

# Magic Quadrant for ERP for Product-Centric Midmarket Companies

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During the economic downturn, the ERP market has proved to be stable, with no major disruptions affecting the key players. This Magic Quadrant evaluates products that have a global presence and are specifically tailored for product-centric midmarket companies with roughly \$50 million to \$1 billion in revenue.

## WHAT YOU NEED TO KNOW

The 2010 Magic Quadrant for ERP for Product-Centric Midmarket Companies addresses the needs of product-centric companies with between 100 and 999 employees, and with annual revenue between \$50 million and \$1 billion. (Please note that this Magic Quadrant, different from its previous version, published in 2009, does not cover divisions of larger enterprises with a two-tier ERP strategy.) In actual cases, the number of employees can be up to 10,000, depending on industry and geography. These enterprises are not necessarily small and simple in all their business requirements. They have limited IT resources and seek ERP systems that support their differentiating business processes well with deep functionality, but do not require significant overhead in the nondifferentiating business areas (meaning the systems must minimize total cost of ownership [TCO] and complexity).

This market is large and mature, and various solutions analyzed in this Magic Quadrant have their roots in systems that have been in the market for more than 10 years. But Gartner sees this market as undergoing a major modernization, by which established systems with deep functionality on older technology are being displaced by more modern and agile systems. These new systems enable users to be more agile in their responses to changing market conditions and to grasp new business opportunities faster.

The key changes in this market since the last publication of this Magic Quadrant include:

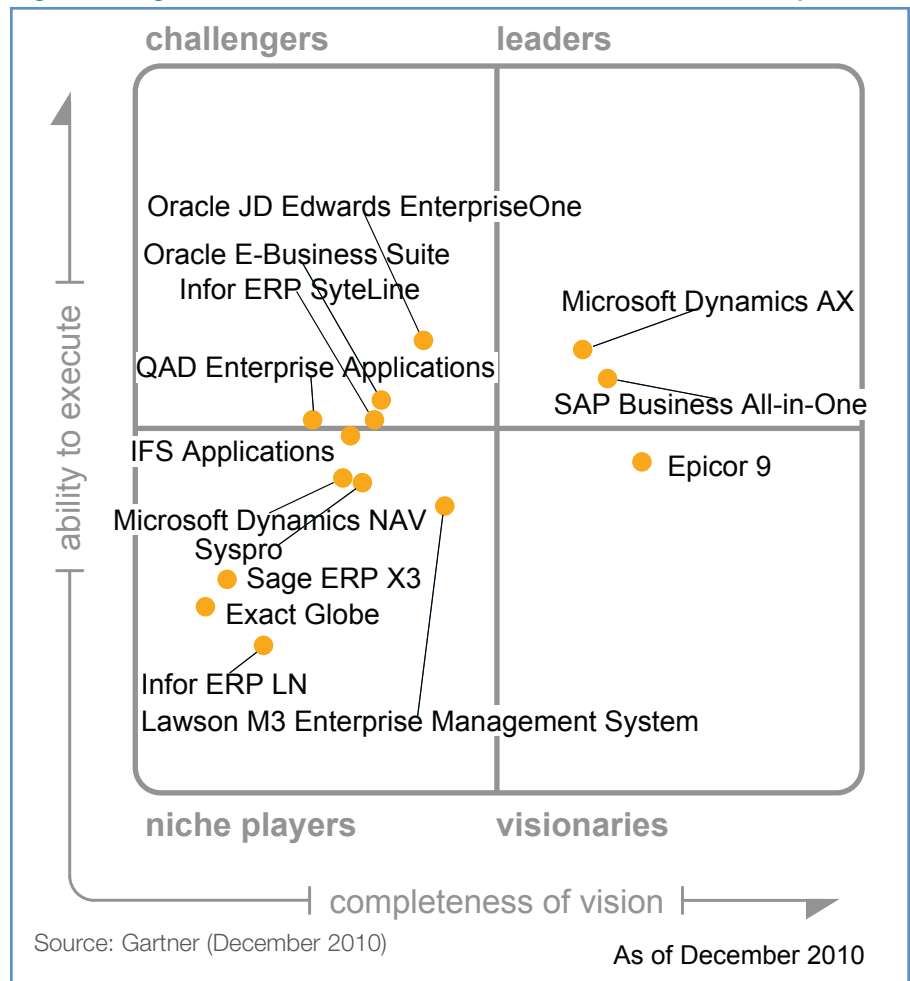
- Customers are starting to adopt the reworked user interfaces, which offer more role-based concepts, personalization and collaboration features. The improved ease of use, extended search capabilities and more-integrated analytics features drive the use of ERP by more types of users, e.g., those that only occasionally access an ERP system to retrieve information or to complete business activities that used to be done manually.
- The interest in software-as-a-service (SaaS)-based ERP is growing, but Gartner does not yet see a big adoption in core ERP. Most customers that were surveyed for this research continue to use their ERP solutions in an on-premises model, but they are starting to complement them by additional solutions in adjacent areas like CRM and collaboration. To react to this growing interest, vendors are creating hosted offerings with subscription models and administration services that offer some of the benefits of a SaaS ERP, but only a smaller number of vendors offers multi-tenant solutions.

- Many customers have reported that shortages in skilled and experienced resources for consulting and implementation created issues in their ERP implementation or deployment projects. To improve this situation, many vendors have put a higher focus on improving the quality of their resources and their channel. Rather than merely offering technical skills, deeper industry expertise, business consulting expertise and the acquisition of certifications are becoming important differentiating factors.
- Despite the overall decline of -6% in the ERP market, no major disruptions have impacted the vendor landscape that is covered in this Magic Quadrant. None of the vendors went out of business, and none were acquired. The high portion of recurring revenue from their existing client bases, especially the fees for maintenance and support, proved to be a good protection. Nevertheless, some cost cutting occurred, which has created issues in customer projects. The many choices that midmarket companies have can result in competitive prices.

As the modernization continues, Gartner concludes that two offerings qualify as Leaders in the market at this time: SAP Business All-in-One and Microsoft Dynamics AX:

- SAP Business All-in-One is one of the broadest and deepest solutions in the market, and its Best Practices and the fast-start program reduce the effort needed for the early phases of an implementation. Business All-in-One is based on extensive experience from SAP's large partner channel, which has turned their expertise into prepackaged and precustomized versions of SAP's Business Suite. Challenges with solution complexity and cost continue to be an issue, which makes the solution a best fit for companies that are in the upper midmarket or, by rapid growth, intend to be there in a few years.
- Microsoft Dynamics AX is specifically targeted at midmarket organizations. It offers broad and robust functionality, and delivers low TCO through integration with other Microsoft products and technologies. Microsoft's industry strategy for AX results in strong functionality, which is built by Microsoft's internal resources or acquired from proven partners. Microsoft

Figure 1. Magic Quadrant for ERP for Product-Centric Midmarket Companies



is continually improving its channel of resellers, which will help to overcome the remaining challenges with global implementations. While there is no multitenant SaaS version of AX, partner-based hosting plus subscription models deliver alternatives.

One offering is rated as a Visionary:

- Epicor 9, through its use of modern technology and delivering on the promise of a product completely based on a service-oriented architecture, is the most visionary and complete offering in the market. Its architecture and built-in business process management (BPM) features offer a high level of flexibility that can be preserved through upgrades. Epicor 9 offers innovative approaches to mobility, embedded analytics

and deployment as a SaaS solution. Epicor is a comparatively small vendor, but the company and the product have proven to be strong in worldwide execution, although it is not yet as mature and as globally present as the leaders.

There are 11 other offerings in the Challengers and Niche Players quadrants. Some of these offerings have superior functionality in particular parts of the market, so investigate these options, as they might offer a good fit for your specific requirements. However, these offerings do not have a compelling vision for leading the market, or have other critical challenges detailed in the individual product summaries.

Gartner's methodology does not allow readers to use the Magic Quadrant for a trend analysis, to see how a solution has evolved compared to its peers by just looking at "how the dot has moved." Instead, each Magic Quadrant is a point-in-time analysis that describes and analyzes the current situation. This is especially true when the evaluation criteria have been changed: This version does not analyze a product's ability to serve as a complementary solution in a two-tier ERP scenario, which was an important criterion in last year's version. This and a couple of other changes makes it impossible to assess a product's progress by comparing its current position in the quadrant to the previous position.

## MAGIC QUADRANT

### Market Overview

#### ERP Market and Vendors

In 2009, the ERP market overall declined by 6%, to a valuation of \$20.1 billion in total software revenue (the combination of license, subscription/SaaS and maintenance revenue). Of this, Gartner estimates that the midmarket contributes 27% of the overall total (\$5.3 billion). Although the ERP market overall declined in 2009, the decline for the midmarket was less pronounced than the market average (-1% vs. -6%). This shows that, even during the recession, the midmarket was still relatively active in buying ERP solutions. The activity was not enough to bring the segment to growth, but it did mean that, comparatively, it suffered less than the market overall. The vendor community wasn't oblivious to this trend, and this is evidenced by the attention and investments that many ERP providers with origins in the large enterprise space and providers in the small business segment are putting into the core midmarket strata. The number of viable solutions, each with a large and global customer base, offers many alternative options to midmarket companies, which can use this competitive situation to negotiate favorable prices.

For year-end 2010, Gartner's latest projection for the overall market is essentially flat to slight growth, which is in keeping with the cautionary buying environment that we still see for ERP software. For the midmarket alone, our outlook is similarly muted — we expect a slight improvement, but until the macroeconomic environment recovers more fully, we are keeping our forecast for the market in the low single digits for forecast period to 2014. Nevertheless, this market will remain highly competitive.

This may appear to be slightly cautious, especially given the fact that many of the publicly listed vendors featured in this Magic Quadrant (at the time of this writing) have recently announced their financial results as of 3Q10. Most vendors saw significantly improved license revenue growths over the prior nine months.

While this is certainly positive and encouraging news for the market, Gartner remains slightly cautious overall. This is because, when comparing license revenue to 2008 levels, there is still a clear and negative delta in license revenue (and this was during the slightly uncertain period that preceded the sudden economic crash in late 3Q08), and a much bigger delta compared with the high growth year that many vendors experienced in 2007. This trend applies to many of the vendors featured in this Magic Quadrant. Therefore, for prospects of these and other solutions, we believe that it's still very much a "buyer's market," and that favorable terms and pricing can still be obtained with some additional effort and foresight in the contract negotiation stage.

No consolidation in the ERP market has occurred over the past two years. Acquisition activity by ERP vendors has picked up significantly in 2010 versus 2009, but was mainly related with technology (such as analytical capabilities) or additional industry/functional expertise and products (e.g., the partner intellectual property [IP] acquisitions made by Microsoft Dynamics in 2009 to increase its industry capabilities). This underlines the general viability of the vendors analyzed in this Magic Quadrant.

### Major Trends and Changes

Since the last publication of this Magic Quadrant, we have seen the following major trends and changes in this market:

- Service-oriented architecture (SOA) and BPM prove their value in packaged applications for the midmarket:** A combination of SOAs and BPM concepts allow for an unprecedented level of flexibility and adaptability. The most advanced system in this regard is Epicor 9, where customers upgrading from Epicor Vantage (which had already included significant parts of Epicor 9's technology) reported how the upgrade of the underlying application preserved their modifications. The final goal of this development will be model-driven packaged applications, where explicit process models are separated from the source code and allow adaptations without the use of technical parameters.
- New user interfaces make ERP adoption and collaboration easier:** Ease of use and rich user interfaces help users to find their way through the functionally comprehensive ERP packages. Built-in search capabilities help users to identify and locate the business objects that need their attention, and the role-based concept of roles helps them to select the appropriate action to take. Personalization lets users define the way that objects are presented and can be acted upon, and saves them from having to go through complicated screen sequences to complete a required business activity. This is especially important for users that only occasionally have to access an ERP solution. Built-in collaboration features help these users to easily get in touch with contacts inside or outside their own enterprises, which is extremely useful in midmarket companies that rely more heavily on the flexible, ad hoc cooperation of their workforce in areas with less well-defined business processes. These concepts have been implemented by several vendors, although to a varying degree. Examples include the role-based user interfaces (UIs) of Microsoft Dynamics AX and NAV, the Enterprise Explorer of IFS Applications and the Smart Office UI of Lawson M3 Enterprise Management System.

- **Retrieving data from their ERP systems and formatting output has been reported as one of the most problematic areas by users of many of the systems analyzed in this Magic Quadrant:** Users were frustrated by the complexity associated with even the smallest changes to documents and reports produced by their ERP. In some cases, even adding a simple “the warehouse is closed over the holidays” message to a delivery note resulted in an expensive modification that required programming. To overcome these issues, users are adopting more-powerful reporting engines like Crystal Reports (now part of SAP BusinessObjects, but used by multiple vendors), while multiple vendors are focused on embedding more analytics into their solutions.
- **The most commonly used technology for extracting and analyzing data in midmarket companies is Microsoft Excel:** Multiple systems allow users to export data to Excel. However, the capabilities to manipulate data in Excel (or another spreadsheet product) and then write them back to the ERP system, without losing data integrity or ignoring relevant business logic, are more limited. When available throughout the application without technical restrictions, yet respecting access rights, ensuring data privacy and data protection, this integration can improve user productivity significantly.
- **SaaS ERP sees growing interest, but limited adoption:** Most companies that Gartner spoke with are using their ERP systems in a traditional on-premises model. Where cloud-based offerings are used, they are primarily in adjacent areas, like collaboration and Web conferencing, CRM, e-mail and HR. But even in the core area of financial management, the maturity and adoption of SaaS solutions is growing, and organizations with less than \$250 million in revenue and with uncomplicated integration requirements that could use the delivered functionality without customization have successfully deployed SaaS solutions for financial management. As a consequence of this growth in user interest, ERP vendors increasingly offer hosted deployment options, often combined with subscription-based licensing models and increasingly enhanced by partial system management and administration. Also, users need to build a realistic model for the TCO over the complete life span of the application, to avoid overall higher costs through a subscription model. A widespread opinion is that subscriptions are paid out of operational expense budgets on a monthly basis, but the majority of SaaS deals that Gartner sees in the marketplace are not structured on a per user per month (PUPM) basis, and the customer pays upfront, typically on an annual basis.

