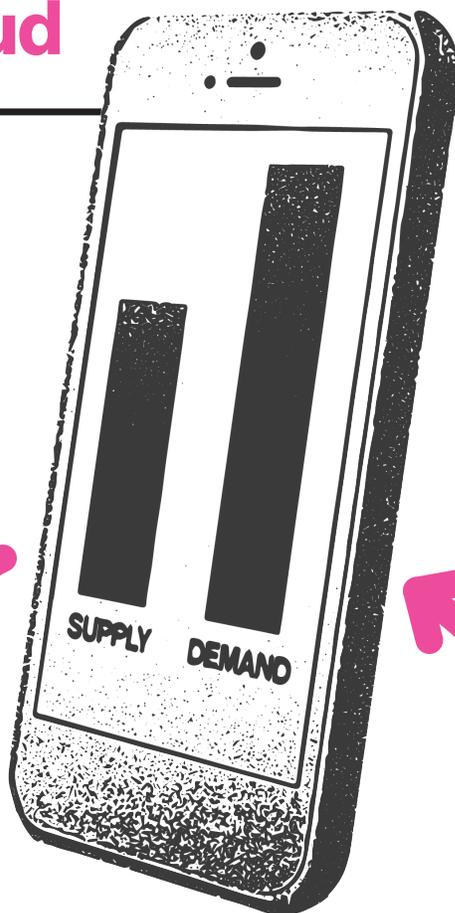


Focus On/ The Cloud

May 26 — June 1, 2014



Detroit's New Dashboard



The shop floor of **Ralco Industries** in Auburn Hills, Mich., about 30 miles north of Detroit, looks like a typical auto parts plant. Sparks fly from welding machines, metal sheets circulate on automated assembly lines, and forklifts weave across the floor. It's impossibly loud.

The novelty of Ralco sits outside the factory in the palm of Chief Executive Officer Tom Gitter's hand. He can shut the whole operation down with his Samsung Galaxy Note 3, whether from home in nearby Lake Angelus or halfway around the globe. Everything at Ralco's 60,000-square-foot facility—the 100 workers, company financials, and the machines that make headrest parts—is tracked by Web-based software created by **Plex Systems**.

Plex's enterprise resource planning software can detect whether equipment on the assembly line is malfunctioning and shut it down if it is—a level of precision that's helped Ralco avoid a single recall. It also keeps tabs on servicing and maintenance schedules, which helps minimize downtime. Gitter says Plex's software saved Ralco from the auto parts graveyard, where scores of manufacturers landed after the 2008 financial crisis. Even as sales plummeted, he was able to keep costs in check, because Plex told him in real time how little demand there was for his products. "It's terribly good at helping us optimize inventory levels," he says. "Without it, we'd be dead."

Plex is not well known in Silicon Valley, where cloud vendors proliferate. But in the Detroit area, which Plex calls home, the company is keeping busy as the auto industry ditches its clunky legacy enterprise systems and embraces cloud-based software that can run on mobile devices as well as on desktop computers. The company added 59 customers last year and now has almost 400. "They have a strong story," says Rebecca Wettemann, an analyst at Nucleus Research.

Founded in 1995 by Robert Beatty, a mechanical engineer who previously headed the IT department at a ▶

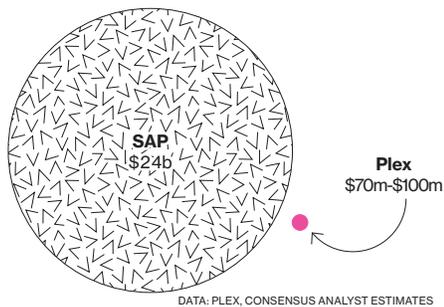
▶ Tiny software vendor Plex is challenging bigger rivals

▶ "Without it, we'd be dead"

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Sizing Up the Competition

Projected 2014 revenue



◀ Michigan auto parts company, Plex's original goal was to build the "best manufacturing performance system on the planet," according to the company's website. Plex eventually attracted the notice of two Bay Area technology investment firms—**Francisco Partners** and **Accel Partners**—which acquired the company in 2012 for an undisclosed sum. "We saw a company with a great product and fantastically evangelical customer base," says Petri Oksanen, a principal at Francisco. "The question was, how do we take that core kernel and expand?"

Plex's owners believe they can ramp up revenue growth to as much as 40 percent a year, from the mid-20s, historically, by beefing up sales and marketing and courting customers in other industries, such as heavy equipment

manufacturer **Caterpillar** and snack maker **Old Mill Kettle Corn**. The company also has bought itself some Silicon Valley credibility by opening a satellite office in Pleasanton, Calif. Plex's sales are expected to climb to as high as \$100 million in 2014.

Among the more recent Plex converts is **Inteva Products**, a maker of sunroofs and door latches headquartered 4 miles up the road from Plex in Troy, Mich. Inteva has switched to Plex's software at 26 offices around the world, with many converting from programs made by **SAP**, the global leader in enterprise resource planning. Inteva Chief Information Officer Dennis Hodges explains that because each office had its own system running on a local server, managers in Michigan had no way of knowing what was happening in Alabama, Mexico, or Poland. The company was spending more than half a million dollars a month on SAP products that didn't allow management to look at revenue and margins across the company. Using Plex software, Inteva has slashed those costs by about 80 percent. Operations directors have shed expenses tied to hardware maintenance, consulting fees, and the upkeep of disparate networks, says Hodges. And they have much more information at hand. "With SAP, you flip it on, and the costs make you want to flip them off—in more ways than one," he says.

While Plex has a head start in America's car capital, its lead could evaporate as deep-pocketed rivals such as **SAP** and **Oracle** play catch-up in cloud computing. Pradeep Amladi, the global marketing head of SAP's manufacturing business, acknowledges that the cloud was not a priority for his company as recently as two years ago. That's changing, he says: "Our entire sales force is focused on it. Our partner ecosystem is focused on it."

Francisco and Accel early last year tapped a software industry veteran to lead the company. Jason Blessing grew up in Michigan and was a top executive at cloud software provider Taleo, which was acquired by Oracle for \$1.9 billion in 2012. Under Blessing's direction, a skunk works team at Plex recently built a prototype for a Google Glass headset that can run the company's software. Plex's CEO says he can imagine a time in the not-too-distant future when shop floor workers access machinery instructions and communicate with their bosses through their safety goggles. "This is one example where, when you see it, you think, 'Aha, this is the perfect use of Google Glass,'" he says. We "have the ability to accelerate some of the things coming out of companies like **Google** and put them to use practically."

—Ari Levy

The bottom line Detroit's Plex aims to boost revenue growth to 40 percent by courting new business outside the automotive industry.

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