

Calculate the ROI of your ERP

Introduction

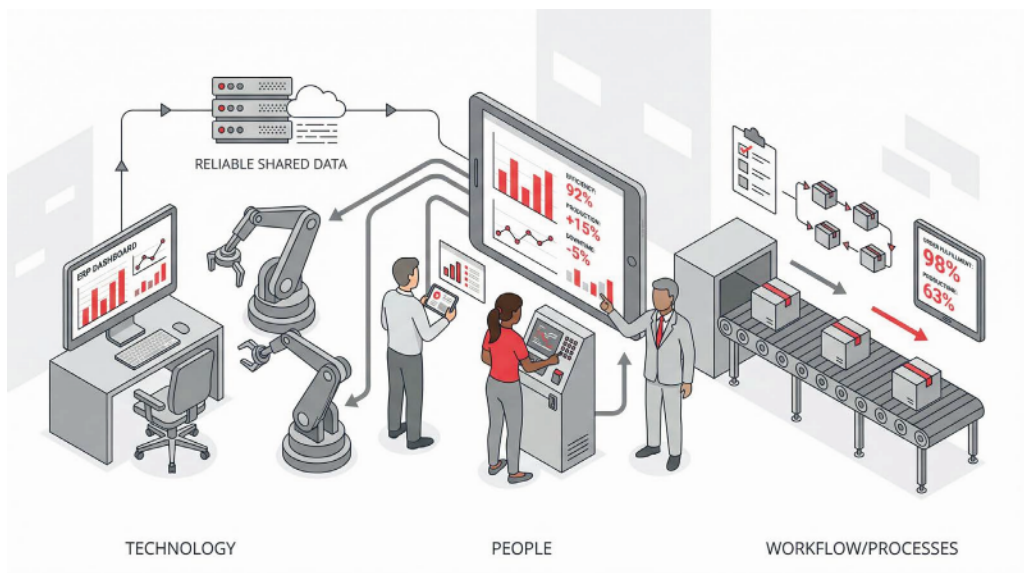
In manufacturing, the difference between a highly profitable order and a net loss is often razor-thin.

This guide shows you how to spot exactly where your business is losing money, the financial impact of fixing small inefficiencies, and what recovering those costs could mean for your capacity, delivery deadlines, and gross margins. Using realistic examples and straightforward calculations, you can quickly evaluate the hidden potential within your own factory.

Managing expectations

Getting long-term value from an ERP platform is an ongoing process, not a one-off IT project. It requires your technology, company culture, and daily workflows to be completely aligned. You will only see a true return on your investment when your business processes are structured sensibly, and the entire company relies on a single, shared set of live information.

Without clear rules on how data is handled and recorded, operational improvements depend entirely on the hard work of individual staff members. This makes any progress fragile and difficult to sustain. For manufacturing businesses, there are five core areas where you can achieve the most reliable financial gains.



The 5 drivers of financial return from an ERP

1. Administrative waste

- **Leak:** Staff wasting time searching for drawings, typing out the same bills of materials (BOMs) multiple times, and double-checking orders over email.

- **ERP return:** The ability to handle a larger workload with your existing team and make fewer mistakes because everyone works from the same live files.

- **Indicators:** The time it takes to prepare orders and the number of manual handovers between teams.

2. Production flow and lead times

- **Leak:** Constantly reshuffling production schedules because of missing components, unclear job priorities, and the knock-on delays that follow.

- **ERP return:** Much more reliable delivery and lower shipping costs by eliminating expensive, last-minute emergency couriers.

- **Indicators:** Machine downtime, the number of weekly schedule changes, and live Work in Progress (WIP) levels.

3. Mistake costs and rework

- **Leak:** Machinists accidentally using outdated drawing designs or dealing with vague instructions passed down from the front office to the factory floor.

- **ERP return:** An immediate boost to your gross margins. Cutting out time spent fixing mistakes instantly frees up capacity for profitable, revenue-generating work.

- **Indicators:** Tracked hours spent on rework, scrap rates, and how often orders have to be modified late in the day.

4. Working capital and stock management

- **Leak:** Keeping too much buffer stock on the shelves, making emergency spot purchases, and letting slow-moving materials gather dust in the warehouse.

- **ERP return:** Unlocking cash tied up on your warehouse racks, which reduces your reliance on business loans or overdrafts.

- **Indicators:** Stock turnover speed and the total number of rush buying orders.

5. Real-time margin control

- **Leak:** Discovering weeks after a job has shipped that it actually ran over budget, or changing production methods without knowing how it affects your profits.

- **ERP return:** The ability to step in and fix problems mid-run, creating a tight, accurate loop between your initial quotes and final actual costs.

- **Indicators:** The percentage gap between your estimated pre-calculation costs and final post-calculation metrics.

Practical calculation examples

The following examples show the financial impact of fixing basic process flaws. You can swap these figures for your own numbers to see the opportunities waiting in your business.

