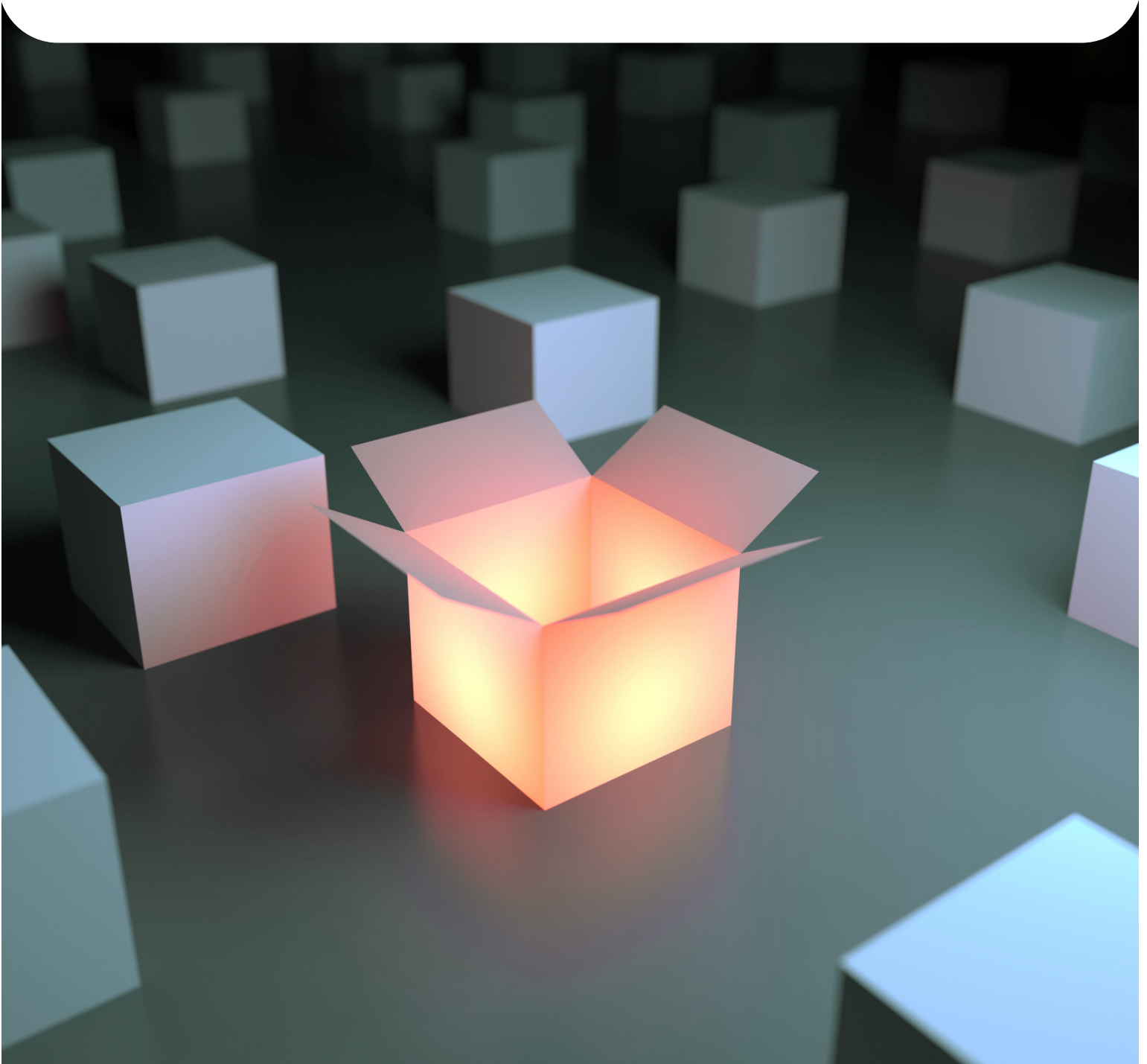


Out-of-the-Box PLM: Solution Implementation Realities and Considerations



The combination of the time, investment and resource commitment traditionally required for a successful PLM implementation often results in reluctance to move forward.

