Construction Specialities Australia Pty Ltd

Company background

Construction Specialities Australia Pty Ltd (C/S Group) is the Australian subsidiary of Construction Specialities Incorporated headquartered in the United States. C/S Group's market territory is Australia and neighbouring Pacific Islands. Construction Specialties Inc. is a global company with branches worldwide.

C/S Group sells fabricated architectural building products that are used in a variety of buildings. The main product sold in Australia is 'Acrovyn®', a range of wall protection products used in healthcare buildings such as hospitals and aged care facilities, and commercial buildings such as large hotels and banking data centres. Acrovyn is used to protect interior walls, corners and doors from damage and thereby reduce the cost of maintenance. Approximately eighty percent of the market for this product is healthcare related.

C/S Group also manufactures a range of entrance flooring products designed to stop tracked-in dirt, under the Pedisystems™ brand, and a range of Expansion Joint Covers designed to solve the problem of building movement. Both product groups are used in commercial, retail and healthcare buildings.

Market characteristics

C/S Group uses an indirect sales model to market to architects and designers rather than to the builders, developers or the building occupants directly. The aim is for architects and designers to specify C/S Group products in their projects. Where project design is accepted, the C/S Group products specified in the design phase of the project are then sold to the builder who wins the tender for the project.

The ultimate objective of C/S Group is for architects and designers to incorporate C/S Group products into their building project designs.

However, over the past decade, the influence of the architect in product selection has decreased and there has been a move towards "Design & Construct projects". In a Design & Construct project, the builder is employed by the developer to manage the entire building project.

The builder engages an architect to undertake the project design, providing the design brief directly to the architect - rather than through the developer. Although the architect initiates the design specification, the builder may, at any time, instruct the architect to substitute items to reduce costs. If the builder can identify savings through product substitution anywhere during project construction, the architect can be instructed to change the design.

Developers are constantly seeking ways to reduce costs throughout the construction process, so Design & Construct projects are becoming more common. Consequently, the tender market for Australian building projects is very competitive with some builders tendering to build projects at almost cost price (i.e. zero profit). The Builder then generates profit by extracting cost savings from suppliers and subcontractors involved with the project. This makes it difficult for organisations like C/S Group to compete, as Peter Watters, General Manager of C/S Group says:

"It is a matter for us of always trying to drive down costs, find more efficient ways of doing things and differentiating. While our products are the originals in the industry, our competitors have replicated our designs, creating cheaper copies. So, it is up to us to continue differentiating."

To address this issue, the C/S Group's Research & Development centre in the US is constantly searching for new product ideas, concepts and features. It seeks to protect its creations by patenting its designs to maintain a competitive position.

C/S Group & Syspro

C/S Group in Australia has been a SYSPRO user for the past 10 years. The C/S Group in the US has been in operation since the late 1940s and has used a number of different ERP systems during that time. Although not currently running SYSPRO, the US was impressed with what SYSPRO has enabled the C/S Group in Australia to do.

Several months ago the C/S Group Company Controller, who oversees ERP systems globally, asked Peter Watters his opinion on which ERP product would be suitable for the growing South American and Middle East offices. Peter immediately suggested SYSPRO because of it's:

- Powerful inventory management;
- Comprehensive purchasing and landed cost tracking;
- Ability to report profit and loss on each individual customer order via Projects & Contracts;
- Effective management of debtors and creditors, and;
- Flexible General Ledger reporting including the ability to report full financials within a few days of month end.

In fact Peter's response was:

We would be delighted if the US took up SYSPRO. There are some great opportunities for implementing the system in other C/S Group offices. The US has been impressed with SYSPRO's flexibility and functionality and how it has helped us.

C/S Group uses SYSPRO for financials, distribution and manufacturing. They are extensive users of the system and have implemented almost all of the modules with the exception of MRP, Lot Traceability and Fixed Assets.

Projects & Contracts (a sub-module of Work in Progress) is used extensively, and described by Peter Watters as:

Cleverly combining Quotations, Work in Progress and Sales Orders to enable the system to operate in a "make-to-order" manufacturing mode.

The C/S Group was attracted to SYSPRO by its strong performance when compared with other ERP systems. They were specifically impressed by SYSPRO's strength in Inventory management, the features of the Landed Cost Tracking module and the Projects & Contracts module. As Peter Watters confirms:

We liked SYSPRO's ability to do extensive drill downs from almost any query. As an importer, being able to control logistics and costs is very important. Back in 1993 when we decided to use SYSPRO, it was one of the few products that had the features to do what we needed. To be able to track inventory all along the way from the USA to our warehouse and to be able to identify and understand the costs, particularly with different currencies, was very important.

