



# PLM License and Deployment Flexibility Puts PLM in Reach

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# The Compelling ROI of PLM

Product Lifecycle Management (PLM) has a very attractive ROI. It helps address the inherent complexity of product innovation, product development, and engineering resulting from today's complex products and product development landscapes. It's one of the few initiatives that concurrently drives both top-line and bottom-line results.

But getting these returns is sometimes considered too big of an investment. PLM initiatives have historically been known for long, expensive implementations. Most manufacturers no longer have the appetite for software projects that don't show an ROI in the first year or so.



*PLM implementations on average:*

- *Improve revenue by 13.4%*
- *Grow profit margins by 13.2%*
- *Increase percent of revenue from new products by 15.8%.*

Getting the Most from PLM – Tech-Clarity and Kalypso



*PLM implementations are faster and less expensive than most people think.*

- *About one-half of PLM implementations cost less than 250 thousand dollars*
- *About two-thirds are implemented in less than a year.*

Product Lifecycle Management Beyond Managing CAD - Tech-Clarity

# The PLM ROI is Evolving

It's time to take a fresh look at how PLM gets implemented and how that impacts ROI. The PLM market, like many other enterprise software markets, is changing. Cloud and Software as a Service (SaaS) options are becoming more prevalent. Now, new ways to buy and deploy software provide more options for manufacturers to take advantage of PLM benefits.

Manufacturers should look at several aspects when reviewing different implementation options:

- **Procurement** – how will your company acquire and pay for PLM?
- **Deployment** – how (and where) will your company implement PLM?
- **Operations** – how will your company evolve with PLM over time?

Each of these factors has implications. They create a new set of tradeoffs to evaluate when looking for a PLM system. Of course the primary goal is to get the right solution to support the business. Then, companies should look at the potential to take advantage of new options that reduce cost, resource requirements, and risk that can bring PLM within reach. We'll look at each of these factors in this eBook.



*Cloud changes the game for PLM. Cloud PLM:*

- *Is more accessible because it costs less*
- *Removes IT resource shortages as a barrier*
- *Sets up shared goals and value with the vendor*
- *Lowers risk due to smaller financial commitment*
- *Allows for more experimentation without having to justify a big project*

[Cloud PLM – A Big Return with a Smaller Investment](#) - Guest Blog Post

Don't forget that PLM provides significant value beyond the initial implementation. Our research shows that companies get even higher ROI from subsequent PLM extensions by using their initial PLM deployment as a foundation to grow on. Manufacturers don't have to do everything at once. New deployment models can make subsequent value easier to attain, providing more financial and technical scalability.

# Buying PLM

The way companies buy enterprise software is changing. The traditional approach was to buy a number of licenses upfront. The number was usually based on some optimization based on projected future usage and volume discounts. The company owned the software in perpetuity, typically paying maintenance for support and upgrades. This led to large up-front costs and the potential to carry significantly more licenses than were actually needed.



SaaS fundamentally changes that model. SaaS allows companies to pay as they go based on a subscription. This drastically reduces the risk involved with an implementation. While the SaaS model is most commonly found with cloud solutions, subscription pricing is also being offered for other deployment methods. So the value of SaaS pricing can be leveraged for non-cloud-based software as well.

The subscription approach allows companies to start small and scale as needed, effectively lowering the threshold to experiment with a solution. The threshold is also lowered because it changes the purchase to an expense item instead of a capital investment – typically requiring fewer levels of approval.

## Benefits of SaaS & Subscription

No Capital Expenditure  
(Expenditure is Operational)

Financial Scalability

Low Startup Cost

Tighter Alignment of Expense with  
Usage / Value

Reduced Risk

Business Agility

## What to Look for Before Buying

Flexibility in Purchasing Options

Predictable / Transparent Costs

Upward and Downward Scalability

# How (and where) to Deploy PLM

Companies are also changing the way they implement PLM. Some deployment approaches are linked with the buying decision. For example, pure cloud solutions are almost always SaaS. But others aren't as tightly aligned and can be decided on independently.

The most common way PLM software is implemented is in a traditional, onsite approach. This approach is the most demanding on internal resources, requiring companies to set up servers, manage networks, provision remote sites, and maintain the software. On the other hand, each company has full control over decisions like database tuning, upgrade timing, system modifications, and integration. For some companies, this is still the preferred approach.

Other companies may choose to implement in their own, virtualized “private cloud.” Or they may shift to the public cloud using an IaaS (Infrastructure as a Service) approach. This provides much of the same level of control, but eliminates the need for the company to put servers, networking, and other resources in place and provides storage and processing elasticity. A key benefit to this approach is that most modern PLM software can be deployed in this fashion, and vendors often have existing partnerships with cloud providers.

A Cloud SaaS approach provides the software as well as the infrastructure. This provides the ability to get started and expand very rapidly, often on demand. This has less overhead and therefore lower cost. While SaaS provides less control, there is no need to maintain software or infrastructure. Pure cloud solutions are multitenant and provide further cost savings, but none of the traditional PLM providers actively offer this option today.