Vendors like Epicor and Exact offer their respective products in a multitenant SaaS mode, but this is mainly targeted at companies in the lower midmarket. Most of the offerings in this Magic Quadrant do not feature all four elements of SaaS that Gartner has defined (service-based, scalable (elastic), shared and subscription/usage-based; so customers need to carefully check to distinguish hype from reality.

- **Regarding Pattern-Based Strategies, none of the vendors analyzed in this Magic Quadrant have made this an essential part of their offerings or their go-to-market strategies.** As the interest to move from reacting to events to

proactively seeking patterns that might indicate an impending event with major effects on business strategy and operations will grow among business users, Gartner expects this to change, and will make this a more important evaluation criterion in future versions of this Magic Quadrant.

- **Increased services and channel maturity:** Shortage or lack of skilled resources for implementation and consulting have been the most frequent complaint across most of the vendors. Optimal support of the users’ industry- and company-specific requirements was sought after, but not always delivered, which has caused delays and lack of quality in implementations and rollout projects. International projects required the involvement of multiple independent partners in different countries, which had to be coordinated and synchronized. Therefore, many vendors have put a focus on improving and building out their internal implementation and consulting resources, as well as their channels. However, these efforts were sometimes undermined by necessary cost-reduction measures, resulting in the fluctuation of resources that had been key to a project’s success.

The most comprehensive program in this space is currently executed by Microsoft. Its Microsoft Partner Network program will likely result in a reduction in the number of partners, but with improved capabilities to deliver the services that more-complex ERP projects require. Some vendors use their channel as a source for new or additional product functionality. For example, Microsoft has acquired concepts and IP for various industries (e.g., for retail from LS Retail and To-Increase) and has incorporated them into its Dynamics AX product. Their intimacy with customers and their higher speed and agility in reacting to new customer demands make partners a valuable source of new functionality.

- **No major disruption by insolvencies or take-overs:** As stated above, the ERP market has suffered from a decline in new license business and is only slowly recovering. Gartner estimates that the growth rates will be in the low single-digits until 2014. Nevertheless, the ERP market has not seen any major disruptions during these turbulent times. Various vendors had to cut their spending, and, in a number of cases, customers were affected by fluctuations of key personnel in their projects because of this. But apart from that, none of the vendors has suffered from insolvency or from being taken over by a competitor. With the exception of Infor buying SoftBrands, major acquisitions have only appeared outside of the core ERP market: SAP bought Sybase, and Oracle completed the acquisition of Sun Microsystems. The main reason for this stability in the vendor landscape is the high portion of recurring revenue from existing customers, mainly through fees for maintenance and support. While this has created a growing dissatisfaction among users who were under pressure to prove the value of maintenance, it has also helped to remove concerns about vendors’ viability. Gartner’s figures show that the smaller vendors primarily selling to midmarket companies have seen a smaller decline in revenue. While they may not be as rich in cash as some of the large vendors, this can help to grow confidence in their customer base and in prospects considering to buy from a smaller vendor.

## SaaS ERP Is Progressing, But Global Customer Adoption Is Limited

Pure SaaS vendors offering suite-based ERP solutions are few in number, with NetSuite and Plex being the most notable vendors seeing success and traction in the marketplace thus far. However, revenue and the international customer footprint for both vendors versus others in this Magic Quadrant are still comparatively limited. As a consequence, we did not include either vendor in the formal evaluation, but we believe they represent worthy alternatives in certain situations.

NetSuite offers a SaaS-based ERP suite. NetSuite had revenue of \$167 million in 2009, and is tracking well to exceed this by the end of 2010 (for the first nine months of 2010, total revenue was \$141 million). NetSuite states that, to date, it has over 6,600 customers. It offers a broad range of application modules, including financials and accounting, global consolidation, purchasing, payroll, order management, inventory control, material resource planning, production planning, shop floor control, engineering change control and employee management, as well as built-in integration with its CRM and e-commerce capabilities on the same platform. The manufacturing-related functionality originates from NetSuite's cooperation with Rootstock. Although it is increasing the percentage of revenue from international customers, NetSuite did not fulfill the inclusion criteria for this Magic Quadrant. Nevertheless, Gartner has spoken to a number of reference customers that expressed satisfaction with NetSuite's offerings, but those we spoke to were mainly service-centric businesses, rather than product-centric businesses, which is the primary focus of this Magic Quadrant. NetSuite is expanding its capabilities for product-centric businesses via its partner community and through the release of its Manufacturing Edition (in mid-2010), which will help its credentials in this area.

Another notable SaaS ERP player is Plex Online, which was founded in 1995 and which focuses primarily on manufacturing businesses. The company is privately held (backed by private equity), but Gartner believes that annual revenue approached \$30 million in 2009 and over 500 customers. Recent meetings with Plex indicate that the company is continuing an upward momentum in terms of customer count and average monthly subscription revenue as it wins larger accounts. From a micro-industry perspective, Plex has the majority of its customers in aerospace and defense, food and beverage, automotive, medical devices and the industrial sectors. Plex offers a broad number of modules spanning manufacturing, supply chain and ERP, with new functionality being released as it's completed, rather than on a regular, predefined release schedule.

## Market Definition/Description

### ERP Systems in Product-Centric Midmarket Companies

ERP systems are one of the core business applications of most companies above a minimum complexity. The basic concepts and functionalities have been developed and sold for more than 20 years, but the term ERP was only coined by Gartner in the 1990s. In the original definition, ERP systems' functionality normally covers the following areas: finance and accounting (general ledger [G/L], accounts payable and accounts receivable), purchasing, human resource management, sales or customer order management,

and operations management. However, Gartner now defines ERP in a broader sense as "a technology strategy in which operational business transactions are linked to financial transactions, specifically general ledger transaction".

Almost all organizations use administrative ERP strategies that are focused solely on the traditional back-office functionalities in finance, procurement and human capital management (HCM). Product-centric companies typically use an operational ERP strategy that covers administrative functionality plus areas such as customer and order management, inventory management, product life cycle management, and the management of their manufacturing and/or distribution facilities, often including asset management. The systems in this Magic Quadrant are analyzed and rated on their ability to serve the operational needs of product-centric companies. Consequently, this analysis should not be used for organizations looking only for administrative ERP, or ERP for nonproduct companies. This is because several vendors that provide administrative ERP for organizations in public sector, healthcare, professional services, financial services, etc. are not included in this Magic Quadrant.

The more-mature ERP systems were developed for the needs of product-centric companies, and these companies typically use most of the functional areas of ERP. Product-centric companies traditionally fell into the following categories:

- Manufacturing companies focus their business activities around the development, manufacturing, assembling and selling of products, and the delivery of their related services. This includes all kinds of discrete products, from small and simple consumer products to the most complex products (such as airplanes or power plants). It also includes products that are generated in process manufacturing, such as most products in food and beverage, chemical industries or pharmaceuticals. Other companies are active in utilities, rental and services, aerospace and defense and others.
- Distribution companies focus on buying, storing, moving, repackaging, selling and delivering products and their related services, both discrete or process. Depending on the structure of their sales channel and customers, companies in wholesale and distribution, and those in retail, fall into this category.
- The administrative core of ERP systems has been adopted by institutions in state and local government, and in federal government, as well as by companies and institutions in healthcare, professional services and the financial sector.

The boundaries between these three types of enterprises have been slowly disappearing in the past years, with more manufacturing companies distributing and servicing their products, which has led to tighter integration of ERP, CRM and supply chain management (SCM) solutions. The combined manufacturing and distribution functionality is used by enterprises in industries as different as third-party logistics, utilities and the energy sector. Although this list is not exhaustive, it does indicate that product-centric ERPs are successfully used in a variety of industries.

Many would analyze this market under the mistaken assumption that “midmarket” means “ERP-lite,” or that these enterprises are “simpler” than their larger counterparts. Gartner has produced research that analyzes this market with a unique process framework, and this will form the basis for our thought-leading analysis of this market. Most midmarket enterprises have a core set of business processes that are as complex or more complex than those of large enterprises. However, outside of these core processes, the majority of the business processes in most enterprises in this segment do not have the scale to require a highly sophisticated or automated solution to support them. Instead of being simpler, these enterprises apply a more information-centric approach to executing many of their processes, seeking solutions that offer “good enough” support. The ability to support a core set of global-class strategic processes, combined with offering good-enough capabilities for the less-strategic, but still important, information-based processes, thereby limiting the overall complexity of the solution, will be a key part of our analysis of this market.

Product-centric companies vary significantly in size and complexity, ranging from less than 10 employees up to the Global 2000 companies, which have hundreds of thousands of employees. The latter are often subdivided into divisions of smaller size. Therefore, ERP systems also are composed of varying functional depth and breadth to meet the needs of these different-size companies. In order to keep the ERP systems comparable, this Magic Quadrant focuses on ERP systems that are primarily used by independent companies with a range of 100 to 999 employees, which roughly equates to organizations with \$50 million to \$1 billion in revenue.

The user organizations in this market are defined like this:

- They are independent companies with a size between 100 and 999 employees, which roughly equates to \$50 million to \$1 billion in revenue. In actual cases, the number of employees can be up to 10,000, depending on industry and geography. Typically, companies of this size have limited IT resources and seek ERP systems with low TCO. Nevertheless, they look for solutions that offer broad and deep functionality.
  - They seek systems that can support their differentiating, specific requirements, but do not require a huge overhead in the nondifferentiating business areas. The systems must be adaptable to changing business needs, because midmarket companies have to react flexibly to changing market conditions and react quickly to new opportunities.
  - Support for industry-specific requirements and business processes is key to these companies. In some cases, they need combinations (for example, when combining process with discrete manufacturing, or when they’re being manufacturers and distributors of their products).
  - They have international presence, either by doing business through a channel or by having or building a direct presence in multiple countries or geographies. Therefore, they seek ERP systems that are available and supported in more than one geography.
- Although they offer some product-related services, the majority of their business is product-centric, falling into manufacturing, distribution or a combination of both.

The market definition above encompasses a broad spectrum of companies. There are significant differences between companies with, for example, 20, 80 or 250 users. The first is typically concentrated in one location, does not have a dedicated IT department and only in rare cases has complex business processes. The second likely comprises multiple locations, but is concentrated in a limited region (e.g., one country in Europe or Asia/Pacific, or a few states in the U.S.). Business processes are of moderate complexity, but some of them can be sophisticated. The third example typically refers to an international organization with direct presence in multiple countries. It experiences most of the problems of large enterprises (e.g., in terms of business process harmonization across locations, and consolidation of diverse business applications), but IT and business resources are still limited. Companies in this category can often be composed of multiple business units, reporting separately and with differing management structures.

To better reflect the variances in the requirements of these organizations and to improve the ability to compare and contrast the systems that are analyzed in this Magic Quadrant, we have defined three subsegments of this market, in line with Gartner’s definition of the midmarket:

- **Lower midmarket:** Organizations with annual revenue approximately below \$100 million.
- **Core midmarket:** Organizations with annual revenue approximately between \$100 million and \$250 million.
- **Upper midmarket:** Organizations with annual revenue approximately above \$250 million.

This definition is not meant to describe different markets, but aims at offering more clarity of where each solution fits best. For each of the products analyzed below, we provide Gartner’s assessment on which of these subsegments describe a product’s “sweet spot.” However, it is important to understand that the boundaries between these subsegments are not sharp. Therefore, companies cannot take these numbers as the only indicator; they need to get a more complete understanding of their respective characteristics and requirements.

### Inclusion and Exclusion Criteria

**Geography:** The vendor must serve at least two of the following three global regions (North America; Europe, the Middle East and Africa [EMEA]; and Asia/Pacific). The product must have a minimum of 20% of new customer entities in at least two of these three geographies.

**Installed base:** The vendor must have at least 1,000 customers in a product’s installed base to qualify, and the installed base distribution must be at least 20% in two of the three geographies.

**New license sales:** Of quarterly license revenue per product submitted, 10% must come from net-new customers. Also, two of the three geographies must contribute at least 20% of new license sales each.

**Viability:** The offering must be a viable and supported offering at the time of publication of this Magic Quadrant.

**Application functionality:** The functionality provided by the vendor in the application must contain the systems of records for G/L and product master, plus at least four of the following systems of record: order data, customer master, employee master, vendor and supplier master, purchasing, contracts, assets, pricing, cost, quality and planning.

**Architecture:** The majority of an application must be in one architecture and data model (application platform), or the vendor must have a credible vision for accomplishing this.

An ERP suite must fulfill *all* of the above criteria in order to be included.

We find that clients are interested in offerings from large global vendors with fragmented installed base offerings, regardless of whether the product is global or not, because of the marketing presence of this vendor. Therefore, to account for this interest, we have defined an additional independent criterion:

**Offerings of large global vendors with a road map to become globally available:** To be a large global vendor, a vendor must have an installed base of at least 5,000 customers in this market. For a vendor in this category with a fragmented offering, we include the ERP system for product-centric companies that has the biggest international presence — if the vendor has articulated a strategy to make this product available globally and has the ability to execute against this strategy. The evaluated product has to fulfill the criteria defined above under Viability, Application Functionality and Architecture, and at least 10% of quarterly revenue of this product must come from new customers.

The only difference in this criterion is that, while coming from a large global vendor, the product itself does not meet the requirement of being an international product yet.

### Added

The following products have been added since the “Magic Quadrant for Midmarket and Tier 2-Oriented ERP for Product-Centric Companies” was published in June 2009, in line with the inclusion criteria above:

- Sage ERP X3

The following product has been renamed:

- Epicor 9 is Epicor’s new core ERP solution and successor to Epicor Vantage.

### Dropped

One product has been removed since the “Magic Quadrant for Midmarket and Tier 2-Oriented ERP for Product-Centric Companies” was published in June 2009:

- Epicor Vantage, which was replaced by Epicor 9.

