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ERP Software Development For Pressure Die-casting Industry

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Abstract
The paper highlights the potential for customized ERP solutions for the pressure die casting industry, which is in the Small and Medium Business (SMB) sector. The operating environment of the pressure die casting industry has been considered. Further, the potential market for ERP is discernable from well-known competitive strategy frameworks. However, customization is vital to capture the market and deter competition from reducing market share.

Key Words:-*ERP (Enterprise Resource Planning), Cloud Computing, SMBs (Small and Medium Businesses), Pressure Die Casting Industry, Information Technology (IT).*

Introduction

The Small and Medium Businesses (SMBs) have shown tremendous growth in the last few years in India. The SMBs are growing at a phenomenal pace. The SMBs have started adopting business process automation in the last couple of years as they have started realizing its benefits The Enterprise Resource Planning (ERP) systems too have gained acceptance. In today's environment, automation offers scope and promise both for managing operations within the firm and also for networking with suppliers and customers. Different businesses have varied business processes and hence they need customized ERP solutions. This opens up many opportunities for the ERP solution providers. Effective ERP systems offer significant promise and this is already discernible in large scale industries.

This paper explores the use of some of the standard frameworks to perform an Industry

and Competitive Analysis for developing and implementing ERP systems in the pressure Die Casting Industry. The experiences in developing and implementing ERP software for the pressure die casting industry and the expectations in the SMB sector provided important insights for the study. The paper is organized as follows: A brief overview of ERP is highlighted in the next section. Next the ERP market in India based on surveys conducted over the years is briefly discussed. Finally, the prospects and challenges for the pressure die casting industry and directions for ERP systems are discussed based on well-known frameworks for competitive strategy analysis.

ERP : An Overview

Information Technology is revolutionizing the way in which we live and work. It has changed all aspects of life and lifestyle. The digital revolution has given mankind the ability to treat information with mathematical precision, to transmit it with very high accuracy and to manipulate it for effective functioning.

To survive, thrive and beat the competition in today's brutally competitive world one has to incorporate future perspectives. Managing the future necessitates powerful approaches to capture and use information. In order to do so, systems should be organized to automate data collection, dissemination, retrieval, collation and refinement data. This could better ensure that, high quality information is available to decision makers at the right time. Information Technology (IT) serves as a powerful means to do so.

IT ensures a seamless flow of information across different departments and develops and maintains an enterprise wide database. This enterprise wide data sharing has many benefits like automation of the procedures, availability of high quality information for better decision making, faster response times and so on.

Prior to industrial revolution, firms were small and almost entirely owner driven. But as companies grew business owners hired others to assist them. As number of people increased, the functional organization evolved over time. As departments became large, various functions were almost entirely independently handled. People within a department would just collect and pass information upward. Thus information was shared between departments only at the top level.

Although developments in IT helped alleviate the situation to some extent, systems developed for different functions did not promote integration of various functions. Thus IT implementations mainly automated existing applications but did not reengineer business processes. This happened because IT was not integrated into the corporate strategy. To reap the entire potential of a powerful technology, such as IT, organizations had to devise a system with a holistic view of the enterprise. Such a system has to work around the core activities of the organization, and should facilitate seamless flow of information across departmental barriers. Such system can optimally plan and manage all the resources of the organization and hence, they can be called as Enterprise Resource Planning[ERP] systems. [1]

The power of ERP is likely to enhance with the advent of Cloud computing. Cloud Computing is a technology that uses the internet and central remote servers to maintain data and applications. Cloud computing offers consumers and businesses to use applications without installation and access their personal files at any computer with internet access. This technology allows for more efficient computing by centralizing storage, memory, processing and bandwidth.

The ERP (Enterprise Resource Management) is a huge domain and the ERP offerings can be classified based on various criteria.

1) **Industry Specific Software:** Systems are developed to cater to the unique needs of sectors such as aerospace &defense, automotive, banking, chemicals, and food & beverages.
2) **Functionality:** Software address various functions of an organization such as: manufacturing management, financial management, advanced planning and scheduling. Modules are also developed to address analytics and business intelligence to enhance the scope of data based decisions. In the manufacturing sector, systems cater to made to order, configure to order and engineer to order systems.
3) Other considerations are Saas or On-premises or a combination; number of users; budget incorporating complexity and finally time frame for implementation.

The various requirements of the different market segments vary. Software developers therefore need to develop an awareness of customer expectations and customize their offerings. It is extremely important to understand the target market based on the above criteria and offer solutions to SMB's so that the customers get a product with "high value for their money". Any de focus from the target market can result in the feature creep in which will ultimately result in higher product cost and less value for money. Failure to offer highly effective software could limit the potential benefits offered by ERP systems. Software developers could also lose to competitors.

