APPS RUN THE WORLD

Enterprise Resource Planning

Enterprise Applications Market Report 2010-2015, Profiles Of Top 10 Vendors

5/30/2011

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Summary

This applications market sizing report focuses on the 2010 performance of the top 10 applications vendors in the enterprise resource planning applications market.

With the global financial crisis behind them, major ERP applications vendors have begun to confront a new reality as technology adoption trends are accompanying shifting user requirements to embrace a different way of delivering software and perhaps automating business processes along the way.

Similar to the uneven pace of the economic recovery, ERP vendors are struggling to orient themselves in this new competitive landscape. Some have kicked off a new round of mergers and acquisitions to turbo-charge their sales, while others have focused their attention on new and untapped opportunities in oft-overlooked verticals or emerging countries.

Whatever the case, the ERP market, which has experienced a brutal recession and now perhaps a more vicious consolidation cycle, will never look the same again.

Top Line and Bottom Line

On the top line, the ERP applications market is expected to regain its momentum with the return of big software purchases and increased IT spending especially among customers in high-growth countries. In places like Brazil, China and the Middle East, the proliferation of infrastructure projects have sparked new implementations of scalable business management systems in order to handle large amounts of transactions.

Since March 2011 a number of blockbuster mergers and acquisitions have swept through the ERP applications market challenging the key players in high-growth verticals, while ushering a new world order for the software industry.

The latest round of market consolidation is likely to bump up near-term sales for many of the acquisitive players, but their rapid expansion could come at a steep price, which may not necessarily translate into the kind of returns their investors have in mind.

The reshuffling of the top ERP vendors may also entail additional costs for the users, who now may have to spend extra time assessing the product direction of their new technology providers, which may deem some of their acquired applications – especially those designed to be implemented in-house exclusively - not strategic to their future.

This brings the whole discussion to the continuous migration of on-premise ERP applications vendors to Cloud-based delivery, a move that many have been undertaking with limited success. The more aggressive these ERP applications are moving to the Cloud, which covers all kinds of off-premise and remote environments that host the applications on behalf of the licensed users, the more likely that they will see sharply reduced software license revenues and perhaps maintenance fees in the short run because of the need to spread out the on-demand subscription fees over the span of the contracts.

Coupling the imminent revenue shortfall is the possibility that their expenses will rise because of the investments associated with building out their own Cloud infrastructure or paying dearly to hosting partners that can guarantee 100% uptime given the mission-critical nature of their applications. On both fronts, the bottom line of these ERP applications vendors in transition will be impaired and it’s not clear when any of them would be able to turn a profit consistently over the next three to five years.

Market Definition and Overview

The market for enterprise resource planning applications is defined as follows:

Integrated applications suites designed to automate a range of business processes from back-office operations to financial management and from sales distribution to customer information management within a vertical or across multiple industries.

The ERP applications market has hit some rough patches over the past few years because of the lingering effects of the recession and now there are signs that the major vendors are in better financial shape than ever as customer orders – including many seven-figure and even eight-figure ones – have begun trickling in and small to midsized businesses are reinvesting in new systems in order to stay competitive and grow globally.

But the most dramatic developments remained the latest wave of mergers and acquisitions among top ERP applications vendors including Infor's pending purchase of Lawson for about $2 billion, to become the No. 4 player in the market with their combined 2010 ERP software revenues. Without the addition of Lawson, Infor's current standing is No. 5. Epicor, which is in the process of merging with Activant in a $2-billion buyout backed by UK private equity firm Apax Partners, would become the No. 6 player with their combined 2010 software revenues, instead of staying at No. 10.

In the meantime, Constellation Software, which is the No. 9 vendor that targets dozens of market niches from moving and storage facilities to cabinet manufacturers, has announced a plan to evaluate its strategic options including the possible sale to another company or investor group.

The following table illustrates the new ranking of the 10 largest 2010 worldwide ERP applications vendors and their shares based on aggregated license, maintenance and subscription revenues on a pro-forma basis.

Vendor	2010 Share(%)	2010 Applications Revenues From Enterprise Resource Planning($M)
SAP	18.8%	6318
Oracle	11.0%	3718
Sage	4.4%	1479
Infor + Lawson	3.9%	1310
Microsoft	3.7%	1233
Epicor + Activant	1.6%	526
TOTVS	1.2%	411
Intuit	1.2%	404
UNIT4	1.1%	372
Constellation Software	1.0%	350
Subtotal	47.9%	16121
Other	52.1%	17562
Total	100%	33683

The musical chairs under way in the ERP applications market will have broad implications for all the parties involved.

SAP and Oracle will have to pursue additional acquisitions in order to sustain their lead over the rest of the pack in the coming months. Oracle, for example, acquired ATG for $1 billion in January to shore up its eCommerce capabilities.

The next tier of major ERP vendors Sage, Infor/Lawson and Microsoft will do anything possible to rise above their rivals in order to claim the all-important No. 3 spot. Given their industry-specific expertise, they have every intention to close in on the No. 1 ERP leader by marshaling their global resources and ecosystems in any close vendor evaluation process and positioning themselves as the clear alternative to the incumbent.