## Evaluation Criteria

### Ability to Execute

The breadth and depth of functionality and the technology of midmarket ERP products are highly rated components of a vendor’s ability to execute. But the most comprehensive systems are not automatically the best choice for midmarket companies, which, in many areas of their business, have neither the need for very specialized functionality nor the means to cope with it. The right mix of good-enough functionality in commodity processes with strong support for fewer, but strategic, processes is more important. Because midmarket companies have only very limited IT resources to assign to running an ERP system, the lowest possible TCO throughout the application life cycle (from selection through implementation, optimization, operation and management, to retirement) is a key requirement, and is one important differentiating factor. This is the major reason for the growing interest in SaaS ERP.

In addition to the functional fit of the solutions to a wide range of midmarket companies, we have rated the ease of adapting or modifying a solution; the user interface (ease of use, personalization and collaboration, integration with analytic applications, etc.); the overall simplicity or complexity of a solution; and the level of verticalization that a solution has achieved. Because of limitations in resources, many midmarket companies look to their primary ERP vendor when seeking additional products, e.g., for product life cycle management (PLM), SCM and warehouse management, or others. Therefore, we also rated the availability of add-on products and the level of their integration with the core ERP system. Taken together, the Product criterion has one of the highest weightings in this Magic Quadrant.

**Table 1. Ability to Execute Evaluation Criteria**

Evaluation Criteria	Weighting
Product/Service	high
Overall Viability (Business Unit, Financial, Strategy, Organization)	standard
Sales Execution/Pricing	high
Market Responsiveness and Track Record	low
Marketing Execution	low
Customer Experience	high
Operations	low
Source: Gartner (December 2010)	

It is important to note that an ERP system's ability to serve as a subsidiary solution in a two-tier strategy (that is, as an operational system running smaller divisions or subsidiaries of corporations) and the extent to which it has actually been adopted in this scenario has been removed as an evaluation criteria. We found that this simplifies the market definition and allows us to better compare the solutions rated in this Magic Quadrant.

Vendor/product viability and risk remain important criteria. Although the vendor's viability is important, it should not overshadow product fit, vendor expertise, TCO, and service and support. Several of the vendors included in this Magic Quadrant are small, and although there are some viability concerns, all other factors being equal, viability alone should not preclude users from considering these vendors. Many smaller vendors have been profitable and in business for many years, and most have actually suffered less from the economic climate in 2009 and 2010 than some of the large vendors. While their revenue may not be in line with larger megavendors, their overall persistence in successfully serving their target markets over a number of years merits their consideration. Likewise, the intensive acquisition activities of the past few years have shown that ERP systems whose architectures are not overly dated and that have an active user base of a certain size are not automatically taken off the market, even when their vendor is taken over by a competitor with an overlapping offering. Therefore, the Overall Viability criterion has a standard weighting.

Sales execution and pricing are significant differentiators in the midmarket ERP segment. Those ERP systems with their core market in the upper-midmarket or large-enterprise space are often significantly more expensive in terms of TCO. Although even high discounts on license fees can often be negotiated, other important cost factors (such as rates for consultants and maintenance rates) are less flexible. Several vendors have a huge portfolio of additional components, such as PLM, CRM, SCM and others, but the prices for these components are often much higher than the core ERP licenses. Many midmarket firms only realize this after they have made a significant investment in time and resources deploying the ERP system, expecting, but not finding, similar pricing on extended components once their evolving requirements demand them. Finally, most of the vendors covered in this Magic Quadrant do a huge portion of their business through an indirect channel, and the development and sustainability of the channel is an equally important factor. For these reasons, the Sales Execution/Pricing criterion has a high weighting.

The midmarket ERP market is a slowly evolving market. Most solutions have been around for more than 10 years, and, in some cases, the roots of the systems are 20 years old or more. Because of this level of maturity, market responsiveness is less important for the core ERP functionality, and the Market Responsiveness and Track Record criterion has a low weighting.

Marketing execution, while important to market visibility, is not an important element of the overall evaluation process, and most of the vendors covered do not have the means to be highly visible in multiple regions. Vendors that can afford to run global marketing campaigns suffer from the fact that the portion of their messaging that is focused specifically on midmarket companies is hidden

under the highly visible, but very generic, overall messaging, which is mainly targeted at the largest enterprises. Therefore, the Marketing Execution criterion has a low weighting.

An ERP vendor's ability to use and exploit functionality to drive business value and provide a good customer experience is a critical element of a provider's ability to execute. ERP systems touch almost all parts of a company, and the implementation of an ERP system is one of the most complex projects in many companies. Midmarket companies do not have the workforce capacity to allow many business users to exclusively support the implementation; rather, the implementation work has to be done in addition to the daily workload. Vendors with a long track record in the midmarket have designed and built their systems and tools to support this resource constraint, and their consultants and professional services are well-acquainted with this. Also, the lower level of specialization that is typically prevalent in the midmarket's IT force requires support organizations on the vendor side that can deliver technical and business support most efficiently. For international deployments, it is important that this level of quality and ability is equally present in all regions where the systems are available, either directly or through the partner channel. For these reasons, the Customer Experience criterion has a high weighting.

Finally, the Operations criterion looks at a vendor's internal ability to meet its goals and commitments on an ongoing basis. Factors include the quality of the organizational structure, including skills, experience, programs, systems and other vehicles that enable an organization to operate effectively and efficiently on an ongoing basis. Because the external factors that are important for companies that deploy any of the systems are included in the criteria described above, the Operations criterion has a low weighting.

### Completeness of Vision

Market understanding assesses ERP vendors' ability to understand buyers' wants and needs, for ERP in general, but for midmarket ERP in particular, and translate them into products and services. Vendors that show the highest degree of vision listen, anticipate and understand buyers' wants and needs, and can augment them with their own ERP visions. Vendors that simply respond to current market requirements without anticipating future requirements will not likely be successful over the long term due to the complexity of functional and technical enhancements that will have to be made to the products, even in the comparably slow-moving ERP market. Vendors' domain expertise, technology vision and vision for the midmarket ERP of the future rank highly, which is why the Market Understanding criterion has a high weighting.

A vendor's marketing strategy has a low impact on the midmarket ERP market. Although important, marketing strategy is not highly differentiated across vendors. Most vendors in this market struggle with their visibility and market awareness, and, in the case of well-known brands, it is not obvious that they are relevant players in the midmarket ERP space. Therefore, the Marketing Strategy criterion has a standard weighting.

A good vision for the sales strategy will remain an important success factor in the future. Midmarket companies have some specific buying behaviors, and vendors that want to be successful in this market have to build strategies and organizational structures to comply with these. A concise and transparent mix of indirect versus direct channels is important, because customers expect similar structures and consistent conditions in all regions where they need to deploy the solution. Therefore, the Sales Strategy criterion has a high weighting.

Product strategy is critical, and refers to a technology provider's approach to development and delivery that emphasizes differentiation, functionality, technology, methodology and feature set, as they map to current and future midmarket ERP requirements. It also refers to technology evolution, which includes important topics such as SOA, embedded analytics, model-driven packaged application awareness, master data management (MDM), social software, process of me, and the emergence of business process platforms (BPPs) and multienterprise BPPs. In addition, for the purposes of this evaluation, Gartner measures vendor strategies for building end-to-end processes that span functional areas across the enterprise. The vendors' understanding of market changes, and their product strategies for successfully navigating these changes, significantly influences their completeness of vision, which is why the Offering (Product) Strategy criterion has a high weighting.

Vendors' business models (that is, the soundness and logic of providers' underlying business propositions) are not critical, except as they apply to delivering overall midmarket customer satisfaction; therefore, the Business Model criterion has a low weighting.

Industry-specific functionality is an important differentiating factor among midmarket ERP systems. Some vendors have selected a number of industries on which they focus exclusively, while others offer more horizontal functionality, and have their partner channel complement and complete the solution. As stated earlier, some vendors support a variety of industries, but do so by relying on their

channel partners to develop the needed functionality. In this case, in order to avoid customers being overly dependent on partners, which are typically much smaller and often less viable than the vendor itself, it is important that the vendor and the partners show a high level of mutual engagement, and work closely together through joint development and rigid certification programs to ensure clarity and consistency in relaying timely messages to the customer base. Because most vendors in this Magic Quadrant have developed an approach to offer industry-specific functionality, although each for a different set of vertical markets, the Vertical/ Industry Strategy criterion has a standard weighting.

Most midmarket ERP vendors do not have the size nor the financial means to drive massive innovation programs. Rather, they tend to be very pragmatic, taking a "just in time" approach to delivering process and feature innovations, based on when their customers expect and can use them, rather than an "invent and they will come" mentality. As visible in recent developments such as role-based UIs or industry-specific orientation, major trends are often developed by some of the larger vendors. As they are generally accepted and sought out, they become quickly adopted by the smaller vendors as well. Therefore, the Innovation criterion has a low weighting.

Geographic strategy looks at a technology provider's strategy for directing resources, skills and offerings to meet the specific needs of internationally active midmarket companies. Since more midmarket companies are participating in globalization trends and are present in multiple countries or regions, it is important that their ERP vendors can accompany and support them in all relevant territories. Most of the vendors included in this Magic Quadrant have a market presence that is restricted to some regions, so this is an important selection criterion to determine whether the vendor covers all markets that are, and will be, relevant to the selecting company. Therefore, the Geographic Strategy criterion has a standard weighting.

## Leaders

Leaders demonstrate a clear vision and the ability to execute against this vision. Midmarket ERP leaders have deep and robust functionality that address a range of core user requirements. Not necessarily the largest vendors in terms of revenue, these vendors do have proven products, as well as track records of customer success and demonstrated momentum in growing their market presence. Leading vendors have offerings that appeal to the specific process needs of midmarket customers, are straightforward and simple to use, and are designed or streamlined for low TCO, while being available and well-supported in multiple regions.

Leaders are well-prepared to evolve their products to model-driven applications to allow for high flexibility, with tools for embedded analytics and UIs that allow for easy adoption by different types of users. Leaders have compelling strategies for addressing the ongoing market changes related to emerging technologies, such as SOA and BPPs. They also have built structures to extend their systems with industry-specific solutions, often in cooperation with their partner ecosystem, which delivers the best support for the specific processes in vertical markets, while offering good-enough support for the less-differentiating processes. Finally, leaders cultivate a broad and generally overwhelming level of customer satisfaction in a number of geographies and industries.

**Table 2. Completeness of Vision Evaluation Criteria**

Evaluation Criteria	Weighting
Market Understanding	high
Marketing Strategy	standard
Sales Strategy	high
Offering (Product) Strategy	high
Business Model	low
Vertical/Industry Strategy	standard
Innovation	low
Geographic Strategy	standard
Source: Gartner (December 2010)	

## Challengers

Challengers have broad and mature ERP systems, with a strong international presence, either directly or through indirect channels. Although their solutions can be configured to the needs of midmarket companies, they may not have a clear strategy for fundamentally modernizing their solutions (for example, a lack of financial potential for the significant investments needed, or architectures that do not allow for evolution or the existence of other solutions in their portfolio, which, in Gartner's view, will be preferred over them [such as Fusion Applications as Oracle's next-generation offering]).

Challengers offer solid support for companies that do not expect to undergo dramatic changes. All the products listed in the Challengers quadrant of this Magic Quadrant will presumably not disappear, even if their vendors are acquired. They have stable consulting and support structures in multiple geographies. Finally, despite any noted shortcomings, which vary depending on the product offering and vendor itself, one clear, distinguishing feature of a challenger is a vocal and satisfied base of customers across the geographies and industries the vendor serves.

## Visionaries

Vendors of the visionary solutions have a compelling vision for achieving a differentiated position in the market, such as a full SOA/model-driven packaged application strategy, high ease of use, implementation and operation, but they lack certain characteristics in their ability to execute. Visionaries might have compelling product strategies, but they lack the market momentum or have not yet reached full market presence to move higher in their ability to execute. Generally, customer satisfaction, as with ability to execute, is limited, mixed or ambiguous due to the newness of recently introduced innovation(s), or because the vision, although noteworthy and theoretically appropriate to the midmarket, has delivered mixed results in vendor practice.

## Niche Players

The Niche Players in this Magic Quadrant fall into two different categories. The first category comprises solutions that are often functionally adequate, and, in some cases, are the best choice for specific types of customers, depending on how well they serve the specific requirements of an individual customer. However, they lack the full depth, breadth or robustness of functionality demanded by the most complex and sophisticated users, and often do not have a vision for attaining, nor the level of persistence required to attain, the status of becoming a next-generation ERP. These vendors often lack the broad experience, new client numbers, customer references or investment levels compared with the leading vendors in the market. This is not to say that niche vendors are not viable; in fact, they can be good ERP vendors for many buyers. In some cases, such as user companies that only deploy to a few countries, or companies with limited complexity or sophistication, or in a few very specific target vertical markets, these Niche Player vendors could be the best choice.

The second category of products in the Niche Player quadrant comprises solutions that were originally designed as, or over time have been developed to become, solutions for large enterprises. Although these systems have broad and deep functionality in most areas, their scope, complexity, cost and scalability can sometimes be much more than required by midmarket users. In some cases, lack of skilled consulting resources and limitations in the availability of partners has to be overcome to improve these solutions' ability to execute.

For both categories, we find the products in this quadrant do not have a clear and credible vision for how to turn the solutions into modernized offerings (as outlined in the Market Overview section of this Magic Quadrant), be it because of a lack of financial means to execute against a vision or because the company pursues other visionary plans that are not directly applicable to the products analyzed here.

## Vendor Strengths and Cautions

### Epicor 9

Epicor is the only vendor in this Magic Quadrant that has consequently executed a multi-year product consolidation strategy, combining concepts and functionalities from ERP solutions such as Avante, Manage 2000, Vista, Enterprise and iScala. As a result, Epicor 9 is Epicor's new core ERP product, with major parts of its SOA (based on .NET) and its functionality rooted in Epicor Vantage (which is sometimes referred to as version 8, hence the version number 9 for the new product).

