

Sage ERP X3 - Performance

Survey conducted by Ernst & Young Advisory
with medium to large companies



sage



Editorial

“ As a major player in the advisory services market, we are duty bound to keep our clients informed about developments in business management solutions. As part of our monitoring of currently available solutions, we conduct surveys on behalf of the main integrated business management software producers whereby we analyse value perceived by companies. We interview decision makers who have had their business management solution in place for at least two years to allow us to back up our survey with measurable facts.

This is the context of the survey conducted in 2009 on the Sage ERP X3 solution and funded by the producer Sage. It focuses attention on how Sage ERP X3 provides a solution to clients' needs and illustrates the benefits as evaluated by the 250 managers in the companies interviewed, supported by figures. We note that the companies view the tool as a performance lever, and even sometimes as a way of making them stand out from direct competitors. Our analysis also gives detail on the regular adaptation of the product by the producer in order to keep pace with companies' expectations. Yet again, the interviews confirmed good practices: a structured approach upstream, a system not limited purely to the technical dimension but that takes account of the end user ... these are decisive key factors in order to be able to fully benefit from the wealth of resources this tool offers, irrespective of company size.

We hope you enjoy reading this report. ” ”

Philippe AUSSEUR
Chairman Ernst & Young Advisory France

 ERNST & YOUNG



“ Our clients are best qualified to talk about the performance of our solutions. Improvements in performance, business management, customer service, cost reduction ... the feedback from our clients on Sage ERP X3 is extremely positive. Looking beyond the benefits our ERP system offers companies, I would like to draw attention to Sage's respect for the commitments it made when the project started.

Medium to Large Enterprises (MLEs) have reached a high level of maturity in terms of their information systems. They need software applications with deep and broad functionalities equivalent to those of very large companies, but they do not yet have the same IT, financial and human resources. When choosing a solution, MLEs now base decisions on much more operational and measurable criteria than in the past. They need solutions tailored to automatically meet their needs: a system that's simple to implement and use, a rapid return on investment and cost effectiveness.

When we conceived of this client satisfaction survey we wanted to construct it so as to bring out concrete indicators about Sage ERP X3 performance.

Having worked with these companies for many years, we are constantly looking for added value for our clients. It is their expectations and needs that guide the development of our solutions and I am delighted that this survey very clearly demonstrates this.

Happy reading, ” ”

Christophe LETELLIER
General Manager Sage MLE Division France
and General Manager Sage ERP X3 WW



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Key facts arising from the survey

80% of customers interviewed see Sage ERP X3 as a significant improvement, even a competitive advantage (13%), and **in ¾ of cases**, operational processes are managed better than previously

●●● Sage ERP X3 gives great client satisfaction

89% of companies interviewed think that commitments have been met

●●● Sage meets the commitments made at the start of the project

75% of companies recording increased profitability attribute this to Sage ERP X3

●●● Sage ERP X3 improves profitability

72% of companies seeking a better general management system noted an improvement, and gains of **over 10 %** were recorded in terms of time saved in processing and producing financial statements

●●● Sage ERP X3 significantly improves operational management processes and cost reduction

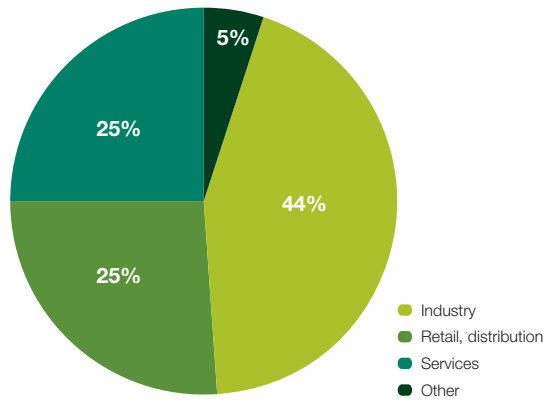
Other information learned

- The companies interviewed noted significant gains that were not anticipated at the start of the project
- Improvements to business management processes and performance are priority objectives that the companies consider they have achieved with Sage ERP X3