Then there are Epicor/Activant, TOTVS, Intuit, UNIT4, and Constellation Software finishing the lineup of the top 10 with each securing between 1% and 2% share of the market. With a combination of organic growth and well-timed acquisitions, these five formidable players will continue to excel in their strategic areas(UNIT4 in professional services, for example) while ensuring their supremacy in major theaters and markets(Constellation Software in German public transportation market; Epicor in Italy, retail and manufacturing; Intuit in US accountancy; TOTVS in Brazil; and UNIT4 in Benelux).

In order to keep up with their momentum, these top 10 vendors will set their sights on one another or on those that trail behind them. The list includes CDC in Asia Pacific, Cegid in France, Deltek in Washington DC for government contractors, Netsuite in Cloud-based ERP, QAD in automotive, and Visma in the Nordic countries. All these vendors will have extra reasons to be concerned about the rash of mergers and acquisitions for fears of being marginalized after the dust is settled.

Customers

Another key ramification on the latest consolidation wave has to do with its direct correlation on deal size. The more products these vendors are able to sell after acquiring them, the higher prices they can fetch from customers. The formula has worked well for Oracle.

Since 2005 Oracle's big deals, which are considered those that command software license sales of more than $500,000, have typically represented somewhere between 30% and 40% of its license revenues. By the third quarter of Oracle's fiscal 2011 ended February 28, that figure has climbed to 53%, the highest level over the past 10 years.

In dollar terms, Oracle received $1.17 billion from such big deals in the third quarter of fiscal 2011, compared with $807 million in year earlier period. The $366 million jump could be attributed to the return of large ERP transformation deals, some claiming as much as $50 million in license revenues that Oracle signed in the third quarter of fiscal 2011. As a result, a host of large multinationals, banks and government agencies have chosen to standardize on Oracle ERP applications, middleware and database products.

The rising value of these deals is a double-edged sword for both the vendors and their customers. For one thing, companies may have no choice but to embrace the standardization approach in order to mitigate the risks that come after years of downsizing their IT operations. When economic recovery becomes increasingly resolute, the decision to concentrate one's purchasing power within a handful of IT providers is considered prudent. What's not clear is whether such a move would end up costing them more because of the hidden costs covering everything from higher maintenance fees to all-encompassing enterprise license agreements.

Even for small and midsized customers, the era of affordable computing and ERP solutions has come to a screeching halt with the onslaught of Cloud-based services, which at one point were considered the antidote to the shackles placed upon users by on-premise software vendors.

Consider the QuickBooks Online offering from Intuit. The Web-based product is no different than any other Cloud-based services one can get these days by eliminating the need to install any software on one's desktop. It should come as no surprise to anyone that Intuit stands to reap greater profit potential from QuickBooks Online, which sells for anywhere from $12.95 a month for a single user to $63.16 a month for payroll-included version. Many choose the Online Essential version priced at $24.95 a month for up to three users, paying close to $300 a year. By comparison, discounted version of the desktop version of QuickBooks Pro 2011 can be had for $127.99 at Amazon.

What it amounts to is that the fact that the trend toward ERP standardization and Cloud-services, which could go hand in hand, is the start of a new tax that vendors are levying on users for the hard work of providing ease of use applications that are easy to implement because they have been pre-integrated, not to mention the option of easy access from any browser with a secure Internet connection.

After years of complaining about high costs of ERP systems that fail to deliver on their promised benefits, customers are beginning to see the table has turned against them once again. This time, however, the outcome may appear to be more benevolent than a pact with the devil, something customers may actually be able to live with. After all, all innovation comes with a price.

Top 10 Applications Vendors In Enterprise Market

The following table lists the 2010 shares of the top 10 applications vendors in the enterprise resource planning market and their 2009 to 2010 applications revenues(license, maintenance and subscription) from the market.

Vendor	2010 Share(%)	2010 Applications Revenues From Enterprise Resource Planning($M)	2009 Applications Revenues From Enterprise Resource Planning ($M)
SAP	18.8%	6318	5913
Oracle	11.0%	3718	3445
Sage	4.4%	1479	1450
Microsoft	3.7%	1232	1174
Infor	2.6%	865	825
TOTVS	1.2%	411	355
Intuit	1.2%	404	350
Unit4	1.1%	372	319
Constellation	1.0%	350	301
Epicor	0.8%	276	261
Subtotal	45.8%	15425	14393
Other	54.2%	18258	18503
Total	100.0%	33683	32896

Vendors To Watch

In 2011 all eyes will be on SAP and Oracle, both of which have announced grand strategies to breathe new life into their ERP applications. SAP has considered in-memory computing, Cloud services and mobility its top three priorities for the year. The last of the new triumvirate has been buttressed by its 2010 acquisition of Sybase known for its mobile database technologies. The high-profile launch of HANA, the in-memory analytic offering from SAP, could be a game changer. The same applies to a raft of on-demand offerings including the improved Business ByDesign, its Cloud-based ERP solution that has attracted 400 customers, compared with a handful in early 2010. Now SAP plans to secure more than 1,000 Business ByDesign customers by the end of 2011.

Similarly Oracle is bulking up with its Fusion Applications, its latest ERP offering that has become more on-demand than on-premise in its marketing pitch even though it can support either delivery model. Volume shipment will kick in during the second half of 2011.

Sage, Infor and Microsoft are also gunning for dominance in Cloud-based services in 2011, suggesting that selling ERP applications will never be the same again.