Scenario A: Reclaiming office capacity

The situation: A team of six staff across planning, engineering, and purchasing waste an average of 30 minutes each day searching for information, chasing updates, and entering data twice.

The calculation: 6 employees multiplied by 0.5 hours/day = 3 hours/day. Over a typical 220-day working year, this single leak wastes 660 hours of administrative time.

The strategic impact: 660 hours is worth more than 16 full working weeks. You can redirect this recovered time straight into speeding up order turnarounds or increasing output without hiring more staff.

Scenario B: Unlocking trapped cash

The situation: Your business holds stock valued at £1,200,000. By using smarter, automated material planning, you can easily achieve a modest 10% reduction in stock levels without hurting your delivery promises.

The calculation: 10% of £1,200,000 = £120,000 in unlocked working capital.

The strategic impact: This £120,000 is no longer sitting uselessly on shelves. It is instantly available to reinvest back into the business or ease financial pressures.

Scenario C: Lowering mistake costs and scrap

The situation: Your factory turns over £8,000,000 a year. If preventable rework and miscommunication cost you just 1% of that turnover, you are losing £80,000 annually.

The calculation: Halving these errors adds £40,000 of pure profit straight back to your bottom line.

The strategic impact: Reducing mistakes directly protects your profits while freeing up valuable machine time and labor for paying jobs.

Strategic impact

Ultimately, these improvements feed into three core benefits:

Capacity:

Ship more orders with your current team because time is no longer wasted dealing with daily chaos on the shop floor.

Control:

Let live data – rather than guesswork and assumptions – run your production schedules, purchasing rules, and jobs.

Quality:

Protect your profit margins on every job through fewer operational mistakes and smooth handovers between departments.



Your ROI action plan

Step 1: Map your efficiency leaks (Weeks 1–2):

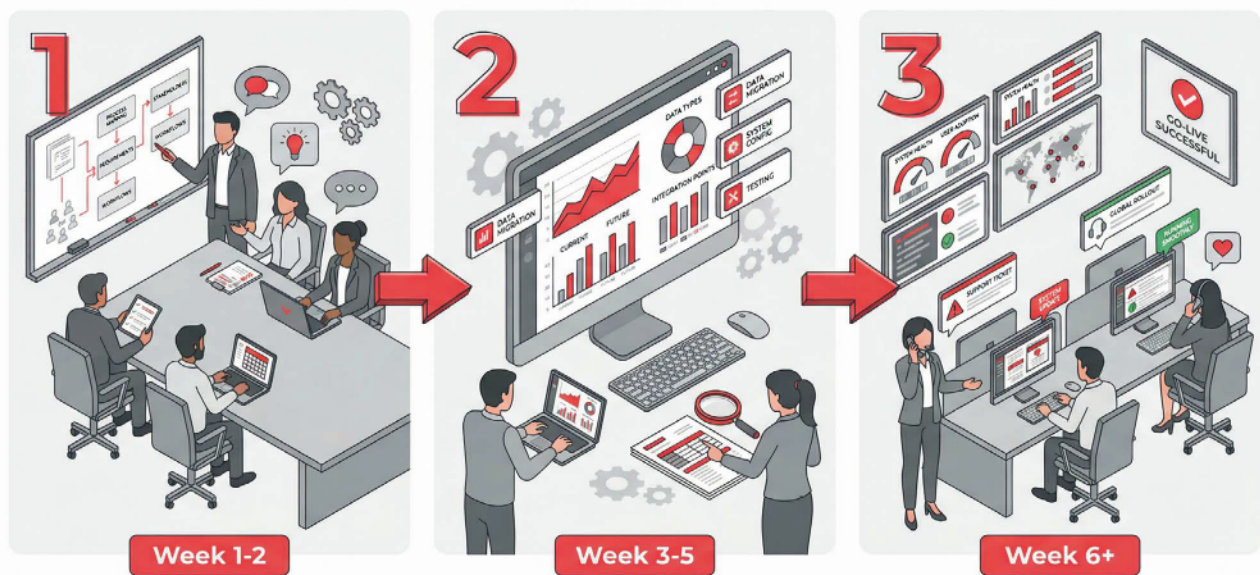
Sit down with team leads from every department. Note exactly where time is lost daily, find your biggest frustrations, and record real examples from the shop floor.

Step 2: Set your high-impact priorities (Weeks 3–5):

Pick two or three target areas that offer the biggest savings in time or money. Tackling these bottlenecks first brings quick wins, proves fast ROI, and builds momentum across the company.

Step 3: Write down standard workflows and monitor (Week 6 onwards):

Turn these new agreements into clear roles and standard processes. Set aside regular time to check for deviations and keep refining how you work.



The next step: The ROI scan

Want to find out exactly where the biggest financial savings are hidden in your factory? With our targeted ROI Scan, we will look at your entire order process alongside your team to find your production bottlenecks. This gives you a clear roadmap showing you where to recover your margins fastest.

Schedule your talk today at:

WWW.ECISOLUTIONS.COM/EN-GB/LETS-TALK