Methodology and profile of companies interviewed

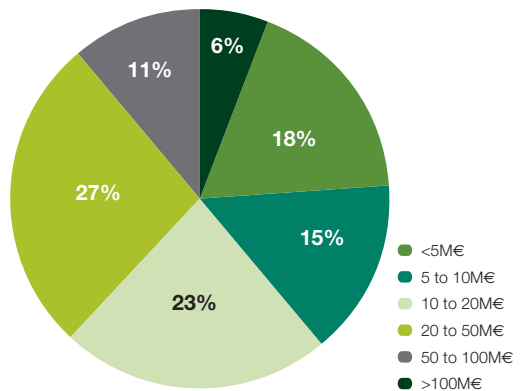
250 companies using Sage ERP X3 were interviewed during May and June 2009

Type of business



The companies interviewed are of medium size and represent all business areas

Sales



The questions related to:

- The company's situation and its information system before Sage ERP X3
- Reasons for choosing Sage ERP X3
- Operation of the project
- The main gains observed
- Their expectations as regards evolution of Sage ERP X3

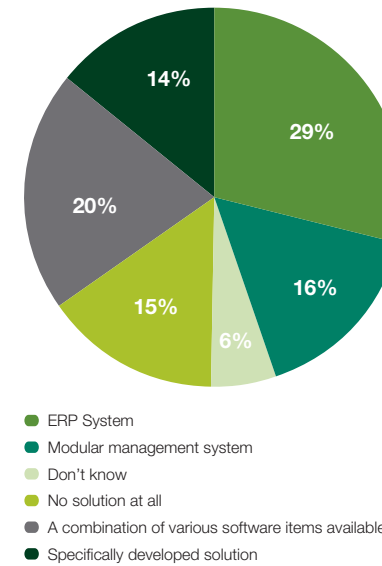
- Most of the interviewees were Information System Managers and Financial & Administrative Directors, traditionally responsible for information systems projects within companies
- In order for the survey to be relevant in terms of analysis of obtained performances, the panel of interviewees represented clients who had used Sage ERP X3 for more than 2 years

Situation of the companies before Sage ERP X3

Sage ERP X3 is the first ERP system used in the case of 2/3 of companies interviewed

85% of the companies already had IT tools, but not necessarily an integrated management solution

The previous solution



Criteria for selecting an ERP system

Most companies interviewed, irrespective of sector or size, chose Sage ERP X3 for its functional range and its ability to be flexible in terms of the company's requirements

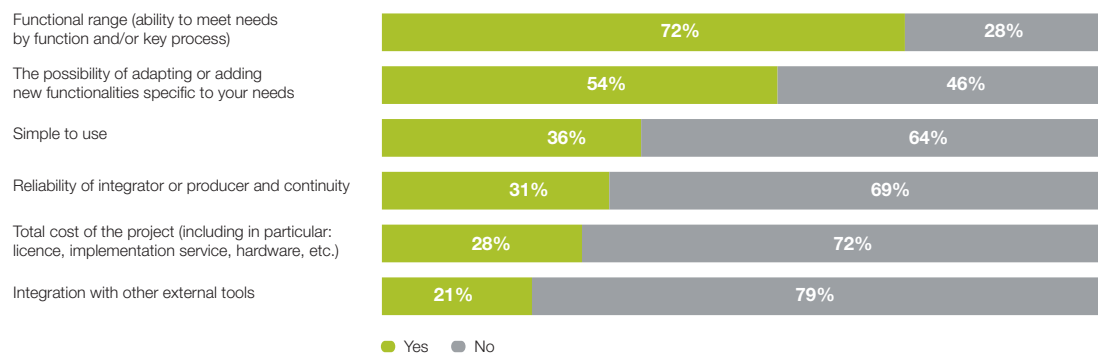
- Simplicity of use remains an important selection factor, especially for small companies
- The larger the company, the more importance is attached to ease of implementation and integrator reliability
- Probably due to the fact that existing tools have reached a certain maturity in technological terms, integration with other tools is no longer a deciding factor for companies

