

ROI CASE STUDY

EPICOR LITTLE HARDWARE



THE BOTTOM LINE

Little Hardware had deployed Epicor Eagle in 1994, and recently made new investments in Epicor technology including Epicor Eagle Training On Demand, Epicor Eagle Inventory Planner, and Epicor Payment Exchange. Nucleus found that these new incremental investments enabled Little Hardware to leverage greater returns from its ERP investment by accelerating user training and proficiency, streamlining payment processing, and making more strategic inventory investments. Benefits included increased productivity, reduced inventory carrying costs, improved margins, streamlined payment processing, and reduced technology costs.

ROI: **7002%**

Payback: **1 week**

Average annual benefit: **\$47,053**

THE COMPANY

Little Hardware Company has been providing the Charlotte, North Carolina area with industrial and hardware supplies for more than 90 years. The family-owned business strives to maintain its reputation for excellent customer service, especially in helping customers locate hard-to-find specialty items.

THE CHALLENGE

Little Hardware had deployed Epicor Eagle in 1994, but in a business where margins are key, managers were always looking for ways to improve. In 2011, Little Hardware reviewed its use of Epicor and other technologies and found three areas for potential improvement:

- Training. When new employees came on board or needed to take on new responsibilities, it was up to managers to train them on the applications, which was time consuming and kept them away from other management activities. The company saw an opportunity to formalize and standardize training material by

implementing a learning management system (LMS) that could individualize training agendas according to the employee being trained or on-boarded.

- Payment processing. Little Hardware was using Epicor Protobase and an outside service to process credit and debit card transactions, and spending a lot on processing fees for credit and debit payments. It saw an opportunity to streamline its payment processing and reduce technology management costs.
- Inventory and ordering. Little Hardware had historically had the managers of different departments order inventory based on their knowledge of the business, but knew that there was enough data in the ERP application to drive more sophisticated forecasting and planning.

THE STRATEGY

In November 2011, Little Hardware began a number of new investments to drive greater efficiencies in its business:

- In November 2011, the company implemented Epicor Eagle Training on Demand to support and track training of employees. It took one manager about two hours to learn how to plan and configure the modules to have a formalized training program with videos based on role and job tasks, as well as skills evaluations.
- In February 2012, the company implemented Epicor Eagle Inventory Planner. One manager participated in about 9 hours of training and it took a few weeks to implement the module. Knowing that the new tool might meet with some resistance, the manager started by applying the Planner to roughly one-third of Little's inventory and documenting the results so other managers could evaluate the Planner's impact on overall inventory costs and margins.
- In October 2012, the company implemented Epicor Payment Exchange, which took a few hours. As part of the implementation, Little Hardware had to invest in services to re-encrypt its credit card signature pads.

"Most of the money is invested in inventory. We were looking to improve processes, free up cash, make very precise sales forecasts, and time ordering to receive just the right amount of product right at the time of sale. The new system gave us more accurate forecasts than our old system. It covered demand variability, sales frequency, and multiple models for forecast, using standard deviation to anticipate the right amount of stock to carry."

- Kyle Little, E-commerce and IT Manager, Little Hardware Company

KEY BENEFIT AREAS

Little Hardware's additional incremental investments in Epicor technology enabled the company to further improve its business operations, make its employees more effective, and reduce costs. Main benefits of the project included:

- Reduced inventory carrying costs. Inventory Planner lets Little Hardware set its inventory service level to decrease on a linear scale as an item's popularity decreases and the vendor's order cycle gets longer. The company is using the solution to more strategically and time effectively place orders, resulting in an annual reduction in inventory carrying costs of \$15,000.
- Increased gross product margin. Better inventory management has also enabled Little Hardware to increase product margins by more strategic sourcing and pricing.
- Streamlined payment processing. Epicor's payment processing offering enabled Little Hardware to cut out licensing fees for its old payment gateway and brought all the data into one system.
- Increased productivity. With Training on Demand, Little Hardware can rapidly deliver appropriate training to employees based on their role and skill level and evaluate their proficiency, reducing the amount of management time devoted to training and increasing employees' productive use of the applications.

Types of Benefits

Direct 99%



1% Indirect

KEY COST AREAS

Costs of the project included licensing and subscription costs for Epicor's software as well as the ongoing software license maintenance for Epicor's existing Eagle investment, minimal personnel and consulting investments to implement the new modules, and some employee time for training.