Outlook

On the upside, near-term growth of the worldwide ERP applications market is optimistic given the macro conditions driven by pent-up demand in developing and mature countries alike. In the first three months of 2011, both SAP and Microsoft reported low double-digit organic growth in their enterprise applications product revenues, not a bad sign for a traditionally weak quarter.

The consolidation wave shows no signs of receding, bidding up valuation of ERP applications vendors as well as the expected revenue boost such combinations would bring.

The move toward Cloud-based software delivery will help these vendors sell add-ons and complementary Web services, triggering a full-scale technology refresh cycle that has been held back by the recession.

Then there's the globalization factor that has stirred people's imagination prompting them into action by pursuing ERP standardization as a means to optimize their visibility into every part of their far-flung operations.

On the downside, one should not overlook the drawbacks of the consolidation trend. For example, before Lawson completes the deal with Infor in September 2011, one of its first priorities is to collect more than $230 million in maintenance fees from its S3 customers by May 31. These customers may have to demand some explicit understanding – similar to the Customer Assurance Program offered by PeopleSoft in its final days prior to its acquisition by Oracle in 2004 - from Infor as to how and to what extent their products would be supported in the long run.

The same risk also applies to the pending merger between Epicor and Activant, a deal that could result in heavy debt load for the new management team, who may have no choice but to scale back customer support operations in order to sustain cash flow.

Scenarios such as these will continue to reverberate throughout the ERP applications market, benefitting some vendors and their customers but hurting others along the way. Whatever the case, the competitive landscape is bound to change leaving all the players scrambling for their best bargaining position.

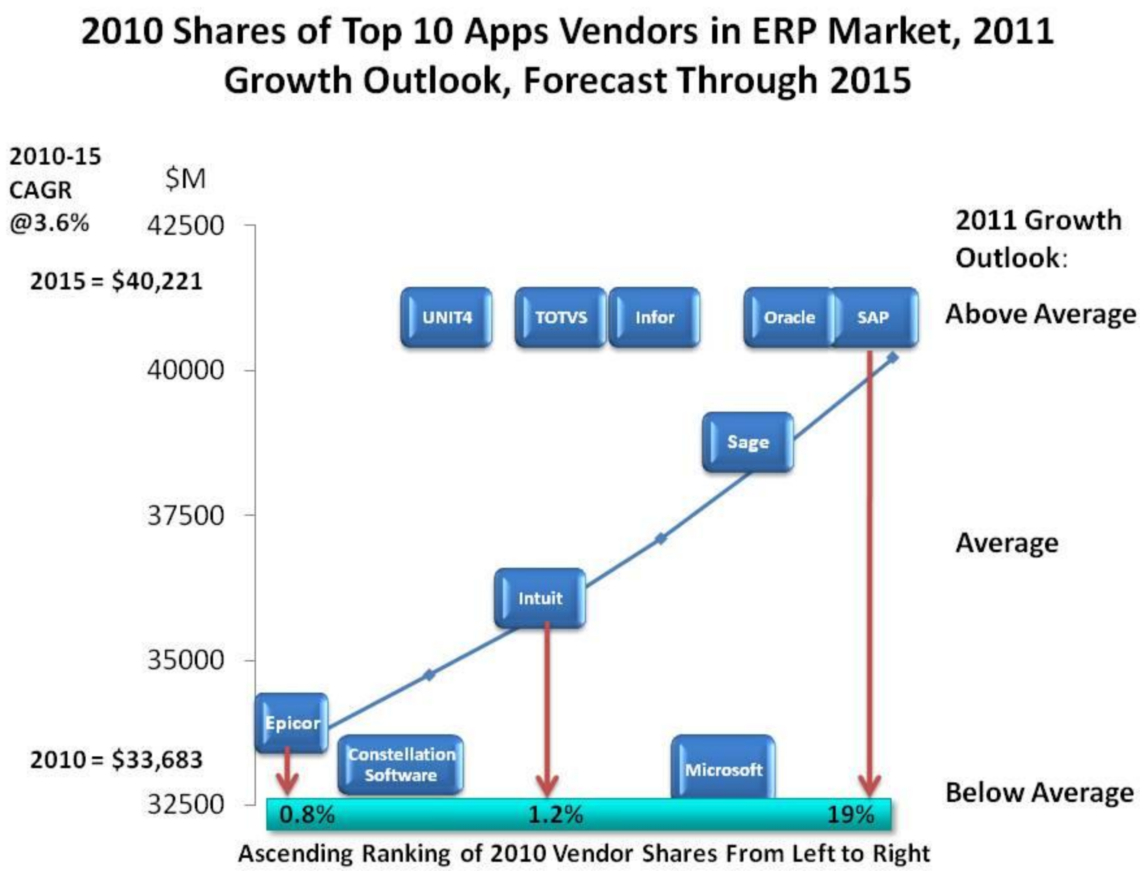
No doubt ERP, which has been eclipsed by social media and Cloud computing in terms of the buzz level over the past year, will once again be on the minds of a growing list of customers, investors and other key stakeholders all waiting to jump into action, while pondering how they will be able to capitalize on any changes that come their way.