Over the past 10 years, PLM (Product Lifecycle Management) solutions have matured significantly and have been proven to drive substantial benefits. However, the need to devote substantial time and resources, coupled with the financial investment required for successful implementations, have made it difficult to get a PLM initiative to the top of the priority list for all but the largest of companies, despite the ROI these initiatives can expect to generate.

To combat the inertia of companies unwilling or unable to pull the trigger on new PLM initiatives, software providers have sought to find ways to reduce the time and cost associated with PLM projects and speed up the realization of value. The result has been marketing campaigns centered on “Out-of-the-box” (OOTB) or “Preconfigured” PLM. In this point of view, Parker Avery sheds light on:

- What it truly means to implement an OOTB PLM solution
- Who OOTB PLM is most suited for (it's not for everybody)
- How companies can best leverage these solutions to fit their unique needs

Historical PLM Initiatives

Recently, many retail companies have taken advantage of the maturing nature of the PLM software market to replace their legacy systems with new solutions. The hope, or rather the expectation, has been that these new solutions would improve processes and efficiencies across the product development spectrum, driving results to the bottom line. Studies by industry research experts have documented that benefits such as 5 – 10% reductions in direct materials spend, 5 – 25% gross margin increases and 50 – 80% improvements in cycle times are possible.

Yet despite all of the potential benefits, companies who have yet to implement new PLM solutions are still cautious about taking on such an initiative. While not typical, implementation times can be as long as three years from project start to initial go-live *for a single pilot group*. A significant commitment of resources, both internal and external, is also required, and companies often do not have the internal IT resources with PLM system implementation experience or business resources with the time available to commit to a full-time project. Consequently, additional assistance from the software provider as well as a systems integrator and / or consulting partner is frequently necessary. This combination of the time and resource commitment traditionally required for a successful PLM implementation inevitably leads to high costs, typically in the multi-millions of dollars, and thus a hesitancy to move forward.

Out-of-the-box PLM

“Out-of-the-box” (OOTB) or “Preconfigured” PLM is being hyped as the new cure for the nagging ailment of long and expensive implementations. Not surprisingly, there are different interpretations in the industry of what OOTB truly means. Some claim that any solution that does not require customization counts as OOTB, even if significant configuration is required. A more stringent definition of OOTB PLM, and the one we will use here, means that the software is ready to be utilized by a company upon purchase. While some very minimal adjustments may be required to match customer-specific terminology, the concept is that the software has been preconfigured to meet the needs of the “typical” company in a certain retail segment, based upon the software provider’s prior experiences with its customers. In theory, given how PLM software has matured over the last ten years, the lessons learned by the vendors over that timeframe should enable retailers to purchase a PLM solution, “plug it in,” and start reaping the benefits.

Configured vs. Preconfigured vs. Customized

(what’s the difference?)

Configured software is the equivalent of making selections among available options that exist in the software to align with desired business processes.

Preconfigured software comes with recommended functionality selections for a particular industry model. Also called “out-of-the-box” or OOTB.

Customized software is required when the available options are unacceptable for the business and requires changing the underlying code.

Of course, it’s not quite that easy. While the PLM software vendors are building these preconfigured models, not all vendors have experience in all types of products. For example, a preconfigured footwear model would be very different than a model for outdoor apparel or highly technical / “engineered” apparel. There are also vast differences in PLM solutions geared toward home goods, as opposed to apparel models. These solutions would include different product attributes, different complexity in terms of bills of materials, and different expectations of the level of collaboration with trading partners. In other words, not all preconfigured models are created equal, and it is important for companies to evaluate which OOTB model is most applicable to their business requirements.