Epicor 9 targets midsize to large-scale make-to-order and mixed-mode manufacturing companies, while additionally offering a range of SCM and distribution capabilities. It offers extensive analytical capabilities and full mobile access, and is the most visionary among the systems in this Magic Quadrant, as it closely resembles Gartner's vision of a model-driven packaged application, by allowing, for example, key users, business analysts or implementation partners, to model business processes on a business — instead of a technical layer. The strength of this architecture is visible in its very high flexibility, where users with little IT literacy can enhance and modify the solution, and any adaptations are unaffected by upgrading the underlying application code, as was proven in various upgrades from Vantage to Epicor 9.

Although Epicor 9 was announced at the beginning of the worldwide economic crisis in October 2008, more than 275 companies have completed an implementation or an upgrade to date. Customer feedback from these projects and additional features to complete the solution's footprint have been built into version 9.05 (released March 2010), so that users of other Epicor products can migrate more smoothly.

Still a young product at the time of publication of the 2009 Magic Quadrant, Epicor 9, in the meantime, has proved its strong execution in the midmarket, particularly in "to order" and mixed-mode environments. Epicor has trained internal resources and channel partners, and has utilized its worldwide presence and

customer base, which has led to much higher worldwide adoption than the previous product, Vantage. A clearly defined migration path for each of Epicor's other solutions has helped to bolster its success. These factors lead to a stronger ability to execute, but Epicor is not yet as strong and widely available as the leading products in this Magic Quadrant, which positions Epicor 9 in the Visionaries quadrant in this Magic Quadrant, with the highest rating of all products in the Completeness of Vision category.

### Strengths

- Epicor 9 has a robust SOA architecture, and its process models make it highly flexible and offer stability through upgrades. The architecture was designed to support a multitenant deployment of Epicor 9 as a SaaS ERP. A version of Epicor 9 is offered as Epicor Express, although with a limited functional scope compared to the on-premises version, as an entry solution for small manufacturing shops.
- All base forms, as well as customized and personalized screens and reports, are modeled in a fully metadata-based format, and the Epicor Everywhere Framework allows their deployment on various devices, such as connected handhelds, special devices for data capturing and Web-based devices with the same functionality and high usability. Epicor 9 supports Web 2.0-style collaboration, Really Simple Syndication (RSS) feeds, presence and in-context search. Data tagging allows users to associate public or private unstructured "sticky notes" to any data objects, which can be searched for and interpreted in process models. Epicor plans further enhancements in future releases under the "Enterprise 2.0" label.
- Epicor 9 offers more than 100 predefined, role-specific dashboards and key performance indicators (KPIs) that are displayed and updated in the context of the application.
- The Service Connect module offers powerful integration features to other applications. The pricing was initially targeted at complex scenarios and high data volumes, and exceeded customers' expectations, which led Epicor to offer a free runtime version that allows users to adapt existing workflows plus a small business edition for simpler use cases.
- Instead of offering a stand-alone CRM solution, Epicor's CRM functionality (originally based on its Clientele product) is embedded throughout the product, with concepts such as a "universal person." This sometimes requires users to think differently when switching from a more traditional CRM solution.
- The implementation is based on prepackaged best-practice process templates, and a shared benefits program allows users to share both the risks of cost overrun and the rewards of a successful implementation.

- Gartner believes that Epicor 9 is best suited for core midmarket companies in manufacturing industries that require strong to-order and mixed-mode capabilities, as well as in distribution and retail. It is available in 26 languages and over 50 countries, among them most of the established countries, but almost 65% of its business is located in the Americas.

### Cautions

- Partly because of the success in selling Epicor 9 projects, resources were sometimes found to be scarce. Epicor has ramped up internal and partner capacity to overcome these shortages, but customers need to factor potential resource shortages into their project planning.
- The model-driven architecture of Epicor 9 can cause system performance to be a challenge, so customers need to pay special attention to a correct setup and engage with specialists from Epicor in special situations. Applying best practices around hardware configuration and system setup has helped to successfully combine Epicor's flexibility with high performance and availability.
- The code quality of the initial versions of Epicor 9 has created issues, but customers have reported improvements with version 9.05. Not all localizations were reported as equally complete, so companies need to check if their local requirements are fulfilled.
- A higher focus on Epicor's industry strategy will be done through "Epicor for your industry," but until completion, customers need to check if all their industry-specific requirements are fully supported.

### Exact Globe

Exact Software is a Dutch ERP vendor with 2,400 employees spread through 40 countries, serving approximately 100,000 customers with various products. Its core solution for midmarket ERP is the Exact Globe product, supplemented by its collaboration and information visibility solution, Exact Synergy. Traditionally, the company has targeted Exact Globe at companies with up to 2,500 employees, although most of its customers fall at the lower end of this scale. The majority of its customers fall within the sectors of professional services, manufacturing, wholesale, construction or retail, although the company has not overtly marketed by industry. Following its rebranding, which coincided with its 25th business anniversary toward the end of 2009, it still isn't overtly industry-centric, preferring to position around process attributes such as plan and produce, or sell and service. The next versions, which are offered on a quarterly basis, include enhancements like multilingual and multisite capabilities, but primarily for smaller companies or for divisions of large enterprises. This fast but irregular schedule of new versions makes road map planning for users difficult.

Regarding Exact's vision, the company also offers two other core solutions to market: Exact Online as a small SaaS-based accounting solution, which currently only sells in The Netherlands and Belgium to address very small companies and sole entrepreneurs. Exact claims over 16,000 customers running on a subscription basis since its beginning 2.5 years ago. Exact's Longview solution continues to be a strong solution to address corporate performance management (CPM) for enterprise-level customers, but it did not help to sell Exact Globe into these larger accounts.

Exact Globe covers the basics required for accounting in a small business, sufficient for daily requirements of companies with 50 to 100 users, but the product road map lacks a strategic vision. Many customers restrict their usage of Globe to accounting, not embracing all that Exact Globe has to offer in other functional areas. Exact's management is showing signs of recognizing and responding to its core challenges with its ERP solutions. It has recently replaced its CEO, and other senior changes have been made. The country-based business units need to enhance their global collaboration. Despite recent rebranding efforts, these restrictions and the lack of vision position Exact Globe in the Niche Players quadrant, primarily for small companies operating in one single country.

### Strengths

- References commented that core financial functionality was robust. Recent versions incorporated new European value-added tax (VAT) rules, which encouraged customers to move to the latest level.
- Product quality was not seen as an issue. Migration and upgrade tools were also quoted as simple to use.
- Exact Software's regional coverage was referenced by customers as an asset, particularly among its larger customers, but the cooperation between parts of the organization needs improvement.
- Exact has recognized that it needs to rebuild momentum. The recent management changes, new branding and refocusing of the company could give renewed impetus, but execution needs to follow the announcements.
- Exact has sufficient professional services to directly market and support its solutions, especially in its home market in Northern and Western Europe.
- Gartner believes that Exact Globe is best suited for lower midmarket companies. The solution does not offer a specific industry focus, but it is available in over 30 countries in all three geographies, with the majority of its business done in EMEA.

### Cautions

- Customers referenced the loss of key personnel from the company posing challenges in their ERP projects.
- The use of Exact Synergy requires substantial customization and is complicated to use, plus the integration between Globe and Synergy is not extensive, but only satisfactory.
- Although financial functionality was referenced as comprehensive, macros (for example, those required for uploading journals into SAP) have to be updated each time the product is upgraded.
- In some cases, Exact's salespeople did not understand customers' requirements and oversold concepts that were not fulfilled in the eventual product. This shows the disadvantages of Exact not focusing its sales go-to-market in terms of industries — contrary to most leading ERP vendors, which overtly focus by industry group.
- Exact's issue escalation process was also cited as lacking robustness.
- A large weakness witnessed during the research on Exact was its poor client reference representation. Many client references did not respond to requests, suggesting uneasiness to represent the vendor. Exact has responded to this situation, but it is too early to assess the improvements in customer intimacy achieved.
- No progress was visible regarding the integration between Globe and Synergy. The same is true regarding synergies in terms of selling into bigger accounts (e.g., as part of a two-tier ERP strategy) that are using the acquired Longview CPM solution.

### IFS Applications

IFS Applications is a strong and robust solution for companies with requirements in manufacturing, supply chain, project management, and service and asset management areas, especially in industries like defense, energy, communications, construction and process manufacturing. It has increased its focus on project-based companies, but it has also released an IFS Retail version in 2009. The next core release will focus on further improvements to its project management solutions, mainly around project costing and accounting; service and asset management, including collaboration with subcontractors in all phases of an order; and a focus on better usability and user efficiency, especially in the financial processes.

The solution is available and used in multiple geographies, but the majority of the installed base and new projects remain European-centric. Despite its proven strengths, IFS continues to suffer from market awareness problems. IFS has recognized that the lack of visibility is a challenge, and has done a rebranding and is investing in marketing campaigns.

The quality of technical support from IFS continued to raise concerns in some customer testimonials, and in some cases problems could only be finally resolved by involving paid professional service resources. In contrast, IFS offers a six- to 12-month warranty period after go-live, during which all error fixing is free (depending on the level of maintenance support purchased), so customers should apply as much testing as possible early in the deployment.

IFS continues to serve its customers well in its core industries with a strong technology platform, but a less clearly defined functional road map, limitations in worldwide availability and an inconsistent quality of support position this offering in the Niche Players quadrant.

### Strengths

- IFS' unvaried focus on a small number of core industries, primarily in project-centric and complex manufacturing industries, makes this a strong offering for companies in these industries.
- Most implementations are done by IFS' professional service organization, instead of third-party service providers, which allows for close cooperation between customers and the vendor, and helps IFS to continue with its rapid development approach.
- IFS' ease of use and its very modular architecture are highly regarded by customers, and the solution can have a low price point with smaller customers. Its modular architecture allows customers to implement the solution in a phased approach without sacrificing the benefits of a highly integrated suite.
- The UI IFS Enterprise Explorer (based on the multi-year Aurora initiative) has taken much longer to develop, but unlike UI initiatives from other vendors, all screens in the IFS application were completely transformed, which has delivered a highly usable user experience. Search and collaboration features are all directly built-in. IFS Enterprise Explorer makes use of new principles that come with Windows 7, like federated search, which allows users to access information stored in the ERP directly from any desktop, even from those that have no IFS client installed.
- Gartner believes that IFS is best-suited for core and upper-midmarket companies in complex and asset-intensive manufacturing industries, especially those where project management is at the core of the business. IFS is a global solution, but almost two-thirds of its business is located in EMEA.
- While it is available in some areas of the application, the level of integration to productivity tools like Microsoft Office needs improvement. A separate Spreadsheet Data Manager is needed to write data from Microsoft Excel back into IFS.
- The lack of a wide partner ecosystem limits IFS' global availability and does not allow for joint co-innovation, which other vendors with a broad channel can do.
- The innovative IFS Enterprise Explorer is available from IFS 7.5 SP 4, and customer adoption of this recent release has been slower than expected up to now.
- While the quality of IFS' consultants is considered to be high, customers occasionally reported issues with the availability of professional service resources in some countries, especially the ones that are served through channel partners, so diligent project planning is mandatory.

### Infor ERP LN

Infor ERP LN (which actually is version VI of the system known for years as Baan ERP) continues to be a robust solution for bigger midmarket customers. It is well-suited for project-based and complex manufacturing, but also for distribution customers. EMEA remains the main region for LN, with a growing presence in Asia and the Americas. The acquisition of Baan by Infor in 2006 has improved its global presence, but no major transformational development has happened since then. Current developments are focused on improvements in the supply chain collaboration area for high-volume manufacturing companies, especially in automotive and distribution. FP 5 was focused on improving efficiencies in the supply chain (like VMI, demand and inventory visibility, etc.), and FP 6 provided further solutions for automotive supplier and collaboration-intensive businesses.

Infor continues to use LN as its flagship product to target international companies in the upper midmarket. LN is a broad and mature solution, and its implementation requires significant effort. Companies that are looking for a broad solution should consider LN, but should be aware of the underlying complexity of the system and the fact that reference customers identified major challenges in obtaining skilled consultants.

Infor ERP LN is positioned in the Niche Players quadrant due to the following factors: Its broad and deep functionality creates high complexity and costly implementation, and it has proved difficult to get a sufficient supply of skilled consultants or implementation partners. The large number of ERP solutions in Infor's portfolio and its financial situation will make it difficult to dedicate the R&D resources that will be needed to fundamentally modernize LN and to execute a next-generation vision. The current focus of Infor ION on integrating the many solutions in its portfolio does not support the transformation of LN into a model-driven, packaged application with embedded BI, easy-to-use UIs and MDM awareness, which will cause LN to lag in the market.

### Cautions

- IFS has changed to using an agile development methodology. While this allows for faster adaptation of development plans to changes in market and customer demands, and allows for faster innovation cycles and involving customers earlier, the resulting lack of a predefined functional road map makes road map planning more difficult for customers.

## Strengths

- Infor MyDay is a unified portal on top of various Infor ERP products built to display data and events from the underlying applications, and it allows users to access the associated functionality; however, it does not change the user experience of the applications themselves. Infor Decisions is based on Infor PM 10 and offers prebuilt analytics such as ranking, distribution, top and bottom 10, and others.
- Infor Flex aims to make upgrades easier for customers and offers special pricing on additional user licenses and complementary solutions, but Infor has not provided a lot of details about its content. Because of the size of the customer base on previous versions and the slow momentum to upgrade, Infor treats Baan IV and V as products in their own rights, retrofitting various solutions to these releases.
- Customers that want to orchestrate business processes inside ERP LN and across multiple products or even outside the enterprise should analyze Infor Dynamic Enterprise Management (DEM) 2.0 if it fulfills their specific needs.
- Gartner believes that ERP LN is best-suited for upper-midmarket companies in complex manufacturing industries such as industrial engineering and manufacturing, aerospace and defense, as well as high tech and electronics, and automotive. The majority of its presence continues to be in EMEA.