## Benefits of Cloud Deployment Options

Ability to Start Fast

Lower Cost

Less Demand for Internal IT Capacity

Technical Scalability

“Infinite” Computing Power

Better Performance

Less Complicated to Provision Mobile Users

Easier to Allow External Collaboration

## What to Look for Before Buying

Alignment with Company Standards / Guidelines

Adherence to Industry Standards for Security, Performance

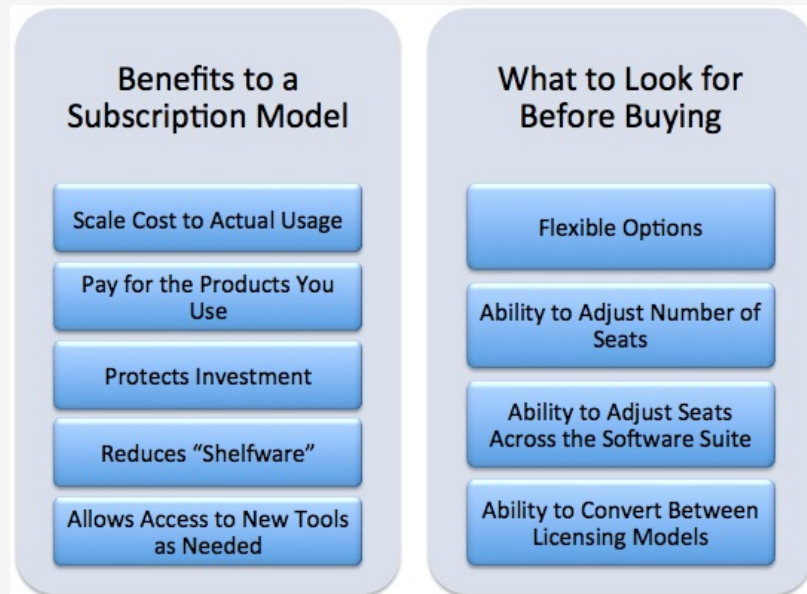
Protection of Data Rights

Multiple Deployment Options to Fit Current and Future Needs

Proper Balance of Cost and Control

# Operating PLM Over Its Lifecycle

Beyond initial adoption, new deployment models provide better business agility. SaaS lets companies scale computing power and number of seats according to demand, for example to meet program-based or seasonal needs. They can also scale to run large compute jobs or manage large volumes of data, which can be important to PLM-related processes such as IoT and analytics.

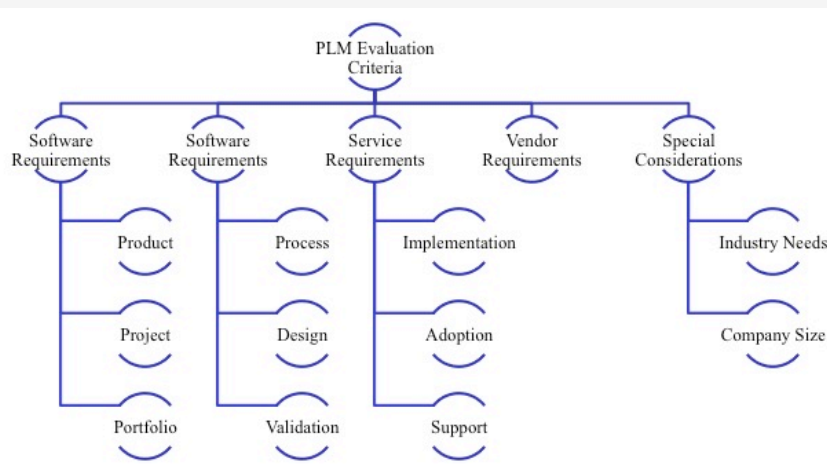


SaaS introduced new scalability options, but other models are evolving to compete. For example, subscription pricing models are evolving to offer more flexibility. Advanced subscription models allow companies to scale "seats" up and down as needed (within some limitations). Others even allow manufacturers to change the "mix" of licenses in addition to the number of seats. This allows them to evolve to different types of users and different solutions as business needs dictate, without the need to try to predetermine how the system will be used as business evolves.

The ability to change what's paid for based on what business needs dictate prevents being locked into solutions and seats based on estimated usage, allowing companies to spend money where they're actually getting value. It also puts the vendor in a position where they need to add value in order to retain your business, increasing leverage. This is an area to pay particular attention to because models vary widely between providers.

# What's the Right Path for Your Company?

There's a lot to consider when looking for a PLM solution. New options reduce barriers to entry and help add flexibility and agility. But it's important to recognize that the primary goal is to find a solution that meets company needs to combat complexity and improve business performance. Without the capabilities to drive business improvement the rest is pointless.



Manufacturers can leverage tools such as Tech-Clarity's [PDM Buyer's Guide](#) for a framework on how to analyze solutions based on company needs beyond features and functions. While those are important, manufacturers must also know their procurement options, deployment choices, and the impacts those have across the lifecycle of a solution.

PLM is more powerful and attainable than ever, which is good news for manufacturers of all sizes. Now is the time to:

- Understand your needs
- Know your options
- Find the right solution
- Identify the optimal procurement approach for your business
- Determine the most advantageous deployment approach
- Understand the business agility available from new options
- Take advantage of lower barriers to entry for PLM
- Get started with PLM and get a quick ROI
- Extend the benefits over time



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## About the Author

Jim Brown is the President of Tech-Clarity, an independent research and consulting firm that specializes in analyzing the business value of software technology and services. Jim has over 20 years of experience in software for the manufacturing industries. He has a broad background including roles in industry, management consulting, the software industry, and research.

Jim's experience spans enterprise applications including PLM, ERP, quality management, service lifecycle management, manufacturing, supply chain management, and more. Jim is passionate about improving product innovation, product development, and engineering performance through the use of software technology.

Jim is an experienced researcher, author, and public speaker and enjoys the opportunity to speak at conferences or anywhere he can engage with people with a passion to improve business performance through software technology.