Priority objectives for an ERP system

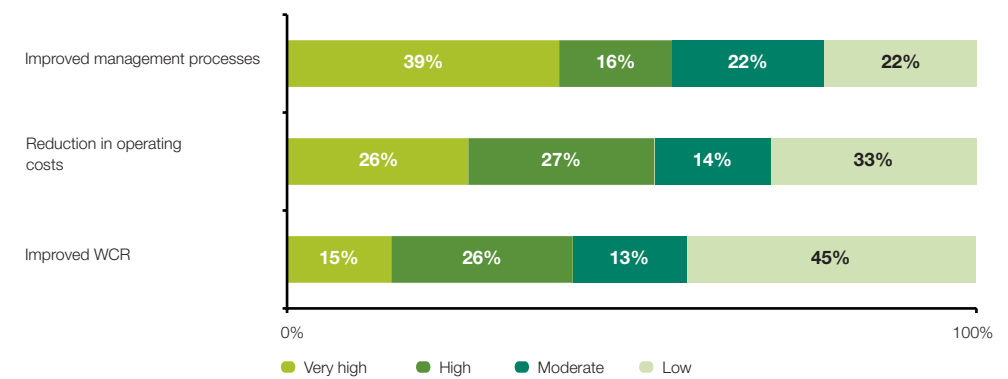
56% of the companies expressed high expectations regarding management processes and 53% regarding reduced operating costs

- The companies interviewed tend to be looking for a clear view of corporate activity and for cost reduction. A trend accentuated by the current economic crisis
- The companies express an interest in improving Working Capital Requirement (WCR), which is starting to become a priority objective, as is improved customer service

The main criteria when making the choice



Priority objectives for an ERP system

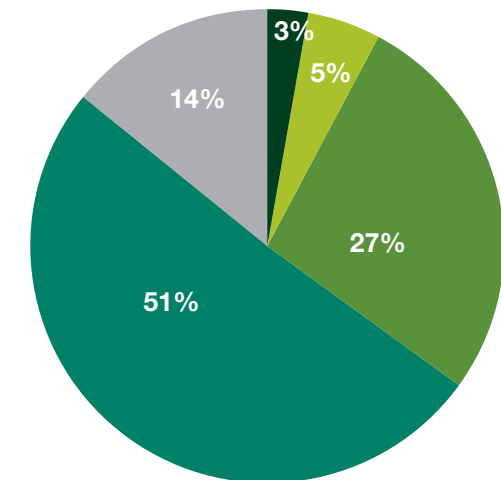


Time taken to select an ERP system

51% of the companies, irrespective of sector or size, take 6 months to choose their solution

- This time period is in line with practices found by Ernst & Young Advisory in this enterprise segment. Indeed, it allows time to adopt a coherent approach in choosing the tool and integrator partner, and to obtain internal validation from users and decision makers
- **35%** of companies interviewed (and maybe more!) still need one to two years to choose a solution. This may possibly be seen as the consequence of an inadequately managed approach (strategic vision not shared, poorly defined priorities, etc.) which is not very conducive to obtaining consensus

Time taken to select the solution



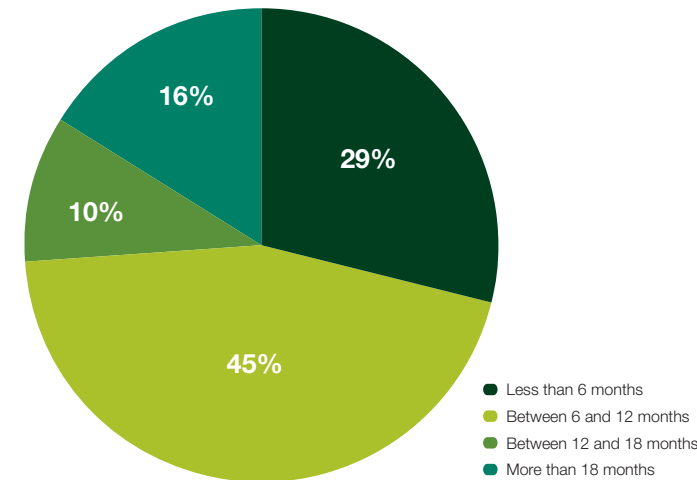
- More than 2 years
- More than 18 months
- About 1 year
- About 6 months
- Don't know

