Magic Quadrant for the ERP Manufacturing Midmarket, 2005

Economic conditions and vendor consolidations are reshaping the core enterprise resource planning application midmarket. The technology transformation to service-oriented architectures will be the most-significant factor redefining this space.

WHAT YOU NEED TO KNOW

Consolidation among midmarket vendors will continue; therefore, users selecting midmarket enterprise resource planning products should ensure long-term support or, at the very least, ensure access to source code in contract negotiations. Be wary of vendors that don't have plans to make required technology changes to their software to deliver deeper vertical application functionality for such domains as discrete and process manufacturing. Analyze vendors' ability to remain financially strong while investing through the coming years of slow growth. Determine how vendors plan to support and service solutions during the expected life cycle.

STRATEGIC PLANNING ASSUMPTION(S)

The next three years will be lean for vendors selling integrated software applications, especially those supporting core ERP functionality, as low-single-digit growth continues (0.8 probability).

ANALYSIS

Gartner is predicting slow growth overall in the core enterprise resource planning (ERP) functionality market. Many vendors will struggle to post revenue growth equal to that of the market in general, which is a clear sign of distress. Some vendors in this space have attempted to diversify – for example, some large providers have focused on small and midsize businesses (SMBs) – while

Key Issues

How will enterprises achieve value on their investments in software?

others have tried mergers with rivals, such as Oracle's acquisition of PeopleSoft and Infor's acquisition of Mapics.

The technology transformation to a service-oriented architecture (SOA) will have the largest effect on redefining the ERP midmarket since the term "ERP" was coined. This technological improvement will require large R&D investments to totally re-engineer a great deal of code – an effort that will not provide vendors with an immediate return on investment (ROI) and will put additional pressure on their survival. The midmarket providers are likely to narrow their focus to provide services for specific manufacturing types that fit the vendor's current products, creating a "tiering" effect in the overall ERP space. This will be similar to the automotive manufacturing market, in which large vendors command networks of suppliers.
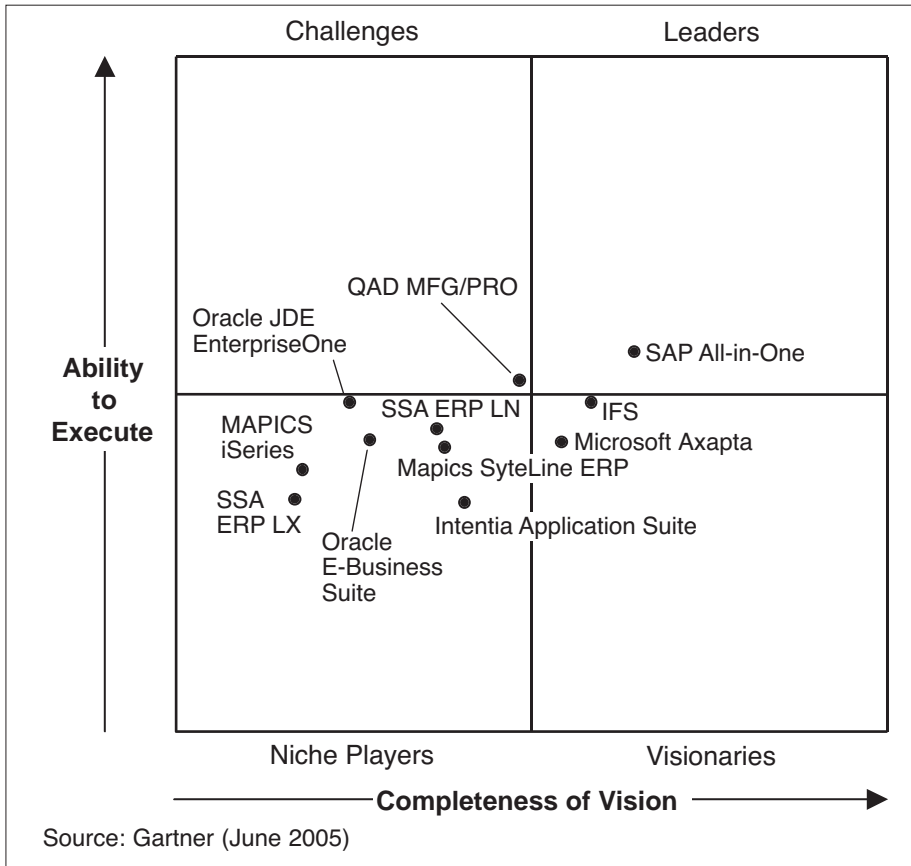
Companies should use this Magic Quadrant (see Figure 1) to narrow their vendor lists and use follow-up conversations with Gartner analysts to find the products that best fit their specific vertical industry needs.

The Leaders Quadrant

Leaders deliver with strength in today's market and also have a well-developed vision for supporting and influencing the market of the future.

