deployment reducing time by 20%.** The composite organization reaps the benefits of Kinetic sooner, thanks in large part to the faster implementation timeline. While other ERP tools take a longer time to deploy, the composite organization takes advantage of the embedded business intelligence capabilities in Kinetic, helping it get the ERP system deployed faster and thus reduce the time to revenue for each newly deployed factory. The five-year profit resulting from two faster deployments for the composite amounts to more than $2.1 million.
- **Gross margin increases by as much as 1.9% through improved cost efficiencies.** In addition to improving time to revenue and overall sales, the composite organization also benefits from Kinetic by reducing its costs, which in turn helps increase its gross margins. Having a better understanding of supplier relationships has a positive impact on gross margin and additional improvements, such as better procurement practices, improved inventory management, reduced write-offs, and standardization of BOM collectively contribute to the composite organization’s gross margin impact. The composite yields under $10.7 million in five-year profits from this benefit.
- **Improved the net productivity of business users by 20% and the net productivity of the ERP support team by 40% by Year 3.** The composite organization’s team of business users improves productivity by 20% after fully implementing Kinetic across all three factory locations. These users saved time

through faster reporting, easier price adjustment processes, and reduced time spent cross-referencing data with a legacy ERP. The core ERP support team supporting Kinetic achieves a net productivity improvement of 40% by Year 3 after fully implementing Kinetic. The five-year value of this benefit for the composite is over $2.5 million.

- **Cost savings from reducing or retiring legacy platforms totaling $956,000.** The composite organization can phase out its two legacy ERP systems after implementing Kinetic across all three of its factory locations. Maintenance fees for these previous ERP systems total $240,000 annually and internal support costs total $270,000 annually. The composite organization saves 100% of those maintenance and support costs by Year 5, when both legacy ERP platforms are fully decommissioned and are no longer in use.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Improved product quality.** Kinetic users at the composite organization can more easily customize their products and streamline production processes to improve overall product quality. With Kinetic, the composite organization is able to make better engineering drawings and track any changes made to products in real-time. These changes can be accessed and reused for future production efforts, which ensures overall quality and consistency in the composite organization's products.
- **Increased responsiveness with changing customer needs.** Customer needs are always evolving in their sophistication and complexity. By implementing Kinetic, the composite organization can leverage data to improve overall responsiveness to customer needs. Kinetic enables the composite organization to adapt to product customizations or meet a new delivery timeline, and having information ready generally helps the company to be more proactive with changing customer needs.
- **Simplified processes to improve employee satisfaction.** The benefits of implementing Kinetic stretch beyond the customer-facing aspects of revenue and product quality. Having features like centralized dashboards, streamlined reporting, and sophisticated production monitoring that are all bolstered by

Kinetic's AI capabilities, the composite organization helps to make their employees' jobs easier.

Costs. Five-year, risk-adjusted PV costs for the composite organization include:

- **Kinetic solution costs.** Subscription costs for Kinetic Cloud reflect the number of users the ERP platform has within the composite organization. Epicor typically recommends add-ons for manufacturing companies like the composite organization and estimates for those are also included in the financial model. These costs total just over $2.0 million over five years.
- **Initial and deployment-related training.** The composite organization needs to dedicate resources to train its ERP support and business teams on how to best leverage the Kinetic solution. Business users require 5 hours of training for Kinetic, while ERP support team personnel are estimated to need 20 hours of initial training. Both sets of users increase incrementally as Kinetic is implemented in each additional factory. These costs total under $270,000 over five years.
- **Kinetic deployment costs for additional factory deployments.** The composite organization needs centralized ERP resources and local factory SMEs to deploy Kinetic at its factories. These costs also include professional services from Epicor to help with the Kinetic implementation. Over five years, these costs total under $2.5 million.
- **Ongoing support costs.** The composite organization incurs ongoing costs to support the Kinetic platform. Just as the composite organization saves on these support costs from decommissioning its legacy platform (Benefit E), it needs to pay for ongoing support costs for operating the Kinetic platform. The total for this cost is over $780,000 over five years.

The representative interviews and financial analysis found that a composite organization experiences benefits of $20.39 million over five years versus costs of $5.50 million, adding up to a net present value (NPV) of $14.88 million and an ROI of 270%.

Return on investment (ROI)

270%

Benefits PV

$20.39M

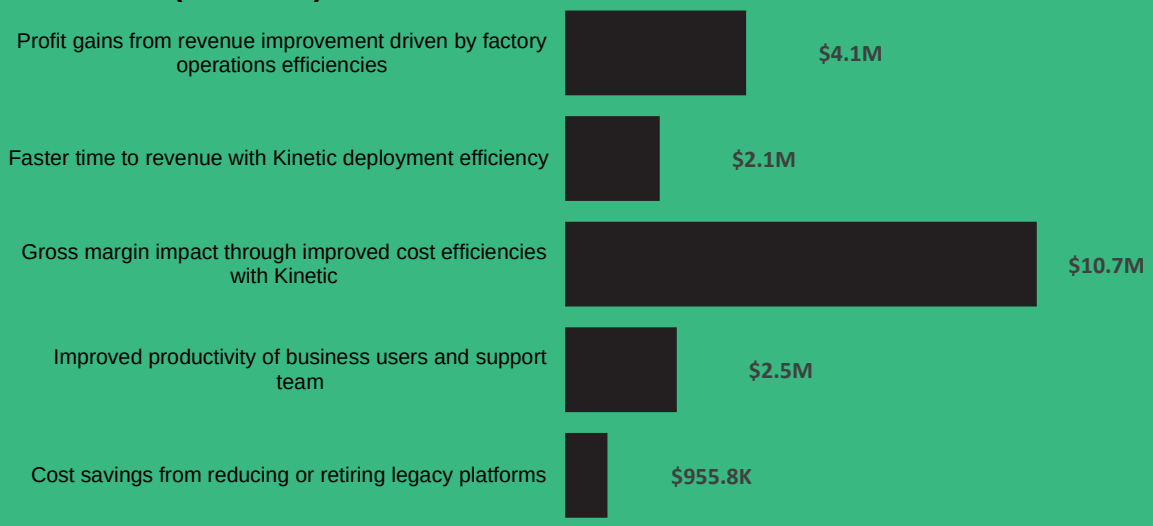
Net present value (NPV)

$14.87M

Payback

20 months

Benefits (Five-Year)



“Bringing in Kinetic, our company critically examined our processes: where we were adding value or not, and what we should change. That enabled us to define what it is we do well and make better decisions. It’s a great tool that has enabled us to run our business more efficiently.”

CFO, PACKAGING PRODUCTS MANUFACTURER

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Kinetic.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Kinetic can have on an organization.

