

In June, 2008, supply chain and manufacturing professionals were studied to better understand how current economic conditions may be impacting decisions pertaining to their enterprise business and supply chain solutions.

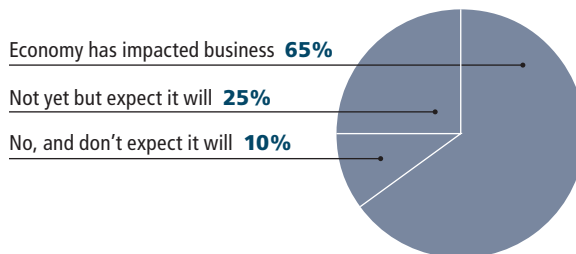
Summary

Results of the study conclude that:

- **Manufacturers are looking to streamline business, manufacturing and supply chain operations in efforts to reduce overhead and maintain more efficient control over processes and systems**
- **In response to the current economic climate, the top three business philosophies and strategies that manufacturers are adopting are lean production, TQM, and Six Sigma**
- **Enterprise level applications such as Product Life Cycle Management are evolving to more effectively execute today's business strategies**

The Impact of the Economy

Manufacturers affected by the economic downturn



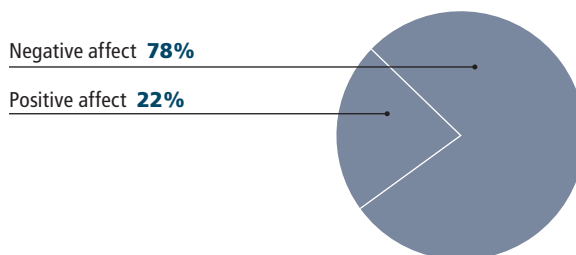
In today's economic environment, manufacturers are experiencing severe business ramifications as a result of harsh economic times. They are facing declining sales, increased operating costs and lower profit margins, the rising price of raw materials and fuel, increased transportation costs, and mounting competition. The value of the U.S. dollar is additionally making it more difficult to compete globally.

Sluggish housing and construction, automotive and aviation markets have forced slowdowns in production resulting from weakened customer demands.

" We supply high end components around the world. There are many projects in process right now. With the capital restrictions, the funding for these types of projects will be more and more difficult to finance. "

Director of Operations, Industrial Machinery

The nature of the economy's impact



" Our business is directly tied to the housing market. It will depend on how the U.S. housing market fairs and demand for our product for exportation. "

Corporate Management, Industrial Machinery

However, while the majority of manufacturers are taking measures to cope in a time of recession, some manufacturers contend that they will, conversely, be able to capitalize on the economic downturn.

" We anticipate that the slowing economy has and will continue to favorably impact our business. Our business model naturally enables large distribution center operations to realize a significant cost reduction by utilizing our services on a per unit cost basis. "

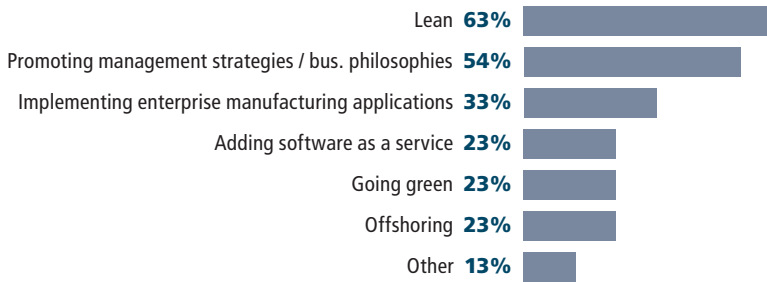
President, Aerospace

Adoption of Management Strategies

Greater demand for different and creative business management strategies and solutions are being highly sought after by key decision-makers.

Manufacturers are evaluating and executing philosophies such as lean methods of operation, promoting business and management strategies, implementing environment-friendly policies and offshoring production and service assignments. Enterprise-wide manufacturing applications are viewed as a way of making operations more efficient.