## Cautions

- Gartner has not seen any evidence of new application modules being delivered under the Infor Open SOA strategy (e.g., Advanced General Ledger aka MultiBooks, Inventory Management, Costing and others). However, MyDay, Decisions, a Webstore (built on the existing Storefront product), and Sales and Operations Planning were delivered as new components. While customers have described Infor MyDay and Decisions as attractive and interesting extensions, Gartner could not speak to any references that were actually using them in production. Infor has stated that due to a change in customer demand, the emphasis has been shifted from Infor Open SOA to other development initiatives, including adding features into existing products. As a result, Open SOA has been replaced by Infor ION, which provides event management and reporting services, but is mainly focused on making integrations between different Infor products easier.
- Formatting of printed output and reports has proven to be inflexible. Infor plans to add more powerful third-party reporting tools, but customers missed usable standard reports and had to invest a lot to build them. Various reports that customers expected to be delivered in a package of this complexity had to be built from scratch, causing delays and additional costs.
- Customers with bigger requirements in CRM and after-sales service decided to use bolt-on products, e.g., for project management and service scheduling. As a reaction, Infor has built out the CRM functionality needed for manufacturing in LN

FP 7 and has recently announced that it will expand its CRM offering with a solution built on Microsoft Dynamics CRM to try and address this.

- Although products like Infor EAM (Datastream) and Infor WMS (from EXE) are promising offerings, clients did not find the expected level of prebuilt integration and found it hard to speak to references using the desired combination of products. Document management with deep integration to the business processes is missing. Some companies have deployed third-party solutions, but more integrated capabilities are seen as state-of-the-art.
- Reference customers that Gartner spoke with found that certain industry-specific packages are not being moved forward, so customers need to check the availability of their extensions before undertaking an upgrade.
- Reference customers have described challenges obtaining consulting and professional service resources, which created various problems, including resources being replaced during projects and lack of professional project management, which caused budgets to be partially wasted. Some references, especially those that had built skills internally, have canceled maintenance and moved to internal support as a result. Infor's acquisition of Qurius, a former implementation partner, is designed to address this caution in Europe.
- Some reference customers that Gartner spoke with felt overwhelmed by LN's rich functionality and found the product to be quite difficult to implement. Customers considering LN need to make sure their requirements demand that level of functionality and complexity.
- We believe that Infor currently carries at least \$4.5 billion in debt, used primarily to fund acquisitions (Infor has indicated that this figure is materially overstated, but has not provided additional information). This is a highly leveraged company by enterprise application software vendor standards. Gartner suggests that users bear this in mind in discussions with Infor and seek assurance that it has the wherewithal to execute on the components of its strategy that are relevant to customers' specific strategic requirements.

## Infor ERP SyteLine

Infor ERP SyteLine is one of many Infor products for midmarket discrete manufacturing companies, offering support for mixed-mode manufacturers in the engineer-to-order, configure-to-order, highly repetitive and service-based markets. It does not have a distinct industry-orientation. With 20 languages and versions for the global English market and localizations for China, France, Mexico and Thailand, as well as secondary markets such as Russia, Brazil and others, and over 5,000 installations worldwide, it is one of the most global ERP products in Infor's portfolio. It is built on the Microsoft .NET technology platform and supports managing multisite global organizations through a replication mechanism, where each site or unit uses a dedicated instance which exchanges data with other instances. SyteLine does not support running multiple legal entities or business units in one single instance.

Infor ERP SyteLine is also available through hosted and subscription models, including optional application-managed services through Infor24.

SyteLine has a strong installed base, solid functionality, global availability and ease of use that makes it well-suited to the needs of midmarket companies. However, gaps in vision around product modernization and company strategy have placed this offering in the Challengers quadrant.

### Strengths

- SyteLine's release cycle is one new point release per year plus one service pack per year. They are in sync with optional modules like Decisions, a webstore, and service management modules.
- SyteLine 8 offers Excel-based financials and a deeper integration to Microsoft SharePoint, plus a number of further enhancements.
- SyteLine offers an integrated advanced planning and scheduling (APS) module, and its product configurator, although built by a third-party provider, has proved to be strong.
- Although SyteLine handles multisite scenarios through separate instances (see below), constructs like the purchase order builder can be used to create one purchase order that spans across multiple sites, which then handles the subordinate purchase orders individually.
- Gartner believes that SyteLine is best-suited for lower and core midmarket customers in a variety of industries. It is primarily available in the global English market, with presence in countries such as China, France, Mexico and Thailand, as well as secondary markets such as Russia, Brazil and others.

### Cautions

- Infor has added data visualizations and dashboards to SyteLine, but instead of using Infor Decisions as a base, Infor has built these visualizations with technology internal to SyteLine.
- Rather than relying on the Business Edition of Infor CRM (based on Epiphany), an internal CRM module was built in SyteLine, which limits the ability to benefit from investments into Infor's main CRM solution. Also, Infor recently announced that it will expand its CRM offering with a solution built on Microsoft Dynamics CRM to try and address this caution.
- Multisite support is done through SyteLine's data replication mechanism: Each unit sets up its distinct instance, which are then connected with each other and exchange master as well as transactional data. While this works reasonably well and stable, customers found it hard to initially set it up and configure it correctly, and they need to ensure that they receive sufficient support, as the needed skills are scarce.

- Like with ERP LN, Gartner has not seen any evidence of new application modules delivered under the Infor Open SOA strategy (e.g., Advanced General Ledger aka MultiBooks, Inventory Management, Costing and others). Rather, Infor has stated that due to a change in customer demand, the emphasis has been shifted from Infor Open SOA to other development initiatives, including adding features into existing products. As a result, Open SOA has been limited to making integrations between different Infor products easier, and only MyDay, Decisions, and a Webstore (built on the existing Storefront product) were delivered as new components.
- Like most other midmarket ERP vendors, Gartner believes that Infor's sales success is suffering from a lack of brand awareness. While Infor's marketing initiative "Down with big ERP" helps to increase Infor's brand awareness and visibility, it does not make the specific benefits of Infor's solutions easily understandable, and contains mainly negative statements about competitors without naming them or describing what advantages Infor offers over them.
- We believe that Infor currently carries at least \$4.5 billion in debt, used primarily to fund acquisitions (Infor has indicated that this figure is materially overstated, but has not provided additional information). This is a highly leveraged company by enterprise application software vendor standards. Gartner suggests that users bear this in mind in discussions with Infor and seek assurance that it has the wherewithal to execute on the components of its strategy that are relevant to customers' specific strategic requirements.

### Lawson M3 Enterprise Management System

Lawson M3 is a solution with a long track record in general manufacturing and distribution, but is now primarily targeted at customers in the fashion and textile, food and beverage, and equipment service and rental industries. Lawson had focused on these industries for several years, but has increased this focus in 2009 and 2010, e.g., by reorganizing the company around Industry Business Units (IBUs). More than 30% of all customer-facing resources have been directly assigned to one of these IBUs (see "Observations From Lawson CUE 2010").

Lawson has released M3 10.1, which includes enhancements across the product. Both the product and the surrounding services and support offerings are focused on the specific requirements of the industries listed above. Lawson's strategy is to penetrate these markets with complete solutions, predefined analytics and pretailored QuickStep solutions. For example, Lawson offers a solution for the fashion industry that comprises ERP, PLM, specific planning modules, etc. Lawson has released these as complete industry solutions, e.g., "Lawson for Fashion".

Lawson intends to increase the portion of service revenue generated by partners to 40%, and is making steady progress toward that goal. Channel partners will primarily work outside of Lawson's primary target growth markets, i.e., in emerging countries, in emerging industries, and in small and midsize businesses below \$100 million in direct countries. During the economic challenges in the past 18 months, Lawson has reduced

its internal consulting resources, and several of these resources are now working for partners. Overall, the availability of professional service resources has improved, but it is too early to declare the issues in this area to be finally resolved.

Lawson has announced a cloud-computing offering for solutions such as talent management, as well as full production instances of M3. Lawson has not announced any plans to support multitenancy.

Although Lawson's revenue declined from over \$850 million in fiscal year 2008 to \$758 million in fiscal year 2009, and to \$742 million in fiscal year 2010, tight cost control has allowed the company to retain positive margins.

Despite the ongoing investments in Smart Office and industry templates, the underlying complexity of the solution has not been removed. Smart Office delivers a powerful and flexible presentation layer and allows customers to add analytical and collaboration features, as well as enterprise search, to their user experience. It is designed to navigate M3 and other applications, but when a user executes business transactions, the transactional forms are as previously designed, although may now be amended and personalized. M3's broad and deep functionality can serve complex requirements in Lawson's core industries; however, several reference customers highlighted the high cost of implementation as a challenge. While the reorganization into IBUs and investments in better scheduling of professional service resources will likely improve the resource issues in the future, customers still experienced fluctuations and shortages that impacted implementation or upgrade projects. These facts position Lawson M3 as a Niche Player; however, one with a strong vision.

### Strengths

- Lawson's focus on specific industries and its introduction of IBUs lets customers benefit from very specific functionality, instead of having to adopt and integrate best-of-breed modules from other vendors. Lawson's strategy of selling into niches (e.g., sportswear within apparel and textile) lets customers benefit from expertise and experience. The introduction of industry switches in 10.1 will allow customers to deactivate unneeded functionality that is only relevant to other industries than their own.
- The simultaneous release of all 39 country versions, which has been achieved in M3 v.10.1, will make international rollouts of common templates easier.
- Lawson Enterprise Search (LES), which requires M3 7.1 applications and technology or later, and is delivered as a separate appliance, is an important step to improve the user experience of M3, but customer adoption is yet too low to actually prove the benefits in everyday use.
- Lawson's QuickStep approach offers pre-defined, documented business processes and preconfigured industry solutions, and can help customers reduce the efforts to implement. QuickStep has become a common approach for new customer implementations. Feedback from customers indicates that an upfront evaluation of how this will assist implementation should be done. As with other template solutions, the changes needed can lead to a variable return on investment.
- M3 Analytics offers a fully integrated BI solution for operational analytics, including preconfigured KPIs and dashboards for some of Lawson's core industries, and results can be consumed through LBI or other third-party tools, like Excel or Cognos.
- Customers expressed demand for a solution to archive transactional data. Lawson has reacted to this demand by building a transaction archive management (TAM) module available in release 10.1, initially as an industry-specific solution for food and beverage customers, but now generally available for all industries.
- Gartner believes that M3 is best-suited for core and upper-midmarket companies in fashion and textile, food and beverage, and the equipment service and rental industries. M3 offers 16 languages and 39 country localizations. Its installed base is largely concentrated in EMEA, but it has recently seen growing adoption in the U.S. and in some Asia/Pacific countries.

### Cautions

- Lawson M3 is a robust and scalable solution that can support customers in the upper midmarket. However, several smaller customers have experienced issues with the functional richness and complexity of the solution, and would opt for different systems if they were to do a new ERP selection.
- Lawson's strategy to build out its ecosystem partners and reduce the number of customer implementations handled directly led to issues in customer projects due to the high fluctuation of staff during that transition. While most of the transition is finished, customers need to make sure that they have fixed dedicated resources for their projects, and they should request Lawson to avoid fluctuation in their key consultants. Lawson has intensified its cooperation with third-party service providers and has introduced a global Services Automation resource scheduling system (which includes third-party resources) to overcome these problems.
- Lawson M3 uses StreamServe to produce documents and reports. Customers have reported severe shortcomings with this technology and found it very hard to apply even small changes to standard reports. Users should analyze whether the use of Crystal Reports, which is available under Lawson BI, fulfills their requirements, but they need to be aware that additional costs to license LBI might be incurred. Prospective LBI customers should carefully evaluate whether LBI meets their needs or whether they need to invest in a more advanced third-party BI solution like Cognos.
- Lawson Smart Office offers some innovative features like dashboards and allows personalization, but the transactional forms are as previously designed. As a result, some customers

identified challenges when trying to personalize application screens and process flows. The latest release of Smart Office offers improved capabilities, but, depending on which version of M3 you are on, it might require an application upgrade.

- Lawson M3 offers various data and access security features. Some reference customers found them difficult to set up and advised that other customers should work with skilled Lawson professionals to make sure their security requirements are appropriately configured. Specific improvements in 7.1 and 10.1 are designed to address these concerns.

## Microsoft Dynamics AX

Microsoft Dynamics AX is Microsoft's ERP solution aimed at the core and upper midmarket. It has dramatically evolved from a mere development framework for partners to build upon to an industry-strength product that can serve multinational companies in the core and the upper midmarket out of the box. AX allows support of multiple sites or business units in one single instance, including those that operate in different countries and need country-specific functionalities. AX offers specific localizations for 38 countries and supports multicurrency. Lean manufacturing principles are one example of advanced manufacturing-oriented functionality, but it is currently only available in the U.S., Canada and the U.K.

Microsoft has built out AX's functionality in two ways: by internal resources, often including close collaboration with teams that are responsible for one of the other Microsoft Dynamics solutions (GP, NAV and SL), and by acquiring proven solutions that were originally built and sold by partners (independent software vendors [ISVs]) in their specific markets. Dynamics AX is focused on six core industries: discrete and process manufacturing, distribution, retail, services and public sector (the last primarily in the U.S.), but partners continue to adapt and enhance the solution for further industries. Although this approach allows Microsoft to focus on the technological infrastructure and functionality for the set of selected industries, it lets users benefit from the experience and customer intimacy of a large partner ecosystem. At its European user conference, held in early October 2010, Microsoft re-emphasized its goal of being both an ERP solution provider, with its "AX for Retail" solution, plus a platform for larger ISVs to build upon.

Microsoft Dynamics AX is positioned as one of two solutions in the Leaders quadrant of this Magic Quadrant. Its ability to execute is proven by a long track record and above-average growth rates in the midmarket, its intuitive and easy-to-learn and use Microsoft Office-like UI, and by its functionality, which is a healthy mix of strong out-of-the-box functionality for the selected industries, combined with industry- and customer-specific functionality built by or together with partners. Its architecture is well-designed to support this joint innovation model, and Microsoft is currently reworking AX's architecture to support this even better. The partner channel is international and continues to show fast growth, and Microsoft has started a multi-year program called Microsoft Partner Network (MPN) to ensure and improve the channel's quality, widening partners' expertise beyond pure technical capabilities. Microsoft's infrastructure is widely used in the midmarket and allows for a low TCO with easily available resources, such as administrators and developers. This adds up to a strong performer in the market today.