ERP Market in India

Based on the market research conducted by Panorama consulting as detailed in Appendix I, It can be expected that the ERP market in India is close to more than INR 500 million. The preliminary analysis of various ERP players in the SMB market space is shown in the table 1 below.

Table 1: Market Share of various ERP Suppliers

	Epicor	Ramco	Microsoft	Other small/ Mid players	No state of the art software	SAP
Market Share	2%	5%	5%	40%	30%	15%
Cost	12 to 60 lakh per year	> 20 lakh per year	> 10 lakhs	> 2 lakhs	N/A	> 10 Lakhs

The market share of the established players in SMB market (Turnover: 1 crore to 50 crore) is even less. The market space is dominated by small unorganized ERP service providers. There are many industries which are still not using any state of the art automation either due to not having the software solutions which are optimized for their businesses or because they haven't yet seen the value of the ERP software. [2]

The Pressure Die Casting Industry-Scope and Challenges

The Pressure Die Casting Industry is a producer of die casts catering mainly to the automotive sector. The latter operates as a large scale manufacturer and is facing extensive competition. The sector however has a large and a growing market with export potential, ERP in that sector has already made significant inroads and refinements are constantly undertaken. Their vendors/ suppliers are certainly expected to adopt ERP. The pressure die casting industry, its business and business prospects/demands in India is untapped market. Today not much has been done. We believe that the pressure die cast industry is one such industry which has not reaped the benefits of the software automation. The pressure die cast industry uses the raw material which is costly and they want to keep track of their costly raw material in real time. They could benefit by the inventory management, customer relationship management, communication management as well as the financial dashboards.

ERP Software development for the pressure die casting industry

There are many companies in India who at present are looking for a combination of on-premises and cloud solution. The main reason behind that is the companies have now reasonably good internet connectivity and would like to share business transaction details with their partners (both vendors and customers). At the same time the internet connectivity is still not reliable and it's not very fast. Hence they are looking for on-premises ERP solution. There are many companies who offer ERP solution with some restrictions like number of users or number of transactions. The suppliers also offer lots of features which these companies hardly use but the companies are indirectly paying for these unnecessary development cost. The big ERP companies also spend a lot on marketing and the SMB's have to indirectly share the cost of those marketing efforts as well. The offering from small ERP vendors either doesn't have all the important features due to lack of domain knowledge or due to lack of strategic planning-i.e. they are not looking at future perspectives. We believe that there is an opportunity for the new entrant if the new entrant can strategically concentrate on a couple of specific industries, build domain expertise and offer solutions to those industries. This focused approach shall ensure the SMB's don't have to pay for other unused features; they don't have to pay for marketing overhead as well as other huge overheads. With that vision, we have been concentrating on the "pressure die cast industry" for last 3 years with extremely low overheads and with very focused solution. We were still able to build the framework generic enough in order to offer solutions to other mechanical engineering companies in future.

ERP Design frameworks for the pressure die casting industry

An ERP system implementation will offer considerable promise only when implementation initiatives are integrated with a firm's strategic and operations planning systems. This would be important owing to the large capital expenditure involved in ERP implementation.

The following frameworks have been adopted in order to verify the competitiveness of new ERP software for the Pressure Die casting industry

1. Porter's Five Forces Model-Appendix B [6]
2. Ansoff's Matrix-Appendix C [5]
3. GE Matrix- Appendix D [4]
4. Farout Summary- Appendix E [9]
5. TOWS Analysis- Appendix F
6. SWOT Analysis- Appendix G

While analyzing the frameworks, the first author's experiences in developing software for the pressure die casting industry were used in drawing major assumptions about the industry.

Discussion

Porter's Five Forces : The industry is neither particularly attractive nor unattractive due to the large number of available competitors in the industry. The buyers are in big numbers and the industry is set to grow. At present the barriers to entry is not high. Hence it is worth entering this industry with a quality ERP software introduction for Pressure Die Casting Industry.

SWOT Analysis :

- **Strengths** include A mature ERP Product for the pressure die casting industry with extensive features for the cost offered can be developed. A mature product with benefits of hosted ERP and On Premise ERP systems can be offered.
- **Weaknesses** are poor marketing strength and analysis. Small setup and inability to reach out to multiple clients are limitations.
- **Opportunities** are SMB in India still use old automation facilities. SMBs looking for mix of cloud computing and on site management solution.
- **Threats:-**Many smaller players offering custom solutions. Many big companies like Microsoft, TCS planning to capitalize the SMB market

TOWS Analysis :

- The key **SO strategies** are to focus on SMBs in Maharashtra and Karnataka states. Systematically market the "Hosted/On Premises" ERP Solution to SMBs.
- The Key **WO Strategies** are Direct/ web based market analysis, customer meeting in Maharashtra/Karnataka regions to understand the customer approach. Showcase the solution to customers in Maharashtra/Karnataka regions through Seminars and direct meetings.
- The key **ST Strategies** are Keep Differentiation with respect to product to preempt entry of small players. Offer customization which normally the larger service providers will not provide. Focus only on subset of industry and offer custom

solution which big players can't offer.
- The Key **WT Strategies** are Focus only on pressure die casting industry. Partnerships and innovative referral program with loyalty benefits.

