

APPS RUN THE WORLD

Distribution

Vertical Applications Market Report 2009-2014,
Profiles Of Top 10 Vendors

9/30/2010

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Summary

This applications market sizing report examines the 2009 performance of the top 10 applications vendors in the distribution vertical, which continues to assume a major role in directing the flow of goods and essential supplies to warehouses and retail outlets around the world.

Despite the economic downturn, distributors have been investing in applications projects in order to create a holistic view of their far-flung operators, while strengthening relationships with their customers.

Another big driver behind their IT projects is after years of consolidation, distributors are aiming to transform their business processes through a systematic overhaul of their applications backbone.

Top Line and Bottom Line

On the top line, the distribution vertical remains the linchpin of economy activities that often go undetected. If not for the work for major and minor distributors involved in shipping and handling billions of dollars of goods every day, the entire business world could come to a screeching halt. That's why distributors, like most living organisms, have thrived on continuous growth to sustain themselves. A good example is Ingram Micro, the technology product distributor that first reached \$1 billion in revenues in 1989. By 1999 its sales had zoomed past \$28 billion and the figure then zigzagged over the next 10 years cresting at \$35 billion in 2007. Last year its revenues topped \$29 billion. The volatility underscores the rapid changes within the vertical as well as how macroeconomic factors would propel or stall individual distributors.

Regardless of their size, these distributors have become increasingly dependent on new applications to give them an extra edge by taking advantage of any improvement in their business process in order to achieve a slight boost to their razor-thin margins.

The bottom line is that the distribution vertical is likely to go through another round of consolidation spurred by the often divergent demands for global trade and real-time inventory management. On one hand, customers and consumers want to have ready access to inventory and supplies preferably from sources at the local level. On the other hand, distributors are diversifying in order to offset softness in any part of their operations by expanding around the globe and potentially distancing themselves from some of their customers. In order to mitigate the risks in such expansion moves, distributors need to establish a common system equivalent to having a fully automated central warehouse that provides an up-to-the-minute view of their inventory.

Market Overview

The market for applications for the distribution vertical declined 4% in 2009 as the economic downturn took its toll forcing some distributors into insolvency. Vendors began to see renewed interest in their products as the market improved at the end of 2009. For instance, Activant started showing signs of growth in the first quarter of 2010, reporting a 10% rise in system revenues after a dismal 2009 when it saw a 22% drop in its system sales.

With few exceptions, most applications vendors had a lackluster year because of the recession. However, many have taken the opportunity to recast themselves in the most favorable position to address the long-term needs of their customers. Infor has created a dedicated business unit focusing on the distribution vertical since January 2010. Exact and IBS have gone through the rebranding opportunity to align their products and value proposition with the best interests of their core customers. Last year Exact invested in its brand equity reaffirming its commitment to SMB distributors, while IBS has positioned squarely as the premier vendor for the wholesale and distribution market.

The advent of Web services has also made it easier for distributors to offer real-time pricing and product availability information to their customers. Vendors have become the key enabler of the delivery of such crucial information through seamless integration and online tools.

The network effect is another key reason that distributors are joining forces with applications vendors. ArrowStream, for example, has built an electronic network of food service distributors and their customers primarily restaurant chains that share supply chain and logistics information with one another in order to reduce transportation costs, while improving their ability to secure better pricing and rebates from food producers. Already more than 4,000 manufacturers, distributors and restaurant chains have signed on as active participants of the ArrowStream network that encompasses 200 distribution centers, 8,800 shipping locations, 32,000 lanes of freight, and more than \$15 billion worth of products shipped in a given year.

Implications Of The Great Recession of 2008-2009

Resiliency may well be one of the lasting legacies of the distribution vertical. While the distribution industry as a whole has not fully recovered, there are signs that some distributors have begun to regain their momentum faster than the time they endured following the Dot Com bust in the early 2000s. In the first quarter of 2010 Ingram Micro's 20% sales growth was its strongest since 1999. Other major distributors anticipate a quick rebound in 2010 as well.

One of the reasons behind the optimism has to do with the incremental technology investments that these distributors have put into their operations, creating centers of excellence that have come to redefine how these companies can rebound once favorable economic conditions return. While the fixed costs of their operations may seem prohibitive at first, any sales growth will help easily defray such expenses thus resulting in greater profitability.

Their IT infrastructure is no different. Large and small distributors have spared no expenses in using new technologies to automate as many processes as possible in order to free up their employees to improve relationship with customers. Hence distributors were among the first users of electronic commerce when it became all the rage in the early 2000s. Some of these projects flamed out quickly and others learned from their e-commerce mistakes.

Similarly the last recession was a defining moment for those that prevailed because of their stable customer count as well as the IT decisions that they had made years earlier allowing them to plan and execute better than ever. Rather than resting on their laurels, many of these distributors pressed on with their investment plans in order to take full advantage of such technology trends from social media to mobile computing.

It is possible that the last recession will serve as a wakeup call for distributors to ratchet up their IT investment plans in order to better compete with the majors such as Ingram Micro in technology products, McKesson in healthcare and Sysco in food service. As the majors are bracing for another round of consolidation by acquiring weaker players especially those that have been under financial strain during the last recession, the line that separates winners from losers now appears to be based on how and where do they invest in new technologies in order to give them a clear differentiation.

Customers

While few companies would contemplate following the example of Sysco, the \$900 million business transformation project including a new SAP ERP implementation under way at the \$37-billion food service distributor may well be the wave of the future for the vertical.

In fact more of these ambitious and transformative applications projects could be coming from the distribution vertical in the coming years because of the increasing concentration of power within segments that are beginning to converge. In addition to selling to restaurant chains, Sysco also serves hospitals, schools and hotels. And it may make strategic sense for Sysco to not just ship them food and consumer products, but also hard goods like furniture or soft goods like uniforms. Many distributors are adding product lines not just to meet their customer requirements, but also the results of proliferation of SKUs and assortments from the suppliers.

All these line extensions will mean an explosion of data, creating a greater demand for role-based information with a specific set of buyers and users in mind, something that cannot be easily reproduced or presented using an inflexible legacy system.

At a time when retailers and restaurant chains are hunting for the next big concept or new ways to differentiate themselves, the mega distributors that serve them will also need to assume a bigger burden of becoming more versatile in how they package their products and the associated information to meet the evolving needs of their customers.

Top 10 Applications Vendors In Vertical

The following table lists the 2009 shares of the top 10 applications vendors in the distribution vertical and their 2008 to 2009 applications revenues (license, maintenance and subscription) from the vertical.

Vendor	2009 Share(%)	2009 Applications Revenues From Distribution(\$M)	2008 Applications Revenues From Distribution (\$M)
SAP	11.8%	306	300
Infor	8.8%	229	254
Sage	5.6%	145	150
Activant	4.2%	110	120
Oracle	3.9%	100	110
Microsoft	3.7%	95	100
ArrowStream	1.5%	40	35
HighJump Software	1.3%	35	32
Exact	1.3%	33	36
IBS AB	1.2%	30	30
Subtotal	43.3%	1123	1167
Other	56.7%	1470	1521
Total	100.0%	2593	2688

Vendors To Watch

In the ondemand space, NetSuite has become one of the major applications vendors that cater to the needs of the distribution vertical because of the growing adoptions of its integrated offerings for customer relationship management, eCommerce and back-office ERP solutions.

The rebound in the construction industry could give Spruce Computer Systems a lift as the vendor is remaking itself with a subscription software pricing that requires no upfront licensing fees. The flexible pricing scheme could become the standard practice in the distribution vertical as more customers are clamoring for the ease and predictability of paying a monthly subscription fee.

In selling distribution-specific applications to the automotive after-market, Autologue Computer Systems and WHI Solutions have become the shining stars as they continue to enhance their offerings in business intelligence, electronic catalogs with the help of content providers and suppliers, supply chain visibility as well as network connectivity.