Microsoft's completeness of vision is equally high. The company is working closely with the channel to concertedly build a layer of industry-specific functionality for the six core industries listed above, acquiring proven product IP for industries like process manufacturing and retail. This initiative is exclusive for Microsoft Dynamics AX. These solutions are built into the core solution, which will enable partners to use this extended product as a broader base on which to build. One example is the AX for Retail edition that has been available since August 2010. Microsoft is continually building out the integration of AX with other components of its technology stack; examples include the use of SharePoint Server and embedded BI based on the SQL Server Reporting Services. The role-tailored UI improved the usability of the solution further. The major missing components are a faster move to a model-driven application to ease the adaptation to specific business processes through an explicit process model, a comprehensive strategy for embedded analytics and performance management, and a compelling road map toward a SaaS-based, multitenant ERP. Although improving the scalability of the product and of channel partners, Microsoft does not explicitly target the large-enterprise space with Dynamics AX, which allows for a higher focus on the specific needs of midmarket customers.

## Strengths

- The acquisition of product IP and functionality for process manufacturing, service industries and retail has helped to further expand AX's industry enablement layer and is a strong proof point of innovation driven by codevelopment of an ERP vendor with its partner ecosystem. The retail functionality acquired from long-term partners Landsteinar and To-Increase was released with Dynamics AX for Retail in August 2010, which is a showcase for Microsoft's future industry road map.
- Microsoft's road map for AX includes plans to build out AX's capabilities in the SCM areas of inventory and warehouse management, logistics and transportation, as well as improvements in HCM, but customers with very specific needs in these areas turn to external or partner-built add-on solutions.
- A prebuilt integration between Dynamics AX and Microsoft Dynamics CRM built by Microsoft will be released shortly. Users of Dynamics AX and CRM whose demand for integration is not too urgent should wait for this connector, because it will reduce their costs to source and customize a third-party integration offering.
- Microsoft is continually building out the integration of AX into the Microsoft technology stack, by enhancing business analytics based on SQL Server Reporting Services, SharePoint, etc., and functionality for system center operations. This makes it a strong contender for companies with a dedicated Microsoft technology strategy.
- Microsoft will apply major changes to AX's architecture in the next releases, by transforming the application code and managing it at the level of the database. This will ease combining multiple country packages and running multiple partner-built solutions in one single instance, even if delivered by different partners.

- Gartner believes that Dynamics AX is best-suited for core midmarket companies in discrete and process manufacturing and distribution industries and in retail, with a presence in multiple countries. It is available in 38 country versions, and while the majority of its presence continues to be in EMEA, its availability in the Americas has continually been expanded in recent years.

### Cautions

- Microsoft is enhancing the ability of AX to be hosted by partners, and subscription-based licensing is available. However, Microsoft has not published a road map for a multitenant SaaS ERP. Customers that want to deploy a SaaS ERP will have to look at alternative vendors.
- After having discarded PerformancePoint Server, Microsoft does not have a clear strategy for companywide performance management beyond analytics where SQL Server and SharePoint form a strong offering.
- The existing sound technical integration to Microsoft Office (e.g., document templates, full read-and-write integration with Excel, etc.) will be built out in the next releases to support more business-related scenarios and more in-process integrations. Customers and prospects need to be aware that they might not yet find the level of seamless integration that they might expect with products from one single vendor.
- Because of the many fundamental architectural and functional changes in AX 6 Microsoft is investing in readiness for AX 6. Gartner believes that customers and partners need to prepare for potential disruptions resulting from these changes when moving to that release. This mainly affects customers that have adapted or extended their systems, and partners that have built extensions.
- The Microsoft Partner Network (MPN) program is a multi-year initiative to enhance the competencies and quality of sales and implementation partners, and to increase their global reach by collaboration and consolidation. However, its success will largely depend on the ability of the channel to transform their business. Customers need to check for qualifications and certifications to make sure that their partner is sufficiently equipped for the project at hand.
- The role-tailored client can make the adoption of AX easier. However, customers in smaller companies found that some of the role definitions were better suited for bigger organizations with more specialized roles and responsibilities. Companies should explore and deploy the capabilities of AX to define their own roles.
- AX's architecture still has proprietary elements to it (e.g., X++, MorphX etc.), and the lack of speed in using more of Microsoft's technology reduces AX's potential to be transformed into a model-driven packaged application.

### Microsoft Dynamics NAV

Microsoft Dynamics NAV is Microsoft's solution for smaller, single-site organizations with an average number of users typically below 50 and with a variety of extensions being built and implemented by partners. NAV 2009 did not contain new business functionality compared with NAV 5, but rather concentrated on changing the architecture to a three-tier architecture. NAV 2009 R2 was released in the fourth quarter of 2010, and includes an integrator with Microsoft Dynamics CRM and improved support of the role-tailored client interface for remote users.

With localizations for 43 countries delivered by Microsoft, NAV is a widely available solution. Additional localizations are built by local partners. Similar to Microsoft Dynamics AX, Microsoft Dynamics NAV is a highly configurable solution delivered exclusively via the channel. But NAV does not receive similar investments from Microsoft in terms of industry-specific product versions; instead, this is exclusively done by partners, which add specific functionality to the base product. While this leverages the ecosystem's strengths and local expertise and gives customer a huge number of choices, it limits the global availability of harmonized industry solutions built and maintained centrally.

Like with all Microsoft ERPs, implementation success is highly dependent on the quality of the partner's execution, and Microsoft is investing significant amounts into further enabling and advancing the partner channel under the MPN program.

Microsoft Dynamics NAV is well-suited to the needs of small and midsize businesses with single-site requirements, but less appropriate for upper-midmarket businesses seeking multisite management and having requirements for deeper, prebuilt industry IP out of the box. Therefore, Gartner has placed Dynamics NAV in the Niche Players quadrant.

### Strengths

- Microsoft Dynamics NAV is one of the few solutions in the market that offer an online trial version. While this requires a fast Internet connection, it allows those interested to use and test the solution without any further technical preparation. This can be interesting for prospects that want to learn about the solution in general, but it can also offer existing users interesting insight into new features of the next release.
- Microsoft and partners have built approximately 10 Upgrade Service Centers that are specialized in helping customers and partners to upgrade from previous versions. Customers should leverage the expertise and experience of these centers, especially to retire customizations and add-ons that might no longer be needed, but they should understand any additional costs associated with using these centers as well.
- Under the Software + Services strategy, Microsoft and its partners offer an increasing number of Web-based extensions, like payment services, integration to electronic marketplaces and others. Customers should check this additional source when in need of functional enhancements.

- A prebuilt integration between Dynamics NAV and Microsoft Dynamics CRM built by Microsoft was made generally available in December 2010 as part of the general availability release for Dynamics NAV 2009 R2. For users of Dynamics NAV and CRM we recommend using this connector, as it will reduce their costs in integrating the two applications. (Up until this release, integrating the two applications required a third-party integration package at additional cost.)
- Dynamics NAV has a high brand awareness that is constantly expanding beyond its home markets in EMEA. The partner ecosystem provides a wide variety of individual solutions that serve the specific customer needs.
- Gartner believes that Dynamics NAV is best-suited for lower-midmarket companies with single-site operations and those that do not seek deep industry-specific functionality out of the box. It is available in 43 localized versions, and while its presence is increasing in the Americas, the majority of its presence remains in EMEA.
- NAV's business model is completely dependent on the partner channel, and selecting the right partner or partner network can be a challenge, especially when international deployment, special verticalized expertise or expertise across the full Microsoft technology stack is needed. Customers should use Microsoft's partner organization, but should also employ peer networks and independent sources, because Microsoft has not offered enough help to identify the best partner(s).

### Oracle E-Business Suite

Oracle E-Business Suite (EBS) is a global, multiorganization, integrated, scalable solution with strong functionality for various industries (see below) and industry best practices that utilize Oracle Business Accelerators (OBAs) in order to shorten deployments in midmarket organizations. OBAs are industry solutions tailored to specific business processes that have been defined to provide a base solution. Customers can add, modify and expand the footprint as their business scales, and achieve faster deployments by selecting the industry-specific business transactions and business flows they need from the Accelerators. Essentially, OBAs allow customers to generate system configuration instructions based on a series of questions that pertain to their industry. Once the configuration instructions are generated, they can be loaded onto an Oracle instance to create the setup required. This implementation approach aims to reduce the initial implementation effort; if further refinements are required, the overall effort is likely to increase. Despite the desire from users and partners to cut the implementation times short, customer experiences have shown that the early design and blueprint phases should not be neglected, in order to avoid later changes that prove to be more complicated and expensive than defining a better solution before deploying.

Oracle EBS R12.1 has been enhanced throughout the solution, with 16 modules ("products") added (e.g., service parts planning, manufacturing operations center, supplier ship and debit, etc.) and enhancements made for a number of industries, including engineering and construction, high tech and wholesale distribution. However, none of these product enhancements have been designed specifically for midmarket companies.

EBS is clearly positioned as one of SAP's strongest competitors in the ERP market for large enterprises and for the upper midmarket. However, its intrinsic complexity, lack of a modern, easy-to-use interface and requirement for more skilled IT resources, which can result in higher operating costs, especially in organizations with less than 100 users, makes EBS a strong contender for the upper range of the midmarket, but restricts its usability in core and lower-midmarket organizations. The implementation of the various modules can sometimes exceed the resources and capabilities of midmarket companies, without leveraging significant assistance from Oracle consulting partners. When companies decide to deploy additional applications (such as Agile for PLM, Siebel for CRM or Hyperion for performance management), they have to be aware that the combination is a branded suite. Oracle Application Integration Architecture (AIA) has not proved to ease the pain of integrations. Customers found value in using the foundation pack, but also found that development work is required to complete the integration and maintain it.

### Cautions

- Approximately 600 NAV partners offer around 2,000 add-on solutions. However, less than 5% of these are Certified for Microsoft Dynamics (CfMD), so customers adopting a partner-built solution need to understand the maturity and quality of any extension, especially if it is to be used in critical business areas.
- While the role-tailored client can make the adoption of NAV easier, smaller companies upgrading from an earlier version have found that the definition of the role centers has led to a more cumbersome user experience, requiring far more steps in a number of business processes. Customers coming from an earlier version should check whether their processes can be executed in a similar way, and should not create overhead and steps that are felt to be unnecessary. They should work with an experienced NAV partner to use the existing 22 role centers as a foundation to build role centers that reflect the roles of their employees within their specific processes.
- The focus of Microsoft's recent investments in NAV has been more technology- than business-related. This underlines Microsoft's commitment to NAV and prepares the product well for the long-term future. While exploring the new deployment and integration options that this investment has made possible, customers should be aware that new business-related functionality will not be released until the availability of NAV 7, which is planned for early 2012.
- Following the changes caused by the transformation of NAV's architecture to three-tier in NAV 2009, NAV 7 will no longer support the native C/SIDE database and "Forms." While this type of technical consolidation prepares the solution well for the future, customers and partners need to factor these fundamental changes into their road maps, and should consider moving early to the "pages" concept of the role-tailored client and to the Microsoft SQL Server.

Oracle has further clarified its plans for Oracle Fusion Applications. However, because the initial release of Oracle Fusion Applications is not specifically designed for the midmarket and will not include deep industry-specific functionality, Gartner believes that it is not a viable option to replace the current Applications Unlimited solutions like EBS before 2013.

The combination of high complexity and the associated costs, the slow growth in the number of OBA solutions available today, and the lack of clear visibility of a next-generation visionary offering for midmarket organizations are the primary reasons why EBS is positioned in the Challengers quadrant with respect to midmarket companies.

### Strengths

- Oracle EBS offers a growing number of visualizations and dashboards based on OBIEE, with the context being shared between the transactional part and the visualization part of a screen. These capabilities are stronger than what most other vendors offer.
- To enhance the usability of EBS, the Desktop Integration Framework (DIF) can be used to build custom integrations between application areas within EBS and desktop applications like Microsoft Office.
- The new Rapid Planning application offers powerful planning features for supply chain planning, but customers need to understand the correlation to other Oracle-provided planning applications and identify the right mix of functionality for their requirements.
- The acquisition of Sun Microsystems will allow Oracle to offer more bundled systems with a complete hardware and software stack, which can allow for a reduction in complexity and higher overall performance.
- The User Productivity Kits (UPKs) offer broad and constantly enhanced process documentation and user tutorials, and can be completed by users, but they are normally not included in the base license.
- Oracle is offering financing, hosting and application management services specifically for midmarket customers.
- Gartner believes that Oracle EBS is best-suited for upper-midmarket companies with requirements for deep industry-specific functionality, especially in high tech, industrial manufacturing, automotive, life sciences, consumer packaged goods (CPG), chemical, communications, utilities, engineering and construction, and aerospace and defense industries. The solution is available worldwide. The majority of its installed base is located in the Americas, but net-new wins are evenly distributed between all three major geographies.