DISCLOSURES
Readers should be aware of the following:

This study is commissioned by Epicor and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Kinetic. For the interactive functionality using Configure Data/Custom Data, the intent is for the questions to solicit inputs specific to a prospect's business. Forrester believes that this analysis is representative of what companies may achieve with Kinetic based on the inputs provided and any assumptions made. Forrester does not endorse Epicor or its offerings. Although great care has been taken to ensure the accuracy and completeness of this model, Epicor and Forrester Research are unable to accept any legal responsibility for any actions taken on the basis of the information contained herein. The interactive tool is provided 'AS IS,' and Forrester and Epicor make no warranties of any kind.

Epicor reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Epicor provided the customer names for the interviews but did not participate in the interviews.

Due Diligence
Interviewed Epicor stakeholders and Forrester analysts to gather data relative to Kinetic.

Interviews
Interviewed five representatives at organizations using Kinetic to obtain data about costs, benefits, and risks.

Composite Organization
Designed a composite organization based on characteristics of the interviewees' organizations.

Financial Model Framework
Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

Case Study
Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Epicor Kinetic Customer Journey

Drivers leading to the Kinetic investment

Interviews					
Role	**Industry**	**Region**	**Revenue**	**Employees**	**Kinetic Deployment**
VP of IT	Measurement and test manufacturer	North American headquarters, global operations	>$800 million	>2,500	28 businesses globally, 10 using Kinetic
Director of ERP	Aviation components manufacturer	North American headquarters, US operations	>$250 million	>800	9 factories in NA, all 9 using Kinetic
Financial controller	Scientific instruments manufacturer	APAC headquarters, global operations	>$150 million	>850	6 factories globally, 4 using Kinetic
• CFO • Director of IT	Packaging products manufacturer	US headquarters, North American operations	>$100 million	>500	9 factories in NA, 6 using Kinetic

KEY CHALLENGES

Forrester interviewed five decision-makers who oversee enterprise-level ERP deployment and usage at four organizations. All interviewees held senior roles in finance, ERP, or technology and were actively involved in broader efforts to standardize Epicor Kinetic over time.

Prior to deployment of Kinetic, interviewees' organizations struggled to overcome barriers posed by traditional integration strategies and legacy systems. They could not readily connect fragmented business processes, unlock data usage, and extend automation with business partners across varied IT landscapes. Even in the case of niche, cloud-based ERP solutions that were built for smaller organizations, interviewees noted that these platforms were not optimized for manufacturing and lacked capacity and key features.

> "We were a company that was growing through acquisitions and through greenfield development. We really needed a system that was scalable — one that could expand with us."
>
> CFO, PACKAGING PRODUCTS MANUFACTURER

The interviewees noted how their organizations struggled with common challenges, including:

- **Inability to scale at an enterprise level.** Most interviewees cited that their organizations either had or acquired factories with legacy ERP systems that were from niche vendors that were relatively primitive in capabilities. The biggest driver for seeking out a modern ERP system was the need to scale at an enterprise level that would support organizational growth. Interviewees also expressed concerns about the reliability of their legacy ERP tools.
- **Not optimized for manufacturing.** The interviewed decision-makers reported that ERP tools from larger vendors were horizontally focused with the goal of covering a wide swath of industry verticals. For their manufacturing-focused businesses, these interviewees wanted an ERP system that was optimized for their needs. While there is variation within manufacturers (e.g., discrete components vs. chemicals vs. biopharma), the horizontally focused ERP tools were more cumbersome to deploy.
- **Challenging and time-consuming to deploy.** Most interviewees' organizations were growing through the acquisition of companies and related factories that each had their own legacy ERP tool. In deciding to standardize on a single ERP system, one factor interviewees cited was the difficulty and time-consuming aspect of deploying many of these legacy tools.
- **Lack of flexibility and customization.** Interviewees stated that some of the limitations of their organizations' legacy ERP tools included an inability to support multiple manufacturing sites. The legacy tools had to be locally installed and

deployed and could not be centrally managed. Some interviewees noted that it was difficult to build customized, in-house applications on top of their legacy ERP platforms. Other interviewees stated that due to their hybrid configuration, they needed a tool that could interchangeably work on the cloud and on-premises.

> "We had three sites with different ERP systems trying to collaborate data together. It took days of effort to pull the data together. Today, with Kinetic, we can see exactly what's going on at all of our sites at any given point. You cannot quantify that. The biggest impact we've had is the fact that we are one company now, whereas we were three companies before."
>
> DIRECTOR OF ERP, AVIATION COMPONENTS MANUFACTURER

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could replace largely on-premises, legacy ERP tools with a modernized ERP platform optimized for the manufacturing industry that could scale with the growth and expansion of their businesses. Interviewees said they required a system that offered the following:

- Designed for scalability and performance on a cloud-native technology stack.
- Optimized for manufacturing companies with modules for specific manufacturing verticals.
- Operational efficiencies for manufacturing operators and floor shop workers for faster throughput.

- Embedded with real-time business intelligence and collaboration tools for business users to maximize profitability.
- End-to-end security built in for resilient, enterprisewide usage.
- Cloud-focused architecture with the flexibility for on-premises and hybrid deployments.
- Flexible platform with no-code/low-code configurations and integration capabilities.

> "When we talk about our own applications, I usually call Kinetic a CRM system on steroids. We're a job shop, so the technical ability to interface with our customer and our shop floor requires a system that is more like a super CRM that also enables us to leverage our tribal knowledge in manufacturing and the people running the business."
>
> CFO, PACKAGING PRODUCTS MANUFACTURER

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the five interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite is a discrete diversified manufacturing organization with $150 million in annual revenue derived from two factories in the US. It employs 900 people (in Year 1). Looking to expand as a global manufacturer while still

focused on discrete diversified production, the composite acquires a $150-million factory that employs 900 workers in EMEA at the end of Year 1. In general, the types of products produced are industrial components across a broad set of customers with relatively lower volumes. Much like the interviewees' organizations, the composite is **not** focused on precision, highly sophisticated, and high-volume production (e.g., semiconductors or pharmaceuticals).