Outlook

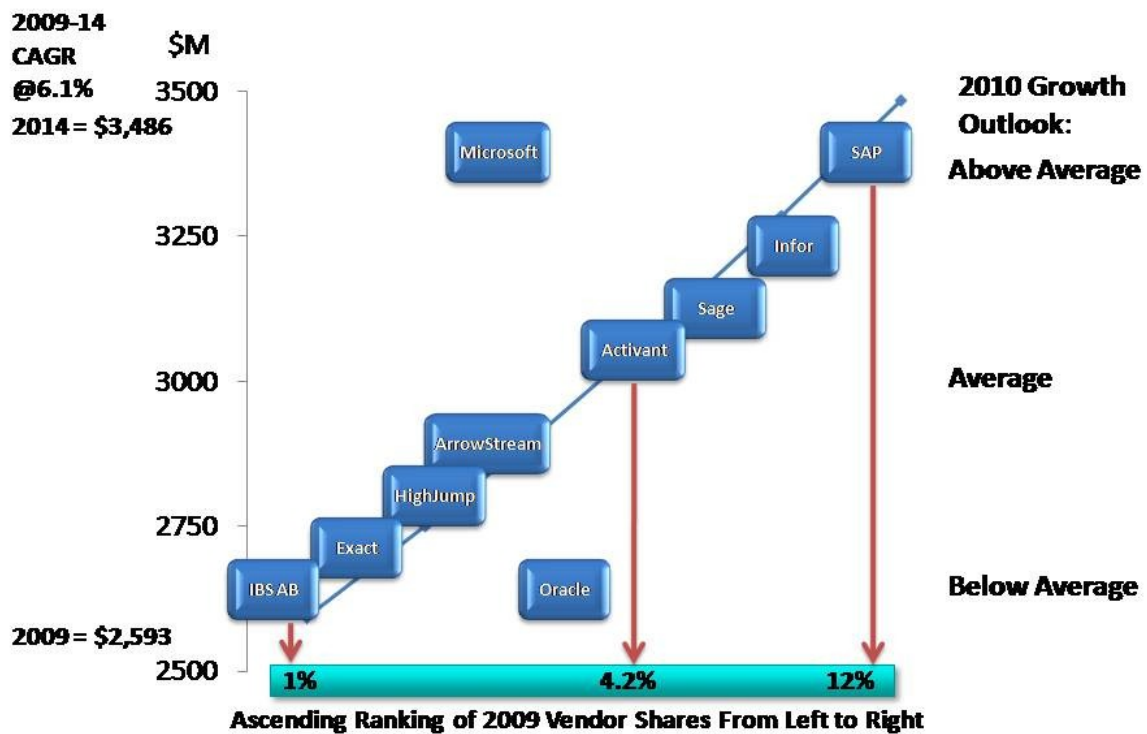
On the upside, the distribution vertical is expected to see an onslaught of consolidation both at the customer and vendor levels. As the recovery begins to manifest itself fully with capital becoming more readily, M&A activities among distributors will follow. At the same time, Infor and Sage, along with other apps vendors, are poised to pull the trigger for a large number of acquisitions and distribution has been one of their strategic verticals allowing them to become more entrenched among their target midmarket customers. That in turn could lead to share gains for these customers and vendors, giving them more leverage and perhaps a greater chance to boost their profitability.

On the downside, the distribution vertical is a game that awards those that chase volume and there is little room for participants to grow organically without resorting to mergers and acquisitions. The issue for both distributors and the vendors that cater to them is whether they can master the game of volume through increased efficiency without sacrificing quality service as well as corporate social responsibility. In fact the future of the distribution vertical could ride on who can distribute goods efficiently to the point of consumption with the least amount of environmental impact because of the extensive use of reverse logistics as well as green technology.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 applications vendors in the distribution market with SAP claiming the top spot at 12%, followed by Infor, Sage, Activant, Oracle and others. Based on our SCORES methodology, SAP and Microsoft are rated above average for their growth potential in 2010. The market is expected to achieve a 6.1% compound annual growth rate rising from \$2.6 billion in 2009 to \$3.5 billion by 2014.

2009 Shares of Top 10 Apps Vendors In Distribution Vertical, 2010 Growth Outlook, Forecast Through 2014



Profiles of Top 10 Applications Vendors In Vertical

- SAP
- Infor
- Sage
- Activant
- Oracle
- Microsoft
- ArrowStream
- HighJump
- Exact
- IBS AB

SAP

Walldorf, Germany

www.sap.com

Overview:

With its integrated applications and business process expertise, SAP has established an enviable lead in the distribution vertical as it addresses the needs of both large and small distribution companies. Typical customers include distributors in industrial and food service segments.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	300	306

2009 Applications Revenues in Distribution By Region:

Year	2009\$(M)	% of total
Americas	61.2	20%
EMEA	214.2	70%
Asia Pacific	30.6	10%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009\$(M)	% of total
XL(5K ees and above)	91.8	30%
Large(1K-5K ees)	153	50%
SMB(1K ees and below)	61.2	20%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009\$(M)	% of total
License	91.8	30%
Maintenance	214.2	70%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 11.8% share in the distribution vertical, SAP's ability to maintain and win share in the market segment in 2010	Above average

Full Overview

SAP, the big ERP applications vendor, has been expanding its presence in the distribution vertical through continuous enhancements of its products, while winning significant wins among major distributors that seek to transform their operations through the use of integrated solutions to improve business processes as their key differentiating factors.

SAP has also experienced increased momentum among small to midsize distribution organizations, especially those in France, Germany, Nordics, United Kingdom and the United States. Currently the bulk of its customers in the distribution are involved in industrial products. More recently SAP has been successful in securing distributors in healthcare and food and beverage as well.

Key Applications For Distribution Vertical:

SAP ERP, SAP BusinessObjects, SAP Demand and Supply Planning, Profitability Analytics, SAP Broker Trading, Customer Returns Management, Chargeback Management, Billing and Collections Management, Multi channel Sales Order Processing, Supplier Management, Supplier Rebate Management, Supplier Returns Management, Warehouse Management, Transportation Management, Supply Chain Visibility and Control

SCORES Analysis**Strengths**

With its extensive suite of applications, SAP has been meeting the operations and supply chain management needs of some of the biggest distributors in the world. Relying on SAP applications, these distributors including Ingram Micro in technology products, Grainger in industrial supplies, and McKesson in healthcare have succeeded in tackling complex business process issues, while making use the latest technologies to master their reporting, compliance, as well as strategic initiatives that often result in a new way of collaborating with their trading partners.

SAP's ability to deliver scalable and proven business management applications, along with its financial reporting and analytics tools, has been instrumental in transforming the operations of its distribution customers. The vendor extended its presence by working with best-of-breed ISV partners in such areas as chargeback management, express carrier integration and RFID.

The additions of BusinessObjects business intelligence tools and applications have helped distributors zero in on bottom line benefits with better use of supply chain and procurement analytics as well as real-time delivery of increased profitability visibility, something that is particularly important to the distribution vertical where razor-thin margins are common.

Customers

SAP has more than 7,700 customers in the distribution vertical. Specifically there are more than 5,600 industrial distributors, 1,400 in food and beverage and another 700 in healthcare using SAP applications. For industrial products, SAP focuses on building materials, electrical goods, machinery, technology products and hardware and plumbing. In healthcare, SAP sells into distributors of pharmaceutical products, healthcare equipment and ophthalmic goods. For food, SAP has won over those in fresh food, farm products and beverage.

Reference customers include Cardinal Health, Charmer Sunbelt, Graybar, Ingram Micro, McKesson, Powell, Slade Horton, Summit Electric Supply, Tech Data, United Stationers Inc., and West Chester.

Recent reference wins included Grainger, Mark Two Distributors, Metcash, Olam International, and Sysco.

Opportunities

The transformation within the distribution vertical has created plenty of opportunities for SAP to exploit. As many are facing increased pressure to boost their revenues and protect their margins, they have chosen to become master distributors or retailers themselves by setting up separate channels to serve different types of customers. SAP's broad-based applications are making it possible for them to support all business models whether it's direct selling or providing after-market service. In addition, the vendor's process-driven solution map allows for easy configuration of common processes such as procure to pay and order to cash.

SAP's growing portfolio for fast-growing companies is also making its presence felt among small to mid-sized distributors that are embracing its SAP Business One solution because of its rapid implementation. It took Sondra Roberts, a fashion distributor, eight weeks to implement SAP Business One and the improvements have come in the forms of increased amount of goods shipped, lower overhead and reduced sales order entry time.

