

# Manufacturing ups investment in SCM software

LONDON: According to independent market analyst Datamonitor research "Streamlining Production", manufacturers in batch, process and discrete industries are turning to technology such as SCM (supply chain management) to support lean production strategies with increasing vigour.

Manufacturers are facing numerous challenges within their markets as the number of foreign competitors grows and increasing material costs impact margins. Many are looking to implement lean production strategies.

"Manufacturers are finding that their supply chains are becoming increasingly complex, and are having a greater impact on their overall business," says Adam Jura, manufacturing technology analyst at Datamonitor and author of the study.

"Gone are the days of comparing two manufacturing companies. Now, it's a case of two supply chains, and as such, the capabilities of modern SCM suites to streamline processes associated with both partners and customers are driving significant investment. Similarly, vendors are finally offering SCM solutions that fit the needs (and budgets!) of smaller manufacturers looking for similar functionality, yet a much lower cost. These factors are causing continued growth in the SCM market."

## U\$2.5bn worldwide by 2010

Business strategies such as lean manufacturing and demand-driven supply chains promise to alleviate some of the business pressures, yet can be difficult to implement. For many, investment in technology such as SCM is the most viable path. Collecting, organising, storing, analysing and using the data from key business metrics allow manufacturers to assess the impact of their implemented strategies and provide additional functionality.

Datamonitor estimates that by 2010, the worldwide market for SCM applications in the manufacturing industry will grow to U\$2.5bn, up from U\$1.6bn in 2005.

According to Datamonitor, this growth in revenues will be driven by both SME (small to medium enterprise) manufacturers and the larger enterprise manufacturers as they look to either replace legacy systems or start a new implementation from scratch. Advancing technologies such as RFID that rely upon a solid SCM suite will also drive adoption as manufacturers seek to improve their overall performance.

The Datamonitor SCM forecast model also assesses the investment of sixteen individual manufacturing industries. Over the next few years, the automotive, consumer packaged goods and high-tech and electronic industries will lead the investment rankings, with other industries such as pharmaceutical close behind.

## Outlook is positive for vendors

The significant opportunity for vendors within the manufacturing industry is good news. However, the problem of effective targeting and communication remains a significant one. Many vendors are failing to fully understand the industry dynamics that their customers operate in, and as such lose out on critical sales.

Speaking the same language as manufacturers should be a key focus for vendors, as poor understanding can be the difference between success and mediocrity.

"Manufacturers will always have a focus on their bottom line as businesses try to maximise revenue without passing on costs to their customers. What makes for interesting reading is the high priority being given to products and really driving revenues. Product differentiation, time to market and post-sales support are major focuses for manufacturers. For many of the associated processes, these companies will be looking to their technology partners for support," concludes Jura.

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