FIGURE 1

Kinetic Rollout Timeline For The Composite Organization

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Factory X ($50M)	Kinetic on-premises *ramp to on cloud (3mos)*	Kinetic				
Factory Y ($100M)	ERP Tool1	ERP Tool1 ramp to Kinetic (9mos)	Kinetic			
Factory Z ($150M) *Acquired at end of Year 1*		ERP Tool2	ERP Tool2 ramp to Kinetic (12mos)	Kinetic		
Total revenue on Kinetic		$50,000,000	$150,000,000	$300,000,000	$300,000,000	$300,000,000
Employees on Kinetic		300	900	1,800	1,800	1,800
Total composite revenue	$150,000,000	$150,000,000	$300,000,000	$300,000,000	$300,000,000	$300,000,000
Total composite employees	900	900	1,800	1,800	1,800	1,800

Prior state. As shown in Figure 1, the composite organization has two factories in Year 0: Factory X, which drives $50 million in revenue (and has 300 employees), and Factory Y, which generates $100 million in revenue (and has 600 employees). Factory X has been running on the on-premises version of Kinetic but will transition to Kinetic on the cloud during the final three months of Year 0. As an existing user of Kinetic, the effort in transitioning to the cloud is greatly reduced while the impact of the upgraded solution in a cloud environment is meaningful. Factory Y has been using a legacy ERP tool (Tool1). The composite organization plans to transition from ERP Tool1 to Kinetic (on the cloud) in the final nine months of Year 1. Additionally, it is assumed that the acquired company/manufacturing facility (Factory Z, as shown in Figure 1) uses a different legacy ERP tool (Tool2) in the prior state. Factory Z transitions from Tool2 to Kinetic during the

twelve months of Year 2. The transitions for Factory Y and Z require more effort and time.

Deployment characteristics and revenue ramp on Kinetic. All three factories are assumed to be using Kinetic in production usage starting with Year 3. What becomes relevant in terms of modeling the benefits and costs for the composite organization are the revenue and employees deployed on Kinetic in any given year. As shown in Figure 1, the revenue and employees utilizing Kinetic is $50 million and 300 in Year 1, building to $150 million and 900 in Year 2, and peaking at $300 million and 1,800 in Year 3.

Key modeling assumptions. To quantify the economic and productivity benefits that the composite organization derives from the deployment of Kinetic, Forrester uses the following set of assumptions in the financial model (calculated and summarized in the reference table on the next page):

- The number of factories utilizing Kinetic (on cloud) grows from one (Factory X) in Year 1 to three by Year 3 (row R4).
- Correspondingly, the revenue from factories (and business units) utilizing Kinetic goes from $50 million in Year 1 to $300 million in Year 3 (row R5).
- Similarly, the number of employees utilizing Kinetic (not all employees will be users, but on the aggregate deployment level) goes from 300 in Year 1 to 1,800 in Year 3 (row R6).
- The corresponding breakout of users of Kinetic — between factory workers, office users, and IT operations (IT ops) support personnel — is provided in rows R7 through R9 by year.
- In terms of the effective value gained from Kinetic, the composite derives 80% of the effective value in Year 1, 90% in Year 2, and 100% in Year 3 onward. Forrester assumes that this is due to ongoing learnings from using a newer technological solution (row R11).

Key Assumptions

Diversified discrete manufacturer expanding from the US to EMEA

$150 million revenue in Year 1, growing through acquisition to $300 million in Year 2

900 employees in Year 1 correspondingly growing to 1,800 in Year 2

Three factories by Year 2 each transitioning to Kinetic from a legacy ERP tool on an annual deployment timeline.

Detailed Composite Characteristics And Metrics							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
R1	Fully operational factories	Composite	2	3	3	3	3
R2	Total revenue	Composite	$150M	$300M	$300M	$300M	$300M
R3	Total employees	Composite	900	1,800	1,800	1,800	1,800
R4	Factories using Kinetic (on cloud)	Composite	1	2	3	3	3
R5	Revenue from factories on Kinetic	Composite	$50M	$150M	$300M	$300M	$300M
R6	Employees utilizing Kinetic	Composite	300	900	1,800	1,800	1,800
R7	Factory workers utilizing Kinetic	Composite	180	558	1,152	1,152	1,152
R8	Office users utilizing Kinetic	Composite	50	150	300	300	300
R9	IT ops support team on Kinetic	Composite	2	7	12	14	14
R10	Operating margin	Composite	10%	10%	10%	10%	10%
R11	Effectiveness of Kinetic ramp	Composite	80%	90%	100%	100%	100%

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits								
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**	**Present Value**
Atr	Profit gains from revenue improvement driven by factory operations efficiencies	$229,500	$726,750	$1,530,000	$1,606,500	$1,683,000	$5,775,750	$4,101,040
Btr	Faster time to revenue with Kinetic deployment efficiency	$0	$850,000	$1,912,500	$0	$0	$2,762,500	$2,139,369
Ctr	Gross margin impact through improved cost efficiencies with Kinetic	$480,000	$1,680,000	$4,080,000	$4,320,000	$4,560,000	$15,120,000	$10,672,177
Dtr	Improved productivity of business users and support team	$128,494	$451,190	$963,706	$1,002,643	$1,002,643	$3,548,676	$2,521,124
Etr	Cost savings from reducing or retiring legacy platforms	$0	$131,670	$334,590	$431,490	$484,500	$1,382,250	$955,750
	Total benefits (risk-adjusted)	$837,994	$3,839,610	$8,820,796	$7,360,633	$7,730,143	$28,589,176	$20,389,460

PROFIT GAINS FROM REVENUE IMPROVEMENT DRIVEN BY FACTORY OPERATIONS EFFICIENCIES

Evidence and data. Interviewees described how their organizations' revenues increased after Kinetic helped drive operational efficiencies within their factory locations. Compared to the prior state, interviewees' organizations experienced reductions in lead times and past-due backlog. More significantly, interviewees saw improvements in operational efficiency gains for factory workers and sales processes improvement. In

general, this resulted in their organizations' ability to deliver more units of product without any meaningful increase in resources, resulting in revenue uplift.

- The director of ERP for an aviation components manufacturer stated: "Our past-due probably makes up about 10% of our revenue. So it's probably like a 4% to 6% increase in revenue because of just being able to improve our on-time delivery."
- The VP of IT for a measurement and test manufacturer described how their company reduced lead times by over 80% in some cases: "There were product areas where we were able to reduce the lead times from 12 weeks to two weeks. It's made us more competitive, and we've won more orders off the back of that reduction in lead times." These time savings helped the interviewee's organization improve their competitive position in the market and win more business.
- The financial controller for a scientific instruments manufacturer credited Kinetic with helping them expand their market presence in China, which accounts for a 50% increase in their growth revenue. Kinetic facilitated the manufacturer's global market diversification strategy, which helped improve revenues by serving new customer bases.
- The CFO for a packaging products manufacturer said: "We have better visibility into what each company within the organization is doing versus what the entire organization is doing. That was always a challenge before deploying Kinetic." They stated that these operational improvements had a positive impact on the company's financial performance.