Sage ERP X3 implementation time

Close on ¾ of the companies complete their project in less than 12 months, once the service provider is in place

- **29%** succeed in implementing their solution in less than 6 months

Implementation time



- Less than 6 months
- Between 6 and 12 months
- Between 12 and 18 months
- More than 18 months

The companies who said they took 6 months to choose their solution (51%) in the main implemented it in less than a year (80%)

- These companies made a strategic choice and allocated the necessary resources
- **37%** of these same companies managed an implementation time of about 6 months
- Taking account of the panel interviewed, Ernst & Young Advisory sees this breakdown as consistent. These projects are all part of good practices. In fact:
 - the time period of less than 6 months was noted for projects in financial or retail areas
 - For industrial management the project takes 12 months

Sage's win-win approach

Implementation times can be further reduced with Sage ERP X3 Standard Edition

The benefits of Sage ERP X3: improved performance

80% of companies interviewed consider that the solution implemented has produced a significant improvement and in some cases (13%) a competitive advantage

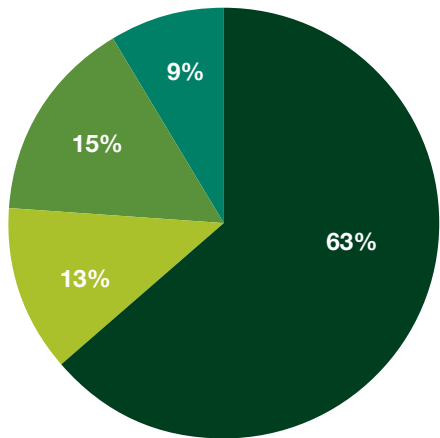
The companies base their judgement on:

- User satisfaction (**75%**)
- Actual production of the benefits initially expected from the ERP system (**53%**)
- Return on Investment (ROI) of the ERP system (**51%**)

The companies interviewed consider that the situation is better in all user departments

- Sage ERP X3 has brought significant improvement in all functions, at all levels

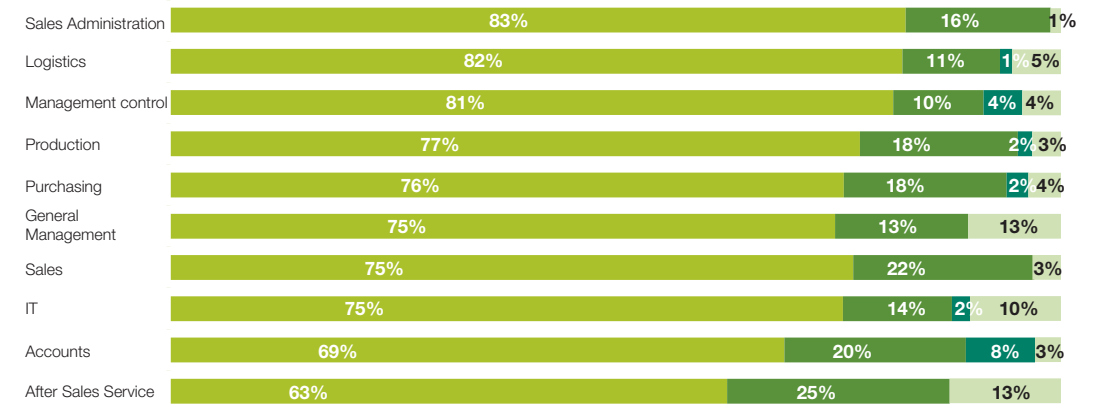
Evaluation of the benefit of the solution put in place



