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Maxager Offers Profit-Per-Minute View

by Mary Brandel, Contributing Editor

Maxager Technology Inc. earlier this week unveiled the latest release of its enterprise profit optimization software, which the company promises will help sales/marketing, finance, and production managers to speak the same language; namely, profits per minute, or the amount of cash each product generates within a fixed period of time.

“If everyone is chasing a different rabbit, they’re at cross-purposes,” said Michael Rothschild, CEO of San Rafael, CA-based Maxager, in an interview. “This translates the language of the shareholder into something digestible and usable so people can do what the shareholders want rather than chasing around a proxy called ‘profit margin.’”

Founded in 1996, Maxager works with chemicals, metals, electronics, and other complex manufacturers such as Dow Chemical Co. and Nucor Steel to uncover profit opportunities. With Maxager 7.0, data is pulled from enterprise resource planning systems to reveal via a topographical map how fast each product, customer, or market generates cash and profit, as well as how close it is to hitting return-on-asset targets. Armed with this data, the organization can make the best decisions regarding product mix and customer mix profitability, sales and profit planning, strategic pricing, and production planning.

For instance, Product A might have a great profit margin but be inefficient to produce, whereas Product B is the opposite. Rather than this creating a battle between sales and production managers over which product mix is best for the company, Maxager 7.0 blends both data points and reveals how well each meets return-on-asset expectations.

By using this data to make decisions on things like product mix and pricing, manufacturers can realize an increase of cash and profit worth 3% to 5% of revenue, according to Rothschild.

“Manufacturers all have lots of information on margin, and they use that data to rank products best to worst,” Rothschild said. “But they don’t use profit-per-minute of crucial machine time, and when you start to do that, you get a very different list of preferred products.”

For instance, if something is efficiently produced and almost at the target return-on-asset level, you don’t want to cut it from your catalog, even if it’s not a high-margin product, he added.

According to Rothschild, Maxager 7.0 helps decision makers in finance, sales, marketing and production answer four basic questions:

- What product mix would optimize our asset base?
- Which products should be sold to which customers for maximum profitability?

- Which plants should manufacture which products for optimal efficiency?
- What is the best product pricing strategy?

“The information that Maxager generates can be part of a company’s overall performance management strategy, especially since it can assist managers in making the right decisions on what to make, and when, based on its profitability,” said John Hagerty, an analyst at AMR Research in Boston. “Virtually every manufacturer is judged based on its financial return on assets, and if physical assets can be made more productive, then it’s a win-win for all involved.”

Maxager 7.0 is especially useful for manufacturers with a wide range of products, customers, and assets, Hagerty suggested. “Profitability is a big driver for all sorts of firms, but the profit-per-minute model is tuned to companies with complex manufacturing,” he added.

Amid the ever-rising tide of lower cost overseas competitors -- and to contend with more globally distributed supply chains -- many manufacturers are seeking ways to improve profitability and prevent revenue leakage. A wave of startup and more established software specialists have jumped into the void.

For example, companies such as Zilliant, Vendavo (which is [partnering](#) with SAP), and Metreo (which was recently acquired by technology holding company Symphony Technology Group) are offering software to help manufacturers optimize margins and keep revenue on track with forecasts. They have been [joined by](#) startups EIS Analytics and pVelocity, which are focused on profit optimization, and Model N, which through its [acquisition](#) of Azerity, has added profit margin management to the revenue management capabilities it provides to high-tech manufacturers.

This latest release of Maxager also includes the ability to do what-if planning, which enables proactive operational decision-making. It also enables variance analysis, which is the ability to compare plan to actual in order to make mid-course corrections.

Although Maxager is an SAP integration partner, the company’s software also works with other ERP systems, including Oracle, the company said. Available now, Maxager is offered as a Web-based application service with ongoing subscription fees based on the customer’s revenue size. Maxager also offers a “Fast Track” program priced at \$9,800.