> "Through growth and acquisitions, our sales have probably grown 20% annually over the last three to five years, while our SG&A [selling, general, and administrative expenses] has probably grown 2% or 3% annually. Deploying and using Epicor [Kinetic] has been a key factor in enabling us to meaningfully grow our business while keeping our overhead in check."
>
> CFO, PACKAGING PRODUCTS MANUFACTURER

Modeling and assumptions. This benefit focuses on the operating efficiencies for the factory workers that drive revenue improvement and the metrics that drive revenue (lead times, past-due backlog, etc.). For the composite organization, Forrester assumes the following:

- The number of factories — and their related revenues — are based on deployment ramp timeline of Kinetic outlined in the composite section.
- Gross revenue improvement begins at 18% in Year 1, and increases by one percent annually, ending with 22% improvement by Year 5.
- Thirty percent of the gross revenue is attributed to efficiency gains from Kinetic and the rest of the revenue improvement is due to people and processes. The net revenue improvement for the composite is 5.4% in Year 1 and reaches 6.6% by Year 5 (row A3).
- To determine the net business impact for the composite, the revenue benefit is converted into operating profit. Forrester assumes that the operating margin for the discrete manufacturing industry is 10%.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the profit gains will vary among organizations depending on the following factors:

- The number of factories using Kinetic could differ from the composite organization's three factories that implement Kinetic over the five-year period. An organization could also choose to stagger Kinetic implementations further apart, which could affect the revenue gains in earlier years.
- Revenue improvement could vary depending on the type of product being sold, the type of manufacturing process, or the length of the sales cycle that is attributed to factors outside of manufacturing operations.
- The operating margin is business and industry dependent and, therefore, may be higher or lower than the composite organization's 10%.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a five-year, risk-adjusted total PV (discounted at 10%) of just over $4.1 million.

Net improvement in revenue generation with Kinetic

6.6% by Year 5

"Lead times have been huge for us. We have been able to get product through the manufacturing process quicker and just everything else that comes with Kinetic. We've saved [our company] $200,000 to date for 2024."

VP OF IT, MEASUREMENT AND TEST MANUFACTURER

Profit Gains From Revenue Improvement Driven By Factory Operations Efficiencies							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
A1	Number of factories using Kinetic (on cloud)	R4	1	2	3	3	3
A2	Revenue from factories on Kinetic	R5	$50,000,000	$150,000,000	$300,000,000	$300,000,000	$300,000,000
A3	Net improvement in revenue generation	Interviews	5.4%	5.7%	6.0%	6.3%	6.6%
A4	Operating margin	R10	10%	10%	10%	10%	10%
At	Profit gains from revenue improvement driven by factory operations efficiencies	A2*A3*A4	$270,000	$855,000	$1,800,000	$1,890,000	$1,980,000
	Risk adjustment	↓15%					
Atr	Profit gains from revenue improvement driven by factory operations efficiencies (risk-adjusted)		$229,500	$726,750	$1,530,000	$1,606,500	$1,683,000
	Five-year total: $5,775,750				**Five-year present value: $4,101,040**		

FASTER TIME TO REVENUE WITH KINETIC DEPLOYMENT EFFICIENCY

Evidence and data. Differing from Benefit A, this benefit details how the interviewees' organizations achieved faster time to revenue with quicker deployment processes for Kinetic. Compared to competitive ERP tools that had a longer time to deploy, the interviewees noted their organizations got Kinetic up and running within a shorter time period, helping them reap revenue benefits sooner than they would with alternative ERP tools.

- The director of ERP at an aviation components manufacturer noted that it took them about nine months to deploy Epicor from a legacy ERP tool for a factory with about 500 workers. They estimated that another competitive tool would have taken them about 11 to 12 months to deploy.
- The CFO for a packaging products manufacturer recalled that transitioning their 800-worker factory to Epicor took about 12 months to complete. They estimated that the embedded business intelligence capabilities in Kinetic saved them about three additional months of deployment time.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- Deployment time for Kinetic is approximately 20% less than its competitors' implementations.
- Kinetic is given a higher attribution (60%) for driving these revenue gains. A higher attribution percentage is assumed for this benefit (compared to Benefit A), because faster time to deployment time is directly correlated with the ERP tool being deployed.
- The deployment of Factory Y takes nine months in Year 1, while it would have taken the composite organization 11 months to implement with a competitive ERP tool.
- Factory Z's deployment takes 12 months in Year 2 whereas it would have taken the composite organization 15 months to implement with a competitive ERP tool.
- As with Benefit A, Forrester assumes that the operating margin for the discrete manufacturing industry is 10%.

Risks. Forrester recognizes that these results may not be representative of all experiences and that speed to revenue depends upon the following factors:

- Deployment could take slightly longer, which would delay the time to revenue and impact savings.
- Factory revenue and operating margin could differ based on the industry or types of products being manufactured.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a five-year, risk-adjusted total PV of over $2.1 million.

Reduction in deployment time for Kinetic compared to alternatives

20%

Faster Time To Revenue With Kinetic Deployment Efficiency							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
B1	Faster ramp to Kinetic (on cloud) for factory transitions (months)	Interviews	0	2	3	0	0
B2	Factory revenue transitioning to Kinetic	$R5\text{-}R5_{PY}$	$0	$100,000,000	$150,000,000	$0	$0
B3	Percentage of revenue improvement attributed to Kinetic	Composite	60%	60%	60%	60%	60%
B4	Operating margin	R10	10%	10%	10%	10%	10%
Bt	Faster time to revenue with Kinetic deployment efficiency	(B1/12)*B2*B3*B4	$0	$1,000,000	$2,250,000	$0	$0
	Risk adjustment	↓15%					
Btr	Faster time to revenue with Kinetic deployment efficiency (risk-adjusted)		$0	$850,000	$1,912,500	$0	$0
Five-year total: $2,762,500				**Five-year present value: $2,139,369**			

GROSS MARGIN IMPACT THROUGH IMPROVED COST EFFICIENCIES WITH KINETIC

Evidence and data. With improved overall visibility into pricing, production, and costs, interviewees discussed how Kinetic helped them increase gross margins in dynamic ways that their organizations were not able to achieve while utilizing legacy systems. Leveraging Kinetic to impact gross margins, interviewees were able to improve inventory management, reduce write-offs, and standardize on a bill of materials (BOM) capability (especially meaningful for low-volume, sub-assembly production).

- The VP of IT for a measurement and test manufacturer mentioned that their organization saw better results with their gross margins due to Kinetic: “Kinetic has provided the functionality for us to improve on our cost management. For example, we’re much better on the raw material side, so we’re doing lots of return to vendor (RTV). We’re also doing better with scoring our suppliers using the scorecard that was implemented into Epicor.”
- The financial controller from a scientific instruments manufacturer stated: “Previously, for our China operations, we did not have a sophisticated ERP

system. With the Epicor implementation, we have seen good margin improvement. The implementation of Epicor Kinetic, particularly in our China operations, allowed for better pricing and discount control. This systematic approach to pricing helped improve our margins." They went on to explain how dynamic control over price quotes and product discounts enabled their organization to optimize their pricing strategies and increase gross margins.