Increased productivity

Over the last ten years, C/S Group has derived many benefits through using SYSPRO. Company staff is more productive because SYSPRO puts key information at their fingertips. Prior to migrating to SYSPRO in 1993, the company struggled to cope with the volume of information being generated from different sources and the inability to access

it easily. Trying to keep track of the many items being imported and directed to specific projects was very time consuming. C/S Group's previous system did not handle this at all and they were left with an outdated paper-based system.

Figure 1.
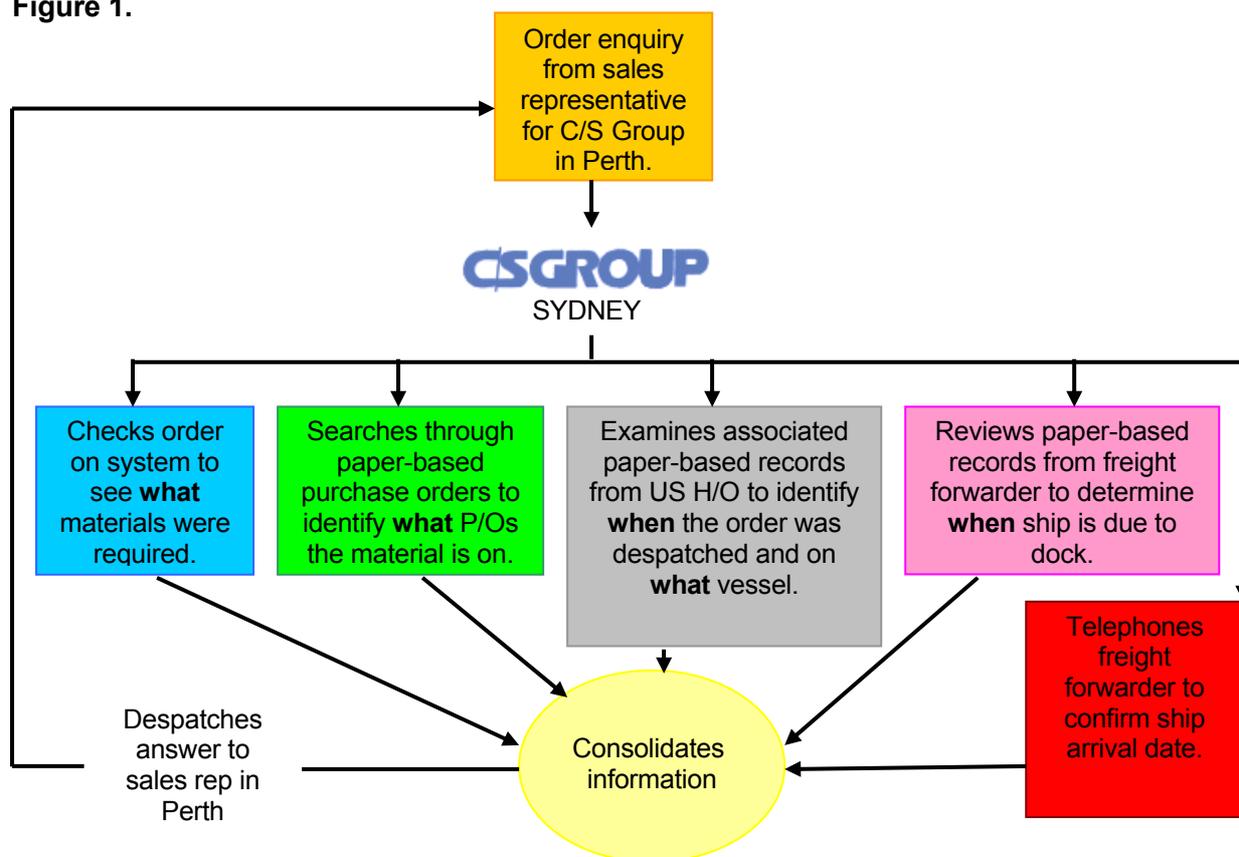
As illustrated in Figure 1, when the sales representative in Perth contacted C/S Group to enquire about the order status, the company would first have to look up the order on the system to see what materials were required. The next step was to search through all paper-based purchase orders to locate the purchase order.

The next step was then to look through paper-based records from the USA head office and the freight forwarder to determine when the order was dispatched, what vessel it was on, and what date it would arrive at its destination.

Many of these tasks had to be confirmed by telephone including many more steps taking up to 30 minutes to provide an answer to a simple question.

This procedure was predominantly paper-based and the information could not be recorded on the system. Entering all of this information into SYSPRO made a huge impact on productivity.