Ansoff Matrix :
- **Market Penetration-**Reaching out withERP Solutions for pressure Die casting industry.
- **Diversification-**ERP solution for trading community and for Mechanical Industries in future.
- **Product Development:**- ERP online interface to be used as "schedule management" utility across multiple industries. Integrating the scheduled interface with other social and professional networking sites.
- **Market Development:**- ERP Solution for pressure die casting industry in USA and other developing countries. ERP solutions for trading community in other parts of the world.

GE Matrix :
The following strategic technology units are of key importance over the next 3 years
- On Demand access Technology
- Communication Technology
- Interface Technology
- Reporting Technology
- Next Generation reporting technology
- Ease of use

FAROUT Summary
The future orientation graph indicates that it is attractive to get into this technology from Future growth, Accuracy, Resource efficiency, Objectivity, Usefulness and Timeliness perspectives.

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Appendices:

I) Appendix A: Panorama Consulting Survey Report on ERP Market Share and Vendor Evaluation [3]

ERP Market Research Report: The report focuses on data collected on ERP implementations of Tier I, Tier II and Tier III solutions, as can be seen in the following table:

SAMPLE VENDORS		
Tier I	Tier II	Tier III
SAP Oracle Oracle eBusiness Suite Oracle JD Edwards Oracle Peoplesoft Microsoft Dynamics	Epicor Sage Infor IFS QAD Lawson Ross	ABAS Activant Solutions Inc. Bann Bowen and Groves Compiere Exact Netsuite Visibility Blue Cherry Exact HansaWorld Intuitive Syspro

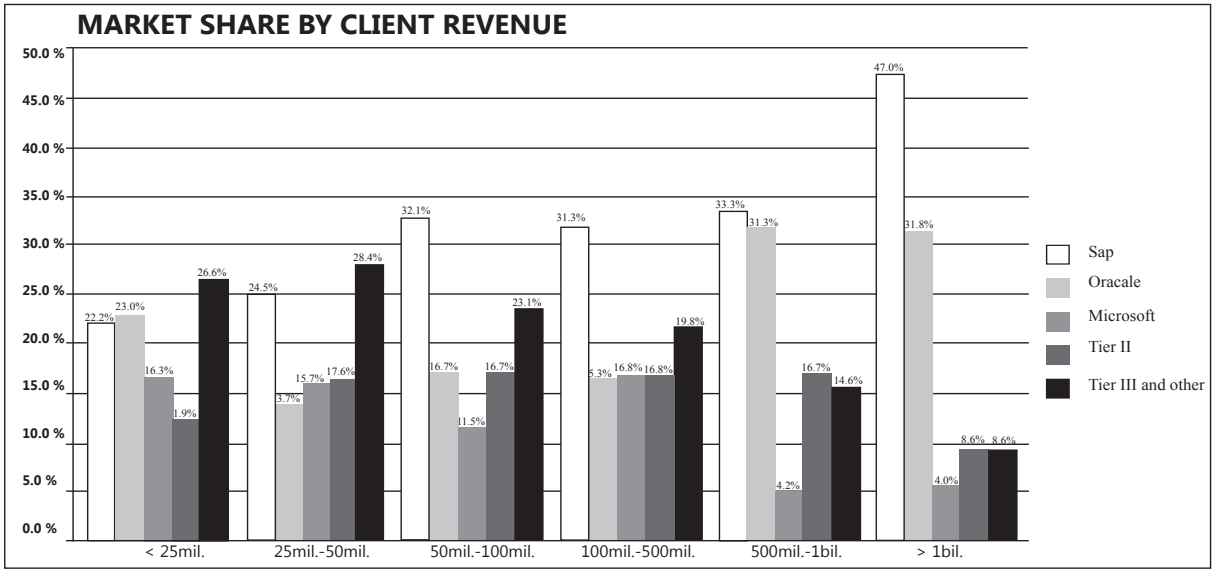
Salient features of the survey report are detailed below:

1. Analysis of Overall ERP Market Share:

Annual surveys have been conducted and these reported the market share of several ERP vendors. Some vendors who were categorised as Tier I and Tier II vendors were found to be the dominant players in the past. Recently however other Tier III players have gained market share. These players are suppliers to SMBs.