- The director of ERP for an aviation components manufacturer observed: "One of the biggest benefits that we've seen from Kinetic is improved transactions across all of our sites. It's not a coincidence that every site that we brought onto Kinetic has had a reduction in the amount of inventory within a short period of them being on Kinetic."

Modeling and assumptions. This benefit focuses on the gross margin improvement achieved due to a reduction in costs. It is important to note that this benefit does not overlap (or double count) the value of Benefit A which applies to revenue-related metrics. In creating the financial model, Forrester assumes the following about the composite organization:

- Revenue is based on deployment ramp timeline of Kinetic (row C1).
- Based on the metrics cited by the interviewees, Kinetic drives overall improvement in gross margins for the composite of 1.5% in Year 1 and 1.9% by Year 5. The net improvement in row C2 is based on effective value derived by using Kinetic, adjusting the overall improvement by the effectiveness ramp (R11 from the composite table) resulting in 1.2% of gross margin improvement in Year 1 and reaching the full 1.9% by Year 5.

Risks. Forrester recognizes that these financial model results may not be representative of all experiences and that gross margin impact can be influenced by the following factors:

- Gross margin improvement percentages can vary depending on the types of products being manufactured and the industry.
- The upward trend in gross margin improvement could level off after years of experience with Kinetic.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a five-year, risk-adjusted total PV of more than $10.6 million.

> "We've been seeing increases in margin. We've reduced our past-due backlog with our customers, improved our quality visibility to identify problems, and just being able to collaborate the data across all of our sites."
>
> DIRECTOR OF ERP, AVIATION COMPONENTS MANUFACTURER

Gross Margin Impact Through Improved Cost Efficiencies With Kinetic							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
C1	Revenue from factories on Kinetic	R5	$50,000,000	$150,000,000	$300,000,000	$300,000,000	$300,000,000
C2	Net improvement in gross margin since deploying Kinetic	Interviews	1.2%	1.4%	1.7%	1.8%	1.9%
Ct	Gross margin impact through improved cost efficiencies with Kinetic	C1*C2	$600,000	$2,100,000	$5,100,000	$5,400,000	$5,700,000
	Risk adjustment	↓20%					
Ctr	Gross margin impact through improved cost efficiencies with Kinetic (risk-adjusted)		$480,000	$1,680,000	$4,080,000	$4,320,000	$4,560,000
	Five-year total: $15,120,000				**Five-year present value: $10,672,177**		

IMPROVED PRODUCTIVITY OF BUSINESS USERS AND SUPPORT TEAM

Evidence and data. Interviewees explained that because Kinetic is a streamlined, easy-to-use platform, it saved their business operations and IT teams valuable time compared to when these teams performed similar tasks on a legacy ERP system. Having a cloud-based tool that could be centrally managed (single pane of glass) across multiple locations also contributed to IT resource efficiency.

- The CFO at a packaging manufacturer highlighted that their teams no longer needed to maintain their old, cumbersome system, which freed up time for IT staff to focus on other tasks: “Now that we’re in the cloud, we don’t really have to maintain the system like we used to. That doesn’t mean we’ve got less to do, but it has freed my time up, so I don’t have to worry about the database anymore.”
- The financial controller from a scientific instruments manufacturer discussed how their more systematic approach to pricing helped improve margins (Benefit C), but these streamlining efforts also saved time for business users and reduced the time those teams spent on managing sales and pricing.

Net productivity improvement for IT team supporting Kinetic

40% by Year 3

Modeling and assumptions. This benefit quantifies the productivity improvement for business users and the IT team supporting Kinetic. The productivity improvement for factory workers is embedded in the revenue improvement quantified in Benefit A (and thus, not double counted). Forrester makes the following assumptions about the composite organization’s experience with improved productivity:

- Business users at the composite organization previously spent 25% of their time on their legacy ERP system.

- The team of business users reaches a net productivity improvement of 20% by Year 3 after fully implementing Kinetic across all three factory locations and factoring in the effectiveness ramp.
- The fully burdened hourly rate for business users typically using the ERP platform is $52 (rounded).
- The core ERP support team at the composite organization previously spent 80% of their time on their legacy ERP system.
- The core ERP support team reaches a net productivity improvement of 40% by Year 3 after fully implementing Kinetic across all three factory locations and factoring in the Kinetic effectiveness ramp.
- The fully burdened hourly rate for IT ops professionals responsible for administering ERP systems is $65 (rounded).
- For benefits with productivity gains, Forrester applies a 50% productivity adjustment factor for the composite that represents the percentage of productivity savings realized (i.e., 1 hour of time savings does not necessarily translate into 1 hour of productive work).

Risks. Forrester recognizes that these financial model results may not reflect the unique experiences of organizations using Kinetic, and this productivity benefit can be impacted by the following factors:

- The fully burdened hourly rates for the ERP support and business users could vary depending on the types of individuals filling those roles at the composite organization and their geographic location.
- The productivity improvements could also vary depending on the capabilities of the legacy system and how much of an improvement it is for the teams using Kinetic.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a five-year, risk-adjusted total PV of just over $2.5 million.

Net productivity improvement for business users of Kinetic

20% by Year 3

"We used to spend three weeks on invoicing alone. With Epicor, we're about to get it down to about 90 minutes a month. There are so many different functions like the cash conversion cycle that we are also able to automate and drive productivity."

VP OF IT, MEASUREMENT AND TEST MANUFACTURER

Improved Productivity Of Business Users And Support Team							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
D1	Business users on Kinetic	R8	50	150	300	300	300
D2	Annual hours spent by business users on ERP system before Kinetic (per user)	2,080*0.25	520	520	520	520	520
D3	Net productivity improvement for users with Kinetic	Interviews	16%	18%	20%	20%	20%
D4	Fully burdened hourly salary for a business user	TEI standard	$52	$52	$52	$52	$52
D5	**Subtotal: Productivity improvement for business users**	**D1*D2*D3*D4**	**$216,320**	**$730,080**	**$1,622,400**	**$1,622,400**	**$1,622,400**
D6	IT ops support team users on Kinetic	R9	2	7	12	14	14
D7	Annual hours spent by IT ops team users before Kinetic (per user)	2,080*0.8	1,664	1,664	1,664	1,664	1,664
D8	Net productivity improvement for IT ops support team with Kinetic	Interviews	32%	36%	40%	40%	40%
D9	Fully burdened hourly salary for an IT ops professional	TEI standard	$65	$65	$65	$65	$65
D10	**Subtotal: Productivity improvement for ERP support team**	**D6*D7*D8*D9**	**$69,222**	**$272,563**	**$519,168**	**$605,696**	**$605,696**
D11	Productivity adjustment factor	TEI standard	50%	50%	50%	50%	50%
Dt	Improved productivity of business users and support team	(D5+D10)*D11	$142,771	$501,322	$1,070,784	$1,114,048	$1,114,048
	Risk adjustment	↓10%					
Dtr	Improved productivity of business users and support team (risk-adjusted)		$128,494	$451,190	$963,706	$1,002,643	$1,002,643
	Five-year total: $3,548,676			**Five-year present value: $2,521,124**			

COST SAVINGS FROM REDUCING OR RETIRING LEGACY PLATFORMS

Evidence and data. While Kinetic is the cloud-native version of Epicor for manufacturing ERP, interviewees noted that the ability to move between the on-premises version and Kinetic (on the cloud) was an important capability. This allowed them to eliminate all costs related to their legacy ERP tools. As a first order of impact, this meant the reduction in and retirement of annual maintenance and platform support costs due to the interviewees' organizations decommissioning their legacy ERP systems.