### Cautions

- Customers have described EBS's UI as hard to use. Oracle has reacted to this criticism and has invested in the UI capabilities of EBS, reducing the number of steps to complete key tasks, adding type-ahead search, desktop widgets, more-configurable home pages, containers for Web 2.0 components and more, but future customer experience will have to show the success when used in production. However, the personalization of screens typically requires a person with IT skills.
- Several reference customers that used OBA found that their accelerated implementation was too rapid. After go-live, they had to redo various design decisions, because the optimal solution had not been identified and then implemented because of a too short blueprinting phase. Customers need to make sure that the improved speed of an implementation does not create lower overall quality in the project.
- Customers have found EBS licensing to be expensive, but occasionally could negotiate special deals based on various conditions. Gartner is aware of high discounts given on list prices, but the additional products that Oracle offers around core ERP are very pricey and often too expensive for midmarket companies. License models were considered as inappropriate for midmarket organizations, and users should understand the models that Oracle offers to accommodate different types of users, like self-service users, informational users, mobile users, etc. Oracle consulting was often found to be the most expensive choice, and many customers selected less-expensive partners to support the implementation.
- Midmarket companies need to check if the additional licenses for OBIEE and the resulting overall system complexity deliver sufficient value to justify the high expense.
- When using a prebundled system including Sun hardware, prospects should carefully balance the potentially increased performance and lowered costs with being locked in by one single vendor.
- Given the completeness and resulting complexity of EBS and depending on the functional scope actually deployed, the ratio between IT staff needed to operate the system and business end users range from 1:25 and better, but can be up to 1:10, especially in accounts with less than 70 users.
- Upgrading from previous releases to R12.1 was sometimes found to be complicated. Problems with the product's stability and bugs created major additional efforts and delays in projects. Companies need to plan for significant testing cycles and need to make sure that they have access to skilled implementation resources, which will be in high demand throughout the next year.

- Many customers found the Oracle road map confusing and were not familiar with Oracle's strategy around Oracle Fusion Applications. Oracle has responded to this concern by providing more road maps and presenting possible adoption patterns of Oracle Fusion Applications at Oracle OpenWorld 2010. Gartner believes that Oracle Fusion Applications will not be ready as a complete suite to replace an existing solution before 2013, so customers need to focus their ERP initiatives around the existing products under the Applications Unlimited strategy and on potentially augmenting these products with Oracle Fusion Applications modules where they see a good fit.

### Oracle JD Edwards EnterpriseOne

Oracle JD Edwards EnterpriseOne is a mature and broad solution with a long track record. Originally built on IBM technology, it is today available on a variety of platforms, including Microsoft Windows. A range of industry-specific functionality is built into the system, especially for asset-intensive and complex manufacturing, and it is available in 46 country versions. EnterpriseOne benefits from Oracle's Applications Unlimited strategy: Since it was acquired by Oracle in 2005, the system has seen a regular flow of new releases, each with a certain focus area (e.g., 9.0 on Project and Government Contract Accounting). The EnterpriseOne development organization started to reach out to select partners to acquire and integrate proven industry-specific product IP. One of the first examples includes an apparel management solution from a French partner, Thalma, which has been selling this solution to a number of customers in recent years. The next release, 9.1, was announced to become generally available between June 2011 and May 2012.

Some of the products that were acquired by Oracle are being made available to EnterpriseOne users, but the prices are often much higher than the original JD Edwards licenses, and there continue to be not many partners that are familiar with, and few users of, Oracle's Application Integration Architecture (AIA).

EnterpriseOne will not experience any fundamental modernization efforts culminating in it becoming a complete model-driven application, and Gartner believes that Oracle Fusion Applications will not be a viable offering to fully replace EnterpriseOne anytime before 2013. EnterpriseOne is a strong performer for many types of enterprises (its ability to execute ranks higher than any other offering evaluated in this Magic Quadrant), and it continues to enjoy a high degree of functional, as well as technical, enhancements that improve integration and interoperability. The gaps in Oracle's vision position EnterpriseOne in the Challengers quadrant.

#### Strengths

- The continuous enhancements in technology and functionality have led more than one-third of all customers using Oracle JD Edwards EnterpriseOne to move to newer releases — 8.12 and 9.0 — but EnterpriseOne customers find it as challenging as users of other ERP systems to build business cases for major upgrade projects.
- EnterpriseOne offers deep, native industry functionality for engineering and construction, CPG (especially in agriculture and consumables), general manufacturing and distribution, as well

as for asset-intensive industries like oil and gas and real estate management. The focus of new releases on a selected industry tends to deepen the functional capabilities of EnterpriseOne.

- OBAs are primarily used by partners to build and package industry-specific or regional solutions. Leveraging JD Edwards' partner ecosystem's strengths to build the long-tail functionality needed in customer projects is a powerful approach to cover the highly differentiated requirements across various geographies and industries. The Configuration Deployment Kit can be used by customers to deploy system templates between multiple instances used across the organization.
- Integration scenarios to applications acquired by Oracle (like G-Log for transportation management and Demantra for demand planning and forecasting and CRM on demand) are released for EnterpriseOne, and in most cases the licenses for these integrations are included in the licenses for the add-on products or sold as separate Process Integration Packs.
- After having acquired Sun Microsystems, Oracle has committed that it will continue to support EnterpriseOne on non-Oracle platforms such as Microsoft Windows, which many new customers continue to choose for their platform.
- Gartner believes that EnterpriseOne is best-suited for core midmarket companies that operate in multiple countries and in asset-intensive industries such as industrial manufacturing, but also food and beverage, commercial real estate, and engineering and construction. The system offers 46 country versions. Approximately two-thirds of its presence is in the Americas, with EMEA being the second strongest region.

#### Cautions

- While EnterpriseOne's UI will receive further improvements like personalization, "in-line" analytics, comprehensive search and some Web 2.0 features, with a special focus on Oracle technologies (such as Oracle WebCenter Suite, Oracle Beehive and Oracle Business Intelligence Applications [OBIA]), the UI is not yet as flexible and intuitive as some competing solutions.
- The Web service interfaces provided are not yet covering the complete application, so users might have to wait for further extensions planned for future releases or turn to the more traditional application programming interfaces (APIs).
- The visibility of JD Edwards is overshadowed by Oracle's marketing campaigns, which leads to customers' and prospects' concerns about the solution's viability. Gartner has observed that Oracle's sales organization tends to promote EBS over EnterpriseOne, even in cases where the latter might offer a better fit or a more favorable cost, so prospects sometimes need to explicitly request EnterpriseOne to be included in the selection process as a potential alternative.

- The reporting capabilities were continually mentioned as an issue by customers, and Oracle is working to enhance these capabilities by enhancing Oracle BI Publisher and the OBIA. BI Publisher is included in the EnterpriseOne license, but customers often found OBIA too expensive. Data export to Microsoft Excel is supported, but writing data from Excel to JD Edwards is not possible without additional effort. Bidirectional copy and paste between EnterpriseOne and the Microsoft Windows clipboard was added in the Tools 8.98 update 3 release. OBIEE analytics were embedded through action links in many transactional screens, but this can add costs and complexity.
- EnterpriseOne will not receive fundamental transformations such as the move to a full SOA or availability as a multitenant SaaS ERP, which are the focus of Oracle Fusion Applications. Many reference customers found Oracle's ERP road map confusing and were not familiar with Oracle's strategy around Oracle Fusion Applications. Oracle has responded to this concern by providing more road maps and presenting possible adoption patterns of Oracle Fusion Applications at Oracle OpenWorld 2010. Gartner believes that Oracle Fusion Applications will not be ready as a complete suite to replace an existing EnterpriseOne installation before 2013, so customers need to focus their ERP initiatives around the existing Applications Unlimited products and on potentially augmenting these products with Oracle Fusion Applications modules where they see a good fit.

## QAD Enterprise Applications

QAD Enterprise Applications is a scalable solution with its origins in the industrial and automotive industries, and a long track record in volume-based, batch-oriented industries. The solution can be used to run specific plants of large corporations, but there are also examples of global enterprises that run their complete business on QAD. The complete reimplementation of finance and accounting functionality in the latest release has greatly helped these organizations to continue using QAD, when many of their peers using other systems have turned to one of the Tier 1 suppliers, like SAP or Oracle. Over 70% of QAD's revenue comes from large multinational manufacturers, but this figure includes those accounts where QAD is used as a departmental or single-site solution.

QAD's mission is to apply lean principles not just to manufacturing and the supply chain, but actually to enable customers to use lean principles in all parts of the organization "to eliminate waste" in every function of a customer's business.

QAD Enterprise Applications is offered on-premises and on-demand. Its Shared Services Domain Architecture allows the separation of physical instances from organizational structure (e.g., legal entities), offers a flexible mix between on-premises and on-demand instances, and helps to consolidate physical instances.

With offices in 26 countries, QAD does most of its business direct and only uses channel partners in select markets. Fifty percent of its revenue in fiscal year 2009 was generated in the Americas, one-third in EMEA and the rest in Asia/Pacific. QAD mainly sells and services customers directly through its own resources, with the effort supplemented in some regions by third parties.

QAD Enterprise Applications continues to perform well and meet the needs of many midmarket enterprises, and QAD is making the right investments to improve the solution, although, at times, later than expected by customers. However, the vision of the offering is average, where the fundamental transformation of QAD into a model-driven packaged application with embedded analytics is dependent on the advances of the technology base delivered by Progress Software, despite the investments in process maps and "prescriptive workflow." Despite the long tenures of most executives, there is a perception of a lack of clarity in the long-term future of QAD's top management. Together, these facts position QAD Enterprise Applications in the Challengers quadrant in this Magic Quadrant.

## Strengths

- QAD has a good reputation in its work with customers to define the future solution road map. Once a decision for new investments is made, QAD has proved strong execution, e.g., in the newly developed .NET-based UI, the reimplemented finance and accounting modules, and the ongoing work in analytics and BI.
- QAD Enterprise Applications allows customers to use the traditional character-based screen design in parallel with the new .NET-based graphical UI. This can ease change management and allows customers to postpone training to a later phase in an upgrade. The graphical UI can be used on versions as old as MFG/PRO eB2.1 (released in 2001) with SP4, which allows customers to first leverage the new UI while doing a full upgrade later in the life cycle.
- QAD is not the only vendor where customers felt they were not getting enough value for their maintenance costs, and QAD has started to deliver more value by giving customers under maintenance access to improved e-learning materials, specific capabilities such as Operational Metrics (a departmental BI/decision support system) and, most important, a recently established customer satisfaction team. This team of consultants reaches out to customers and offers help to learn new capabilities, improve processes and act as users' advocates within QAD. Gartner has not seen much usage of these offerings with customers, so QAD needs to do a better job of promoting this to its customer base.
- Gartner believes that QAD Enterprise Applications is best-suited for core and upper-midmarket companies in high-volume industries such as automotive and automotive suppliers, consumer products, electronics, food and beverage, industrial products, and a smaller but growing presence in life sciences. Half of its presence is in the Americas, with the rest split between EMEA and Asia/Pacific.

## Cautions

- Almost 60% of QAD is owned by the founders, and their ongoing active role as chairman and CEO, respectively, can raise questions regarding the transition to a new management in the longer term. However, the current organization has proven leadership in the executive team and the board of directors.

- Not unlike other vendors offering proprietary BI solutions, customers need to diligently check if QAD's BI solutions are sufficient for their requirements, or if they should adopt a third-party system. The strength of QAD's BI lies in the deep integration and in the delivery of key functional and industry-specific KPI data and dashboards.
- QAD Enterprise Applications allows customers to import data from tools like Microsoft Excel using its QXtend integration tool, but this is only available in select points of the application.
- Customers with a bigger global footprint should plan their projects with some lead time, since some local QAD teams are small and highly utilized. In some geographies, customers should be prepared to work with additional resources from QAD's local partners. These local resources were sometimes found to be not as skilled and experienced as most of QAD's internal resources, so customers should seek to contract with partners qualified by QAD to ensure that they have retained qualified resources.
- Customers using QAD resources for project management and leadership have expressed a desire for these resources to have better skills beyond technology.
- Customers that are using older version of QAD's MFG/PRO on a concurrent user base need to be aware that the conversion to named users during an upgrade to a more recent release might no longer allow them to share licenses across multiple time zones. They might want to analyze QAD's enterprise license program and the license unit pricing model announced for 2010.

## Sage ERP X3

With revenue of 1.4 billion GBP, 13,400 employees and 6.3 million customers worldwide, Sage is one of the top 5 ERP vendors worldwide by revenue. Almost 90% of its customers reside in the small business or lower-midmarket segment (of which only approximately 30% are under maintenance), served by 30,000 resellers. Sage's corporate strategy has always been to enter a new country by acquiring one of the top local vendors, slowly aligning the branding with corporate standards, but otherwise leaving the local organization and management to continue operation without disruption. This has led to a very diverse portfolio with lots of products that are only sold and serviced in their home markets, but have not reached an international presence. This has prevented Sage products from being included in previous versions of this Magic Quadrant.

As a recent change to this fundamental strategy, Sage has announced to make its Sage ERP X3 (X3) solution available in more countries. Therefore, X3 is the latest addition to this Magic Quadrant, but compared with other products in this Magic Quadrant, the product and go-to-market strategy are still a work in progress. It is based on Adonix, which Sage acquired in 2005. Sage claims to have 2,900 customers of X3, but Gartner believes that a significant portion of these are still using an Adonix version and have yet to make the move to the newest release, which is not simple to achieve. References came from a mixture of existing

Adonix and newer X3 customers. Sage has not officially defined an industry direction for the product, although it has stated that the public sector will not be a target for X3, but it has adopted user centricity as a core focus to extend the reach of the solution inside an organization. More than 80% of X3 customers are in EMEA, with a significant portion in North Africa, roughly 10% in the Americas and the rest in Asia/Pacific. X3 runs on various platforms, including Microsoft and the Oracle database, and the UI does incorporate modern concepts like data visualizations, personalization features and access to Microsoft Office tools.

Sage's brand name and market visibility will help it gain entrance into many selection processes, but X3's success will be stunted by its lack of industry focus and its average product strength in most functional areas. The biggest challenge for X3 is its different cultural fit for Sage, and it is not yet clear if the company has the resilience to maintain board-level support for the product and the additional channel (direct or indirect) that it will be required to develop, ideally by attracting internationally recognized implementation partners which have the depth and breadth to implement across multiple regions for midmarket customers. These factors position Sage ERP X3 in the Niche Players quadrant in this Magic Quadrant.