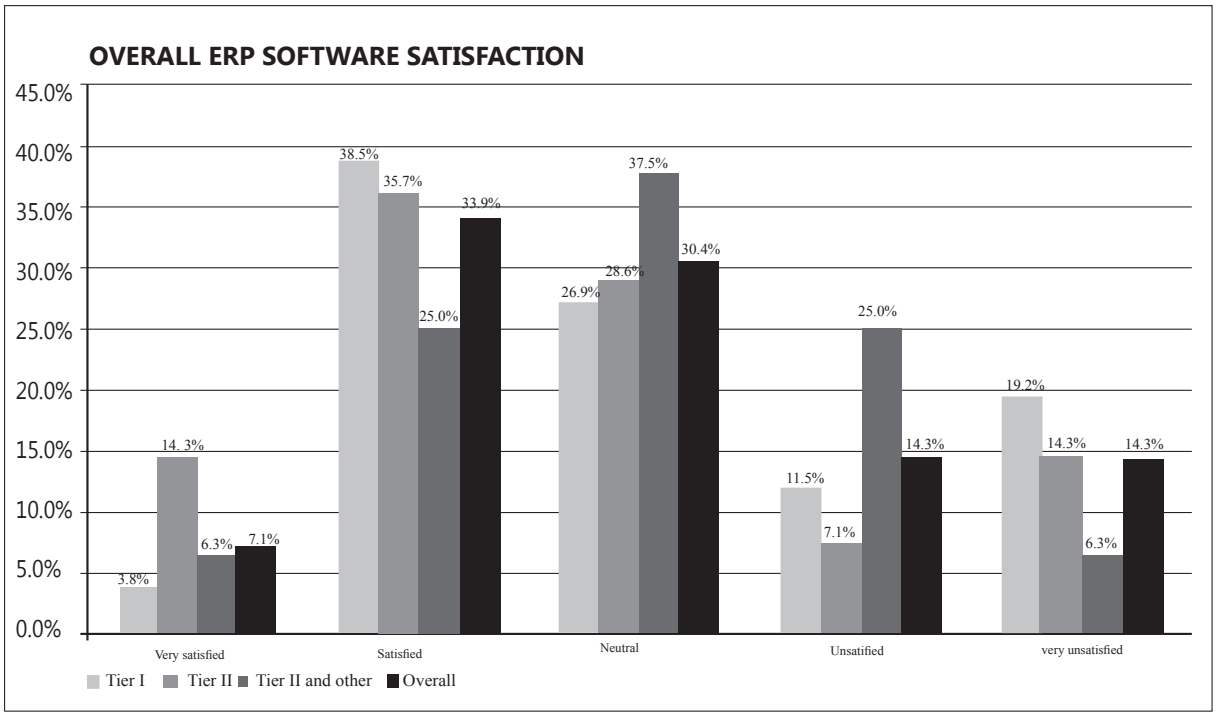
2. Vendors' Market Share by Client Revenue:

The chart below shows the **selection rate** of major vendors of Tier I, Tier II and Tier III grouped by companies' revenue size they implemented their ERP. According to the chart, both SAP and Oracle are active in all segments, but SAP obviously is the most selected software for companies with annual revenues $25 – $500 million while Microsoft Dynamics is least selected for companies with revenues from $50 million – $1+ billion. This ERP has the most success with companies < $50 million and between $100 – $500 million. Tier III vendors have great share in the market that less than $100 million and also continue increase their reach into big companies with more than $500 million annual revenue.



3. ERP Satisfaction by Major Vendor:

By reviewing particular metrics, there are few indications that dissatisfaction of customers frequently comes from unrealistic expectations which it can be flamed by ERP vendors who promise the moon so that they can close a sale and also companies that do not sufficiently specify their business needs before starting on implementations.



The above figure shows that Tier III vendors need to upgrade their performance possibly by benchmarking with Tier I and Tier II vendors. This could be important to enter the SMB market who are likely to resist making investments when significant promises are uncertain.

II) Appendix B:Industry Analysis using five forces Porter's model

1. Attractiveness of Rivalry among Competitors

This force indicates how difficult it is for a business to compete into this market. The high attractivenessindicates low competition.