- The CFO for a packaging products manufacturer explained: “We had an old system that we bought a million years ago when we were running on-premises. We paid maintenance every year, and it cost us resources to support. This was not appealing.”
- Multiple interviewees had one or more legacy ERP systems in place at their factories, and the older systems were not very sophisticated and couldn’t effectively track all the necessary metrics.

Modeling and assumptions. In creating the financial model, Forrester assumes the following about the composite organization’s process of retiring its legacy ERP systems:

- Annual maintenance fees for the legacy ERP systems, Tool1 and Tool2, were approximately $96,000 and $144,000, respectively. These fees are based on estimates for the perpetual pricing on a per-user basis.
- The decommissioning process for Tool1 begins in Year 2 and is completed by Year 4 along the lines of the schedule in row E3. Similarly, the decommissioning process for Tool2 begins in Year 3 and is completed by Year 5 per the schedule on row E6.

> “We had systems that were at capacity or starting to show signs of strain. This included homegrown systems or less effective IT systems that were not meeting our needs.”
>
> VP OF IT, MEASUREMENT AND TEST MANUFACTURER

Risks. Forrester recognizes that these financial model results may not reflect the unique experiences of organizations using Kinetic, and this legacy tool retirement benefit can be impacted by the following factors:

- Decommissioning timelines could be earlier or later within the five-year time period of the financial model, which would impact savings.

- Maintenance costs could vary depending on what type of legacy systems a company has in place.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a five-year, risk-adjusted total PV of nearly $956,000.

> "We capture all our improvements line by line as we go through the year, and we tally it up. Then, I report that to our CFO. We'll know exactly what we spend on systems and calculate what we have saved annually with each system. In 2024, a lot of that will come down to Kinetic and the improvements and efficiencies that it allows us to deliver."
>
> VP OF IT, MEASUREMENT AND TEST MANUFACTURER

Cost Savings From Reducing Or Retiring Legacy Platforms							
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
E1	Cost of maintenance and product support for legacy ERP Tool1	Composite		$96,000	$96,000	$96,000	$96,000
E2	Internal legacy platform support costs (1 FTE)	Composite		$135,000	$135,000	$135,000	$135,000
E3	Percentage of legacy ERP Tool1 decommissioned	Composite		60%	80%	100%	100%
E4	Cost of maintenance and product support for legacy ERP Tool2	Composite		$0	$144,000	$144,000	$144,000
E5	Internal legacy platform support costs (1 FTE)	Composite		$0	$135,000	$135,000	$135,000
E6	Percentage of legacy ERP Tool2 decommissioned	Composite		0%	60%	80%	100%
Et	Cost savings from reducing or retiring legacy platforms	((E1+E2)*E3)+ ((E4+E5)*E6)	$0	$138,600	$352,200	$454,200	$510,000
	Risk adjustment	↓5%					
Etr	Cost savings from reducing or retiring legacy platforms (risk-adjusted)		$0	$131,670	$334,590	$431,490	$484,500
	Five-year total: $1,382,250			**Five-year present value: $955,750**			

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Improved product quality.** Interviewees noted that with data at their fingertips, Kinetic users could make on-the-fly adjustments to their production processes and record those changes so that the same product blueprint could be systematically accessed and reused in the future. The CFO for a packaging products manufacturer explained how Kinetic helped to enhance product quality at their organization: “For the packages we’re making, there are just so many minute, little details you have to get right — they need to have the right colors for the interior, the labels need to go on the right way and not upside down, sometimes the labels go on one side, and sometimes they go on the other side. All that’s to say, our workers are using the data stored in Kinetic, and they’re using it for engineering drawings to improve quality and production information.” Interviewees were not able to fully quantify the exact productivity or revenue improvements resulting from their improved product quality.
- **Increased responsiveness with changing customer needs.** Interviewees described how Kinetic increased their organizations’ ability to serve customers and meet their increasingly complex demands. The director of ERP for an aviation components manufacturer summarized how their teams better anticipated and responded to customer requests, stating, “We now have Kinetic, which just brings better data together to help us be more proactive with our customers’ demands instead of reactive.” Having information readily available throughout the ordering, production, and delivery processes helped the interviewees’ organizations meet customer expectations with on-time deliveries and customization needs.
- **Simplified processes to improve employee satisfaction.** With previous ERP systems, it was difficult for interviewees to project demand and plan for their companies’ futures. After implementing Kinetic — with its centralized dashboard and features that enabled sophisticated monitoring — it made doing so much easier. The financial controller for a scientific instruments manufacturer described how, with much less effort compared to their older ERP systems, users could

greatly increase their visibility into the process without greatly increasing their workloads.

> "With the help of Kinetic, it's simple to build a quick model or estimate pricing using a dashboard in our system. They just have great functionality and features that make it not at all difficult to build one of these dashboards. From there, I can ask our IT people to apply simulation logic, so that I can look at it quickly and estimate what our costs will be."
>
> FINANCIAL CONTROLLER, SCIENTIFIC INSTRUMENTS MANUFACTURER

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Kinetic and later realize additional uses and business opportunities, including:

- **Leveraging AI for insight advantage and cognitive ERP.** With access to computing power to process huge loads of data, Kinetic is actively building AI into upcoming releases of Kinetic based on the premise of cognitive ERP. Interviewees noted their organizations will stay competitive in their respective markets the smarter and more automated the system is.
  The VP of IT for a measurement and test manufacturer highlighted how impressed they were with the direction of Kinetic and how their company would continue to increase their use of AI features to improve their business: "These AI and automation solutions will allow us to reallocate our workforce, work smarter, and augment our process. Epicor is proactively working on new functionality enabled by AI. I've been very impressed by the functionality and the AI tools that they are bringing in."