### Strengths

- Customers were pleasantly surprised at how customizable the product is, albeit mostly delivered through partner support.
- Finance and accounting, core manufacturing, stock control and logistics functionality are considered to be strong, but there is no solution for financial consolidation and no deep functional support for specific industries.
- Customers using the product in China and other Asian countries believe it a good fit for small companies, even over local solutions.
- As existing Adonix customers upgrade to Sage ERP X3, they will provide more reference customers for the latest versions, but this progress is expected to be slow.
- The visibility of Sage's brand as a leading supplier of business applications in the lower and core midmarket is likely to drive X3 in the various countries, but this will be overshadowed and cannibalized by the already existing more-local Sage products.
- The latest version of X3 will offer a prebuilt integration to Sage's SalesLogix CRM application to give an additional CRM option should the native CRM functionalities in X3 not suite the requirements of the customer.
- Gartner believes that X3 is best-suited for lower and core midmarket companies in discrete and process manufacturing, services and distribution industries without offering deep vertical functionality. The solution offers nine localizations, which are sold in 53 countries, but almost 80% of its installed base resides in EMEA, with a strong presence in some African countries.

## Cautions

- The biggest threat to Sage ERP X3's international success is internal not external, coming from the existing very rich and diverse Sage portfolio. Many country organizations which traditionally operate on their own already have some comparable product offering, limiting the desire to build an extensive and aggressive organization or partner channel to drive X3 into the market. After the announced retirement of Sage's longtime CEO, the new CEO will have to boost or kill the X3 initiative.
- Given the recent launch of X3 as a product with intended global presence, the number of trained consultants is limited. Most of the thousands of Sage partners are not yet familiar with the product, but rather have built their businesses on other solutions. Internationally capable partners are limited to France and the U.K. to date. Support availability overall is seen as a weakness. To overcome this, Sage has created an international team to provide support, training and consulting.
- The product has yet to be localized for all regions (including language). Some existing localization was done in-region, which will require rework and consolidation or separate versions. X3 is being used by customers in China, although some major changes were required to meet Chinese rules, particularly in finance and accounting. This can so far only be accomplished by running a separate code version for China.
- There is no general two-way integration with the likes of Microsoft Office. Also, there is no clearly stated strategy to use other solutions from Sage's large portfolio or from the wide ecosystem around other Sage products to enhance X3.
- Some basic features like handling units of measure (such as weight to volume) are not supported well in the standard product, and customers cited that purchasing functionality is weak.
- Given that almost 90% of Sage's customers are in the small or midsize business and lower-midmarket segment, X3 is thought to be an "overkill" for the majority of Sage's existing customer base and partners, so growth is stunted by limited cross-sell opportunities.
- License costs are considered on par with more-established products. X3 offers two license models, with concurrent licenses in the Standard Edition and named users in the Premium Edition, and customers found this to be an issue when moving from Standard to Premium.

## SAP Business All-in-One

SAP Business All-in-One applications are prepackaged, industry-specific solutions that use SAP Business Suite functionality to support midmarket businesses. With pre-integrated CRM, SRM and ERP functionality, SAP Business All-in-One is actually the SAP Business Suite product with a templated deployment methodology implemented by SAP partners. Each partner remarkets and

implements an industry-specific offering that uses a combination of SAP industry templates, as well as partner-specific templates, to configure a turnkey solution for the customer with fixed scope and implementation at a fixed price. This approach delivers the full scope of the underlying solution, not a reduced or trimmed solution, and helps to reduce the effort needed in the early phases of an implementation. Additional changes, enhancements and customizations, beyond simple configuration and "turning on" additional functions, are possible, but users doing so have to cope with the full complexity of the SAP Business Suite.

SAP's recent development initiatives around Business All-in-One deliver improvements to the user experience via a new version of the NetWeaver Business Client and a deeper integration of the acquired BusinessObjects products. Many of the enhancements and innovations delivered via the Business Suite become available in Business All-in-One, albeit with a certain delay that is used for streamlining and packaging activities. Examples include the addition of functionality originating from SAP's Supplier Relationship Management (SRM) solution, of which parts like self-service procurement have been included. However, there is no evidence of new features added to the solution from SAP's SaaS-based offering Business ByDesign, and the promise of side-by-side deployment has not materialized. For customers on previous releases, leveraging new features delivered through enhancement packages require an upgrade to ERP 6.

From the perspective of global penetration, ability to scale, market share and SAP's commitment to the solution, SAP Business All-in-One is one of the strongest solutions in the market. The price transparency delivered via SAP's Solution Configurator has been expanded so that partners can include their individual offerings, scope and prices, which is a unique approach in the industry. Nevertheless, it has to be noted that for the types of companies considered in this Magic Quadrant and based on data across all the reference customers we spoke with, SAP Business All-in-One proves to have a higher TCO for the same number of users, increased end-user complexity and less flexibility to adapt the solution to changing business requirements. The fast-start program has been further enhanced, but it is of limited value in later phases of an implementation or in optimization projects during later phases of the application's life cycle. Despite these factors, the combination of SAP's undisputed leadership in the large enterprise market with the ongoing efforts to enable smaller organizations to adopt the preconfigured packages makes SAP Business All-in-One one of only two products in the Leaders quadrant in this Magic Quadrant, with a specific fit for companies at the upper end of the midmarket and for companies with very aggressive growth ambitions that need the scalability and functional strength of an enterprise-class solution.

## Strengths

- SAP Business All-in-One offers rich functionality and a wide number of well-documented industry-specific best practices, which together address a wide range of requirements out of the box. It is available globally and supported through over 1,100 partners worldwide.

- Business All-in-One's UI was enhanced, using NetWeaver Business Client 3.0, which allows for integrated analytics and some Web 2.0 features. (NetWeaver Business Client is delivered through Enhancement Pack 4.) Also, SAP has announced Duet Enterprise, a rework of Duet to work with Microsoft SharePoint 2010.
- SAP's fast-start program aims at helping lower midsize enterprises (i.e., those with up to 499 employees) to make the implementation easier and has proved its value in the early phases of an implementation project, e.g., system configuration, personalized demo and easier installation.
- The "life-cycle workbench" for Business All-in-One solutions helps implementation experts define and manage an All-in-One solution by combining various tools like the solution configurator and builder, the installation wizard and the BusinessObjects Data Integrator for migrating data. It is fully integrated with SAP Solution Manager, and the BusinessObjects Edge server, which is used for the data migration, is used at no additional costs.
- BusinessObjects Edge BI offers integrated analytics and dashboards throughout the application. This is marketed as "BI in SAP Business All-in-One," and its pricing has been adjusted to be closer to the expectations of midmarket companies. The preconfigured best practices deliver predefined KPIs in various areas. Four dashboards were delivered in 1Q10, and eight more are planned until the end of 2010. However, customers might have to buy additional products to achieve this.
- SAP's Value Engineering services were not specifically designed for midmarket companies, but they can help to identify opportunities to generate value using software that customers already own.
- Gartner believes that SAP Business All-in-One is best-suited for upper-midmarket companies or for fast-growing companies with demand for broad and deep specific functionality for a variety of industries. The solution is available worldwide, but the majority of the installed base and net-new clients is in EMEA.
- SAP is continually working to reduce Business All-in-One's overall complexity, e.g., by delivering prepackaged best practices, but customers should give their users ample training time and build documentation to cope with the breadth and depth of the solution. Customers found it useful to train their implementation team very early on in an implementation project, so that they were on par with any external resources used.
- Customers need to be aware that the fast-start program often only yields the first part of an implementation, and that significant additional effort might be needed after the first go-live to complete and optimize the implementation. Customers need to carefully check the estimated efforts for external and internal resources, as there have been significant excess demands, and should ensure that the partner carries a good portion of the financial risk associated.
- The functional richness of Business All-in-One can help to make customizations less likely, but it also makes customizations — where needed — difficult to build and to maintain, especially through upgrades. This leads to the fact that users adapt even their company-specific processes to what the system offers, rather than adapting the solution to best fit their differentiating business requirements.
- SAP, at Sapphire 2008, announced the concept of "side-by-side deployment," by which functionality resulting from SAP's considerable efforts to complete SAP Business ByDesign would become directly available to Business All-in-One. However, no product-related enhancements to All-in-One from this initiative are available yet.
- The SAP solution configurator ([www.sap.com/sme/howtobuy/businessallinone/configurator.epx](http://www.sap.com/sme/howtobuy/businessallinone/configurator.epx)) allows an initial estimate of the costs for software licenses and implementation efforts, and there now are also versions built by SAP partners. Nevertheless, users have found their project and maintenance costs exceeding their expectations, especially when the functionality scope extended beyond the initial estimate. Companies should do a detailed blueprint phase in order to derive a more realistic budget and a clear understanding of what will be delivered in which project phase.

### Cautions

- The facelift of SAP Business All-in-One's UI does not completely remove the issues that customers had with the overall complexity of the product. Also, the integration with productivity tools like Microsoft Office beyond what Duet offers is yet to be completed.
- Although Business All-in-One solutions offer thousands of built-in reports, the users that Gartner spoke with did not find all the reports that they needed, and found that even simple changes required expensive programming in ABAP. Customers should turn to tools like Crystal Reports and BusinessObjects Edge instead for the creation of new reports.

### Syspro

Syspro's headquarters are in South Africa, with primary offices in countries such as the U.S., Canada, the U.K. and Australia. Through a consequent building of a channel, it is available and deployed almost equally in Europe, Africa and North America. The solution is based on organic development from the head office in Johannesburg, makes extensive use of the Microsoft technology stack and is supplemented with localized content from Syspro offices and approximately 150 partners around the world. Functions considered useful and scalable for all clients are brought back into core code, while more local extensions are developed and maintained in the localities. The central Team Syspro can be engaged for project management and to help the channel in case of customer project problems.

Syspro's version 6.1 was released in August 2010 and represents a major evolution in the underlying technology to version 6 (with SP 2 released in March 2008) with the introduction of workflow services, inventory optimization, process modeling and more-integrated analytics for enterprise performance management. Functional enhancements to financial management, CRM, SCM, production and application management have also been made to 6.1, and while we have taken these elements into consideration in assessing Syspro's vision, it is too early to rate the latest version in terms of ability to execute until a greater number of reference customers become available. Version 7 is announced for late 2011, with a focus on quality and warehouse management, increased mobile capabilities and social networking integration. Syspro BusinessLive is announced for release in late 2010, providing the first steps toward a SaaS strategy. The ease of designing, configuring and personalizing the UI is better than in most systems that are evaluated in this Magic Quadrant.

Syspro continues to perform well in its target market, and, while by no means the largest vendor (by revenue) in this Magic Quadrant, it's a more-than-capable vendor in its chosen industries. The vendor is held in high regard among its customer base for its willingness to help in complex implementations and in occasional situations where vendor remediation is needed. Syspro continues to innovate and invest in areas where additional strength is required (e.g., CRM and BI), as well as in changes to make it more of a model-driven packaged application with its very recent release of version 6.1. However, in terms of the evaluation for this Magic Quadrant and the reference checks made, we primarily focused on version 6 SP 2 customers. Given the company's size, functional footprint (especially for less-complex multisite organizations), target industries and the global nature of the business, we have positioned Syspro in the Niche Players quadrant.

### Strengths

- Syspro's focus on specific micro-industries within discrete (e.g., medical devices, electronics and food) and process (e.g., chemicals and fertilizers) manufacturing guarantees strong capabilities for core processes such as inventory management and manufacturing support.
- Although Syspro predominantly sells and implements through the channel, reference checks have commented on Syspro's willingness and ability to recover implementation issues to the customer's satisfaction. Syspro's relatively small channel network allows for greater intimacy between Syspro corporate and its channel.
- Reference checks made by Gartner showed the global nature of Syspro's presence. Clients also spoke of a relatively smooth upgrade process through to the version 6 SP2 release.
- User experience and effort required for user training on the Syspro application were generally seen as strong, with the option of purchasing Microsoft OBA to allow free access to information held within Syspro for lighter functional requirements.
- Although a relatively small vendor compared with some of its peers in the Magic Quadrant, Syspro continues to keep pace with technology and industry demands, as demonstrated in the latest release of 6.1, which includes steps toward more integrated analytics and model-driven architecture.
- Market visibility for Syspro remains an issue, but for customers who have selected Syspro, the experience has generally been positive. Indeed some customers have reportedly gone back to Syspro after initially switching to another vendor due to standardization pressures.
- Gartner believes that Syspro is best suited for lower-midmarket companies, with a deeper focus on select industries, such as food, medical devices, electronics/technology and industrial machinery equipment. The solution is available in over 60 countries in all three geographies, with approximately 90% of its business almost evenly split between the Americas and EMEA.

### Cautions

- The escalation process for customers who require help with an implementation or with a support issue could be improved to make it a smoother and faster process. That said, once the end customer is in contact with Syspro corporate, the situation is normally recovered within an accepted time frame.
- Ninety percent of Syspro's go to market is done by channel partners, and the quality of implementations and support has been noted as variable. None of the references Gartner spoke with encountered a "show stopping" problem, but Syspro needs to continue to pay close attention to better training and knowledge transfer to newer partners and those in emerging economies.

- Team Syspro as a concept has been available for a number of years, but from the reference checks made by Gartner, it is not something that appears to have been used very much or is known about widely among the customers Gartner spoke with (which include some of Syspro's larger customers). Greater use, or at least better marketing, of the concept to customers may help to make the more-complex and larger implementations smoother.
- Syspro's financial backbone capabilities, while capable and fine in a single-site scenario, were reported as being weaker when it comes to using Syspro as a consolidation engine for multiple instances or subsidiaries reporting into the master instance.
- A desire for stronger CRM functionality was a theme echoed in a number of reference checks. Customers and prospects looking for deeper support and sophistication in their CRM needs will likely need to interface with a third-party system. A similar situation exists in terms of document management capabilities. Syspro is planning to build out the internal CRM functionality plus a deeper integration to Microsoft Dynamics CRM in future releases. Likewise, the document management capabilities are enhanced through an integration with Microsoft SharePoint.
- Although product stability and code quality have generally not been an issue, there were some issues in the early adopter phase of version 6. Syspro has taken steps to improve the situation, but existing and prospective customers should pay due diligence in their migration to or implementation of new versions of the application.

## Vendors Added or Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

## Evaluation Criteria Definitions

### Ability to Execute

**Product/Service:** Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word-of-mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.