



At a Glance

Martin-Baker

Industry

Aircraft ejection seat and escape system Manufacturer

Employees

725 employees

Headquarters

Higher Denham, England

Logistics

Supplier to 70% of the world's air forces

Solution

Epicor Enterprise

Business Challenge

Lack of flexibility in former system created inconsistencies in the general ledger and prohibited expansion capability

Solution

Strategic sourcing solution to help manage and ultimately reduce the cost of its work materials

Business Benefits

- Provides alternate supplier information for fulfillment needs
- Rapid deployment enabled through off-the-shelf
- Minimal infrastructure requirements for reduced running cost

Return on Investment

- 220 percent return on investment (ROI) during the first sourcing event alone
- Reduced materials costs and purchasing margins
- Savings of 30-40% on the items purchased through the system

In 1944, Martin-Baker began pioneering work in the field of aircrew ejection and nearly 60 years later, it now supplies ejection seats to approximately 70% of the world's air forces. With manufacturing facilities in the United States, Great Britain, France and Italy, Martin-Baker has a small but highly skilled workforce that produces ejection seats and other safety equipment for the aerospace industry. Each seat is manufactured on a made-to-order basis due to the differences in configuration depending on aircraft and the individual requirements of the purchasing air force or aircraft manufacturer.

As part of its IT initiative to optimize the company's multi-million dollar purchasing budget, Martin-Baker looked to improving cost by taking a more strategic approach to direct material procurement as a means of generating cost savings from its supplier community. An integral part of this strategy was to explore the potential of the reverse auction process across selected areas of spend.

"We wanted to test the water before jumping in feet first with a new electronic sourcing solution," explains Andy Patrick, purchasing manager for Martin-Baker. "We were beginning to explore the market for tier-1 ERP solutions and although there were vague claims of the ability to manage reverse auctions, we wanted an application that we could deploy quickly and securely to explore the suppliers response to such a tool with minimum disruption to our business," he adds.

The number of reverse auctions Martin-Baker had envisioned was relatively small, but the value of each could range from £25,000 to £500,000 (approximately \$50,000 to \$900,000 USD) and the potential savings were great. Martin-Baker looked at the vendor community and from a shortlist of three, decided that Epicor Sourcing would offer the fastest 'out-of-the-box' implementation at a reasonable cost with the features that the company required.

Patrick says, "There were other SRM systems we considered, but they offered features we really didn't need and were more expensive. We planned to use the Epicor solution as a trial to see whether a reverse auction was feasible for us and it was far quicker and less costly than trying to implement a similar solution integrated within any future ERP system."

Martin-Baker participated in the Epicor's JumpStart program, which provides a 30-60- 90 day "try & buy" use of Epicor Sourcing. This service is hosted and maintained on the Epicor site, promising a production deployment within 1-2 weeks, and a package of implementation, consulting, training, and configuration services.

With the help of an implementation team from Epicor, the software was specified, installed and configured over a two-week period. As a Web-based application, there were no legacy issues and required minimal infrastructure to deploy. "We then ran a number of seminars for our suppliers and staff on our reasons for implementing the new system, how to use the interface and the general procurement strategy. We had expected a backlash, but this wasn't the case as only a relatively small part of our business would use the sourcing solution and I think our suppliers understand that we all need to remain competitive to stay in business," explains Patrick.

Reverse Auctions Pay Off

Due to the extremely high quality standards required by Martin-Baker from its suppliers, each reverse auction has a limited number of invited participants. Each participant receives highly detailed proposals for the required parts for submanufacture and details on quantity, delivery and duration.

"We started it as a pilot, but the first auction was so successful that it effectively paid for the software and implementation cost due to the savings we made as our suppliers were able to reduce costs and lower margins to win the orders," says Patrick.

During a period of just three weeks, a Martin-Baker purchasing team supported by Epicor ran three successful sourcing events for selected component packages. These included highly complex engineered aluminum and steel components. The company received a 220 percent return on investment (ROI) during the first sourcing event alone. For the whole pilot program, the ROI was 400 percent. More significantly, each of the sourcing events lasted just one hour compared to the several weeks it would take to conduct events using more traditional processes.

Over the last 18 months, Martin-Baker has run eight reverse auctions using the Epicor Sourcing solution with a value of goods approximating to 15% of the annual direct material spend. Patrick estimates that the company has made a saving of around 30- 40% on the items purchased through the system.

Patrick believes that Martin-Baker has made a wise investment in Epicor Sourcing and is currently planning an RFP-type auction for its suppliers to design and manufacture functional items for Martin-Baker. "We have tested the waters and Sourcing works for us as a selectively deployed tool," said Patrick. "We will now look at how we can use the same tools for other parts of our business."

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Andy Patrick, purchasing manager
Martin-Baker

About Epicor

Epicor is a leading provider of enterprise business software solutions to the midmarket and divisions of Global 1000 companies. Founded in 1984, Epicor serves over 20,000 customers in more than 140 countries, providing solutions in over 30 languages.



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