SAP: This vendor's All-in-One offering is a leading product because of its growth rate, industry focus, global reach and fixed price implementation. All-in-One is a unique

Gartner

Figure 1
Magic Quadrant for the ERP Manufacturing Midmarket, 2005

hosting option for All-in-One users, but until there are significant references available, only early adopters should evaluate this option. If there's a partner for your specific industry, and there's adequate geographical coverage, prospects should evaluate All-In-One. Global companies seeking a midmarket solution should evaluate All-in-One, but emphasize the importance of the systems integrator's (SI's) ability to execute and accept management of multiple SIs across geographic boundaries.

The Visionaries Quadrant

Visionaries' technology and execution supports future growth, but these vendors are unable to meet current user needs with consistent strength in all evaluation areas.

Figure 1
Magic Quadrant for the ERP Manufacturing Midmarket, 2005

Challenges / Leaders

Ability to Execute

QAD MFG/PRO
Oracle JDE EnterpriseOne
SAP All-in-One
SSA ERP LN
IFS
MAPICS iSeries
Microsoft Axapta
Mapics SyteLine ERP
SSA ERP LX
Oracle E-Business Suite
Intentia Application Suite

Niche Players / Visionaries

Completeness of Vision

Source: Gartner (June 2005)

offering for the midmarket, because it is actually the mySAP product with a templated deployment methodology implemented by SAP partners. Each partner re-markets 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.

However, although some partners are global, many All-in-One partners are local to a geographic region. In some industries, SAP will be challenged to compete in two-tier deals for companies with global requirements. SAP has a

IFS: This vendor offers component-based technology and deep functionality for complex discrete manufacturers in the aviation/defense, automotive, industrial manufacturing, medical device, high-technology and process industries. A benefit for IFS customers is the vendor's ability to deliver lower total cost of ownership (TCO) after initial implementation, compared with other ERP vendors. Because IFS supplies a componentized product, no large-scale upgrades are required, and users can deploy functionality on demand. Because IFS operates somewhat autonomously at the country level, if you're considering a global implementation of IFS products, you need to ensure a country focus in your specific industry.

However, IFS's financial performance has caused users to question the vendor's continued viability. IFS must return to profitability by continuing its cost-containment initiatives, focusing on its core competencies, and stressing performance in the U.S. market. In addition, IFS does not have a global brand identity; therefore, it is often ignored in many deals. Users with discrete, engineer-to-order (ETO)-oriented requirements should evaluate IFS solutions, with the understanding that its industry-focused implementation expertise may vary across geographies.

Microsoft Axapta: This vendor is growing worldwide, primarily because of its association with the Microsoft brand, its discrete manufacturing capabilities and its strong customization capabilities. Axapta's current challenge is to rapidly develop a competent and experienced implementation channel in North America. Its out-of-the-box functionality is suitable for industrial-based, plant-level manufacturers. Independent software vendors (ISVs) and resellers address specific vertical business requirements and horizontal gaps by extending the product.

When considering Axapta, users must evaluate the Axapta solution, ISV extensions and the viability of the SI partners, because critical functionality may be developed by the partner. Many partners are smaller organizations, so they may struggle with viability issues, ultimately creating a risk for midmarket ERP buyers that become dependent on code developed by the partner. Many channel partners are local to a specific geographic region; therefore, the execution of deals that include a global rollout are a challenge. Microsoft, however, does have some partnerships with organizations that are capable of global, multisite deployments.

Multisite or single-site companies with complex manufacturing requirements should evaluate Axapta. Global companies seeking midmarket solutions should evaluate Axapta, but place emphasis on the SI's ability to execute and accept management of multiple SIs across geographical boundaries.

The Challengers Quadrant

These vendors have consistently strong capabilities for delivery, but lack some areas of vision that may affect their sustainable leadership abilities.

QAD: This vendor is in the Challengers quadrant because of its global reach, ease of implementation and industry expertise in the industrial manufacturing, automotive supply, medical instrumentation, and food and beverage industries. QAD effectively sells directly to local manufacturing plant sites that are divisions of larger corporations. By targeting these sites directly, QAD continues to focus its core business on specific segments and provide deep functionality for specific industries.

QAD's new Global Enterprise Edition (GXE) provides companies with a shared service capability, including flexibility in setting central control or plant control of key business rules. However, customers and prospects continue to question QAD's dependence on Progress. Although Progress has become a leading open-architecture tool company, other ERP vendors in the midmarket are aligning with Microsoft or IBM. A primary factor in QAD's success is its use of development groups in its vertical industries as an integral part of its R&D, testing and enhancement. Multinational midmarket companies seeking plant-level manufacturing functionality should evaluate QAD.

The Niche Players Quadrant

These vendors focus on a limited segment of the market or have modest capabilities to innovate or outperform their competitors.