Parameter	Wt*	Current/ Future	Highly Un-attractive (1)	Mildly Un-attractive (2)	Neutral (3)	Mildly attractive (4)	Highly attractive (5)	Current Score	Future Score
No. of equally balanced competitors (Large -> Small)	0.25	C	1					0.25	
		F	1						0.25
Relative industry growth (slow -> fast)	0.25	C					5	1.25	
		F					5		1.25
Fixed Cost (Hi -> Lo)	0.05	C					5	0.25	
		F					5		0.25
Product features (commodity -> specialty)	0.25	C				4		1.0	
		F			3				0.75
Diversity of competitors (High -> Lo)	0.2	C			3			0.6	
		F		2					0.4
	1.0							2.85	2.40

*The weights that reflect the relative importance of the different criteria incorporated are based on the first author's judgment from experience in the pressure die casting industry

The table above indicates the attractiveness of the industry based on rivalry among competitors. Based on various parameters, we may conclude that competition in this industry is very fierce and is likely to increase in future. This is owing to the entry of more players emerging from the growing market for the pressure die casting industry. Variations in product features are likely to occur. Some vendors could therefore explore the potential for developing ERP software tailored to the needs of pressure die casting industry.

2. Attractiveness of Barrier to Entry

Parameter	Wt	Current/ Future	Highly Un- attractive (1)	Mildly Un-attractive (2)	Neutral (3)	Mildly attractive (4)	Highly attractive (5)	Current Score	Future Score
Economies of scale (Small -> Large)	0.05	C		2				0.1	
		F			3				0.15
Product Differentiation (Little -> Big)	0.20	C			3			0.6	
		F				4			0.8
Brand Identification (Lo -> Hi)	0.05	C	1					0.05	
		F			3				0.15
Switching cost (Low -> High)	0.05	C	1					0.05	
		F			3				0.15
Access to customers/ distribution channels (Hi -> Lo)	0.20	C			3			0.6	
		F			3				0.6
Capital Requirement (lo -> Hi)	0.05	C	1					0.05	
		F	1						0.05
Domain Expertise Need (Lo -> Hi)	0.05	C			3			0.15	
		F				4			0.20
Customer Awareness (Hi-> Lo)	0.15	C		2				0.30	
		F	1						0.15
Customer Willingness (Hi-> Lo)	0.20	C				4		0.80	
		F		2					0.4
	1.0					Max possible	5	2.7	2.55

The table above indicates how difficult it is for a new player to enter into this market. Based on various parameters, we can conclude that in future there is a potential market for the pressure die casting industry. However, the profitability of a firm in the industry would depend upon its ability to offer customized products incorporating technological advances. It is however important to market the potential of technological advances.

3. Attractiveness of Power of Buyers

Parameter	Wt	Current/ Future	Highly Un- attractive (1)	Mildly Un- attractive (2)	Neutral (3)	Mildly attractive (4)	Highly attractive (5)	Current Score	Future Score
Number of important buyers (Few -> Many)	0.30	C					5	0.60	
		F				4			0.60
Availability of service providers for industry products (Many -> Few)	0.30	C		2				1.20	
		F	1						1.50
Buyer switching cost (Lo -> Hi)	0.25	C		2				1.0	
		F	1						1.25
Buyers Profitability (Lo -> High)	0.10	C				4		0.10	
		F					5		0.20
Buyers Desire for Backward integration (High -> Low)	0.05	C					5	0.05	
							5		0.05
	1.0							2.95	3.60

The industry operates in an environment of perfect competition. There are numerous buyers and sellers. Hence, customer loyalty cannot be guaranteed. Customer service has to be accorded due priority.

4. Attractiveness of availability of Substitute

Parameter	Wt	Current/ Future	Highly Un-attractive (1)	Mildly Un-attractive (2)	Neutral (3)	Mildly attractive (4)	Highly attractive (5)	Current Score	Future Score
+ve Impact of close substitute on customer's profitability (Hi -> Lo)	0.90	C					5	4.5	
		F					5		4.5
Switching Cost (Lo -> Hi)	0.10	C					5	0.5	
		F					5		0.5
	1.0							5.0	5.0

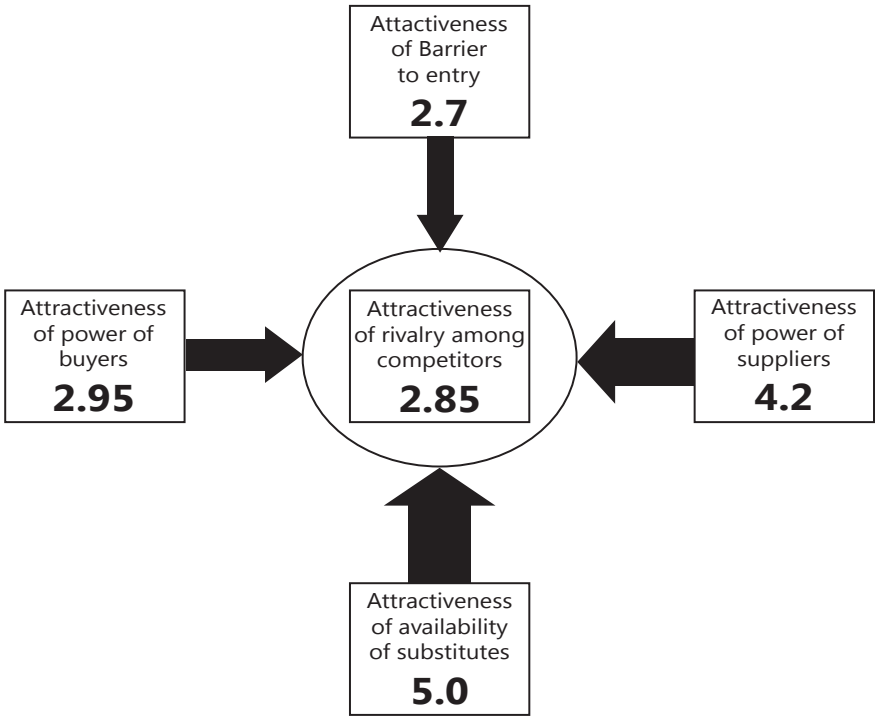
Clearly, substitutes do not pose a threat to the business

