NUCLEUS RESEARCH

THE BEST-OF-BREED VALUE OF SAGE X3 ERP

ANALYST
Isaac Gould

THE BOTTOM LINE

While many vendors pursue the competitive strategy of developing a broad application platform, Sage approaches the market with specialized ERP solutions that target organizations with product-centric business models. Sage offers best-of-breed solutions for retailers, distributors, and manufacturers. Through conversations with Sage's customers, Nucleus identified productivity and organizational visibility benefits because of their deployments. Businesses typically increase employee productivity by 10 percent by reducing manual data input through automated processes alone and reduce scaling risks with end-to-end organizational visibility.

OVERVIEW

Enterprise resource planning (ERP) solutions act as the central nervous system of an organization. The software enables the collection, management, and flow of information between data siloes to connect the enterprise application ecosystem. Nucleus has identified a trend of horizontal development amongst large ERP vendors by expanding their solutions' scope to be more one size fits all inclusive of various industries and business models. While broad use case solutions are a cost-effective strategy to increase market prevalence and drive sales across a range of sectors, there is ample market opportunity for best-of-breed ERP applications.

Asset-centric businesses with complex supply chains often have stringent data management and integration requirements that general ERPs are not well suited for. Common issues include missing data management criteria specific to manufacturing and distribution as well as a lack of integration with supply chain execution partners, such as inventory optimization (IO), transportation, and warehouse management system solution vendors. These shortcomings often lead to workflow inefficiencies, where users must rely on spreadsheets or manual data input, which may result in errors and time-consuming rework. Sage takes a different approach and instead provides multiple ERP solutions, each best fit to tackle data management and coordination of activities specific to the business itself. This enables the communication between disparate departments, business units, and their relevant software solutions to facilitate process automation and analytics.

SAGE

Founded in 1981, Sage provides best-of-breed ERP solutions in addition to its supply chain management (SCM), human capital management (HCM), customer relationship management (CRM) functionality. Its product offerings are often segmented by industry and business size. This wide range of product offerings allows Sage to address the software needs of multiple sectors without sacrificing functionality or ease of implementation. Serving both small and midsize businesses (SMBs) as well as global enterprises, Sage provides solutions for construction, manufacturing, distribution, chemicals, food and beverage, professional services, non-profits, and startup companies.

On its Sage Business Cloud platform, the vendor hosts various modularized solutions to target SMBs that may not require the functionality of a full-fledged ERP system. But for enterprise-scale manufacturing, distribution, and engineering services, Sage provides Sage X3, its flagship ERP solution. The ERP contains typical financial, sales, and employee management functions. Still, it differentiates itself through its production and SCM

capabilities that allow for project management and inventory optimization within a single solution. Specialized for organizations with multiple companies in various countries, Sage X3 is a flexible solution that can be customized to manage intercompany transactions and data flows across different software ecosystems, languages, and e-commerce platforms.

KEY BENEFIT AREAS

Organizations that utilize Sage's implementation partners to facilitate change management and employee training often go-live quicker and experience shorter ROIs. Nucleus interviewed Sage's customers to identify the three primary benefits of their Sage X3 deployments:

- **Increased employee productivity.** Pre-built workflows and process automation are the most significant contributors to improving employee productivity. Sage X3's high degree of customizability enables automated processes between third-party or legacy solutions. The intuitive user interface guides project managers and accountants through manual processes, coupled with customizable parameters and alerts that deter potential errors. This saves organizations costly and time-consuming rework to reduce lead times and expedite documentation, bookkeeping, and quality control activities.

- **Reduced operational costs.** By consolidating e-commerce, production, and SCM functionality within a single solution, Sage X3 allows companies to eliminate or avoid the costs of third-party solutions. Further, its flexible nature reduces the need for third-party or internal IT services to manage integrations and customizations. Users also report that inventory optimization, quality control, and project management save costs by reducing safety stock levels and production errors.

One user reported over 200 hours in annual time savings after deploying Sage X3.

- **Improved organizational visibility.** Sage X3 connects HCM, CRM, and warehouse management solutions to provide organizations a granular view into their financial, inventory, and production processes. This allows managers to identify inefficiencies, bottlenecks, and key cost areas across the entire enterprise faster than with multiple siloed solutions. Transparency delivers greater confidence from a financial compliance perspective to accelerate the monthly close and reduce the risk of potential audits.

CUSTOMER PROFILES

MANUFACTURING COMPANY

This manufacturing company is an expert in lighting architecture, designing, manufacturing, and installing pre-built and custom luminaires for both commercial and industrial spaces. Starting as a small business, the company has rapidly expanded over the past five years. As a result, employees were struggling to manage financial and manufacturing processes as the functionality of its software ecosystem was better suited for small-scale operations. Specifically, the company was leveraging QuickBooks for accounting, inventory, and payment management. Management recognized it needed a dedicated ERP solution that could scale to growth and have flexibility from a manufacturing standpoint as each of the customer projects were unique in their customizations and requirements. Entering the selection process in 2019, the company considered Epicor, NetSuite, Acumatica, and Sage.

The company chose Sage X3 because its manufacturing modules, reporting, and dashboards provided the best fit for its project-based business model. Since deployment, managers reported greater satisfaction with the project management capabilities as Sage X3 provided greater granular detail on a per-project basis. Cost and profitability analysis aids managers in controlling project budgets and maximizing asset utilization. Sage X3 also boosted employee productivity, as many accounting processes were automated. For example, accountants could track changes and customizations to individual projects to inform accounts payable and accounts receivables. The company estimates accountants save over 15 percent more time on financial activities. Most importantly, Sage X3 has enabled the manufacturing company to scale its operations and manage a higher number of ongoing projects across multiple states.

DISTRIBUTION COMPANY

This distribution company is a European importer of international food and beverage items. Previously, each distribution center was tasked with maintaining its own operations, including the sourcing of software applications. Across all worksites, there was a mixed-use of Excel spreadsheets and in-house legacy solutions for inventory and financial management. With each center acting as an isolated business unit, the head office did not have a real-time view of its organization and could not scale operations as management lacked confidence in reported numbers. The company began its search for a dedicated ERP solution to consolidate asset and general ledger information to grant end-to-end visibility across the entire organization; it considered the ERP solutions of Sage, SYSPRO, and Plex.

In 2015, the company implemented Sage X3 across all offices because it was best suited for multi-location deployments and includes production management in addition to general

ERP functionality. Within the first six months, the company realized employee productivity benefits from the automation of accounting activities. The central office's accounting team no longer had to consolidate each business unit's financials manually for the monthly close as Sage X3 updates the general ledger in real-time. In total, the ERP saves the organization over 1000 staff-hours every year from automated reporting, matching, and reconciliation. With end-to-end production traceability, Sage X3 enables IO and cost and profitability analysis to identify cost-saving opportunities and process inefficiencies. The company reduced safety stock levels by an average of 12 percent at each distribution site as the main office could monitor inventory and make adjustments as needed.