Risks

Despite its accelerated push into the SMB space, much of SAP's success in the distribution vertical is derived from its significant presence among some of the world's largest distributors with up to \$100 billion in sales, as in the case of McKesson. In other words, SAP seems to have become the vendor of choice of these top-tier distributors. There lie the risks with these high profile implementations.

The on-going implementation of SAP Business Suite and SAP BusinessObjects business intelligence solutions at Sysco, a \$37-billion food service distributor, is a case in point. Led by Deloitte Consulting, the SAP implementation will have cost Sysco, more than \$50 million as part of its business transformation project.

Slated to run from 2009 to 2012, the four-year project carries a stupendous price tag of \$900 million because of the size of the company that entails the decommissioning of numerous home grown and third-party systems after years

of acquisitions, the involvement of more than 300 Sysco executives and their associated costs, and the creation of a shared service structure that consolidates all major business areas from finance to supply chain.

Sysco has projected the payoff from the project to kick in starting with a positive impact of \$136 million to its 2014 earnings and \$201 million the following year. The expected benefits will manifest themselves through reduced inventory and supplier receivables, and higher customer retention and improved profitability in serving new customer segments.

Central to the project is the use of SAP Customer Relationship Management application to enable Sysco's sales and marketing team to access the customer information they need to manage accounts better. What Sysco hopes to accomplish is to use the fully integrated SAP systems to better serve its customers through careful analysis of their purchase history as well as improved order management and execution capabilities including customer self-service, rich media experience like streaming food preparation video online and supplier collaboration especially in the area of category management.

While the outcome of such a big project is years away, it could serve as a template for SAP to give credence to its ability to help distributors transform their operations. The question is whether any transformative result will fall short of the high expectations of such projects at a time when many distribution companies may opt for near-term benefits of their applications plans.

Ecosystem

SAP primarily sells direct to customers in the distribution vertical. It also works with a number of consulting firms, systems integrators and ISV partners. SAP's partners in the distribution vertical include Adobe, Accenture, Cormeta, Deloitte, FIS, IBM, IDS Sheer, idhasoft, itelligence, Vistex and Vendavo.

Shares

With an 11.8% share in the distribution vertical, SAP's ability to gain share is above average because of its large installed base and its increased sales to some of the biggest distributors in the world.

On the upside, SAP is helping its customers transform their operations, a task that could alter the competitive landscape in segments where SAP-based implementations are proven to drive sales and improve margins for many distribution companies.

On the downside, while SAP has done well in distribution segments like industrial supplies, healthcare and CPG products, it may need to establish a more diversified installed base in order to ensure that the ongoing consolidation trend in the vertical will not limit its future growth.

Infor

Alpharetta, GA

www.infor.com

Overview:

With deep domain expertise in supply chain management and a well-honed acquisition strategy, Infor has been able to address the needs of a full array of companies in the distribution vertical. Typical customers include distributors in paper, industrial supply, automotive, plumbing and HVAC, building materials, and electrical products.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	254	229

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	103.05	45%
EMEA	91.6	40%
Asia Pacific	34.35	15%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	22.9	10%
Large(1K-5K ees)	114.5	50%
SMB(1K ees and below)	91.6	40%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	57.25	25%
Maintenance	171.75	75%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 8.8% share in the distribution vertical, Infor's ability to maintain and win share in the market segment in 2010	Average

Full Overview

After a series of acquisitions, Infor is well positioned to become the leading applications vendor for the distribution vertical, offering new and existing customers an extensive product portfolio that addresses the needs of different types of distributors.

Targeting midsized to large distributors that range from \$20 million to \$5 billion in revenues, Infor has taken advantage of the dynamic nature of the business by delivering applications that scale to meet their needs as these distribution companies continue to expand around the world.

Because of its experience in selling into the distribution vertical, Infor has been able to help them manage their complex multi-site operations and warehouse management requirements.

Since 2004 Infor has added functionality to its distribution offerings by acquiring domain-specific vendors including Aperum, Daly Commerce, Intuita, Mercia, Nxtrend, and Provia for their demand planning, supply chain execution, order fulfillment and inventory replenishment products.

Combining customers of these applications with those of its multiple ERP systems, Infor has built a massive installed base that sustains its growth with upsell and cross-sell opportunities, not to mention a steady stream of recurring revenues.

Key Applications For Distribution Vertical:

Infor ERP SX.enterprise, ERP FACTS, ERP A+

SCORES Analysis**Strengths**

With thousands of customers and more than 10,000 installations under its belt, Infor has developed the core competency needed to succeed in the distribution vertical.

To that end Infor created a dedicated business unit in January 2010 focusing on expanding its presence in the distribution vertical by boosting the size of its sales force and channel coverage. In Canada alone it has already recruited 20 partners for its SX.enterprise applications that target Canadian distribution companies. Additionally Infor plans to extend SX.enterprise to offer support for Oracle and Microsoft SQL databases on top of its existing Progress database. Other plans for SX.enterprise call for delivering localized versions for distribution customers in Australia and United Kingdom.

Infor has also benefited from its broad range of applications that are deemed affordable, flexible enough for both consolidated and decentralized environments and easy to integrate into strategic areas such as analytics, supply chain design and enterprise asset management.

Its acquisition strategy has helped Infor make significant inroads into some of the fastest-growing distributors in North America, especially those that specialize in building materials, industrial, electrical, plumbing, HVAC, paper and janitorial supplies.

The evolution of these distributors to become more manufacturing-centric or involved in selling directly to select groups of customers means that their shifting requirements can be met by Infor's complementary applications for discrete and process manufacturing as well as customer relationship management.

Then there is its large base of iSeries customers that have come to depend on Infor's continuous support of the platform with its alliance with IBM. There are more than 20,000 shared customers between Infor and IBM and many of them are in the distribution vertical.

Customers

With more than 5,700 customers in the distribution vertical, Infor has established considerable presence in many parts of the industry. Distributors of industrial supplies, building materials, plumbing and electrical products present a sizable part of its installed base.

In 2009 its reference wins included Arco, Boa Technology and Pioneer Supply, Teche Electric Supply. Infor's ability to adapt to the fast-moving distribution industry was cited behind these wins. For example, Arco, a UK distributor of safety clothing and equipment, based its purchasing decision on Infor's forecasting accuracy designed to support the variability of stock movement typical in the segment that Arco serves.

Other reference wins in previous years included B&D Industrial, Buckles Smith, Hannan Supply Company, Huttig Building Products, Kelly Paper, IDG, Locke Supply Co., Mathes/IMARK, Pitman, QBP, Sioux City Brick, Van den Anker, and York/Virginia Air Distributors Inc.

Opportunities

The recent enhancements to Infor ERP SX.enterprise should help the vendor accelerate the upgrade path of its distribution customers to take advantage of its new mobility capabilities. The new release SX.enterprise 6.0 offers enhancements to help distributors lower operating costs and improve inventory control. Infor Advanced Mobile is available as a pre-integrated module for ERP SX.enterprise 5.1 and higher. Distributors can also create sales orders and manage customer-owned and consignment inventory directly at the customer's location from any Microsoft Windows-based mobile device.

Along with the creation of the new business unit dedicated to the vertical, an examination of its product roadmap reveals Infor's desire to achieve substantial growth from a full gamut of distribution customers. Its three major

products for distribution vertical include SX.enterprise for fast-growing and well-established distributors, A+ for IBM DB2 installed base, and FACTS for small and midsized customers.

The vendor is slated to release SX.enterprise 6.1 in April 2011 with storeroom management, electronic transaction control center, freight processing, regional distribution, job management and inventory management best practices improvements.

Around the same time, the release of A+ 8.03 will include inventory management and planning enhancements, warehouse management license plate support, and a new shipping interface.

By the third quarter of 2011, Infor plans to release FACTS 7.9 with new features including advanced inventory replenishment, enhanced customer returns, service and repair relaunch and ION-enablement for Infor Open SOA support that facilitates cloud-based applications services.

