

SOFTWARE SYSTEMS

Peer Group is smart about factory automation software

Dave Pink, Special to The Record

The software developers at Kitchener's Peer Group have been leaving some rather large footprints on the world's computer chip industry.

"We believe that every computer chip on the planet has been touched by production equipment with our software on it," says Mike Kropp, the privately owned company's president, chief executive officer and co-founder.

Peer Group develops software that improves the performance and productivity of automated production equipment used in the manufacture of computer chips. "We are the market leaders in the space we are in," says Kropp. "The biggest of the big use our software."

Kropp and fellow co-founder Robert Harris launched Peer Group in 1992 after they left ATS Automation Tooling Systems, where they ran the Cambridge-based company's software systems division. Kropp says they gained a thorough understanding of the automation process at ATS. "Our expertise was in the manufacture of software systems, and I saw that there were opportunities for a software company doing automated factory software," he says.

Harris is now chair of the company's board, but does not participate in the company's day-to-day operations.

From humble beginnings the company has grown quickly. Peer Group has 134 employees and had revenue of \$14.7 million in 2012. It ranked 156th on Branham Group's 2013 list of Canada's top technology companies.

As well, despite the head-shaking skepticism of some, it was the first tenant in a reconditioned factory building at 72 Victoria St. S. in Kitchener's old industrial core. It moved into the former furniture plant in 1999, laying the foundation for the tech cluster that now thrives in the Tannery district. "We saw what this space could be," says Kropp.

Peer Group has added 40 employees in the last two years, including engineers, people with degrees in computer science and engineering, and people that Kropp says "feel



PHILIP WALKER, RECORD STAFF

Mike Kropp, chief executive officer of Peer Group, gives credit to the company's "very smart engineers" for its success in the factory automation software market.

Peer Group

Business: Factory automation software

Founded: 1992

Executive team: Mike Kropp, founder and CEO; Robert Harris, founder and chair; Caren Clemens, controller

Employees: 134

Address: 72 Victoria St. S., Suite 400, Kitchener

comfortable with mechanical concepts." They work in an industry where the demands and expectations of the market place are high, and the intellectual agility of the software designers is essential. "Our products are mission critical," Kropp says. "They cannot fail. Uptime is critical. It can't stop. There has to be zero downtime."

The company's equipment designers are constantly evaluating and re-evaluating their product. "We do software in the same way that civil engineers build bridges," Kropp says. "We do planning, and we do thorough testing. You don't start by pouring the concrete first."

In 2003, Peer Group acquired the European division of TRW's semi-

conductor systems integration business, giving it a window into Europe. Based in Dresden, Germany, this branch operation employs 25 people, mainly engineers, and provides expertise in equipment automation testing, equipment supplier management and advanced process control solutions. Other acquisitions followed. In 2008, Peer Group acquired the CCS Envoy product testing suite. One year later, it bought the software connectivity business of Asyst Technologies.

The company, which also has home-based business development staff in Austin, Tex., and Pittsburgh, faces a sizable challenge in that it operates in a mature market that places a high value on innovation.

"Our challenge is selling to a market that is fairly mature ... a mature market that is innovating like crazy," Kropp says. "What we see are fewer customers to sell to, and fewer pieces of equipment."

That equipment has become much more sophisticated, transforming larger and larger silicon wafers into smaller and far more intricate chips. "In some cases the equipment is moving individual atoms," Kropp says. "This industry is constantly innovating."

He says Peer Group relies on the talent of its "very smart engineers" to keep developing innovative products that will allow the company to expand its footprint. "We need to be smart if we are going to grow, so we have to provide more value in our product and put even more of a footprint on the industry. We need to be able to support our customers, and if there's a need for an upgrade we have to do it quick."

Customers purchase a development licence to use Peer Group software. The software is delivered either electronically, or on a CD.

The company has no customers in Canada. "We're a 100 per cent export business," Kropp says. About 70 per cent of the world's chip-making facilities are in Asia.

Still, Kropp says there are big advantages in being based in Canada, and specifically in Waterloo Region. Canadian government tax programs such as the Scientific Research and Experimental Development program provide financial advantages to companies doing high-tech research and development. As well, the region's post-secondary institutions produce a pool of talented software engineers. And the cost of living in the region is lower than in the U.S. or Europe.

Despite the global nature of the business, Kropp says there's no substitute for frequent personal contacts with the customers, through networking events and regular participation at international trade shows. "Our market is fairly small," he says. "We know all the chip makers (there are about 40 of them), and all the equipment manufacturers (about 300 of them). You need to be part of the club, with a demonstrated record of performance." ■