SCORES Box Illustration

The following graphic shows the 2010 shares of the top 10 enterprise resource planning(ERP) applications market with SAP claiming the top spot at 19%, followed by Oracle, Sage, Microsoft, Infor and others. Based on our SCORES methodology, SAP, Oracle, Infor, TOTVS and UNIT4 are rated above average for their growth potential in 2011. The market is expected to achieve a 3.6% compound annual growth rate rising from $33.6 billion in 2010 to $40.2 billion by 2015. The SMB segment of the ERP market for customers with fewer than 1,000 employees is expected to grow the fastest, reaching $12.3 billion by 2015, up from $9.5 billion in 2010 at a compound annual growth rate of 5.4%. By comparison, large enterprise segment for organizations that have between 1,000 and 5,000 employees will see a 3.5% CAGR and the XL enterprise segment for organizations with more than 5,000 employees will have a growth rate of 2.4%.

The SMB segment is projected to grow the fastest because of a stronger recovery cycle among small and midsized companies, especially those in developing countries in Asia Pacific and Latin America where such entities are increasingly automating their operations in order to better compete with their larger counterparts, while arming themselves with the latest technologies in order to comply with new requirements such as those mandated by governments in Brazil, India, Korea and Japan to meet international financial reporting standards.

Customers in the other two ERP segments will be spending on maintaining their existing applications than acquiring new ones because of the large amounts of legacy systems that still need to be upgraded and replaced over an extended time horizon.



Worldwide ERP Applications Market Forecast 2010-2015 By Company Size, $M

No. of employees	2010	2011	2012	2013	2014	2015	CAGR(%)
1-999	9500	10015	10512	11104	11713	12381	5.4
1000-4999	10001	10276	10517	10821	11292	11860	3.5
5000 and above	14182	14458	14798	15175	15579	15980	2.4
Total	33683	34749	35827	37100	38584	40221	3.6
Yr to Yr Change(%)		3.2%	3.1%	3.6%	4.0%	4.2%	

$M includes license, maintenance and subscription revenues

Source: APPS RUN THE WORLD, May 2011

Profiles of Top 10 Applications Vendors In Enterprise Market

- SAP
- Oracle
- Sage
- Microsoft
- Infor
- TOTVS
- Intuit
- UNIT4
- Constellation Software
- Epicor

SAP

Walldorf, Germany

www.sap.com

Overview:

The economic revival under way in many parts of the world has bode well for SAP as the leading ERP applications vendor reaffirmed its stewardship with product innovation, regional expansion and strategic alliances that could have far-reaching implications on its bottom line and market presence. Typical customers are large, mid-sized and small companies as well as public-sector organizations that have come to depend on SAP applications to run their operations around the clock in order to complete large volumes of transactions, while fulfilling a myriad of customer-centric requirements.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	5913	6318

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	2211.3	35%
EMEA	3159	50%
Asia Pacific	947.7	15%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	3159	50%
Large(1K-5K ees)	2021.7	32%
SMB(1K ees and below)	1137.2	18%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	2084.9	33%
Maintenance	4169.8	66%
Subscription	63.1	1%

2010 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	Above 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	Above average
Total	With a 18.8% share in the Enterprise Resource Planning market, SAP's ability to maintain and win share in the market segment in 2011	Above average

Full overview:

As the indisputable leader in the worldwide ERP applications market, SAP has been on a roller-coaster ride over the past few years with the financial crisis zapping its momentum first and its subsequent return to growth becoming more apparent than ever.

In 2010 SAP posted a 16% organic growth in total software revenues across its product lines. Its ERP software business, which is a subset of that, saw a 7% rise in license and maintenance revenues last year after experiencing a double-digit decline in 2009.

Whether its growth is sustainable will depend on three factors. First, its product direction, which features the much-anticipated in-memory database technology, could serve as a catalyst that drives considerable upgrade and replacement opportunities among its existing customers eager to take advantage of the improved database performance that propels the vendor's next-generation applications.

Second, its evolving on-demand strategy, which includes new products ranging from Business ByDesign, the ERP offering, to modular products like travel and expense management, will be instrumental in recovering lost ground in a market segment that has so far eluded SAP after considerable investments.

The third plank of its strategy that could shape SAP's future is by parlaying its successes of selling ERP suites in manufacturing and asset-intensive industries to the small business market as well as a slew of budding enterprises that symbolize the growth potential in countries ranging from China to Turkey.

Early indications suggested that SAP's rebound, now gathering steam, could usher in a new era for the 39-year-old company that is emerging as the nucleus of a thriving ecosystem made up of a multitude of interlacing technologies and complementary services.

Key Applications For Enterprise Resource Planning:

SAP Business Suite, SAP ERP, SAP All-in-One, SAP Business One, SAP Business ByDesign and key pillars like SAP HCM and SAP Financials

SCORES Analysis

Strengths

After delivering mission-critical applications to a huge user population, SAP has developed keen insights on how its systems can effect positive change to a wide swath of the global economy. Nowhere is that more apparent than in the high-tech industry where SAP has been responsible for automating different parts of the operations at high-profile customers including Apple, Intel and Samsung. For example, SAP applications have been the engine responsible for the administrative function of Apple iTunes, which recently reached a milestone of 10 billion songs downloaded.

The performance and scalability of SAP applications give credence to the mission critical nature of its implementations, which are unsurpassed in their scope. Hundreds of millions of users are relying on SAP ERP applications to do their job – covering everything from financial accounting to materials management. SAP now aims to have more than 1 billion users by 2014.

