The Strengths of a Vertically Centric Enterprise Software Provider

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Event Summary

The enterprise applications market is rapidly consolidating and "high-flying" vendors are now falling to the wayside en mass (see *Rapidly Consolidating Enterprise Applications Market: The Worlds of "Organic Grower" and "Aggressive Consolidators"*). This coupled with the dread of functional parity and software commoditization among the surviving solution providers has lead many to believe that only a vendor's size will matter from now on, and that small, focused local or niche providers have little to offer, let alone to hope for in the market. (see *If Software Is A Commodity...Then What?*)

However, one should still not be hasty and dismiss small specialist providers as some are making a comeback. Tampa, Florida-based (US) **Verticent** (www.verticent.com) is one such company. Verticent is a wholly-owned subsidiary of Framingham, Michigan-based (US) **ASA International**, Ltd. (www.asaint.com), a private holding company of vertical enterprise *business-to-business* (B2B) software solutions and value-added services. Verticent is a provider of integrated *enterprise resource planning* (ERP), *customer relationship management* (CRM), e-business, and business intelligence (BI) software solutions, and strives to meet the unique business demands of small-to-medium size discrete manufacturers and distributors.

Verticent is committed to only a few specific vertical industries in areas where it has proven experience, and lately it has successfully leveraged industry-specific knowledge and functionality to deliver a flexible, yet affordable, enterprise business systems.

Recently the vendor announced that it has enjoyed several key license sales in the US Midwest, namely in Detroit, Michigan; Chicago, Illinois; Milwaukee, Wisconsin; and central Illinois. Verticent believes its focus continues to payoff, since these new license sales were won in its targeted verticals: metal service center industry, metal fabrication, and *configure-to-order* (CTO) manufacturing. Moreover, early in 2005, Verticent announced that Kandil Industries (Cairo, Egypt) licensed the vendor's ERP Plus suite for metal service centers. **Kandil Industries** reportedly chose **ERP Plus** to better match its demand and supply chain so it could achieve lower inventories; improve capacity management at critical bottlenecks in its process; reduce scrap costs and improve yields; streamline financial consolidation of all its divisions and companies; and move the company from islands of automation and spreadsheets to an integrated enterprise solution.

This win should allow Verticent to leverage its accomplishments in the North American metals industry and give it "a foot in the door" to the Middle Eastern market. Kandil Industries is a well-known and respected company in Egypt and the Middle East, and Verticent hopes to parlay its partnership to showcase its solution's capabilities, and replicate this success throughout the Middle East.

This is Part One of a two-part note. Part two will discuss the functionality of ERP Plus and analyze Verticent's target market.

Verticent's Background

Formerly called **PowerCerv Corporation**, the once publicly traded company been on a "rollercoaster ride" since its founding in 1992. In its first four years, the company grew meteorically seeing revenue of approximately $38 million (USD) in 1996 (although its ERP-related revenue was only one quarter of this). PowerCerv, which started as a reseller of **PowerBuilder** tools, evolved into a *value added reseller* (VAR) for **Powersoft** (now part of **Sybase**), reselling Powersoft's development tools and providing complementary services. PowerCerv spent its first few years crafting its business applications product and expanding its sales and marketing organization to support application sales. During that time, PowerCerv developed a suite of products aimed at PowerBuilder developers, including an object class library, workflow and asynchronous processing tools, and a security system.

The extraordinary growth of PowerBuilder during the mid 1990s fostered a market for PowerBuilder-based applications. In response, PowerCerv begun to develop and garner a set of modern enterprise applications, initially called the **EnPower Series**. However, the rapid transition from a software tool reseller to a "Johnny came late to the party", full-fledged *enterprise resource planning* (ERP) software developer took its toll, and since 1997, PowerCerv has made numerous major attempts to revitalize itself.

Throughout 1996 and 1997, the company did away with its unfocused strategy where it tried to serve multiple markets, and it began to focus on the discrete manufacturing mid-market offering a single product suite renamed **ERP Plus**. PowerCerv then divested several businesses that were not in tune with its new strategy, including its general consulting, application development tools, and database software reseller businesses. However, since 1997, the company continued to shrink. Its total revenue in 2001 was approximately $6 million (USD), down more than six times from its peak in 1996, and it had almost no new license revenue in 2002. This eventually lead to its “yard sale” where ASA bought several of PowerCerv’s assets, assuming certain liabilities (see *PowerCerv Finally Overpowered by the '02 Hurricane Season*).

The nature of PowerCerv during its pre-acquisition days in the early 2000s were indisputably different than those in 1997. Like other tier two and tier three vendors, PowerCerv attributed its woes to the Y2K pinch which morphed into a seemingly never-ending economic slump. Even now, the company admits that it simply could not compete in the tough general, discrete manufacturing ERP markets where many larger vendors are considered to be a more viable option, as customers became more cautious of a vendor’s viability.