Anticipating Change

Once the appropriate solution is identified, following a preconfigured model and quickly realizing value is possible, but it requires an understanding of the guardrails and potential compromises that inherently come with this approach. Adopting the OOTB software “as-is” means that a company must change its business processes, tools and templates (e.g., cost sheets, tech packs or line review materials) to adhere to how the software has been designed and configured. Any desired changes to make the software fit more closely to a company’s existing processes require further configuration and / or customization, the latter of which contradicts the purpose of pursuing an OOTB approach in the first place and adds time and cost to the project.

To most effectively combat this challenge, it is critical that the solution implementation include solid change management expertise – typically led by an external consulting organization who partners with internal senior business champions. Aligning on a holistic solution and not considering each group’s needs is often counter to the entrepreneurial spirit that built many companies, so this is not usually an easy journey. But in the long run, the time and effort spent harmonizing processes and aligning on how to do things consistently – except where uniqueness is truly warranted – will pay off in a less costly and time-consuming implementation.

Initial Expectations

Additionally, the extremely fast implementation times (i.e., six months or less) touted with OOTB solutions are generally achieved by limiting scope and integration. For example, the software may initially go live without vendor collaboration enabled and without being connected to or sharing data with any other systems. The value in this approach is that the system gets up and running quickly, users start getting accustomed to it, and the company begins to see some benefits from the best practices it has adopted in a short period of time. However, the downside of this approach is that it then requires subsequent releases of the remaining functionality and possibly more integration work to fully achieve the expected payback on the system.

New startups or smaller, less complex companies with minimal or no current systems are good candidates for a PLM implementation that is closest to the OOTB side of the spectrum. These organizations are best positioned to take advantage of the years of industry best practices that are incorporated into preconfigured PLM solutions. They are less “set in their ways” and typically more willing to change their business processes to align with the software. Additionally, the staged approach to introducing functionality helps to improve adoption by users who are likely less accustomed to working with legacy enterprise systems.

A Delicate Balance

While the processes espoused with a preconfigured PLM solution likely involve some changes that would be highly beneficial to any organization, few companies are truly prepared for the level of change required to follow a pure OOTB approach. Moreover, there are some aspects of every company's processes or business model that are highly unique and are their primary drivers of competitive advantage. As a result, for most companies, some further configuration and / or customization of the PLM solution is needed and appropriate.

Yet too much customization can lead to a lengthier and more costly project, and it can inhibit future upgrades as well. Therefore, any project should incorporate a strict governance model to evaluate the projected ROI of each customization being considered. A delicate balance must be achieved: on one hand, companies cannot compromise their "secret sauce" for the sake of a cheaper and faster software implementation, but on the other hand, too much customization increases the maintenance burden and may limit the ability to benefit from future software enhancements.

Established companies with rigid processes or legacy systems in need of replacement will tend more towards the customization side of the PLM implementation spectrum. This approach enables them to maintain the key differentiating aspects of their business model and reduces the change management requirements of the initiative. Additionally, the longer implementation time can be more easily tolerated as there are already methods and tools in place that have enabled the company to be successful.

A PLM initiative should begin by fully assessing the OOTB solution and identifying areas where processes can be changed to match the OOTB functionality. Even successful, established companies can benefit from a process review and insight into the best practices of others within the industry. For the areas that are highly unique and cannot be met with the OOTB solution, configuration approaches should be pursued before customizing. Customization is expensive, can inhibit or make future upgrades much more painful, and should only be pursued when necessary to maintain competitive advantage.

Final Word

When it comes to PLM software for the retail industry, there is really no one size fits all implementation approach. The suitability of an OOTB PLM solution is dependent upon the maturity level of a company's processes and systems, as well as its tolerance for change. Regardless, preconfigured PLM solutions should always be considered as a starting point. They will likely meet 70 – 80% of a company's needs and represent a far better alternative than starting from scratch.

Furthermore, organizations looking to invest in a new PLM solution can take advantage of the many lessons learned by their predecessors. Companies should select a preconfigured solution that aligns with their business segment (e.g., apparel). This approach will serve as a solution accelerator which, when coupled with strong project scope governance and an effective change management program, will produce a solution that more quickly delivers meaningful benefits and results in greater user adoption.

The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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