- Significant improvement
- A competitive advantage
- No major change
- Don't know



Situation of company departments after implementing Sage ERP X3



- Better
- The same
- Not as good
- Don't know

Sage's win-win approach

This result shows the real impact of this information system on company performance

Sage's win-win approach

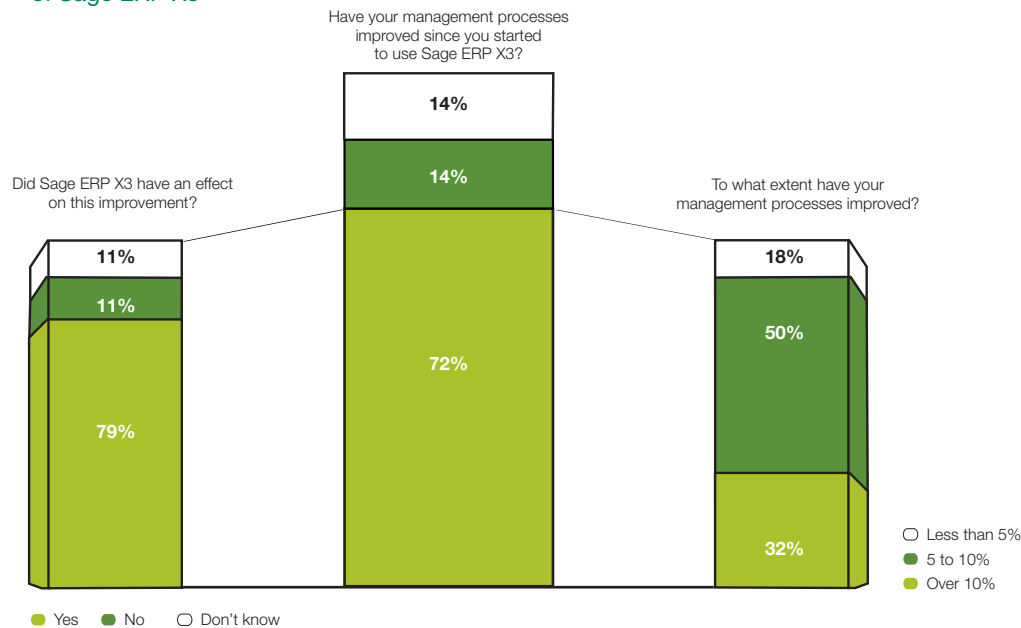
Here we clearly see all the benefits of an integrated management solution, especially if, like Sage ERP X3, it is a tool appropriate for any user function

The benefits of Sage ERP X3: improved management processes

72% of the companies notice an improvement and close on 80% attribute this directly to Sage ERP X3

- Sage ERP X3 has led to significant improvements in management processes due to the use of appropriate tools for reporting and support for operational decision-making
- Operational aspects are generally the first elements implemented in terms of management processes. The next areas for the companies are “strategic” orientation and risk management

Views on improvement in management processes: the situation as seen since implementation of Sage ERP X3