The original enquiry process described in Figure 1, has now been streamlined in Figure 2. below:

Figure 2.
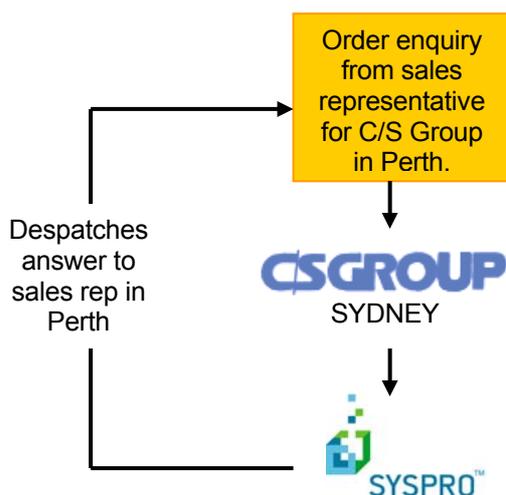
Peter Watters summarises the effect this increased productivity has had on the way C/S Group now deals with enquiries:

Any customer can phone us now to ask when their order will be ready and we know immediately the status of the material, and it is accurate. To be able to provide that information within seconds rather than taking 30 minutes to research is fantastic.

Compelling value proposition

There were a number of compelling features that attracted C/S Group to SYSPRO as its core ERP system. Firstly, SYSPRO generated a substantial improvement in the C/S Group's business processes – as illustrated in Figures 1 & 2. Also, as the company has grown and new business processes have been adopted, C/S Group has relied upon the SYSPRO methodology to assist in their design and control of those processes. Similarly,

SYSPRO has also helped C/S Group to review existing business processes – what tasks were performed and how they were performed – and how and where to change and improve business processes deemed ineffective or inefficient. Secondly, SYSPRO has improved C/S Group's financial reporting, providing accurate and timely financial accounts that management can interpret quickly and easily.

As C/S Group has grown, SYSPRO has grown with it. Each year more and more of SYSPRO's core functionality is used to handle new business processes whilst improving the existing processes supporting the business.

C/S Group's markets are expanding because they are tied closely to the natural growth of the Australian economy. This is particularly so in relation to government policy and funding in health related services and infrastructure. As long as the Australian population continues to grow and an increasing proportion continues to age, the healthcare market will continue to expand. Peter Watters notes:

As we sell products that are installed in healthcare buildings, the expansion of the healthcare sector means that our market has also grown. As new healthcare buildings are built and as existing ones are renovated, refurbished and expanded, then our potential market grows.

Because most healthcare in Australia is publicly funded and operated, C/S Group remains reliant on government spending. While current economic growth remains strong, C/S Group expects this growth will continue to provide opportunities to the company although a recent reduction in government spending in healthcare due to Government policy has meant construction projects in the healthcare sector have decreased increasing the challenge for C/S Group.

SYSPRO's core functionality provides nearly all of C/S Group's business requirements. Labour Posting data is imported into SYSPRO through a third-party product that is not entirely suitable. The company is considering migrating this function to SYSPRO's e.net platform.

In the future, C/S Group believe SYSPRO's .NET® capability will deliver further improvements to its business processes by enabling increased automation of business processes, particularly in relation to labour posting and access to shop floor data through hand-held devices. This will enable C/S Group to develop greater customisation within SYSPRO, quickly configuring the system to match its changing business requirements while remaining software version independent.

Syspro Software thanks C/S Group for sharing its business experience and success in using SYSPRO.

ANZSIC: C2769 – Fabricated Metal Product Manufacturing. Key words: commercial building construction, health care, entrance flooring, wall protection systems, expansion joints, hospitals. Market Stream Analysis: 2A

About Syspro Software

SYSPRO software is a complete, best-of-breed solution that delivers outstanding value based on exceptional price/performance and functionality. The software caters to the specialised needs of over 6000 companies in more than 50 countries and remains a key component to these companies seeking to enhance profitability in an evolving supply chain-based economy.

The SYSPRO product offering includes a choice of more than 40 application modules, ranging from accounting, sales, purchasing, inventory, ABC (Activity Based Costing), Web Services, APS (Advanced Planning, Scheduling), Remote Site Interface to Engineering Change Control (ECC), CRM/SRM (Customer Relationship Management /Supply Relationship Management), EDI, Bar Coding, and Product Configuration. All modules are scalable and interactive in a client/server environment.

SYSPRO software is designed to leverage the strengths of Microsoft® solutions including the .NET Framework™ and other technologies to optimize the abilities of manufacturers (repetitive, custom, quick-turn and mixed mode) and distributors. The software supports Microsoft® SQL Server 7.0 and runs on Microsoft's Windows 2000, Windows XP, Windows NT and Windows 98, in addition to Novell®, LINUX and various flavours of UNIX. The software adheres to exacting standards, such as IAS, XBRL, and FASB 52 for financial transactions.

SYSPRO software enables companies in a variety of industries to maximize the planning and management of business processes to better position themselves in their respective markets, ensure customer fulfilment, and ultimately, to improve bottom-line results.

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