5. Attractiveness of Power of suppliers

Parameter	Wt	Current/ Future	Highly Un-attractive (1)	Mildly Un-attractive (2)	Neutral (3)	Mildly attractive (4)	Highly attractive (5)	Current Score	Future Score
Number of important suppliers (lo -> Hi)	0.05	C			3			0.15	
		F			3				0.15
Availability of substitutes for the supplier's products (Hi -> Lo)	0.05	C		2				0.1	
		F			3				0.15
Switching cost of suppliers products (Hi -> Lo)	0.05	C	1					0.05	
		F	1						0.05
Suppliers contribution to quality of service (High -> Low)	0.05	C	1					0.05	
		F	1						0.05
Total industry cost contributed by supplier (large -> Small)	0.05	C		2				0.10	
		F		2					0.10
Suppliers threats of forward integration or survival (Hi -> Lo)	0.75						5	3.75	
							5		3.75
	1.0							4.2	4.25

The bargaining power of suppliers does not pose a threat as vendors invariably use standard Microsoft tools and frameworks to develop the software.

The above information is integrated into the Porter's five forces model using the framework shown below

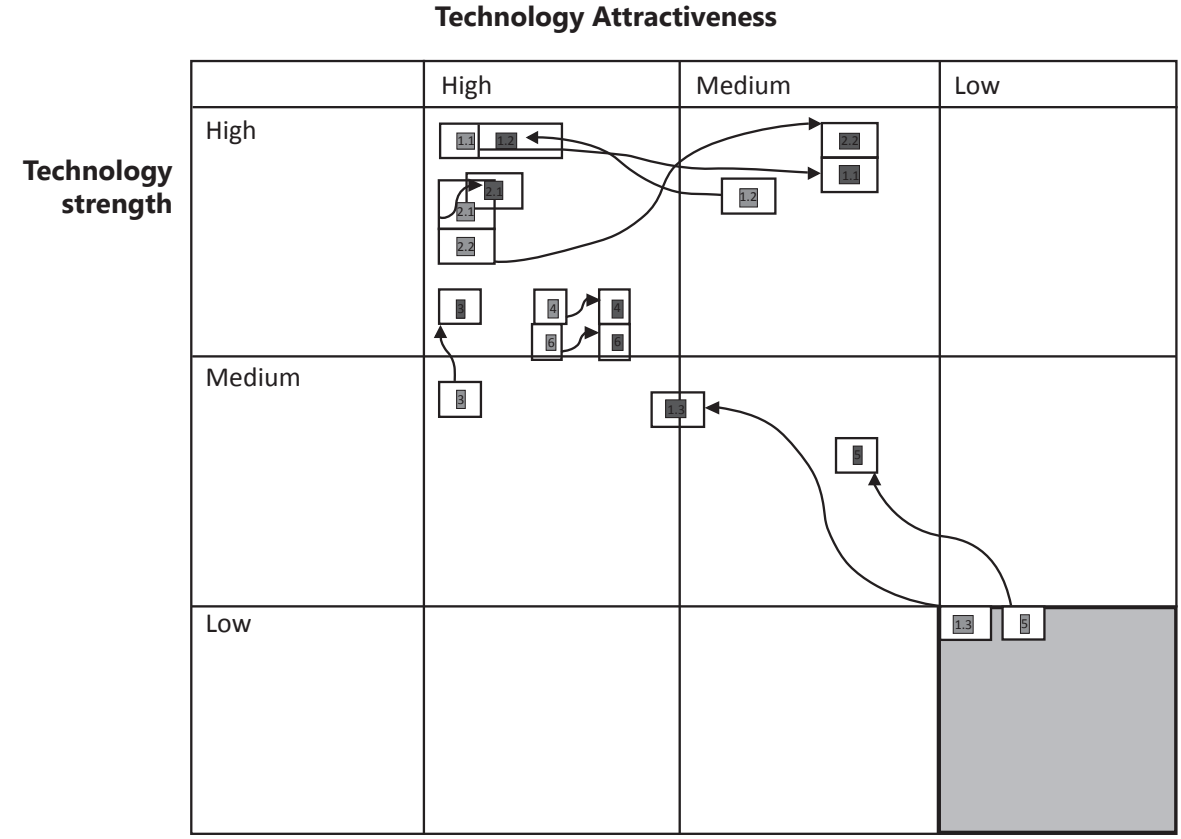


Thus we may conclude that the industry is neither attractive nor unattractive due to large number of available competitors in this industry. The buyers are in big number and the industry is going to grow. The barrier to entry is not very high right now. Hence there is scope for entry into this market with product differentiation.

III) Appendix C: Ansoff Matrix

	Existing Product	New Product