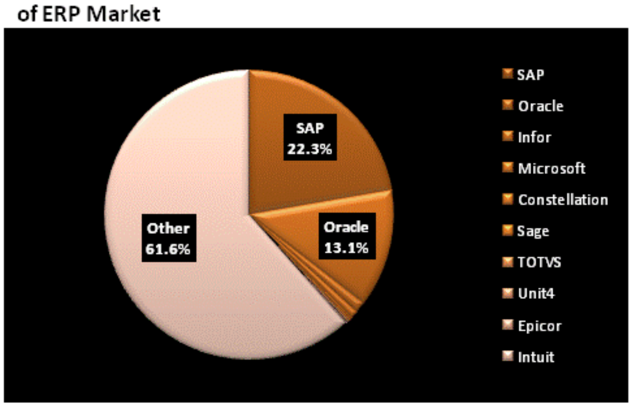
SAP is moving toward the goal by blanketing companies of different sizes. Already SAP is the leading ERP vendor for the XL segment of the ERP market, as shown in the following table and the pie chart:

2010 Shares of XL Segment(Customers With More Than 5,000 employees) of ERP Market:

Vendor	2010 Share(%)	2010 Applications Revenues From XL Segment of Enterprise Resource Planning ($M) Applications Market
SAP	22.3%	3159
Oracle	13.1%	1859
Infor	1.2%	164
Microsoft	0.9%	123
Constellation	0.2%	35
Sage	0.2%	30
TOTVS	0.2%	25
Unit4	0.1%	19
Epicor	0.1%	14
Intuit	0.1%	12
Subtotal	38.4%	5440
Other	61.6%	8743
Total	100.0%	14182

Source: APPS RUN THE WORLD, April 2011

2010 Shares of XL Segment
(Customers With More Than 5,000 EES)
of ERP Market



Source: APPS RUN THE WORLD, April 2011

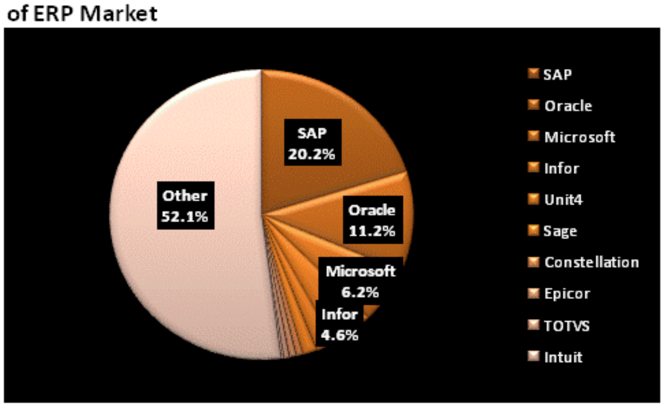
The SAP All-in-One applications and SAP Business One have been instrumental in helping small and midsized companies meet their back-to-front office system requirements with a standardized template that can be easily implemented in a fixed-fee and fixed-scope manner. That has resulted in strong showing of SAP in the Large segment of the ERP applications market, as shown in the following table and pie chart:

2010 Shares of Large Segment(Customers With Between 1,000 and 5,000 employees) of ERP Market:

Vendor	2010 Share(%)	2010 Applications Revenues From Large Segment of Enterprise Resource Planning ($M) Applications Market
SAP	20.2%	2022
Oracle	11.2%	1115
Microsoft	6.2%	616
Infor	4.6%	458
Unit4	2.0%	205
Sage	1.5%	148
Constellation	0.7%	70
Epicor	0.7%	69
TOTVS	0.6%	58
Intuit	0.3%	28
Subtotal	48.0%	4789
Other	52.1%	5212
Total	100.0%	10001

Source: APPS RUN THE WORLD, April 2011

2010 Shares of Large Segment (Customers With Between 1K and 5K EES) of ERP Market



Source: APPS RUN THE WORLD, April 2011

While the criticality and the mass adoptions of SAP ERP systems have never been in doubt, the vendor has been turning its attention by making its software easier to use. Tangible progress has been made to incorporate new and improved technologies ranging from ad hoc reporting to business analytics that allow casual users to do on the fly aggregations and calculations without additional training and IT support.

The crown jewel of SAP remains its development capability with R&D representing the biggest share of its headcount. Last year its R&D expenditure topped $2.3 billion. Such significant spending has translated into continuous innovation with in-memory database being one of its latest deliverables.

Coupling in-memory database with its ERP applications for complex queries, for example, could compress the time needed to complete such tasks from days or hours in the past to a few seconds, a remarkable feat that could change how its ERP applications, or for that matter any piece of software that it delivers, will be perceived and put into daily use by hundreds of millions of users. That in turn could have serious repercussion on the role of SAP in shaping the global economy for years to come.

Customers

SAP has more than 30,000 ERP customers around the world. Recent customer wins included Akebono Brake Industry Co., American Family Life Assurance Co., Banco Compartamos, S.A., BlueScope Steel Limited., China Datang Corporation, China National Chemical Corporation, Glazer's Wholesale Distributors, Halliburton, Kobelco Construction Machinery Co. Ltd., Nottinghamshire County Council, Novartis International AG, Saudi Electricity Company (SEC), Sociedad de Prevención de FREMAP, Sonda Supermercados Exportacao, Thai Airways International Public Company Limited, Tyco International, United Nations Industrial Development Organization, and Vedan International (Holdings) Limited.