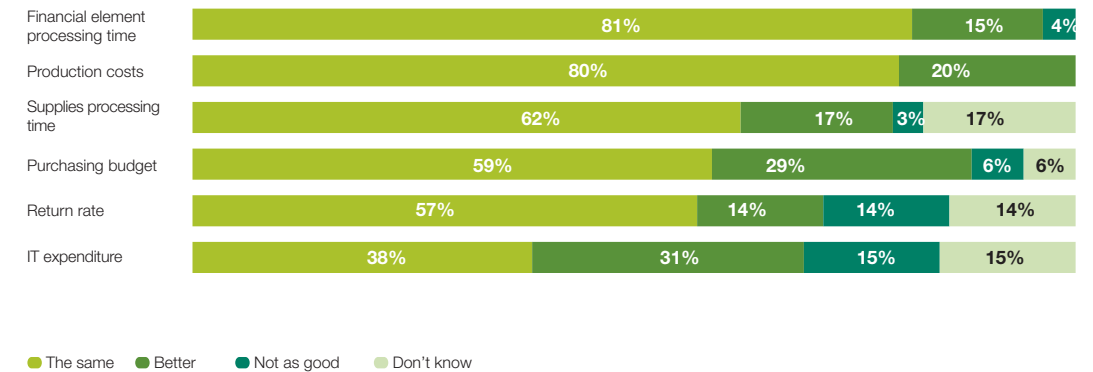


The benefits of Sage ERP X3: cost reduction

Overall, Sage ERP X3 has met the companies' expectations in terms of cost reductions

- **Over 10%** gain in processing time, in the case of 34% of companies interviewed
- **Over 10%** gain in drawing up financial statements, in the case of 29% of clients
- **Over 5%** fewer IT problems, in the case of 57% of companies
- **Over 5%** more automation, in the case of 69% of customers

Cost reductions: The benefits of Sage ERP X3



Sage's win-win approach
The figures are unequivocal, the situation is markedly better with Sage ERP X3

The benefits of Sage ERP X3: improved customer service

Companies which have put in place customer service improvement indicators consider that Sage ERP X3 helps to improve delivery times, customer service levels and stockout percentages

- **37%** attribute this improvement directly to Sage ERP X3
- This result correlates with the previous observations: Sage ERP X3 improves performance in terms of execution (processing speed, reliability)
- On the other hand, they are not all in a position to be able to clearly quantify the gains made

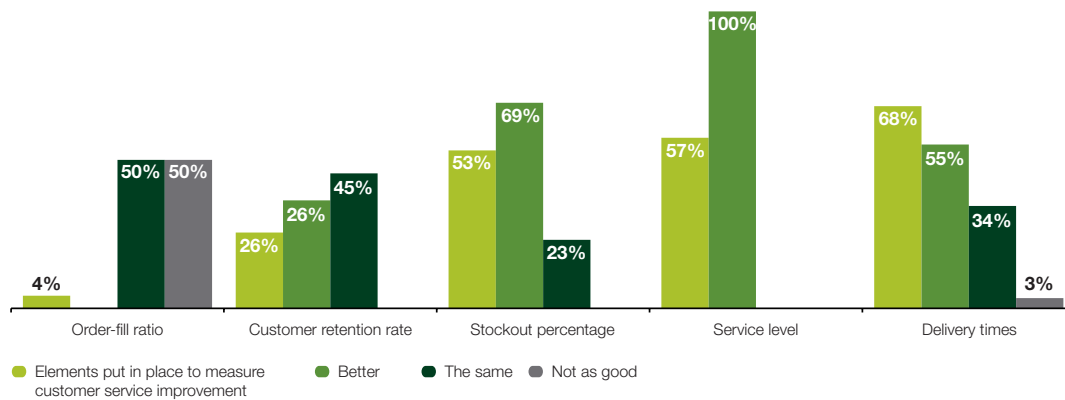
The benefits of Sage ERP X3: improved profitability

Close on **50%** of the companies noted increased profitability, of which **3/4** attribute this directly to Sage ERP X3