Adoption of strategic initiatives



“ We’ve adopted a lean manufacturing and warehouse management approach. We are keeping a close eye on inventory levels to be sure we take advantage of all business opportunities without having excess inventory on hand. ”

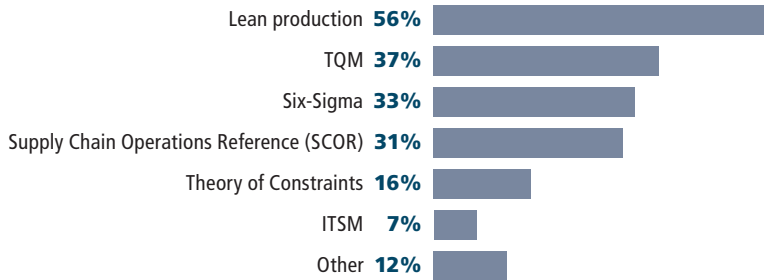
**Plant Management,
Industrial Machinery**

There are expectations that the implementation and adoption of these programs will help manage economy-related hurdles. Companies are focusing on specific enterprise-level applications to serve as the backbone of these strategies. Implementations such as systems integration, workflow processes and web-enabled applications, systems automation, enterprise resource applications, warehouse and inventory management and MRO solutions will streamline and improve, supply chain management, time-to-market, business process management, inventory control and cost tracking, procurement procedures, customer service, and reduced overhead and cost savings.

Some manufacturers have either adopted or are examining the value of overall organizational processes and the quality of their business management practices through strategies such as lean manufacturing, Six Sigma, Total Quality Management (TQM), or other approaches for improving supply chain management.

These best practices are being adopted to eliminate any waste and unnecessary production costs, control inventory and overhead, streamline workflow processes, improve manufacturing, process and business performance, increase throughput and reduced cycle times, expedite delivery times, and accomplish these goals without impacting operational efficacy while still keeping the customer as the focal point!

Interest in management philosophies



“ Our goals are reduced manpower with same level of product output, reduced material handling and potentially reduced inventories (or to keep inventory at this level or potentially higher) as we ensure that every truck on the road is optimizing miles. ”

Plant Management, Automotives

“ We are looking to improve our ability to meet changing customer needs and accomplish agile manufacturing for improved inventory turns and lower inventory. ”

Supply Chain Manager, Automotives

“ Outside of reducing internal costs, we believe that if we provide end users with on the spot, accurate information so sound business decisions can be made that eliminate both time constraints and external costs in the supply chain. ”

Operations Manager, Rubber & Plastics

Implementation of IT Solutions

As a consequence of a sagging economy, manufacturers see a greater need to adopt, upgrade, or expand their enterprise-level solutions such as supply chain, ERP, project and financial management, and product life cycle applications.

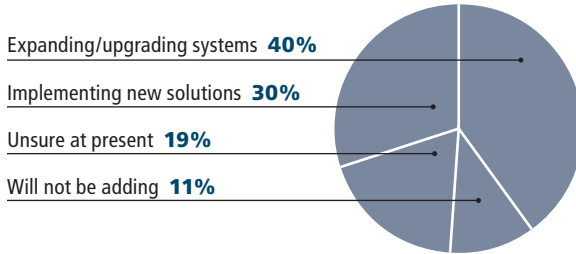
“ I expect there to be more emphasis on getting to “right sizing” and “right expectations” around supply chain. ”

Supply Chain Architect, Industrial Machinery

“ The need for supply chain expertise is critical in times of inflation, recession and down business cycles. ”

Corporate Management, Fabricated Metals

Implementation status for IT solutions



Among those implementing enterprise software solutions, businesses are looking to **access and analyze information, run business processes, communicate with customers and suppliers, cut operating costs, keep operations running continually and manage business operations globally.**

Over the next two years, users' requirements for enterprise solutions will become more imperative, prompting strong interest in this area. Seven out of ten manufacturers are either expanding, upgrading, or implementing new enterprise software solutions. Nearly one out of five are, at present, unsure what initiatives they will undertake and may be seeking additional information on benefits, implementation strategies, etc.