Additionally Infor's recent agreement with Microsoft to incorporate technologies such as Microsoft SharePoint, SQL Server, Silverlight, Microsoft Reporting Services into its product roadmap will help boost the productivity of its distribution customers, especially those that have already standardized on Microsoft platform.

The combination of mobility support, product roadmap and the Microsoft alliance is expected to crystallize Infor's vision of leveraging its already sizable installed base and domain expertise to dominate the distribution vertical by putting leading-edge technology components in place to realize significant growth for the entire organization.

Risks

It will take quite some time before Infor can steer its distribution customers to upgrade or migrate to its three major distribution-specific product lines Infor ERP SX.enterprise, ERP FACTS, ERP A+ from some of the older versions that they have been running. Also, Infor no longer offers enhancements to legacy distribution systems DMAS, SHMS, Takestock, and Enspire that it acquired earlier.

The net result is that the recurring revenues from these customers may gradually decline and the growing consolidation in the distribution vertical could further erode its presence in certain markets.

What Infor needs to consider is to once again jumpstart its business in the distribution vertical through acquisitions or risk losing shares in some of the subverticals that it has spent so much time building and defending. The creation of the distribution-dedicated business unit is a step in the right direction for Infor to reassert its control over a vertical that could become its growth engine in the next few years.

Ecosystem

Infor primarily sells direct to customers in the distribution vertical. The vendor has also started beefing up its indirect channel to better support its sales and marketing initiatives in fast-growing regions.

Shares

With an 8.8% share in the distribution vertical, Infor's ability to gain share is average because of a large number of legacy systems being used by its distribution customers preventing them from accessing some of its latest technologies.

On the upside, Infor seems to be reigniting its acquisition strategy by picking up SoftBrands for manufacturing and hospitality solutions and Bridgelogix for bar-code data collection offerings, both of which could help strengthen its ability to cross-sell and upsell into the distribution vertical.

On the downside, the lack of an on-demand solution for the distribution vertical is preventing the vendor from capturing volume sales among small and midsize distributors, something that is ripe for its taking given its expertise in the space. Infor is expected to address that shortcoming with the planned release of an on-demand version of FACTS in the second quarter of 2011.

Sage

Irvine, CA

www.sage.com

Overview:

Sage has been expanding its presence in the distribution vertical buoyed by strong sales of its customer relationship management and ERP applications to a range of distributors around the world. Typical customers range from small to midsized industrial distributors to some of the largest in their segment.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	150	145

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	43.5	30%
EMEA	72.5	50%
Asia Pacific	29	20%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	14.5	10%
SMB(1K ees and below)	130.5	90%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	53.65	37%
Maintenance	91.35	63%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 5.6% share in the distribution vertical, Sage's ability to maintain and win share in the market segment in 2010	Average

Full Overview

For years Sage has been developing specialized vertical solutions for customers in the distribution space. That was augmented by strategic acquisitions including Cogestib for its distribution solution in France in 2005, Elit for its applications for transport and food distribution the following year, and DCS for its distribution applications in Spain in 2008.

The result has been a combination of acquisitions and organic growth to create a critical mass of customers in the vertical. The amount of cross-selling and upselling into the distribution vertical has been helped by the huge installed base of customers around the world.

Key Applications For Distribution Vertical:

Sage ERP MAS 90, 500, Sage ERP Accpac, Sage ERP X3, Sage SalesLogix

SCORES Analysis**Strengths**

Through an army of partners that focus on the distribution vertical, Sage has managed to increase its wallet share among organizations involved in distributing different kinds of products and services.

That is also one of the biggest attributes of Sage, which has more than 6.2 million customers around the world, allowing the vendor to penetrate into key verticals through word of mouth as well as well-orchestrated sales and marketing with its channel partners.

Customers

With more than 20,000 customers in the distribution vertical, Sage has established a healthy presence in different lines of the distribution business in Europe and North America.

Reference customers include ABC Bus Companies, Inc., ACME Truck Line Inc., Anew Communications Technology, Asbestway Abatement Corporation, Avnet, Code 3 Collectibles, D'Ewart Representatives, Eatec Corporation, Headland Machinery, Inortech, Inc., JMA Railroad Supply Co., Metrohm-Peak, NuStone Distributing, Inc., Pilkington Australia Ltd., Smoothie King Franchises, Inc., Telaid Industries, Inc., U.S. Kids Golf, United Pipe & Steel and USCO.

Opportunities

While SMB remains the sweet spot for Sage, the rapid consolidation in the distribution vertical has opened up opportunities for the vendor to tackle larger organizations. In fact the scalability of its applications, especially in CRM, has convinced large distributors such as Avnet to use its products extensively.

The large distributor, which has more than 13,000 employees, has been using Sage SalesLogix for contact management at its operations in Tempe, Arizona. One of the reasons behind the adoption had to do with its familiarity with ACT also by Sage and the affordability and flexibility of SalesLogix compelled the 700 employees at the Tempe location to make the migration.

That has been a recurring theme among ACT users that have chosen to upgrade to SalesLogix for its expanded capabilities at a reasonable price point.

Risks

Sage appears to be going through a transition phase. Without making significant or rapid-fire acquisitions over the past year, Sage is busy at work digesting its previous consolidation efforts. The question is whether Sage is willing to risk losing shares in certain markets like Eastern Europe for fear of picking up assets that may seem to be overpriced after the purchase, a mistake that it has made in the past.

Ecosystem

Sage primarily sells through its partners. Some of the partners specializing in the distribution vertical include Grey Wolf, Macdonald Consulting Group, and MicroSell.

Shares

With a 5.6% share in the distribution vertical, Sage's ability to gain share is average because of the sluggish growth in the Western Europe market which generates much of its business.

On the upside, growing sales of its CRM applications to the distribution vertical will help the vendor gain wallet share among its existing customers, especially those that have been primarily using its accounting software and now are embracing new solutions like SalesLogix to help them expand their online business.

On the downside, much of its growth in the distribution vertical will depend on when and how Sage will reignite its acquisition strategy to establish itself in under-represented markets such as Eastern Europe and Asia Pacific.

Activant

Livermore, CA

www.activant.com

Overview:

Activant, one of the largest apps vendors that target the distribution vertical, has experienced a steep ascent following a series of acquisitions. While the recession has halted its growth, there are signs that Activant's fortune is on the mend as many of its distribution customers are revving to expand once again.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	120	110

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	107.8	98%
EMEA	2.2	2%
Asia Pacific	0	0%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	27.5	25%
SMB(1K ees and below)	82.5	75%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	27.5	25%
Maintenance	55	50%
Subscription	27.5	25%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 4.2% share in the distribution vertical, Activant's ability to maintain and win share in the market segment in 2010	Average

Full Overview

Activant has secured an enviable place in the distribution vertical because of its domain expertise in such segments as hardlines and lumber, automotive aftermarket, and wholesale distribution.

With thousands of customers in the vertical, Activant has established strong ties with industry associations, cooperatives and buying groups that form the backbone of many of the subverticals that it specializes.

Since 2004 it has made a number of acquisitions including Silk Systems, Intuit's Eclipse, Prophet 21, adding thousands of distribution customers along the way.

Even though the recession has dealt a blow to Activant's customers especially those that specialize in construction and building materials, many distributors in these segments have taken the opportunity to upgrade and replace their systems in order to build a robust platform that could be a key enabler for their eventual recovery.

Key Applications For Distribution Vertical:

Activant Catalyst, Activant Eagle, Activant Eclipse, Activant ECS Pro, Activant Prelude, Activant Prism, Activant Prophet 21, Activant Silk/Dimensions Canada, and Activant Vision

SCORES Analysis

Strengths

Eliminating redundancy and manual processes has been one of the advantages of using applications from Activant, especially among small and midsize distributors that have experienced improved productivity and profit margin.

Distribution companies have also benefited from Activant turnkey systems that require minimum maintenance, integration or modification to meet their needs because many of these applications have already been widely adopted among small and midsize distributors, mitigating the risks of failed implementation.

Industry-specific content is a major selling point for Activant in the automotive after-market where its product catalog is accessed by 27,000 auto parts stores, making it less likely for distributors and their customers to switch to a different system.