For its Business ByDesign ERP product, its recent wins included Affordable Business Solutions, Airsolia, De Villiers Walton Solutions, Edson Consulting, Global Office, IS4IT, KPF, Longre Education, Octopus e-Internation, Silicon Valley Sports and Entertainment, Standard Calibrations, TVN, and Zinnov.

Opportunities

SAP has identified in-memory database, Cloud-based services and mobility as three of its biggest opportunities as it extends its ERP dominance to adjacent markets.

In 2010 SAP launched its in-memory database technology, a novel approach to reducing the complexity and latency – and often the associated difficulties and high costs - of accessing and analyzing large volumes of data on a real-time basis.

Instead of the traditional way of reading data from disks or flash storage, SAP’s in-memory database keeps the processing tasks, including calculation and planning and data management – within the main memory. By using the latest compression technologies, the main memory becomes the primary repository of the data source, which could be derived from ERP systems for sales and distribution transactions. In the past customers might have to aggregate such data from various transactional systems in order to analyze customer trends. SAP in-memory database can handle such tasks with improved results.

SAP cited an example of pairing its in-memory computing engine with its latest ERP offering SAP Business ByDesign to handle what used to be commonly referred to as batch processing of dunning analysis of outstanding account receivable items. Using the in-memory system, the task takes 13 seconds, compared with 77 minutes previously.

The high performance of using in-memory database on its ERP applications or any information source for that matter, will give rise to a new breed of systems designed for handling specific queries at low cost because of the elimination of traditional database overhead. One scenario calls for using such an in-memory system to analyze and mitigate the shortages of taxis during rush hours with availability of real-time data and better traffic planning.

One of the first products will be Strategic Workforce Planning that leverages in-memory database due out in 2011. Additionally SAP has announced the upcoming releases of applications using in-memory technologies to address such requirements as Sales and Operations Planning, Intelligent Payment Broker, Smart Meter Analytics, Trade Promotion Management, and Cash and Liquidity Management.

The biggest benefit of SAP in-memory technology is its ability to unlock the value of SAP transaction data, much of which has been residing in multiple databases that are difficult to retrieve and repurpose for real-time analytics. The pairing of its in-memory database and its applications could unleash the power of such transaction data, which by SAP estimates already account for 75% of business transactions worldwide today.

Cloud-based delivery presents another major opportunity for the vendor as it readies a growing list of SAP on-demand applications including version 2.6 of Business ByDesign as well as Line of Business apps for tasks such as Travel OnDemand, Sales OnDemand, and Career OnDemand.

The crux of its on-demand strategy stems from enhancements that have been built on top of SAP NetWeaver. The lightweight extensions called River Platform are designed specifically for on-demand applications delivery. The River Platform is built using variation of C#, added PHP capabilities for easy scripting, but retaining the robustness of ABAP language.

The River Platform, aided by new technologies like in-memory database and StreamWork for social media collaboration, will make its on-demand offerings more compelling by delivering features like expense management, carbon impact management and sales force automation easily accessible over the Web and mobile devices.

The performance and look and feel of SAP Business ByDesign has also improved after incorporating technologies like Microsoft Silverlight for rich media interface. Additionally SAP is invested heavily in its Network Solutions to optimize connectivity and ensure reliability when its on-demand offerings become broadly available in 2011.

The third leg of the stool is mobility, which has been strengthened with its 2010 acquisition of Sybase. Mobile database products from Sybase have been widely adopted among banks, retailers and communications service providers in fast-growing economies such as China and Korea.

One of the key initiatives is to harness the mobile technologies from Sybase as the connector to deliver SAP business data and process to mobile devices. For example, using Sybase Unwired Platform Server, developers can create SAP ERP-based mobile workflows such as purchase order approvals without writing any code, which in turn will lead to improved productivity as well as return on investment on rapid development and adoptions of wireless SAP applications.

Risks

With an ambitious program to upgrade all of its customers to SAP ERP 6.0, SAP is providing a common platform for its customers to use an array of applications that have hit the market in the form of Enhancement Packs.

What needs to happen is a critical mass of customers ready to activate the enhancement packs as part of their business process reengineering. It's fair to assume that the process will take much longer than SAP expects because of current economic conditions as well as the difficulties associated with creating a single global instance.

Still the upgrade momentum has resulted in more than 18,000 productive customers of SAP ERP 6.0, a major accomplishment by any measure given the complexity of the computing environments, particularly among SAP users with multiple operations around the globe. Many of these customers have completed the procedure by following a technical upgrade and leveraging features such as the new G/L in ERP 6.0.

Ecosystem

SAP primarily sells its ERP applications direct to customers and it works with a number of system integration partners such as Accenture, CSC, IBM and others.

Additionally a large number of resellers and system integration partners have become the primary channel for SAP to sell into SME customers. SAP has secured more than 70,000 customers in the SME space, about half of them have fewer than 100 employees. SAP's reliance on its resellers has resulted in a steady pickup in its SME momentum, which translates into adding 35 new SME customers every day.

Shares

With a 18.8% share in the Enterprise Resource Planning applications market, SAP's ability to gain share is above average because of accelerated economic recovery that has prompted many of its existing customers – some of whom are already captains in their fields - to reinvest in their applications environment in order to stay competitive.