> "Epicor has been a very good choice for us overall, especially because of the concurrent pricing structure and the level of support. I am grateful to the Epicor support team; they are always there for us. Before, had we chosen [an ERP other than Kinetic] we would probably still be facing the same pains."
>
> FINANCIAL CONTROLLER, SCIENTIFIC INSTRUMENTS MANUFACTURER

- **Utilizing the adaptability of concurrent licensing.** Interviewees with global manufacturing facilities sprawled over different time zones noted the value of Epicor's concurrent licensing. Their workers in different geographies were allowed to access the same license (or seat) so long as it was not at the same time, which could be a cost savings.

  The financial controller for a scientific instruments manufacturer stated: "One of the key reasons we chose Epicor is because of Kinetic's concurrent licensing. In a way, they only charge us when we are accessing the system. We have a limited number of employees. It allows us to have users access the same licenses that we have in Hong Kong, for users in the US, when people are not working in Hong Kong."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs									
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**	**Present Value**
Ftr	External: Kinetic (on cloud) solution cost	$38,850	$237,825	$526,050	$599,550	$644,700	$694,050	$2,741,025	$2,011,547
Gtr	Internal: Initial and deployment-related training	$46,690	$66,125	$81,075	$46,690	$46,690	$46,690	$333,960	$269,767
Htr	Kinetic deployment internal and external costs for additional factories	$93,844	$1,006,031	$1,748,250	$0	$0	$0	$2,848,125	$2,453,252
Itr	Internal: Ongoing support costs	$70,875	$106,313	$212,625	$212,625	$212,625	$212,625	$1,027,688	$780,243
	Total costs (risk-adjusted)	$250,259	$1,416,294	$2,568,000	$858,865	$904,015	$953,365	$6,950,798	$5,514,809

EXTERNAL: KINETIC (ON CLOUD) SOLUTION COST

Evidence and data. Interviewees noted that their Kinetic licensing costs were based on the number of users who utilize the Kinetic cloud platform. Priority cloud add-ons were typically recommended by Epicor and were modular, in that interviewees' organizations could choose the set of capabilities required.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- There is a 10% discount from list SaaS pricing.
- There are also some concurrent licensing benefits assumed here, which lowers overall SaaS costs.

- License pricing is raised by 10% in Years 4 and 5 to account for potential future price adjustments.
- Priority add-ons included in this configuration include Enterprise Content Management (ECP), financial planning and analysis (FP&A), and Quickship.
- Pricing may vary. Contact Epicor for additional details.

Risks. The following risks can potentially impact Kinetic cloud solutions costs:

- The future price increase in Years 4 and 5 could be greater than the 10% that is included in the model.
- While an unlikely risk, there are potential add-ons and new features that could increase the solutions cost.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a five-year, risk-adjusted total PV (discounted at 10%) of just over $2 million.

External: Kinetic (On Cloud) Solution Cost								
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
F1	SaaS licensing	Composite	$37,000	$201,500	$426,000	$426,000	$469,000	$516,000
F2	Priority cloud add-ons	Composite		$25,000	$75,000	$145,000	$145,000	$145,000
Ft	External: Kinetic (on cloud) solution cost	F1+F2	$37,000	$226,500	$501,000	$571,000	$614,000	$661,000
	Risk adjustment	↑5%						
Ftr	External: Kinetic (on cloud) solution cost (risk-adjusted)		$38,850	$237,825	$526,050	$599,550	$644,700	$694,050
	Five-year total: $2,741,025				**Five-year present value: $2,011,547**			

INTERNAL: INITIAL AND DEPLOYMENT-RELATED TRAINING

Evidence and data. Interviewees discussed the need for training on the Kinetic platform for different user types within their organization, including ERP support team users, business and operational users, and factory workers. Since training needs and salaries differed among these groups, the model outlines the calculations for each.

- Interviewees stipulated that the ERP support team users would require more training hours than the business and operations users.
- Business and operations users of Kinetic needed approximately 5 hours for initial training and onboarding, while ERP support team and IT users needed 20 hours of initial training.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The fully burdened hourly rate for the ERP support staff is $65. The fully burdened hourly rate for the business users is $52.
- As the composite organization deploys Kinetic to additional factories (each with larger revenues), the incremental number of users needing training also increases. The ERP support staff begins with two FTEs in Year 1, grows to five incremental FTEs in Year 3.
- The composite begins with 50 business users and increases to 150 incremental users in Year 3 to account for the large factory that is deploying Kinetic in that same year.
- In Years 4 and 5, there are fewer incremental ERP support and business users who need training. These are estimates of new hires in those respective years to replace employees who have left.
- Training for factory workers to ramp up on Kinetic usage for their roles is based on 70 to 80 factory workers requiring 5 hours of initial training each year based on an appropriate hourly rate.

Risks. The following risks can potentially impact the cost of initial and deployment related training for Kinetic:

- Average hourly salaries for the ERP support, business users, and factory workers will vary depending on the experience levels and specific salary considerations for the company.
- The number of hours of training required by role will vary based on the relative expertise and experience of the users.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a five-year, risk-adjusted total PV of just under $270,000.

Internal: Initial And Deployment-Related Training								
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
G1	Hours needed to train ERP support team FTE (per FTE)	Interviews	20	20	20	20	20	20
G2	Incremental ERP support team FTEs trained	Composite	2	5	5	2	2	2
G3	Fully burdened hourly rate for an ERP support team member	TEI standard	$65	$65	$65	$65	$65	$65
G4	Hours needed to train business users (per FTE)	Interviews	5	5	5	5	5	5
G5	Incremental business users trained	Composite	50	100	150	50	50	50
G6	Fully burdened hourly rate for a business user	TEI standard	$52	$52	$52	$52	$52	$52
G7	Training for factory workers and other ongoing training costs	Composite	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Gt	Internal: Initial and deployment-related training	(G1*G2*G3)+ (G4*G5*G6)+G7	$40,600	$57,500	$70,500	$40,600	$40,600	$40,600
	Risk adjustment	↑5%						
Gtr	Internal: Initial and deployment-related training (risk-adjusted)		$46,690	$66,125	$81,075	$46,690	$46,690	$46,690
Five-year total: $333,960				**Five-year present value: $269,767**				

KINETIC DEPLOYMENT INTERNAL AND EXTERNAL COSTS FOR ADDITIONAL FACTORIES

Evidence and data. These internal and external deployment costs pertained to the time period when the interviewees' organizations actively deployed Kinetic to their additional factories initially and in the first two years of deployment. This included internal IT staff and the Professional Services team at Epicor.