Customers

Activant sells to more than 5,000 customers in the distribution vertical. Reference customers include Aftermarket Auto Parts Alliance, Automotive Supply Inc., Piston Ring, Rexel, Squires-Belt Material Co., Standard Group, Stine Lumber, and Wholesale Auto Parts.

One of its reference wins in 2009 was US LBM Holdings LLC, which specializes in acquiring and running lumber and building materials distributors in the United States. US LBM, which has already become one of the largest lumber distributors through recent acquisitions, chose to standardize on Activant Catalyst applications as the technology platform for its present and future system requirements. The decision was based on Activant's expertise in serving lumber and building materials distributors. The growing consolidation trend in the distribution vertical is expected to bode well for Activant, ushering in large-scale implementation and replacement projects.

Opportunities

Activant will continue to expand its presence in the distribution vertical through its content development and industry ties.

For instance, it is working with Andreoli & Associates, developer of HITS business management platform for tire dealers, to incorporate Activant Integrated Service Estimator(ISE) solution into the Web-based HITS, in order to allow retail tire and auto service shops to identify the information, parts and suppliers needed to complete virtually any common automotive repair. That will expand the use of Activant automotive catalog, which in turn will lead to greater sales of automotive products for distributors running the Activant applications.

Also Activant has signed a new marketing partnership with National Association of Electrical Distributors, which will recommend Activant's Vista Information Services to its members. The end game will mean more electrical distributors using Vista, which provides category sales reports derived from out-the-door sales data from a representative sample of electrical distributors throughout the United States. Currently nearly 600 electrical distributors are using Activant applications and many of them are already NAED members. NAED's members now operate 4,400 locations around the world.

Risks

Upgrade and replacement will remain one of the priorities for Activant as it seeks to migrate its large installed base of distribution customers, many of whom are still running legacy HP hardware, to the latest releases or Web-based solutions. In some cases, bandwidth issues prevent some of its customers from accessing its Web-based solutions.

Additionally the move in April 2010 to sell off its productivity tools division, which helped customers resolve such migration issues, suggested that some of these migration procedures would be handled outside the purview of Activant.

The issue is whether it would open up the backdoor for competing vendors to offer alternative upgrade and replacement effort to its long-time customers.

Ecosystem

Activant primarily sells direct to its distribution customers. It also partners with a range of technology and add-on vendors from Microsoft to Cognos to deliver complementary solutions to its customers.

Shares

With a 4.2% share in the distribution vertical, Activant's ability to gain share is average because of lingering effects of the recession on its customers.

On the upside, Activant's proprietary content and strategic relations with industry associations and buying groups like ACE and TrueValue will allow for stable recurring revenues from its distribution customers either through standard subscription or add-on purchases.

On the downside, the decision to spin off its productivity tools division and the associated resources signals a shift in its development strategy. While Activant appears to be staffing up to make up for any lost resources after the sale, the question lingers over its ability to sustain its development effort. For its latest quarter, its product development expenses represented 9.1% of its revenues. That figure has been slipping from the high of 10.3% in 2008.

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

Oracle has emerged as one of the leading applications vendors for the distribution vertical after acquiring products that have been widely used by distributors around the world. Typical customers are distributors in technology, industrial and consumer product markets.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	110	100

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	50	50%
EMEA	40	40%
Asia Pacific	10	10%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	20	20%
Large(1K-5K ees)	50	50%
SMB(1K ees and below)	30	30%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	35	35%
Maintenance	65	65%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Below average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.9% share in the distribution vertical, Oracle's ability to maintain and win share in the market segment in 2010	Below average

Full Overview

Following the acquisitions of JD Edwards, Demantra and other vendors that catered to the distribution vertical, Oracle has continued to enhance these applications in order to boost sales to some of the largest distributors in the world.

Oracle has also moved into the midmarket with a slew of offerings such as the Oracle Accelerate program for out of box integration and rapid implementation. In fast-growing regions like Asia Pacific and Latin America, dozens of channel partners have succeeded in using the Accelerate methodology to sell applications including Oracle E-Business Suite and JDE Enterprise One to new and existing customers in the wholesale distribution market because of their domain expertise and the training and sales and marketing support they receive from Oracle.

At the product level, Oracle has delivered new releases of its warehouse management and transportation management applications for the vertical over the past year.

Key Applications For Distribution Vertical:

Oracle E-Business Suite, Oracle Warehouse Management, Oracle Transportation Management, Oracle JDE Enterprise One(Strategic Network Optimization, Production and Distribution Planning, Supply Planning & Vehicle Loading, Production Scheduling, Order Promising, Supply Chain Business Modeler)

SCORES Analysis**Strengths**

In addition to its flagship ERP applications such as Oracle E-Business Suite and JDE Enterprise One for the distribution vertical, Oracle has continued to improve its edge applications like Oracle Transportation Management(formerly Glog) and Oracle Demand Management(formerly Demantra).

Whereas distributors used to implement a single module of these applications in an isolated incident because of the lack of pre-integration support, they have been adding more products from Oracle in order to create an extended network.

For example, the latest release of Oracle EBS 12.1 with enhanced wave planning and replenishment capabilities has been well received by distribution customers. Joint implementations of OTM and WMS have also become more common as a result of the availability of the distributed WMS deployment option as a means to leverage advanced warehouse management functionality without upgrading to 12.1 at the same time.

For its installed base of distribution customers, the flexibility of taking on a fully integrated solution or select modules at any given time is well suited for their evolving IT landscapes that are often based on their acquisitions strategies as well.

Oracle has made it easier for distributors to implement these applications simultaneously if necessary. For instance, it recently introduced direct integration between Oracle Transportation Management 6.1 with Oracle's JD Edwards EnterpriseOne 9.0, allowing customers to better support complex transportation planning for sales orders, purchase orders, freight payment and audit, and the associated master data management required to synchronize applications.

Customers

Oracle has close to 2,000 customers in the distribution vertical. About half of them are using the Oracle E-Business Suite applications, while more than 800 customers are running JDE Enterprise One systems.

In 2009 Oracle's reference wins in the vertical included Agroservicios Pampeanos SA, Baillie Lumber Co., CA Fabrica Nacional De Cementos, S.A.C.A., Farmer Brothers, Integrated Distribution Services Group, Laboratorios Casasco SAIC, Palettes Gestion Services, Southwest Traders, Sugoi Performance Apparel Limited, U.S. FoodService, and Walman Optical Company.

Opportunities

In recent quarters Oracle has made considerable inroads into the Asia Pacific and Latin America markets with the help of its channel partners. In places like Argentina, Australia, Mexico, and New Zealand, the sizable installed base of JDE Enterprise One customers has also been a big asset for the ERP brand because it offers localization for 46 countries, including South Korea, Thailand, Turkey, and Ukraine where the translated versions are delivered by local partners. That has helped JDE extend its lead over competitors including indigenous vendors that only have limited exposure outside their countries.

Risks

Upgrading its distribution customers to the latest applications releases will remain a top priority for Oracle. With the Oracle Applications Unlimited program that continues to support old versions of its acquired products, many of its distribution customers may simply forgo any need to upgrade to the latest releases because of inertia and the lingering effects of the recession.

Oracle may need to reaffirm its commitment by either lining up more partners that specialize in the space or expanding its customer count through acquisitions in order to sustain its growth in the distribution vertical, which appears to have been relegated to a minor role compared with the attention and resources its other industry-specific divisions are getting.

Ecosystem

Oracle primarily sells direct to customers in the distribution vertical and its direct salesforce is augmented by a growing number of channel partners such as Lucidity that focus on the industry.

It has also worked with partners such as L&T InfoTech that have done integration work on behalf of distribution companies by connecting Oracle EBS applications with their systems from other ISVs.

Shares

With a 3.9% share in the distribution vertical, Oracle's ability to gain share is below average because of the absence of a coherent strategy for its existing customers who by and large are still wed to individual product lines.

On the upside, Oracle's integration strategy is becoming more pronounced connecting distribution-specific product lines like JDE Enterprise One and Oracle Transportation Management.

On the downside, Oracle's lackluster results in the vertical underscore the difficulties for the vendor to win net new customers without becoming highly differentiated in a market that requires technology providers to meet their specific needs from catalog content integration to strategic sourcing.

