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Case Scenario

Finished Product Manufacturer Merges With Job Shop Business

THE SITUATION

- Medical Product Manufacturer with an aggressive M&A and organic growth strategy
- Medical Product Manufacturer has Revenues over 60% from Finished Product design and manufacturing
- Merger target is Job Shop with over 50% of Revenue from services on customer supplied materials
- Product Manufacturer uses NetSuite as an ERP system, Cloud-based mid-market ERP system
- Job Shop uses a Job Oriented ERP system, small-market ERP with integrated Quality System, Quoting, and real-time labor time collection features
- Product Manufacturer and Job Shop business merge

- Product Manufacturer intends to migrate Job Shop to NetSuite for consolidated financial reporting at the Enterprise level

THE CHALLENGE

- Product Manufacturer targeting product-oriented business of high value per item, higher volume/low mix opportunities
- Job Shop business is primarily service oriented with customer supplied materials on components and subassemblies
- Product Manufacturer is proposal/program oriented business
- Job Shop is a high mix/low volume oriented business with a high quote volume
- Product Manufacturer ERP system is tailored to a Products model, optimized for higher volume/lower mix business model

THE CHALLENGE BY THE NUMBERS:

CATEGORY	Product Manufacturer	Job Shop	Difference	% Difference
Annual Sales	\$ 35,300,000	\$ 19,150,000	- \$ 16,000,000	- 45%
Number Employees	of 420	160	- 260	- 62%
Annual Total Line Items Shipped	5,530	29,680	+ 24,000	+ 434%

Annual Unique Line Items Shipped	690	3,200	+ 1,500	+ 217%
Annual Quote - Proposal Volume	150	2,500	+ 2,350	+ 1,567%
Line Items Shipped per Employee	13	185	+ 172	+ 1,323%
Average Revenue per Line Item Shipped	\$6,617	\$645	-\$6,000	- 91%
Number of Active Items in ERP System	1,500	15,000	+ 13,500	+ 9,000%
Unique Items Shipped / Employee	1.6	20	+ 18	+ 1,125%

THE REALITY

- NetSuite migration for Job Shop business will be very involved requiring key resources needed to grow the business
- Volume of active items in Job Shop will overwhelm Job Shop team during migration and training
- NetSuite doesn't match Job Shop business practice
 - Quoting/Estimating module is more much more cumbersome
 - NetSuite module used for real-time labor collection is too large & complex for overall enterprise implementation

- Manufacturing Order Entry/Close procedure in NetSuite is far more involved than Job Shop ERP system
- Product Manufacturer doesn't have real time visibility to high level financial measures – multiple ERP systems still in use

THE COSTS

- Implementation time and costs estimated at 3.5 people over 10 months (~ \$250,000)
- Estimated additional overhead resource needs once implemented at Job Shop due to gaps = + 3 to + 6 people at with same business model and volumes (Additional \$300,000 – \$600,000 annual added cost)
- Added NetSuite Costs to Job Shop – \$45,000 per year
- ****TOTAL: Non-recurring costs = \$250,000 : Recurring cost per year ~\$500,000****

THE SOLUTION – FUZE IT with ERPFuze

- Product Manufacturer keeps NetSuite as ERP system – suited to Product Oriented business with higher volume/lower mix model with robust inventory management
- Job Shop keeps existing Job Shop ERP system – suited to lower volume/higher mix model
- No migration time / training time burden added to existing personnel – can focus on realizing Merger strategy of aggressive business growth
- Saved ~\$250,000 in expense & 10 months of distraction for merged business
- Saved ~\$450,000 in recurring overhead cost on an annual basis
- Enterprise high level financials consolidated on a real-time basis to enable better business

decisions

- ERPFuze in place for next acquisition, consolidation of data in one month or less by external resources

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