- The director of ERP at an aviation components manufacturer noted that it took them about nine months to deploy Epicor from a legacy ERP tool for a factory with about 500 workers. They estimated that another competitive tool would have taken them about 11 to 12 months to deploy. For this initial deployment, they recalled needing three IT FTEs who spend 100% of their time on deployment and 10 local subject matter experts (SMEs) who spend 40% of their time.
- The CFO for a packaging products manufacturer recalled that transitioning their 800-worker factory to Epicor took about 12 months to complete with three FTEs from the ERP team working full time and an additional 10 SMEs spending more than 50% of their time on the transition. They estimated that the embedded business intelligence capabilities in Kinetic saved them about three additional months of deployment time.

Modeling and assumptions. For the financial model, Forrester assumes the following:

- The deployment of Epicor on the cloud from the on-premises version for Factory X takes three months (in Year 0) requiring three IT ops FTEs who spend 50% of their time and five SMEs who spend 20% of their time.
- Factory Y deploys Epicor over the final nine months of Year 1 requiring three IT ops FTEs who spend 100% of their time and seven SMEs who spend 50% of their time.
- Factory Z deploys Epicor over the full 12 months of Year 2 requiring four IT ops FTEs who spend 100% of their time and 10 SMEs who spend 50% of their time.
- The average fully burdened annual salary for IT ops and SME roles is $135,000.
- The professional services assistance with deployment provided by Epicor is based on estimates provided by Epicor for similarly scoped deployments.

Risks. The following risks can potentially impact the cost of adding new factories to the Kinetic platform:

- The number of hours and FTEs needed to complete this Kinetic implementation could vary depending on the size of the additional factories.
- The relative expertise of the organization's core ERP team and the local factory SMEs.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a five-year, risk-adjusted total PV of just under $2.5 million.

Kinetic Deployment Internal And External Costs For Additional Factories								
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
H1	Time for Kinetic deployment (months)	Composite	3	9	12			
H2	FTE and SME effort required for transition to Kinetic	Composite	2.5	6.5	9.0			
H3	Fully burdened annual salary for IT ops and SME professionals	TEI standard	$135,000	$135,000	$135,000			
H4	External implementation and project management services by Epicor	Composite	$5,000	$300,000	$450,000			
Ht	Kinetic deployment internal and external costs for additional factories	((H1/12)*H2 *H3)+H4	$89,375	$958,125	$1,665,000	$0	$0	$0
	Risk adjustment	↑5%						
Htr	Kinetic deployment internal and external costs for additional factories (risk-adjusted)		$93,844	$1,006,031	$1,748,250	$0	$0	$0
	Five-year total: $2,848,125				**Five-year present value: $2,453,252**			

INTERNAL: ONGOING SUPPORT COSTS

Evidence and data. The costs outlined below represent the ongoing resources the interviewees' organizations needed to support the Kinetic platform and its functionality.

- Interviewees confirmed that their organizations use their core ERP team FTEs on an ongoing basis to support Kinetic.
- The number of FTEs leveraged by the composite organization were based on the interviewees' experiences with their ongoing management of Kinetic.

Modeling and assumptions. The following assumptions were made when modeling the ongoing support costs when using Kinetic:

- While informed by interviewees' experiences, the number of FTEs included in these ongoing support costs are adjusted to fit the composite organization's size, scope, and specific needs.
- At full deployment, the composite organization requires five core ERP team professionals who spend 30% of their time for ongoing support.
- The average fully burdened annual salary for IT operations professionals is $135,000. It is estimated based on the experience level the composite organization needs for this role.

Risks. The following risks can potentially impact the ongoing support costs associated with managing Kinetic:

- The amount of IT professional resources needed for ongoing application support could vary based on the composite organization's needs.
- Average hourly salaries for the ERP support personnel will vary, depending on the experience levels, type of products, and geography.

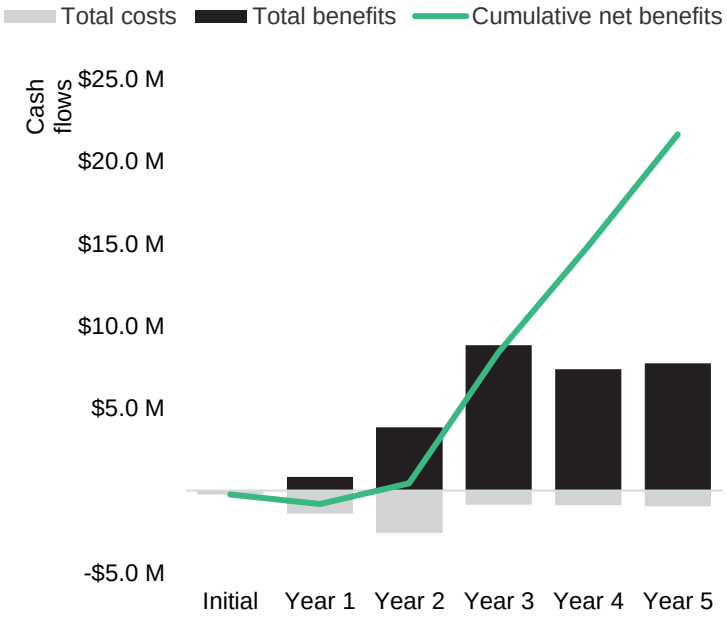
Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a five-year, risk-adjusted total PV of just over $780,000.

Internal: Ongoing Support Costs								
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
I1	Annual IT ops FTE effort for ongoing support (FTE)	Interviews	0.50	0.75	1.50	1.50	1.50	1.50
I2	Fully burdened annual salary for an IT ops professional	TEI standard	$135,000	$135,000	$135,000	$135,000	$135,000	$135,000
It	Internal: Ongoing support costs	I1*I2	$67,500	$101,250	$202,500	$202,500	$202,500	$202,500
	Risk adjustment	↑5%						
Itr	Internal: Ongoing support costs (risk-adjusted)		$70,875	$106,313	$212,625	$212,625	$212,625	$212,625
Five-year total: $1,027,688					**Five-year present value: $780,243**			

Financial Summary

Consolidated Five-year, Risk-Adjusted Metrics

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present Value
Total costs	($250,259)	($1,416,294)	($2,568,000)	($858,865)	($904,015)	($953,365)	($6,950,798)	($5,514,809)
Total benefits	$0	$837,994	$3,839,610	$8,820,796	$7,360,633	$7,730,143	$28,589,176	$20,389,460
Net benefits	($250,259)	($578,300)	$1,271,610	$7,961,931	$6,456,618	$6,776,778	$21,638,378	$14,874,651
ROI								270%
Payback								20 months

APPENDIX A: TOTAL ECONOMIC IMPACT

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

APPENDIX C: ENDNOTES

[1] Source: The Digital Operations Planning And Analytics Landscape, Q3 2023, Forrester Research, Inc., September 20, 2023.

[2] Source: The PLM For Discrete Manufacturing Landscape, Q4 2022, Forrester Research, Inc., December 27, 2022.

[3] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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