Microsoft

Redmond, WA

www.microsoft.com

Overview:

Microsoft has been making continuous product and channel enhancements to its core ERP applications as well as complementary solutions in order to build on its early success in the distribution vertical. Typical customers are distributors of consumer packaged goods, food and beverage, and industrial products.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	100	95

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	38	40%
EMEA	52.25	55%
Asia Pacific	4.75	5%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	23.75	25%
SMB(1K ees and below)	71.25	75%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	28.5	30%
Maintenance	57	60%
Subscription	9.5	10%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.7% share in the distribution vertical, Microsoft's ability to maintain and win share in the market segment in 2010	Above average

Full Overview

With the help of its channel partners and an industry-specific product strategy, Microsoft has been building on its early success in the distribution vertical by going after individual segments with dedicated solutions.

The increasingly robust product roadmap, led by its Microsoft Dynamics ERP and CRM applications, has allowed the vendor to gain a loyal following across different distribution organizations in multiple regions.

The Microsoft Dynamics GP, NAV, SL applications have been widely implemented among thousands of distributors of consumer goods, food and beverage, and industrial products helping them automate such functions as accounting, customer relationship management, supply chain management and analytics.

The recent release of Microsoft Dynamics GP 2010, a product line that has already been well established in the distribution vertical, is expected to drive more upgrade and new implementations because of its enhanced business intelligence capabilities that are available through Microsoft SharePoint, which in itself is widely used among many distributors because of ease of integration into their workflow for functions like service management and credit limit approval.

Key Applications For Distribution Vertical:

Microsoft Dynamics GP, AX, NAV, SL and CRM

SCORES Analysis**Strengths**

For a number of years Microsoft Dynamics has been targeting different segments of the distribution vertical with increased momentum. In particular, Microsoft Dynamics GP has been delivering tailored solutions for distributors of food and beverage, drugs and sundries, home electronics and computers often with the help of its ISV partners. Microsoft Dynamics NAV has made inroads into distributors of consumer and industrial goods with industry-specific templates. Microsoft Dynamics SL has boosted its capabilities in lot/serial tracking, purchase order

consolidation and consolidated invoicing for distribution companies that also require project management integration, a strong suit of SL.

Customers

With more than 30,000 customers in the distribution vertical, Microsoft has amassed one of the biggest groups of applications users because of its long history of selling into small and mid-sized distributors around the world.

AliMed, Arzum, Baumatic Group, Celluphone, Costa Group, CRH Europe Products and Distribution, Exhausto, G&J Pepsi-Cola Bottlers, Kingfisher International, Map Coffee, N&A Fruit Distributors, Noble Trade, Penn Jersey Paper, Primo Water Corp., Produce World Group, Selecta, Seventh Generation, Topindo Atlas Asia, Westland Milk Products, Wine Country Kitchens are among its reference customers.

Opportunities

The adaptability of the Microsoft Dynamics ERP brands, augmented by the integration help of its channel partners, has won over distributors that require to roll out new systems rapidly because of the consolidation trend in the distribution industry. Even though some of these distributors may be running non-Microsoft applications at their headquarters, the ease of use of the Microsoft ERP products as well as other familiar Microsoft tools has been cited as one of the reasons behind their extensive deployment at the subsidiary level. For example, the Wurth Group, an European distributor of mounters and fasteners, has been running a version of Microsoft Dynamics AX from integrator Wuerth Phoenix GmbH at some of its 400 subsidiaries, while its main office runs on SAP.

It is expected that this two-tier ERP approach will be increasingly important for Microsoft to challenge the incumbents especially in fast-growing countries where many distributors are constantly finding new opportunities to expand and the quick time to market benefits of the Microsoft Dynamics offerings have resonated with them.

Risks

Getting the Microsoft's vast product development and field marketing forces aligned correctly with its Microsoft Dynamics channel has been one of the biggest challenges for the vendor. That is often compounded by the need of Microsoft Dynamics to support other priorities such as the launch of Microsoft Office 2010 since both of them are under the Microsoft Business Division. Hence Microsoft's ability to capitalize on near-term or low hanging fruit opportunities may hinge on the orchestration of all its moves to address a common goal, an outsized agenda that its competitors are more than happy to divide and conquer.

Ecosystem

Microsoft primarily sells its ERP applications through its channel partners, which encompass thousands of ISVs, systems integrators and VARs. The ecosystem is considered one of the most productive of its kind because of the diversity and the quality of these partners that cover dozens of verticals and subverticals.

For the distribution vertical, its channel partners and their industry-specific offerings include Accellos One Warehouse, Gulfstream Computer Services Ltd. for Remote Data Collection for Microsoft Dynamics SL, Lanham's Advanced Forecasting & Procurement, Manhattan SCALE for Logistics Execution, MBS Dev Wholesale Distribution Suite, and RockySoft's Demand Manager – Forecasting.

Shares

With a 3.7% share in the distribution vertical, Microsoft's ability to gain share is above average because of its extensive product portfolio and well-developed ecosystem.

On the upside, Microsoft is in the process of revamping its channel program designed to boost the quality of its channel partners through added incentives and training and market development assistance, which is expected to generate higher output from new and existing resellers.

On the downside, given its need to compete on different fronts, it would be a major undertaking just to get the key stakeholders to focus on specific areas like distribution vertical. In addition the next few years could be taken up by the need of migrating its distribution customers onto a common platform, let alone the latest releases of different ERP brands.

ArrowStream

Chicago, IL

www.arrowstream.com

Overview:

ArrowStream has carved out a niche in the distribution vertical by taking advantage of the network effect of an ondemand solution that promises significant benefits to key stakeholders in the food service industry. Typical customers include distributors, manufacturers and restaurant chains.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	35	40

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	40	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	16	40%
Large(1K-5K ees)	16	40%
SMB(1K ees and below)	8	20%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	0	0%
Maintenance	0	0%
Subscription	40	100%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.5% share in the distribution vertical, ArrowStream's ability to maintain and win share in the market segment in 2010	Average

Full Overview

Since 2000 ArrowStream has built an on-demand trading network connecting distributors, food manufacturers and restaurant chains to resolve such issues as contract management, master data management and supply chain visibility.

One clear benefit of the trading network is that it offers considerable savings to distributors and restaurant chains when both sides have good visibility into information on route optimization, inventory replenishment, load reduction and total transportation costs.

The benefits become more pronounced when more distributors, buying groups, cooperatives and restaurant chains are sharing the information, creating the network effect that results in greater savings and rebate opportunities for all the parties involved.

Key Applications For Distribution Vertical:

ArrowStream Network, ArrowStream OnDemand, ArrowStream Logistics

SCORES Analysis

Strengths

Unlike other apps vendors, ArrowStream is unique in its positioning in food service distribution by selling into restaurant chains including Arby's Restaurant Group, Einstein Noah Restaurant Group and others that act as distributors to their company-owned or franchised locations.

While supply chain cost control is nothing new in the food service industry, ArrowStream has gained the upper hand by creating on-demand solutions that make its trading network extensible and the underlying information easy to consume.

Currently more than 4,000 manufacturers, distributors and restaurant chains are active participants of the ArrowStream network that encompasses 200 distribution centers, 8,800 shipping locations, 32,000 lanes of freight, and more than \$15 billion worth of products shipped in a given year.

Relying on ArrowStream, small and mid-sized distributors and restaurant chains can leverage each other's strength to create a high-volume network that gives them the same kind of buying power and cost-savings opportunities as their larger counterparts.

For distributors and restaurant chains that do participate, they have reported inbound freight savings averaging 26.5% because of consolidation of less than truckload shipments into full truckloads once they are equipped with large amounts of data on inventory replenishment, freight and route combination, and special promotions from manufacturers.

Customers

ArrowStream has more than 500 distributors using its trading network and logistics solutions. Reference customers include Quality Distributing and the SYGMA Network, a subsidiary of Sysco Corp., the largest food service distributor in the United States.

Opportunities

ArrowStream is expected to release a new user interface called OnDemand NG(Next Generation) designed to make its applications easier to use.