Existing Markets	**Market Penetration** 1) ERP solution for Pressure Die cast industry in India 2) ERP solution for trading community	**Product Development** 1) ERP Online interface to be used as "schedule management" utility across multiple industries 2) ERP Online interface to be integrated with other social/professional networking sites
New Markets	**Market Development** 1) ERP solution for Pressure Die cast industry in USA and the developing countries 2) ERP solution for trading community in other parts of the world	**Diversification** 1) ERP solution for mechanical industries

IV) Appendix D: GE Matrix



Strategic Technology Units (STU) [Grey : Current Situation, Black : Future situation (2-3 years)]

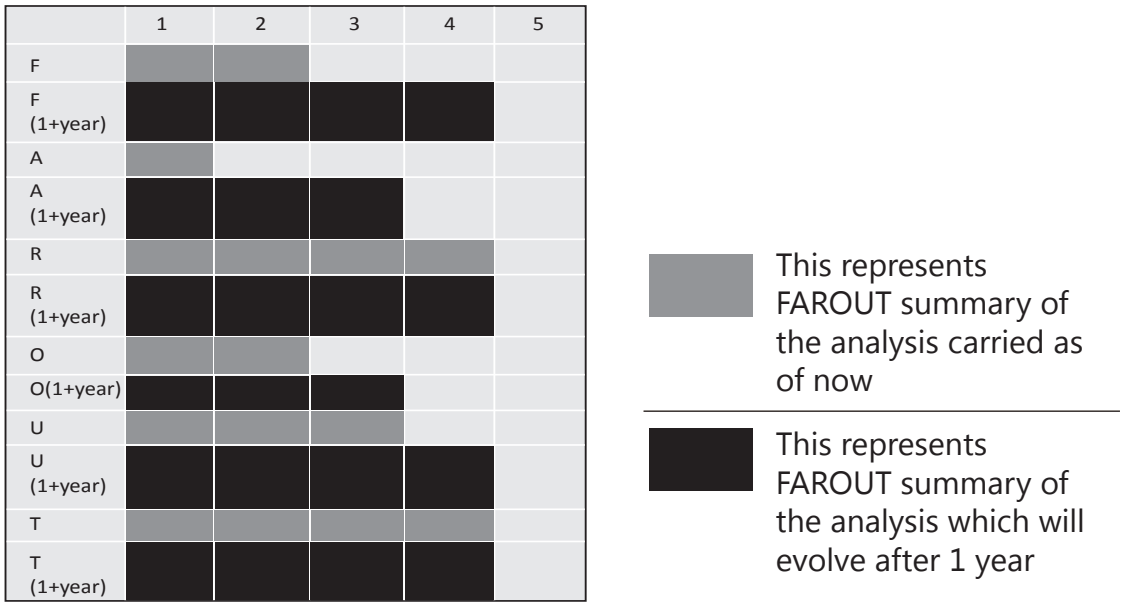
1. **On Demand Access Technology**
    1. Accessibility without internet access (On Premises solution)
    2. Cloud based solution for anywhere access
    3. Mobility (Handhelds, Netbooks) with high speed communication
2. **Communication Technology**
    1. SMS Alters
    2. E-mail Alters
    3. Basic transparency in business processes
    4. Advance transparency in business processes
3. **Interface Technology**
    1. Interface with standard accounting software
    2. Interface with standard ERP software used by customer's customers
    3. Standard Interface technologies (.xls)
4. **Reporting Technologies**
    1. Query based transaction reporting (PO, Challan, GRN, QC, Production, QC, Dispatch, Quotation, Invoice, Rework, Returns ...)
    2. Vendor/Customer/In house detail stock reporting & stock movement reporting
    3. Material conversion reporting