Among those running enterprise applications, financial management, supply chain, project management, customer relationship, production management and supplier relationship applications are in use by more than one-half of these manufacturers. Many manufacturers are also in the early stages of adoption and implementation of applications into their enterprise system. It may be premature to determine which enterprise applications manufacturers will consider over the next few years given the unstable economic climate.

	Have implemented	In process of implementing	Will evaluate over next 2 years
Supply chain management	51%	37%	12%
Supplier relationship	48%	40%	12%
Project management	55%	33%	12%
Production management	49%	43%	8%
Product life cycle mgmt. (PLM)	24%	50%	26%
Customer relationship	54%	40%	6%
HR/Labor management	45%	41%	14%
Financial management	71%	25%	4%

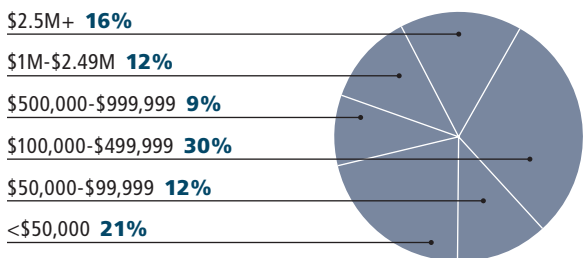
The majority of manufacturers are running financial management solutions and contend they have achieved greater efficiencies through an integrated, streamlined application. They also claim that this software solution has allowed them to maintain costs, control budgets over multiple departments, and improve cash flow management and tracking.

Roughly one out of four companies expects to evaluate product life-cycle management (PLM) solutions over the next few years. Manufacturers who have already adopted this solution have realized greater asset management as well as improved control over product development, production and product support processes, and cost management for raw materials. PLM has enabled companies to understand sustainability costs and planning efficiencies to better meet customer requirements and product support costs.

“ We hope that PLM could make the product's life span cycle more predictable, and forecast how long our products will survive. This, more or less, will help us to design or decide whether, and which, products will change, sustain or discontinue in the next phase. ”

COO, Electronics

Budget levels for enterprise software applications



One out of six manufacturers are reporting that their budget in 2008 for enterprise-wide software solutions for manufacturing operations is over \$2.5 million. On average, the allocation this year among these manufacturers for these solutions is nearly \$1 million.

Supply Chain

Among those now adopting a supply chain initiative, the majority are in the early stages of the decision process. During this phase, companies are primarily assessing benefits, examining cost savings and gauging their return on investment (ROI), establishing specifications, and determining implementation strategies.

Understanding "green" issues associated with a supply chain implementation is also a major factor in the evaluation and decision process. The majority of manufacturers claim that practicing an environmentally sustainable supply chain is very important (64%) to their company's business philosophy.

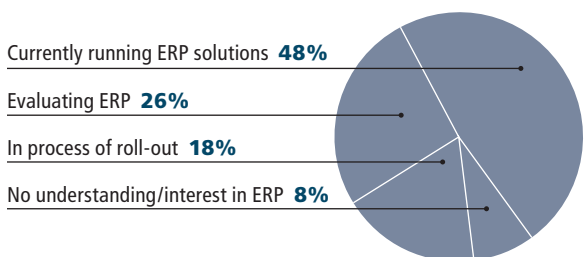
ERP

Nearly one-half of these manufacturers maintain a fully operational ERP system. However, development of these systems is ongoing as they will likely require add-on software applications, systems integration solutions, or additional support services. In fact, it is noted elsewhere in this section that three out of every four ERP users will likely add to or upgrade their system over the next two years.