Cost : Benefit Ratio | 1 : 1.9

BEST PRACTICES

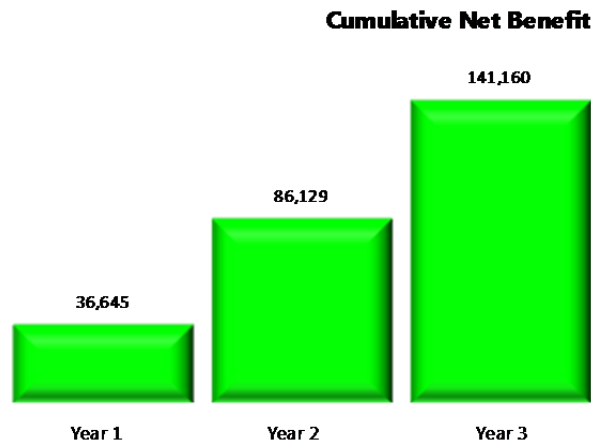
In a traditional family-owned business, changing the way things have always been done can sometimes be met with resistance. By implementing Training On Demand, Little Hardware was able to drive more proficient use of technology across its employee base by providing both new employee video-based training and in-application training related to employees' specific roles and tasks. By taking a phased approach to implementing Inventory Planner, Little Hardware's manager was able to clearly show the benefit of taking a data-based approach to strategic sourcing and purchasing, so other managers could see for themselves how applying the technology to their department would reap rewards.

Many small and midsize firms also take a one-and-done approach to enterprise applications, deploying once and then missing out on additional returns they could be reaping from their license maintenance investment by not exploring new modules or capabilities they can access through upgrades or additional purchases. For Little Hardware, small incremental investments in the Epicor portfolio enabled them to deliver additional sustainable returns for the business.

CALCULATING THE ROI

Nucleus calculated the costs of software licensing and subscription, license maintenance, personnel, and training over a 3-year period to quantify Little Hardware's investment in Epicor.

Direct benefits quantified included the savings from eliminating third-party payment processing fees, reduced inventory carrying costs, and increased margins. Reduced inventory carrying costs were calculated based on the interest savings on the annual savings in inventory. The indirect benefit, productivity savings related to Training on Demand, were calculated based on the average annual fully loaded cost of a manager.



FINANCIAL ANALYSIS

Epicor

Annual ROI: 7002%

Payback period: 0.0 years

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	95,004	100,048	105,596
Indirect	0	1,402	1,402	1,402
Total per period	0	96,406	101,450	106,998

CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	500	47,999	46,499	46,499
Hardware	0	0	0	0
Consulting	0	975	0	0
Personnel	175	8,447	5,468	5,468
Training	0	1,665	0	0
Other	0	0	0	0
Total per period	675	59,086	51,967	51,967

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes	(675)	37,320	49,484	55,032
Net cash flow after taxes	(371)	20,526	27,216	30,267
Annual ROI - direct and indirect benefits				7002%
Annual ROI - direct benefits only				6794%
Net Present Value (NPV)				67,291
Payback period				0.0 years
Average Annual Cost of Ownership				54,565
3-Year IRR				5559%

FINANCIAL ASSUMPTIONS

All government taxes	45%
Cost of capital	7.0%



By the Numbers

Little Hardware Company's deployment of Epicor



Annual Return
on Investment

7002%

1

week

The total time to value, or **payback** period, for the project

Cost : Benefit
Ratio **1 : 1.9**

\$47,053

Average annual benefit

THE PROJECT

Little Hardware deployed Epicor Eagle in 1994, and recently invested in Epicor Eagle Training On Demand, Eagle Inventory Planner, and Payment Exchange. These new investments enabled the company to leverage greater returns from its ERP investment by accelerating user training and proficiency, streamlining payment processing, and making more strategic inventory investments.

THE RESULTS

Reduced inventory carrying costs by \$15,000
Increased inventory turns by 13.4%
Increased productivity

Number of users: 30

2

Weeks

Total time for the company to
deploy Epicor

“ The new system gave us more accurate forecasts covering demand variability, sales frequency, and multiple models for forecast ... to anticipate the right amount of stock to carry.”

- Kyle Little - E-Commerce and IT Manager, Little Hardware Company

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Nucleus Research Report 0113 - Epicor ROI case study - Little Hardware Company, June 2014