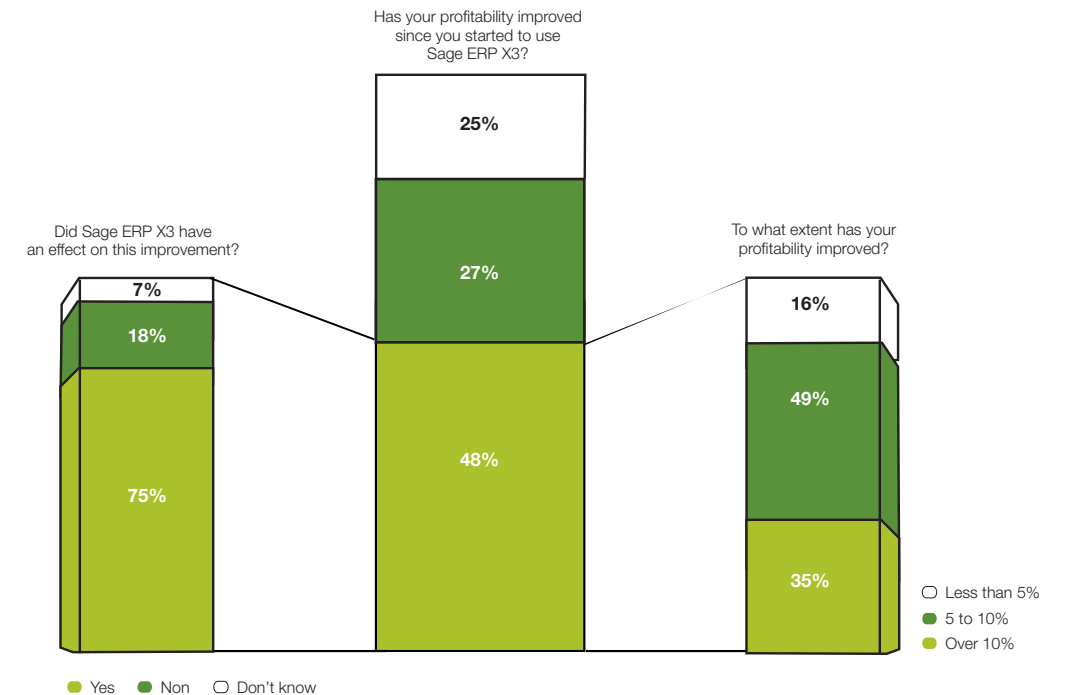
Sage's win-win approach

The ERP system can make an extensive contribution to improved profitability, since it's simple to use and guarantees controlled carrying costs

Elements for measuring improvement in customer service performance



Views on improvement in profitability: the situation as seen since implementation of Sage ERP X3





Conclusion

Thank you to all our clients who responded to this survey and our questions on how they would like to see their ERP system evolve.

This “prospective” part confirms the impressions we had formed in our day-to-day relations with our 2,700 clients who use Sage ERP X3: when a company starts to use Sage ERP X3, it becomes the backbone of its information system. And what’s more, it can represent a real competitive advantage.

Beyond the operational aspects and the intention of managers, it is clear that the ERP system must adapt more closely to user needs. Companies no longer stop at the functionalities proposed in the ERP system, they are also looking at associated services such as e-commerce, Business Intelligence (BI) and Corporate Performance Management (CPM).

A significant investment for any company, an ERP system must also be able to offer support solutions such as e-learning, and tools to regularly provide information on the new functionalities. In fact, keeping commitments also means enabling companies to benefit from the experience of others and exchange knowledge via communities.

The survey clearly reveals that a new generation of ERP systems is in the process of being born. The first generation of ERP systems appeared in the early 1980s, their objective being to automate processes in order to reduce costs. In the mid-1990s, these ERP systems made way for the 2nd generation: still oriented towards reducing transaction costs, they now extended to partners via business line extensions such as Supply Chain Management (SCM), Product Lifecycle Management (PLM), etc.

The dawn of the 3rd generation corresponds to increased power of ERP systems and a simple philosophy: the more you automate processes and the more user-centred the solutions are, the more effective a company’s performance will be. ERP systems need to reach a greater number of users both within the company and its ecosystem. Now we have the arrival of concepts such as customisation, collaborative tools, web services, Software as a Service (SaaS), etc. These 3rd generation ERP systems focus on individual performance and once again on the user.

In a wider future context, the new-generation ERP system needs to generate a new business model with the arrival of SaaS. Purchasers will thus gradually become “consumer-players”. This business model – not yet applicable to the ERP system – is eagerly awaited. This new version of Sage ERP X3 is a great step forward towards a 3rd generation ERP system ...



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