" Our system, while functional, needs to become more integrated throughout the organization. In order to do so, enhancements and upgrades are needed. "

Operations Manager, Rubber & Plastics

ERP adoption status

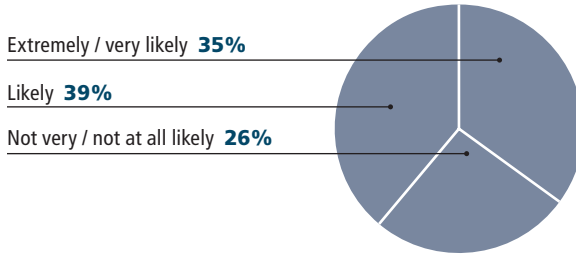


Other manufacturers are either in the early to mid-level stages of the evaluation and purchase decision process (26%), or are now beginning to roll out applications (18%).

Less than one out of ten claim to have no need or only have a limited understanding of ERP solutions. Most of these manufacturers contend that upper management lacks knowledge of ERP benefits, implementation strategies, costs to employ, etc.

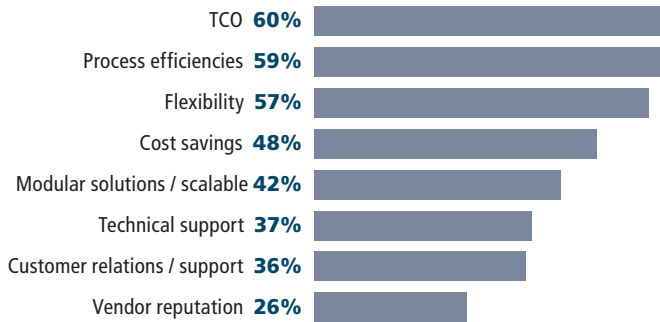
Likelihood of upgrading ERP solutions

As previously indicated, the majority (74%) are likely to further develop and upgrade their ERP solution over the next 2 years.



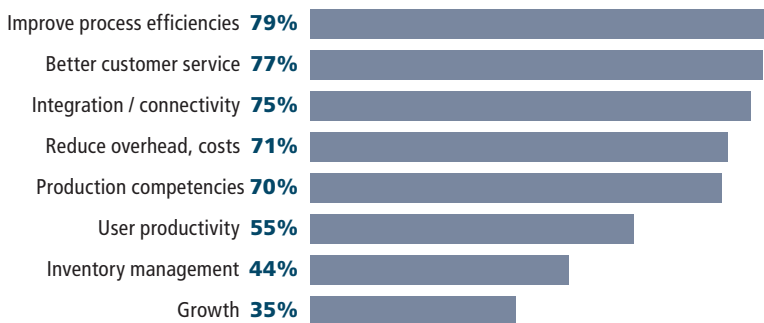
Attributes considered important when evaluating ERP solutions

When evaluating ERP solutions for implementation or upgrades, decision-makers focus on key issues such as Total Cost of Ownership and cost savings, process efficiencies, and systems flexibility and scalability.



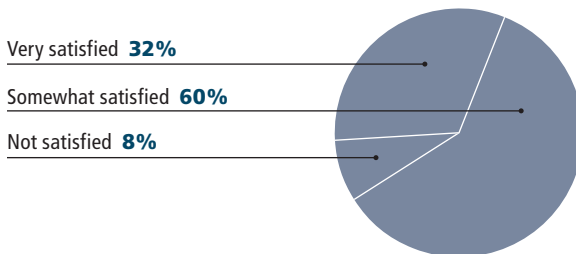
Benefits of ERP applications

As a result of an ERP solution, manufacturers are already achieving their goals or hoping to attain those benefits associated with enhancing and optimizing business process and production efficiencies, systems integration, and reductions in overhead and operating costs. Manufacturers are additionally improving customer service, inventory management and user productivity, as well as discovering potential areas for new business development.