On the upside, SAP's organic growth over the past year underscored the pent-up demand for new applications among its existing customers, which will remain the key contributor to new and expanded deals for 2011. Additionally the Sybase acquisition will stimulate cross-selling and upselling of products from both sides.

On the downside, the aggressive campaign behind in-memory database will cause some soul-searching among its biggest ERP customers, especially those that have already invested heavily in a fairly stable database environment to support their ERP systems. Any effort to undo that would require proven benefits in advance as well as considerable change management to ease the transition.

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

Despite its expansion moves into hardware and industry-specific software, Oracle is well positioned with its ERP strategy. Its integrated applications are capable of driving sales of a slew of add-on, middleware and database products to create a complete set of offerings designed to render expensive integration obsolete. Typical customers are large and small companies as well as public sector organizations that are increasingly drawn to Oracle's approaches to addressing their business process requirements through integrated solutions.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	3445	3718

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	1822	49%
EMEA	1301	35%
Asia Pacific	595	16%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	1859	50%
Large(1K-5K ees)	1115	30%
SMB(1K ees and below)	744	20%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	1115	30%
Maintenance	2603	70%
Subscription	0	0%

2010 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	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	Above average
Total	With a 11% share in the Enterprise Resource Planning market, Oracle's ability to maintain and win share in the market segment in 2011	Above average

Full overview:

The key to Oracle's successful ERP strategy lies in its increasingly integrated technology assets, whose sum is more valuable than ever when the vendor can sell them together.

The positioning of its three ERP lines – soon to be four with the addition of Oracle Fusion Applications in volume shipment this year – is geared toward buttressing its extensive portfolio, while making every attempt to help the vendor and its growing army of partners to sell more of everything – from database and middleware licenses to point products for ecommerce and compliance purposes.

Similar to a consumer packaged goods company with well known brands, each of Oracle's ERP brands - Oracle E-Business Suite, PeopleSoft Enterprise and JD Edwards Enterprise One - has established a loyal following that customers can easily identify with.

In most cases Oracle sells them separately or together to its more than 65,000 existing applications customers who are more inclined than ever to pick up additional products thus boosting the vendor's wallet share among its installed base. Customers make such repeat purchases as part of standardization effort to reduce the number of technology providers they have to deal with in order to save costs. When the process repeats itself, the multiplying effects could translate into considerable top line benefits and bottom line savings to Oracle and its customers.

In 2010 Oracle made tremendous strides in the ERP applications market after enhancing its products with new updates to Oracle E-Business Suite, PeopleSoft Enterprise and JD Edwards Enterprise One

For example, adoption of PeopleSoft 9.1, which began gathering momentum in 2010 after becoming generally available a year earlier, is more than four times faster than that of previous PeopleSoft releases. More than 1,000 customers are live on or deploying PeopleSoft 9.1 and at least 350 new customers have purchased the new product over the past 12 months.

At the same time, Oracle has introduced JDEdwards Enterprise One for Apparel Management targeting garment factories in Asia Pacific. That comes on the heels of its recent release of JD Edwards EnterpriseOne Fulfillment Management for optimization of allocation of constrained finished goods inventory.

Additionally Oracle has extended the E-Business Suite product line to support its strategic applications offerings such as the new Sustainability Sensor Data Management designed to help organizations monitor their energy usage, greenhouse gas emissions and other environmental related impacts. The new product, which is part of its Governance Risk and Compliance offering, can be implemented as a standalone solution or as part of Oracle E-Business Suite, allowing customers to seamlessly integrate that into existing Oracle and non-Oracle process control systems, smart meters and building management systems.

All these mean that Oracle is laying the groundwork to make its ERP strategy more robust than ever by constantly finding new avenues to sell these brands and by doing so lock up residual sales in the form of high-margin maintenance revenue, which remains the cash cow of Oracle.

Key Applications For Enterprise Resource Planning:

Oracle Fusion Applications, Oracle E-Business Suite, PeopleSoft Enterprise and JD Edwards Enterprise One

SCORES Analysis

Strengths

Whether it's considered a platform strategy or the epitome of the big tent theory, Oracle's all-encompassing approach has helped boost sales of its ERP products.

Using the same analogy of a CPG company selling razors and cartridges, Oracle is in the business of selling both. The business of selling ERP suites, along with other complementary technologies from Oracle Middleware to GRC suggests that doing one without the other would put the vendor in a precarious position relegating it to become just another player pushing undifferentiated product and perhaps being outgunned and outnumbered in the long run.

Oracle is certain that it has more products to sell than its competitors by packaging them for a wide range of industries and verticals whose needs cannot be fully met by a niche vendor.

Following its purchases of iFlex for its core banking applications, Retek for retail planning, and SPL Group for meter data management for utilities, Oracle has made further inroads into those verticals with its ERP suites.

For example, Oracle E-Business Suite scored big wins in financial services, government, utilities as well as expanded business among existing customers in France, Japan, and the Middle East. Abu Dhabi Ports Company, a developer of ports and industrial zones in the Middle East, recently selected Oracle E-Business Suite along with a range of Oracle products including Oracle Siebel Collections, Oracle Siebel Administration Server, Oracle Hyperion and Oracle Universal Content Management to enhance operational efficiencies while boosting its decision making process.