5. **Next generation reporting technologies**
    1. Business Analytics: Vendor Rating system, ABC analysis etc …
    2. Business Intelligence: Prediction Technologies
6. **Ease of use**
    1. Stock Initialization
    2. Short Keys/Tabs
    3. Error Logs, Debug Logs

V) Appendix E: FAROUT Summary

1. **Future Orientation**
    - Past predictor of future?
    - Predictive & Inventive
2. **Accuracy**
    - One or multiple sources? Bias?
    - Cross validation against hard & soft information
3. **Resource Efficiency**
    - Data gathering low cost, quick to help decision making
4. **Objectivity**
    - No Prior hypothesis bias, Not to choose facts to provide support for pre-ordained conclusions.
5. **Usefulness**
    - Output must be "need to know" rather than "nice to know".
6. **Timeliness**
    - How long it takes to do analysis so that it doesn't hamper company's prospects.

What is more important? It really depends on type of analysis and what stage of the analysis you are in. Thus there is no attempt made to get the highest score in each of the above categories.



VI) Appendix F: TOWS analysis

	Strength (S) 1) A innovative and mature ERP product which allows benefits of Hosted ERP & On Premise ERP systems for the pressure die cast industry 2) High value/cost with focused engineering and marketing resources.	**Weakness (W)** 1) Small setup and lack of market analysis & marketing efforts 2) Lack of capital: Limited engineering & Marketing Resources
Opportunities (O) 1) SMB in India who still use the old automation facilities 2) SMB's looking for a mix of of Hosted ERP & On Premise ERP system solution 3) Custom business processes of many SMB's. 4) Oversees market	**SO – Strategies** 1.1) Focus on "Pressure Die Cast" SMB's in India and Karnataka region. 1.2) Market the advantages of our "Hosted/On premises" ERP solution to SMB's 1.3) Offer customizations to SMB have to further strengthen revenue model. 1.4) Go after overseas market in Phase-2 of the plan. 2.1) Quantify value over the cost SMB's shall incur 2.2) Innovative cost structure as per customer requirements (One Time Vs. Yearly subscriptions) 2.3) Offer customizations to pain areas of most of the customers to keep cost low. 2.4) Use services model to win customers and build expertise. Services are not to earn excessive profits.	**WO – Strategies** 1.1) Direct/web based Market Analysis, Customer meetings in Maharashtra/ Karnataka region to understand customer's existing approach. 1.2) Show case our product to customers in this region through seminars, direct meetings 1.3) Survey to understand customers second level pain areas and offer custom solutions. 1.4) Use digital market place to get service contracts 2.1) Use well known contacts to reach out SMB's. Work with young MBA aspirants. 2.2) Work with a few selected SMB's in partnership mode. 2.3) Use web based research techniques to understand overseas customer requirements. Raise the capital through services arm of the company.
Threats (T) 1) Many smaller players in the market offering custom solutions. 2) Many big companies like Microsoft, TCS planning to capitalize the SMB market 3) Many accounting software firms like Talley entering into the ERP market. 4) Excellent marketing channels of the well established players like Intuit and Talley	**ST – Strategies** 1.1 Keeps differentiation w.r.t. product offering to keep smaller players away. 1.2 Offer customizations which relatively big companies won't do. 1.3 Focus only on a subset of industries and offer custom solutions which big players can't offer. 1.4 Spread the word through your users. Offer incentives. 2.1 Offer differentiation at an attractive price. 2.2 Consultant for bigger players selling their products to high end SMB's. 2.3 Offer customization at an attractive price. 2.4 Offer young aspirant MBA students marketing opportunities and offer brightest candidates equity in the company.	**WT – Strategies** 1.1) Focus only on one industry at a time (Pressure Die Cast) and offer differentiation. 2.1) Partnerships and innovative referral programs, Loyalty benefits. 2.2) Dilute equity with strategic partnerships to grow further.

VII) Appendix G:SWOT analysis

Strength	Weakness
1) A mature ERP product for the pressure die cast industry with extensive features for the cost offered. 2) An innovative product strategy which allows benefits of Hosted ERP &On Premise ERP systems. 3) Lower cost overhead	1) Marketing strength 2) Market Analysis 3) Small setup and inability to reach out to multiple clients 4) Resources 5) Lack of capital (self, VC or partnership?)
Opportunities	**Threats**
1) SMB in India who still use the old automation facilities 2) SMB's looking for a mix of cloud computing and on site management solution 3) Cloud computing framework to be used across many industries 4) Customer awareness for ERP automation systems and willing to adapt new solutions 5) Oversees market	1) Many smaller players in the market offering custom solutions. 2) Many big companies like Microsoft, TCS planning to capitalize the SMB market 3) Many accounting software firms like Talley entering into the ERP market. 4) Excellent marketing channels of the well established players like Intuit and Talley