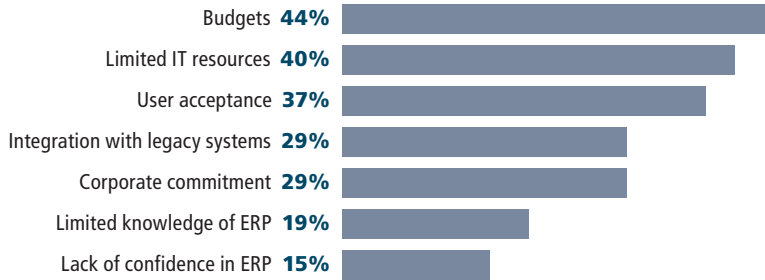
Level of satisfaction with current ERP system

ERP applications are mission-critical to manufacturers as a high percent of end-users rely on applications running in ERP systems. More than half of the employees in these companies are accessing ERP-based applications. In one out of five companies, more than 80% of all end users are using ERP-based solutions.



Overall, these manufacturers seem satisfied with their current ERP systems. However, while one out of three are very satisfied with their solution, the majority hint there are areas for improvement as they are only somewhat happy with current applications.

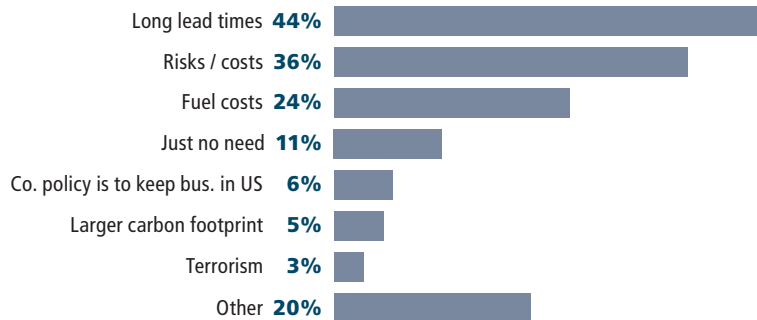
Barriers to adopting ERP



Manufacturers who are slow to adopt ERP solutions likely face obstacles they need to overcome. Limited budgets, a lack of IT resources, winning over end users as well as garnering support from corporate management are among the most significant barriers to implementing an ERP solution.

Global Initiatives

Reasons for NOT offshoring



One out of four manufacturers are conducting business activities on a global level. International activities predominantly consist of importing and/or exporting goods or are offshore outsourcing. Most assignments that are outsourced offshore involve production and manufacturing, customer services and software development. Some manufacturers are, additionally, establishing branch offices or manufacturing facilities outside North America. China, India and Mexico offer the most productive conditions for manufacturers.

Manufacturers who are not offshoring cite lengthy lead times, the risks and costs associated with overseas manufacturing and the high cost of fuel as key deterrents.

Methodology

This research was conducted by RBInteractive Research Group in June, 2008. The study was administered over the Internet, among subscribers to Modern Materials Handling, Supply Chain Management Review and Logistics Management magazines. 274 supply chain and corporate management professionals were interviewed for this study.

Respondents were qualified for being involved in the purchase and evaluation of enterprise software solutions for their manufacturing operations.

A profile of those surveyed shows that respondents are employed at manufacturing sites, warehouses that support manufacturing operations, or corporate headquarters. Industries represented include electronics, fabricated metals, industrial machinery, automotives, aerospace, rubber and plastics, etc. Operations are further described as discrete manufacturers. Respondent companies average 2000 employees.

About Epicor

For 20 years, Epicor has been a recognized leader dedicated to providing integrated enterprise resource planning (ERP), customer relationship management (CRM) and supply chain management (SCM) software solutions to midmarket companies around the world. With the acquisition of Scala, Epicor is a global leader in the midmarket serving over 20,000 customers in over 140 countries. Epicor leverages innovative technologies like Web services in developing end-to-end, industry-specific solutions for manufacturing, distribution, enterprise service automation, and hospitality that enable companies to immediately drive efficiency throughout business operations and build competitive advantage. With the scalability and flexibility to support long-term growth, Epicor's solutions are complemented by a full range of services, providing a single point of accountability to promote rapid return on investment and low total cost of ownership. Epicor's worldwide headquarters are located in Irvine, California with offices and affiliates around the world. For more information, visit the company's Web site at www.epicor.com.

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