Intentia International: Briefly returned to profitability with the appointment of a new CEO who has refocused the company on cost containment and on its installed base to maximize license and maintenance revenue, this vendor needs to demonstrate a consistent track record of profitability. Because of Intentia's lack of a global installed base of users – and now that the transition from a product that only operates on the iSeries (RPG) to a Java-based

solution that operates on multiple platforms is complete – it must focus on its acquisition of new accounts. The functionality of the Intentia Application Suite is suitable to general manufacturing environments, but is more focused on asset-intensive and less-complex distribution-oriented environments.

The Intentia Application Suite is best suited to the fashion industry, food and beverage companies, and general manufacturing users with asset service and maintenance requirements. Intentia reports that all new sales are on its updated Java version; however, a large percentage of current users have not migrated to the Java version. The lack of a significant presence in the United States continues to hamper Intentia's growth prospects, but the recently announced merger with Lawson presents global-scale cross-selling opportunities.

Midmarket discrete manufacturing companies in the fashion, food and beverage, and general manufacturing industries with distribution or enterprise asset management (EAM) requirements should evaluate the Intentia Application Suite.

Oracle E-Business Suite (EBS)/J.D. Edwards (JDE) EnterpriseOne: These products are in the Niche Players quadrant, mainly due to poor clarity of vision and uncertainty surrounding Oracle's long-term product strategy (referred to by Oracle as "Fusion").

Before the PeopleSoft acquisition, JDE EnterpriseOne was a strong competitor in manufacturing in the consumer packaged goods (CPG), industrial manufacturing, life sciences, oil and gas, and chemical industries. However, with two years of uncertainty surrounding the product (the majority under the PeopleSoft ownership), Gartner sees few new deals in which the product is a primary competitor. As Oracle continues to develop its product strategy, including the revised branding of JDE in the Asia/Pacific (APAC) region and in Europe, Middle East and Africa (EMEA), we anticipate that EnterpriseOne will

be repositioned as the Oracle solution for the manufacturing midmarket, primarily through a partner channel.

Because most of the current EnterpriseOne installed base is at the XE release level, users face investments in multiple upgrades to maintain support through 2013. Once there, they must migrate to the new business products that will result from Oracle's Fusion project.

EBS has strong manufacturing functionality for the high-technology, industrial manufacturing, automotive, life sciences, CPG, chemical, and aerospace and defense industries. With Oracle's acquisition of PeopleSoft, EBS is being positioned as an upper midmarket and Tier 1 solution. We anticipate that Oracle will preserve the EBS portfolio with the next-generation product; thus, it's slightly ahead of JDE EnterpriseOne in completeness of vision. Oracle EBS is highly regarded, but a new-generation product is under way. Users evaluating either of these products should factor in the costs associated with the risks of a future migration to a completely new product by 2013.

Mapics: Infor acquired Mapics in April 2005, and both of Mapics' products (iSeries and SyteLine) are in the Niche Players quadrant. Although SyteLine has delivered its next-version product on the Microsoft .NET technology platform (SyteLine 7), including SQL Server 2000 and Exchange Server 2000, most of the installed base remains on the Progress version (SyteLine 6). Mapics has had some success selling the SyteLine 7 product to the lower end of the midmarket; however, established customers have been slow to migrate.

As a result of the recent acquisition by Infor, SyteLine is the more-viable solution. The SyteLine application is suitable for discrete manufacturers, especially those that require ETO functionality. Mapics has continued to upsell extension applications to its Mapics iSeries customers, but

has had limited success acquiring new named accounts. Only complex manufacturing companies willing to make a long-term commitment to this platform should consider the iSeries solution.

SSA Global: This vendor's midmarket ERP strategy is to focus on two core solutions: SSA ERP LX, which is based on the flagship SSA solution BPCS, and SSA ERP LN, which is based on the Baan acquisition. Using its internal integration infrastructure, which leverages the IBM WebSphere technology stack, SSA is delivering on its plans to link extension applications. SSA will have to prove that it can enhance support and product development across multiple technologies, as well as provide a vision for the future, to get users excited about the product.

SSA ERP LX supports high-volume, repetitive, multimode manufacturing. This product has an installed base in the specialty chemical, food and beverage, pharmaceutical, CPG and automotive supplier industries. SSA ERP LN is well-suited to the industrial machinery, medical device, high-technology, defense and aerospace, electronics and automotive industries.

User inquiries concerning these products continue to focus on SSA's ability to maintain its current product implementation, as opposed to new accounts considering either solution. Midmarket manufacturing organizations should investigate the status of SSA's product convergence strategy and the associated risks before making a commitment. All SSA customers should validate the level of integration to the strategic extension applications before deployment.

Acronym Key

APAC	Asia/Pacific
CPG	consumer packaged goods
EAM	enterprise asset management
EBS	E-Business Suite
EMEA	Europe, Middle East and Africa
ERP	enterprise resource planning
ETO	engineer-to-order
GXE	Global Enterprise Edition
ISV	independent software vendor
JDE	J.D. Edwards
ROI	return on investment
SI	systems integrator
SMB	small and midsize business
SOA	service-oriented architecture
TCO	total cost of ownership