

## UNIT 6

### BENEFITS OF ERP:

The Benefits of ERP are both direct as well as indirect. The direct benefits include better decision-making , faster response time to customer quires etc

The indirect benefits involve better corporate image , improved customer goodwill , customer satisfaction , & so on The instances of ERP benefits are :

1. Reduction in lead-time
2. On time shipment
3. Reduction in cycle time
4. Improved Resource Utilization
5. Better customer satisfaction
6. Improved supplier performance
7. Increased flexibility
8. Reduction in quality costs
9. Improved information accuracy & decision making capability

#### 1. Reduction in lead time

- The time elapsed between placing an order & receiving it is known as lead time .
- If a stock is not available on time problems like missing a delivery schedule , losing the customer goodwill due to delayed delivery or loosing the customer completely occur
- In order to avoid this large buffer stock is maintained or a high reorder level is maintained this leads to high inventory costs .
- ERP avoids this by maintaining & processing the individual lead times of different materials in a inventory which at times could run into thousands of different materials & a efficient system is established.

#### 2. On- Time Shipment

- Customer specific products require a long time to deliver as against off the shelf products .
- ERP specifically closes this gap & yet maintains the cost & time advantage.
- With ERP businesses are not limited only to a single manufacturing method such as made to stock or made to order & without a major change in work place or plant layouts

#### 3. Reduction in Cycle Time

- Cycle time is the time between receipt of order & delivery of product . The cycle time & cost of production are high for a Made to order product as compared to off the shelf product .
- What erp does is that it reduces the cycle time of both the varieties of the goods . but the reduction in cycle time of a made to order product is high & significantly reduces the cost of manufacturing

#### **4. Improved Resource Utilization**

The effective functionality of different modules in ERP system like

- Manufacturing
- Material Management
- Plant maintenance
- Sales and distribution

Ensure that the

- inventory is kept to minimum level
- The machine down time in minimum
- The goods are produced only as per the demand
- And finished goods are delivered to the customer in most efficient way

#### **5. Better Customer Satisfaction**

- Customer satisfaction means meeting or exceeding the customers requirement for product or services .
- ERP systems have proved that they can produce goods at flexibility of Made to order approach.
- This mean that the customer will get individual attention and customization of the product without loosing the cost & time benefits of made to order operations.
- Means that each customer will get individual attention & feature that he wants also the introduction of web enabled ERP systems , the customers can place orders, track the status of order & make payment sitting at home.

#### **6. Improved supplier performance**

Provide vendor management and procurement support tools designed to coordinate all aspects of:

- Effective negotiation
- Monitoring
- And control procurement cost and schedules

Help organization to keep track of

- purchased order
- Requisition
- And final procurement

Help organization in managing the

- Supplier relation
- Monitoring the vendor activity
- Managing the supplier quality

#### **7. Increased Flexibility**

Help companies to remain flexible :

- By making the company information available across the departmental barriers
- By automating most of the process

- By enabling the company to react quickly to the changing market condition
- Can be adapted to the new technological change

#### **8. Reduced quality costs**

- The quality costs are normally 20 % of the goods sold .Carefully planned Quality improvement activities not only improves quality , but lowers quality related costs.
- Quality Management Systems in ERP packages support bench marking & use of optimal product design , process engineering & quality assurance. Specification Control Systems in ERP packages , offer state of the art approach for documenting specifications & enable an organization to standardize & simplify its quality control functions

#### **9. Improved Information accuracy & decision making capability**

- Because of the ease of analysis of information of various different sectors of a organization and by ready to use comprehensive overview of the things in general ERP systems greatly help in decision making which becomes often tedious & time consuming other wise .
- Information accuracy also assures that the decision which are made are accurate enough & commercially viable



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