Surviving Amid "ERP Sharks" as a "Visionary Vendor for the Pragmatic User" (Part II)

Part I of this blog topic introduced SYSPRO and its traditional vertical solutions. It also analyzed the vendor's PragmaVision strategy to provide to pragmatic (yet visionary) technology buyers' need.

Towards the end of offering proven technology to pragmatists, SYSPRO's fully-integrated solution suite [evaluate this product] connects to disparate systems via Service Oriented Architecture (SOA) technologies. All the above-mentioned modules are based on standard Extensible Markup Language (XML) formats for information exchange, and Web service technologies for enhanced interoperability between disparate systems and for collaborative commerce. SYSPRO's thoughtful approach to adopting new technology, such as Web services and SOA platforms, again reflects the desires of its sensible buyers, who are driven by business needs rather than by the latest headlines.

The decision for SYSPRO to go the Microsoft .NET Framework route was apparently done even a couple of years prior to Microsoft releasing the framework for general availability. The SYSPRO e.net solution suite was developed in close association with Microsoft on the beta .NET development tools and released immediately after Microsoft's commercial release of .NET Framework. SYSPRO was even quoted by Microsoft at that stage as the poster child of .NET.

In retrospect, it appears that the right visionary technology step was made by SYSPRO. Over time, more and more of the Microsoft solution set has been incorporated and integrated into SYSPRO's suite, and its customers have continually benefited from this technology decision made several years ago.

One of the tenets of PragmaVision is to support multiple levels of technology evolution, as clients want to progress to the next level at their own pace, and without feeling forced to migrate to .NET or SOA-based solutions. As an indication of SYSPRO's commitment to its customers, the vendor continues to support some versions of UNIX even though this legacy base is less than a percentile of the installed base (and despite the fact that, in order for users to benefit and use the .NET-based functionality effectively, a Microsoft environment is required).

One may wonder what exactly is pragmatic vs. visionary at SYSPRO in this technology regard. Well, pragmatic is allowing customers to have a feature-rich system that evolves with their needs and when they are ready. Visionary is to say to the customers "You want the latest and greatest technologies and are ready for them? Then, we are ready to provide it to you!"

SYSPRO's global distribution model is heavily geared towards partners for sales and implementations, which has also proven to be quite advantageous to the company. The partners are experts in both sales and implementations and have the regional and vertical market expertise. In each geographic region where SYSPRO has strong presence, the dominant sales and implementations model is via partnerships. Certainly, some direct sales and centralized corporate initiatives would entail vertical industry requirements definition, product extensions (via new e.net solutions), further corporate expansion and management of large global accounts.

In addition, while SYSPRO has amazingly broad and deep core functionality described earlier on, some customers require functionality that is even more business-specific. The SYSPRO environment gives its customers and partners the ability to develop around the core as a combined result of the embedded trigger functionality within the .NET environment, the graphical user interface (GUI) and pervasive Visual basic (VB.NET) scripting functionality. By accessing the business logic via Web Services, customers and partners can develop on any SOA-compliant platform without inhibiting the upgradeability of the core SYSPRO product and can do it fairly efficiently and cost-effectively .

Since some enterprise system deployment deals require this third-party ability to develop around the core and require business-specific functionality, some SYSPRO value added resellers (VARs) leverage off this ability and offer this additional service as an added value to customers. Regional SYSPRO offices assist resellers in their selling efforts and also facilitate this experimental development of additional functionality using SYSPRO e.net solutions.

For instance, in the United States (US), the VAR channel has national coverage, the mid-market focus and long-term relationships with clients and SYSPRO. The vendor has repeatedly shown true commitment to channel by activities like assigning "Super VARs for Super Verticals" and by providing SYSPRO-supported knowledge centers to partners.

The challenge to date for the SYSPRO US subsidiary, has not been one of customer satisfaction (there is a healthy install base attesting to product/solution successes). Quite the contrary, it is has thus far rather been one of confused/diluted market positioning, the company's smaller (relative to other ERP players) size, plus a management team that seems to be more foreign than domestically attuned to its "soft sell", anti-flamboyant, non-differentiating marketing style.

Recently, TEC has observed that SYSPRO US has made a step forward in understanding that such "understatement" may play well in other countries – but not here. Slick, well understood "Hollywood style" marketing messaging and ultra-targeted marketing campaigns are not "nice to have", but are rather essential to have when selling enterprise solutions in the US market. SYSPRO's new PragmaVision positioning is clear, clever and lends itself to distinguishing itself…if the company puts enough marketing resources behind it to get the messaging out.

Similarly, TEC has seen refreshing evidence that the company is translating its somewhat unique and desirable continual "I.V. drip style" software releases (incremental and easily digestible enhancements packs) methodology and surprisingly precocious .NET/SOA capabilities into a cohesive marketing campaign called PragmaVision.

Aimed at promoting the best of its capabilities (customer satisfaction and pragmatic technology adoption) with advanced .NET deployments aimed at core verticals, SYSPRO has a new opportunity to distinguish itself going forward if it can do a good job of getting the messaging out. We would also like to see more in the way of a five year growth plan for the company — how big does it plan to be in five years, or what leadership rankings does it hope to hold in that time in its targeted verticals, and how will it get there?

SYSPRO's organically grown revenue of only about US$60 million (without any major acquisition ever) is rather peculiar (even if impressive) in the market. The vendor does not appear to have an acquisition strategy, other than a reseller partner-based growth strategy. There are no lofty aspirations to, say, become a billion dollar company in five years; the company simply wants to make the customers happy and incur the type of ongoing modest growth it has enjoyed for 25 odd years pleasing a micro-vertical crowd of small $50- $250M small to medium businesses (SMBs), with a pragmatic, but visionary, solution.

Yet we believe that SYSPRO has to grow faster, since at only $60 million revenue and with the ERP market continuing to consolidate, the company has to open its wallet and do some acquisitions too. Alternatively, if an acquisition would clash with the corporate culture, SYSPRO should get a very aggressive partnership initiative in place with VARs to further expand its tentacles.

Going back to the humorous analogy, some might remember the "sharks and the scrap" theory: SYSPRO can make it as a smaller ERP player if it mimics what happens in the oceanic food chain:
- The big sharks pick off choice prey (big tasty fish and miss the little fish);
- They cannot eat the biggest fish all in one bite (and thus lose some of those tasty pieces), whereas the littlest fishes they ignore eating are plentiful; and
- Even if the big sharks do deem it worth their time and if they decide to eat small fish, these mostly get through their big teeth and cracks.

SYSPRO would fit that cottage industry of "small ERP fish" that wait to see what the sharks "miss" and grab it before any others can. As a bottom line, being the little fish in the big pond of ERP requires a foolproof, recurrent strategy that says "I'm going to lure in all of those little tiny fish in quantity using some bait that they absolutely cannot resist."

Despite the highly hostile competitive environment, we believe that it is possible for SYSPRO to prevail as the safe, pragmatic but visionary choice, when so many little fish (prospective SMB customers) are frankly scared of those big sharks (Tier 1 ERP providers). SYSPRO can make it, but it has to be very smart, claim this space/positioning aggressively, and do it relatively fast to grab mindshare/market share of a well defined space of small-to-mid-markets in its core vertical industries.

What is your opinion — will SYSPRO's PragmaVision strategy work and is the opportunity greater than the risk of doing nothing new?

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