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**Overview:**

This article is based on the telephone briefing ARC had with Lixto on 9 June 2008

### ***Innovative European Software Suppliers: Lixto & Quality/Warranty Management for Automotive Suppliers***

By Simon Bragg, ARC Advisory Group

Europe, unfortunately, lacks a reputation for innovative software companies, a reputation that is, in my view, deserved. So one of European ARCwire's aims is to showcase examples, and briefly describe the innovative processes that small European software suppliers are bringing to market.

Lixto, headquartered in Vienna with 30 employees, describes itself as a web-based intelligence company that automates web-based processes. In brief, Lixto sells its software as a service, a service that grabs data from another website, translates it, and feeds that data into an ERP or business intelligence application. Such a service is of great value for tracking and analyzing competitors' prices, but it also of great value to automotive suppliers.

#### **Challenges for Tier 1 Suppliers when working with OEMs**

These days, major automakers post details about warranty claims, quality problems, late deliveries, and pricing on their supplier portal. In turn, Tier 1 automotive suppliers are contractually obliged to visit this portal up to three times a day, and to respond within 12 hours to 48 hours, depending on the problem. For each problem, there are 30 to 50 data-fields for the suppliers' quality manager to copy, translate, and enter into his ERP or Quality Management system. Usually, a major Tier 1 auto-supplier will supply multiple OEMs, and multiple plants at each OEM, each with their own plant codes. Thus, across a major Tier 1 auto supplier there are between a few hundred to a thousand processes requiring data from the OEM's supplier portal.

Besides saving error-prone manual effort, if the supplier doesn't quickly respond, then, by default, the supplier accepts responsibility and any charge-backs the OEM might impose. With warranty claims for automotive suppliers around 0.6 percent of sales, the savings can be significant. In addition, a late or poor response causes the supplier's ranking on the OEM's scorecard to fall, which potentially limits their ability to continuing working with that OEM.

#### **Lixto's Business Model**

Only a handful of customer's have purchased Lixto's tools. Reason is that this is where Software as a Service makes sense: a typical final assembly plant has been 500 and 1,000 suppliers, and there are only 30 major OEMs in the world. Consequently, there are huge

economies when there is a single software supplier with the expertise to extract data from OEM's portals, rather than having all the roughly 5,000 automotive suppliers in the world today gain that expertise.

Lixto's partners include Itelligence, MHP, a Porsche subsidiary, and quality management software supplier IBS AG. Being based in Germany, clearly Lixto has SAP integration expertise, generally finding that IDOCS are used in logistics processes, and quality management uses Netweaver XI. Lixto is also assisting SAP's business by design development, providing and hosting 300 test cases that automatically test SAP's business by design web-user interface.

### **Last Words**

Lixto has identified a niche where there is real value. The challenge/opportunity is to expand globally, which should be achievable, given its Software as a Service business model.