In addition, much of its enhancements will center around its Performance Management and Reporting modules. The enhancements will offer business intelligence and key supply chain performance data. By the end of 2010, ArrowStream plans to introduce additional dashboards for functions such as budget analysis, cost control, inventory, promotion and contract management.

Such enhancements are expected to boost the usability of its trading network, while turning its solution into a strategic tool for its customers meeting their long-term planning requirements.

Risks

While ArrowStream has done well building a trading network that covers a large number of distributors and restaurant chains, much more is needed to sustain its momentum. At a time when major distributors such as Sysco are transforming their operations by investing heavily in their new ERP systems to establish stronger ties with customers, the agility and flexibility of ArrowStream is becoming more important than ever to deliver decision-support tools that are either not effective or nonexistent from any of its customers doing it on their own.

Hence the network effect will have to be amplified and any loss of traffic or the velocity of information could leave ArrowStream in a precarious position if it fails to aggregate mission-critical supply chain information from its customers.

Ecosystem

ArrowStream primarily sells direct to its distribution and restaurant chain customers. It also works with a number of transportation partners including major truckers.

Shares

With a 1.5% share in the distribution vertical, ArrowStream's ability to gain share is average because of its continuous expansion of its trading network.

On the upside, the momentum appears to be on the side of ArrowStream as its enlarged trading network is delivering tangible savings for its customers.

On the downside, the history of emarketplace development suggests that the next phase of growth for ArrowStream will be rocky if all it can do is to act as a matchmaker. The pressure is on for ArrowStream to offer more complementary solutions in a compressed timeframe in order to boost its wallet share among its distribution and restaurant chain customers so that there is little reason for them to leave the network.

HighJump Software

Eden Prairie, MN

www.highjump.com

Overview:

Following its divestiture from 3M, HighJump has been focusing on its core competency of providing supply chain management applications to key stakeholders from distributors to retailers ensuring them maximum efficiency in the direct-to-store delivery business process. Typical customers are distributors and wholesalers of consumer, food and beverage and industrial products.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	32	35

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	24.5	70%
EMEA	8.75	25%
Asia Pacific	1.75	5%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	15.75	45%
Large(1K-5K ees)	12.25	35%
SMB(1K ees and below)	7	20%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	10	30%
Maintenance	20	60%
Subscription	5	10%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.3% share in the distribution vertical, HighJump's ability to maintain and win share in the market segment in 2010	Average

Full Overview

With a great deal of experience in the distribution vertical, HighJump Software has consolidated its gains in key markets such as food and beverage through a range of strategic expansion programs and acquisitions.

The supply chain management applications vendor, which has enjoyed a healthy following with its warehouse management systems, is laying the groundwork for next phase of growth following its acquisition by private equity firm Battery Ventures in 2008.

HighJump is no stranger to sweeping changes. 3M acquired HighJump in 2003 and positioned its supply chain management applications to better support its track and trace systems. Under 3M, HighJump continued to expand with the acquisitions of Pinnacle Distribution Concepts Inc. for its transportation management applications and Global Beverage Group for its delivery management solutions for the direct-to-store delivery of consumer goods.

HighJump was spun off by 3M in 2008 and it was sold to Battery Ventures. Subsequently HighJump acquired BelTek Systems Design for its mobile applications designed for direct store delivery of food, beverage and other consumer products.

In 2009 HighJump stepped up its investment in the segment by acquiring Insight Distribution Software from Coaxis Inc. Insight offered applications to food and beverage distributors for managing customer orders, dispatching, load processing and settlement.

The acquisitions underscore HighJump's desire to combine its warehouse management expertise with direct store delivery capabilities to create a best-of-breed solution for distributors of consumer products.

Key Applications For Distribution Vertical:

HighJump Supply Chain Advantage Suite, HighJump Transportation Management, HighJump Warehouse Advantage

SCORES Analysis

Strengths

After years of selling supply chain management systems to different industries, HighJump has made a concerted effort to dominate the direct to store delivery applications segment.

The segment is still underpenetrated because of the prevalence of manual processes and home grown systems. That's where HighJump plans to make its mark by emphasizing its warehouse management expertise, along with key attributes such as inventory replenishment.

Warehouse management is another specialty of HighJump, which offers different versions of HighJump Warehouse Advantage, including one that can be implemented within 45 days for small and midsize companies. HighJump Warehouse Advantage, which is available in 11 languages including Czech, Dutch, Spanish, Portuguese, French, Italian, Russian and German, has been widely adopted in Europe and North America.

Additionally distributors, retailers, shippers and warehouse managers running HighJump applications can better ascertain the performance of the delivery drivers as well as the satisfaction levels with steps like scheduling, dispatching and route accounting for all the parties involved.

By acquiring applications from BelTek, Global Beverage and Insight, HighJump is aiming to turn the vendor into an apps specialist that meets the complex supply chain requirements of consumer products especially in food and beverage where real-time information on the availability of merchandise is often a top priority.

Customers

HighJump has more than 500 customers in the distribution vertical. In 2009 its reference wins in the vertical included Crescent, JDF Distribution Solutions, and VIP Computers.

The acquisition of Insight added to its roster 123 customers including food and beverage distributors for major breweries, while the 2008 purchase of BelTek brought with it 50 customers.

Opportunities

HighJump is strengthening its transportation management offerings following a recent OEM deal with MercuryGate for its inbound management and international shipping solutions, which are being rebranded as the new on-demand transportation management from HighJump.

On the heels of its purchase by Battery Ventures, the flurry of activity suggested that HighJump is seeking to expand through acquisitions and alliances with ISV and reseller partners in North America and other regions.

Risks

It is conceivable that HighJump would have been in a better position had it not been a part of 3M because of its ability to focus on its key differentiating factors and market them heavily to gain an upper hand in areas such as warehouse management and direct-to-store delivery.

The issue is whether HighJump, now with a new owner, is given the flexibility and the resources needed to drive its differentiators to the next level.

Ecosystem

HighJump primarily sells direct to distributors. For implementations, it works with consulting firms and systems integrators including Go4Sight, Ciber Fortna, Cornerstones Solutions, HL Group, Innovation Solutions, Johnson Stephens Consulting, Peach State, TranSystems, and ZR Data.

In 2009 it signed up iWMS in South Africa to jointly sell HighJump Supply Chain Advantage product suite to customers in the region.

Shares

With a 1.3% share in the distribution vertical, HighJump's ability to gain share is average because of its stable installed base that provides predictable recurring revenues.

On the upside, HighJump's recent acquisitions and alliances will result in upsell and cross-sell opportunities to its recently added 200 customers.

On the downside, the absence of such capabilities as fleet management and global trade management may prevent HighJump from becoming an all-encompassing supply chain management applications vendor, especially in the eyes of those involved in international distribution. In addition its add-on products like workforce management appeared to have generated lackluster results among its new customers, a trend that could undermine its message of bringing driver's performance into the whole equation of boosting one's supply chain.

Exact

Delft, Netherlands

www.exact.com

Overview:

Founded in 1984, Exact has built itself into one of the largest applications vendors with considerable presence in the distribution vertical, especially among small and mid-sized distributors in Europe and other regions. Typical customers are distribution companies in the mid-market space.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	36	33

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	8.5	26%
EMEA	22.7	69%
Asia Pacific	1.65	5%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	1.98	6%
SMB(1K ees and below)	31.02	94%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	9.57	29%
Maintenance	21.45	65%
Subscription	1.98	6%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.3% share in the distribution vertical, Exact's ability to maintain and win share in the market segment in 2010	Average

Full Overview

Having secured more than 100,000 midmarket customers around the world, Exact has been expanding into adjacent areas with newly acquired products such as Longview for corporate performance management to augment its portfolio of planning solutions.

In addition, the growing adoption of its ondemand offerings underscores its ability to serve customer needs through multiple delivery models.

For years Exact has been particularly successful in selling into midmarket organizations with fewer than 250 employees and that includes selling into companies involved in distribution, wholesale, transportation and storage business. Today these distribution customers represent about 14% of its installed base and the third largest vertical for the vendor.

Key Applications For Distribution Vertical:

Macola ES Distribution, Exact Globe, Exact Synergy

SCORES Analysis

Strengths

Riding on its strength in the midmarket, Exact plans to add new functionality for financial, sales, logistics, projects and HR capabilities that can be run in a multi-tenant SaaS based environment.