This situation was also exacerbated by PowerCerv’s late market entry. Despite its hefty investments in *research and development* (R&D), it ultimately had a low presence in an cramped marketplace where territories were already marked. Its international distribution channels were undeveloped and it only had around 110 customers in total, with only 60 remaining on ongoing maintenance agreements. PowerCerv’s reliance on the PowerBuilder development tool did not helped either, despite some of the tool’s advantages over **Microsoft Visual Basic for Applications** (**VBA**), such as its true object orientation, platform independence, scalability, release migration, etc. However, widespread use of PowerBuilder has been somewhat stunted because **Microsoft .NET** and **Java 2 Enterprise Edition** (J2EE) recent capture of the market and mind share, where they are perceived as de facto enterprise application development standards, rendering all other development environments archaic.

Vertical Focus Emerges

Given all of this, no one is trying to imply that PowerCerv’s recent reincarnation as Verticent (referring to “vertically-centric” enterprise applications) will become a major market shaker or will turn many heads. However, what is notable is that the embattled vendor may find some “blessings in disguise”. Momentum under its new patronage has been growing and Verticent is taking new business away from its ERP peers, and at times, is even displacing point solutions. Consequently, this may be the right time for Verticent to tackle these targeted industries, through its combination of technology, a broad ERP (and beyond) footprint, and deep, focused vertical functionality,

Though it was a general ERP provider, erstwhile PowerCerv understood the requirements of its target market. It understood that *small and medium enterprises* (SME) want as many of their business requirements as possible to be addressed from a single source. To that end, the vendor had long provided ERP, CRM, *advanced planning and scheduling* (APS), and *business intelligence* (BI) functionality and technology that facilitate flexibility, and supported distributed, remote applications deployment. Even way back with its release of ERP Plus at the end of 1990s, PowerCerv focused on the tight integration of its *sales force automation* (SFA) product into core ERP applications. It also added APS capability by embedding and marketing **Taylor Scheduling Systems**' production scheduling product, **TESS** (**Taylor Enterprise Scheduling System**), as an optional integrated component of its ERP Plus software.

To its credit, PowerCerv also incorporated BI tools in its **PowerCerv Intelligence** module—which is still being offered by Verticent and is branded as **Verticent Intelligence**. The BI tools currently provide the product's *online analytical processing* (OLAP) and *executive information system* (EIS) and dashboard capabilities. They are Web-enabled and have browser-influenced navigation, providing the user with pre-defined drill path and drill anywhere capabilities, pre-defined metadata settings, object modeling using JavaScript, and report scheduling capabilities.

Throughout the 1990s, over $30 million (USD) was poured into the development of the client/server, PowerBuilder-based flagship, ERP Plus. It is a tightly integrated software suite that streamlines front- and back-office operations that range from lead generation to after-sales service. The solution, which can run on **Microsoft Windows-SQL Server** and **UNIX/Linux-Sybase** platform combinations, includes the following five modules, each with an array of sub-modules:

- **Financials Plus** whose features include *general ledger* (GL), *accounts payable* (AP), accounts receivable (AR), project accounting, financial report writer, on-line drill downs, flexible account structure, unlimited calendars, multi-company, multicurrency, allocations, consolidations, lockbox receipts, not sufficient funds check recovery processing, recurring entries, manual checks, *automatic clearing house* (ACH) payments, bank reconciliation, workflow, multiple journal entry templates, padlock security, sales tax and *value added tax* (VAT) calculations, unlimited accounting periods, *Sarbanes-Oxley Act* (SOX) compliance, and so on.

- **Distribution Plus**, whose capabilities include sales quotations, sales order entry, product configuration, pricing, invoicing, order acknowledgments, multi-warehouse inventory management, shipping & receiving, physical inventory and cycle counting, *distribution requirements planning* (DRP), attributes, serialization and lot traceability, credit and debit memos, *return material authorization* (RMA), commissions and royalties, carrier and freight, credit management, etc.

- **Manufacturing Plus**, featuring capabilities such as master production schedule (MPS), material requirements planning (MRP), interactive MRP by item, finite scheduling, capacity requirements planning (CRP), purchasing and requisitions, receiving and inspection, quality assurance, shop floor control, serialization and lot tracking, inventory management, bills of material (BOM), routings and work centers, order management, product data management (PDM), engineering change management (ECM), tooling management, cost management, etc.

- **Support Plus** with help desk support, case management, workflow/escalation, knowledgebase, contracts/warranty, product registration, return & repair, quality reporting, etc.

- **SFA Plus** supporting telesales/field sales, account profiling, contact management, calendar management, activity management, marketing campaigns, opportunity management, forecasting/pipeline management, quotes/ sales orders, inventory availability, remote synchronization, **Microsoft Office** Integration, etc.

While this list of features is not "earth shattering", it still represents a fairly comprehensive extended-ERP system, which is particularly important for the metal services industry, one of the target areas of ERP Plus. General ERP providers, even if they are solid companies with a viable product offering, typically do not meet the specific needs of the metal service industry. Their solutions tend to have a series of "fatal flaws." For example, they do not adequately accommodate the dimensional inventory, chemical, and physical properties requirements, and such failures are detrimental. See *The Exacting Needs of Metal Services Centers*. Consequently ERP Plus' ability to address these issues is particularly notable and as a result, Verticent may have an edge over its general ERP competitors, at least in this market.

This concludes Part One of a two-part note. Part two will discuss the functionality of ERP Plus and will analyze Verticent's target market.

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