Additionally Exact is expected to further leverage its dominance among SMBs in the Netherlands, which accounted for 41% of its revenues in 2009.

While Exact has been selling a number of ERP brands like Macola ES and Synergy for distributors, its acquisitions have helped shore up those offerings. For example, it acquired Modulair Easy Access for its logistics and warehouse

management applications in 2005. That was augmented by its 2008 acquisition of InterConnect solution for improving sales quoting and funnel visibility.

Customers

Exact has more than 14,000 customers in the distribution vertical, primarily companies in durable and consumer goods, food and beverage, medical and pharmaceutical and nondurable and soft goods.

Opportunities

Over the past year Exact has been increasing its research and development budget for online applications, which now represent 11% of its R&D expenses. The vendor is poised to extend such distribution-specific capabilities as inventory tracking, lot/serial control, multi-warehouse support, landed cost, multi-bin tracking, quality inspection of received goods, accurate available-to-promise analysis to the online world through Web services and mobile computing enablement.

Also Exact is leveraging its influence in the SMB space by rallying behind corporate social responsibility, a message that could make any entrepreneur to rethink how they build and expand their operations around the world. Exact could become a key enabler behind their continuous growth by trumpeting the importance of such issues as sustainability and best practices entrepreneurship. Already Exact has created the Exact Foundation to set an example of how it plans to turn the message into action.

Risks

Despite its continuous growth, the Exact Online strategy has yet to produce meaningful revenues that could offset its 27% decline in license revenues last year, suggesting that it may still be a while before Exact can become a force to be reckoned with in the ondemand space.

One of the reasons behind its license drop was its considerable exposure to small companies especially those in the professionals services sector with fewer than 10 employees. Some of them went under during the recession. While the professional services vertical remains a major focus for Exact, it may have to reset its priorities by investing more in distribution and manufacturing verticals, particularly in segments that are linked to essentials from food to drugs, which in turn could allow Exact to be insulated from future economic shocks.

Ecosystem

In North America, Exact works with a number of reseller partners that have been trained to carry different Exact applications. In general, its NexGen resellers have been certified for a larger set of applications than its Macola Partners.

NexGen Partners include Accounting Software Solutions, Attivo Group, Inc., Beachwood Systems Consulting, Business Computer Technologies, Donas Group, Harvest Ventures Inc., Integrated Business Solutions, iPro Inc., Mayer, Shanzer & Mayer, XONITEK Corporation.

Macola Partners include Access Information Technologies, Acuity Consulting Group LLC, ADNET Technologies, Inc., Alembic Computer Services Inc., Algorithm Inc., Arwood Information Systems, BST Group, Computer Solutions, Data Stream Services Inc., DataSpring, Future Link of Illinois, infoSpring LLC, Innovative Data Solutions, Jason Dae & Assoc, OFFiS, Red Deer Systems, Serious Accounting Software, SRH Consulting, The Esta Group, Williams Hansen & Associates.

Shares

With a 1.3% share in the distribution vertical, Exact's ability to gain share is average because of its heavy reliance on the professional services vertical, which is becoming more fragmented than ever with the advent of the Internet.

On the upside, Exact's online strategy seems to be on the right trajectory that has eluded many of its ERP competitors and its new corporate branding is reaffirming its commitment to the SMB space.

On the downside, there seems to be a lack of messaging efforts to help tackle the challenges facing wholesale and distribution companies on the heels of the recession. Even though Exact has positioned itself as the catalyst that could help strengthen the tie between a company's headquarter and its subsidiaries, the vendor has yet to showcase its ability to address those pain points brought on by globalization and the need to have a common system that links a parent company and its affiliates.

IBS

Stockholm, Sweden

www.ibs.net

Overview:

With more than 30 years of experience in the applications market, IBS has secured a loyal base of customers in the wholesale and distribution vertical with many of them coming from electrical to pharmaceutical sectors. Typical customers are mid-sized distributors that operate throughout Europe.

Applications Revenues in Distribution:

Year	2008	2009
\$(M)	30	30

2009 Applications Revenues in Distribution By Region:

Year	2009(\$M)	% of total
Americas	2.7	9%
EMEA	24.9	83%
Asia Pacific	2.4	8%

2009 Applications Revenues in Distribution By Customer Size:

Year	2009(\$M)	% of total
XL(5K ees and above)	4.5	15%
Large(1K-5K ees)	10.5	35%
SMB(1K ees and below)	15	50%

2009 Applications Revenues in Distribution By Revenue Type:

Type	2009(\$M)	% of total
License	10.5	35%
Maintenance	18	60%
Subscription	1.5	0.05%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1.2% share in the distribution vertical, IBS' ability to maintain and win share in the market segment in 2010	Below average

Full Overview

IBS has been positioning itself as the premier applications vendor for distribution resource management software. Over the past few years, the vendor, which was founded in 1978 as a small IT shop that later became an IBM VAR, has continued to enhance its applications with business intelligence, content management and customer relationship management capabilities to establish what it calls Scalable Distribution offerings.

Its commitment to the distribution vertical has resulted in growing numbers of reference wins from leading automotive, electrical, timber and pharmaceutical distributors in Europe.

Key Applications For Distribution Vertical:

IBS Distribution Financials, IBS Supply Management, IBS Logistics, Assembly and Services, IBS Demand Management, IBS Electro

SCORES Analysis**Strengths**

By focusing on the distribution vertical, IBS is harnessing its domain expertise in financial, supply and demand management, helping midsized to large distributors boost their margins. For example, its margin calculation templates are integrated with quotations, sales orders, invoices and inquiries. This allows users to calculate margins at every point of the order transaction in order to optimize profitability.

The attention to detail extends to features such as Cable and Drum management in its latest version of IBS Electro, which provides tracking capabilities to ensure distributors can minimize scrap and maximize profits through tight control of cut wire, drums and reels. The system also contains an automated system for ensuring prompt retrieval of empty drums from customer site.

IBS has also been strengthening its product portfolio through internal development efforts and partnerships with other vendors.

One of its newest offerings is IBS Distribution Intelligence, which offers a set of integrated planning, real-time monitoring and performance management tools to boost revenues, reduce expenses, optimized inventory and improve cash flow for distributors.

In addition, it has started reselling Microsoft CRM applications as part of its Scalable Distribution strategy for better demand management.

The moves underscore IBS' desire to augment its core offerings with a slew of add-ons that can be deployed readily for distributors to have better visibility into their planning and customer management processes.

Customers

IBS has more than 1,000 customers in the distribution vertical. Its recent reference wins included Abey Australia, Derome Timber, Farmacie Comunali Riunite, Martinsons, and Smeding.

Opportunities

Because of its laser focus, IBS has been eying electrical and pharmaceutical distribution segments with great interest. The vendor has also started beefing up its presence in the Americas and Asia Pacific, which will represent a bigger percentage of its sales as it starts signing up distributors in both regions.

Risks

Following a series of management changes and a corporate restructuring that reduced more than one third of its headcount, IBS is rebuilding the organization by scaling back on hardware sales. Instead, it is focusing on software sales to wholesalers and distributors. It may take a few quarters before IBS can regain its footing and realize the payoff of the reorganization effort.

Its recent divestiture of its Consist business in the Netherlands, coupled with on-again, off-again discussions on the sale of the company, also clouded its outlook. It also raised the question of whether IBS can sustain its growth with revenues from the distribution vertical alone, and if it can be done without any meaning contribution from its other key markets like book publishing.

Without showing a few quarters of steady growth and solid commitment from its investors and the board, IBS may have to carry out drastic measures in order to breathe new life into the company.

Ecosystem

IBS primarily sells direct to distributors and it works with partners such as HCL on certain implementations.

Shares

With a 1.2% share in the distribution vertical, IBS' ability to gain share is below average because of its recent downsizing and its murky outlook.

On the upside, IBS is expected to convince new and existing customers with its commitment to the distribution vertical with considerable domain expertise and strong customer references.

On the downside, until it clears up with its management structure and a roadmap for all its verticals from distribution to equipment rental and service, IBS' ability to lead any of these industries is a work in progress.

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