The same applies to ACCO Brands, Christus Muguerza Group, Nuqul Group, Ricardo Electro, and Viz Media, all of which have purchased Oracle ERP applications as well as other complementary products from the vendor over the past year.

Running Oracle ERP applications as their core systems will also allow Oracle to help set the IT direction of these companies to the extent that its entrenched presence could send their subsidiaries and trading partners on the same path.

Customers

Oracle has more than 65,000 applications customers including 26,500 ERP customers. The breakdown is as follows: 14,000 on Oracle E-Business Suite, 6,000 on PeopleSoft Enterprise and 6,500 on JD Edwards Enterprise One and World.

For Oracle E-Business Suite, recent ERP wins included Abu Dhabi Ports Company, ACCO Brands, Atlas Battery, Continental Group, Cox Communications, Credifiel, Dubai Silicon Oasis, Federal Treasury of Russia, Feroze Textile Industries, IFFCO, Irvine Ranch Water District, Kulczyk Holding and Investments, Ministère des Ressources naturelles et de la Faune (MRNF), MTR Corp.(Shenzhen), National Water Co., Nationwide Mutual, Nuqul Group, Rizal Commercial Banking Corporation, Savola Group, Spreadtrum Communications, US Gypsum, Viz Media, WĘGLOKOKS SA, and Yunihea Corp.

For PeopleSoft Enterprise, Oracle's recent wins included Amedisys, BJC HealthCare, CITIC Bank International, Ernest Health, Navigant Consulting, Nevada System of Higher Education, Premera Blue Cross, The Carlyle Group, University of Central Florida, and University of South Australia.

For the JD Edwards Enterprise One product line, Oracle's recent wins included Ardent Leisure, Baja Mining, Eurofresh Farms, Groupo Arcor, Mabel Group, Royal Caribbean Cruises Ltd (RCCL), and Saizeriya Corporation.

Some of these deals were sizable. For example, Nuqul, a diversified manufacturing company in Amman, Jordan, plans to standardize on a number of Oracle applications throughout its operations in the Middle East. The five-year project will cover the replacement of a slew of legacy systems with Oracle ERP applications for human capital management, finance, supply chain, demand planning & forecasting, manufacturing and maintenance management; in addition to retail execution, performance management, budgeting & forecasting, integrated margin & operations planning and business intelligence.

The deployment of the system will be launched first at the group's companies in Egypt to expand over the upcoming five years to include the Group's core business units in Jordan, Saudi Arabia, United Arab Emirates, Algeria and Morocco.

The win, with an estimated value of more than $10 million, was awarded because of Oracle's extensive product portfolio as well as a large number of reference wins in the Middle East region, which has continued to fuel the vendor's applications sales in the greater European region despite sluggish economic activities in Western Europe.

Opportunities

Since the first quarter of 2011, Oracle has been selling Fusion Applications, its latest ERP suite, in controlled mode. After five years of development, Oracle unveiled Fusion Applications in September 2010 with modest expectations. During the unveiling, Oracle chief executive Larry Ellison projected only 100 customers would purchase Fusion Applications in its first year.

Because Oracle is primarily targeting large enterprises with its Fusion Applications, the business case will have to be bullet-proof. Despite the slow pace of the economic recovery, some companies are likely to adopt Oracle Fusion Applications because of their advanced usability improvement, which promises to boost productivity and business work flow. A number of users including AT&T, Humana and Tesco reported substantial performance gains for their business users after running Oracle Fusion applications in pre-release mode.

One of the first official customers is Principal Financial Group, which selected Oracle Fusion Workforce Compensation under its Early Adopter Program. Through 2011 and 2012, The Principal plans to deploy Oracle Fusion Performance Management, Goal Management, Talent Review and Workforce Compensation across its entire workforce. The Principal is simultaneously implementing Oracle Fusion Procurement to have greater control and insight in its supplier and procurement processes.

With Oracle Fusion Applications, Oracle is trumpeting its on-demand flexibility as well as its coexistence capabilities with such products as Oracle E-Business Suite and PeopleSoft Enterprise.

While the products are clearly a step forward, compared with the on-premise only ERP applications such as Oracle EBS and PeopleSoft, the vendor has also recognized the amount of user reluctance from its biggest customers because of the fragile economic recovery, which is tentative at best in many regions from Americas to Europe where Oracle derives most of its revenues.

Still the growing momentum of Oracle Fusion Applications fits into Oracle's overall strategy of increasing average selling prices and enlarging its wallet share by selling more products to its vast installed base of more than 300,000 database and hardware customers.

Risks

Oracle's reliance on boosting average selling prices has been in the works for years. But the additions of ERP suites as well as numerous other products through relentless acquisitions have made that strategy abundantly clear.

Since 2005 Oracle's big deals, which are considered those that command software license sales of more than $500,000, have typically represented somewhere between 30% and 40% of its license revenues. By the third quarter of Oracle's fiscal 2011 ended February 28, that figure has climbed to 53%, the highest level over the past 10 years.

In dollar terms, Oracle received $1.17 billion from such big deals in the third quarter of fiscal 2011, compared with $807 million in year earlier period. The $366 million jump could be attributed to the return of large ERP transformation deals, some reaching as much as $50 million in license revenues that Oracle signed in the third quarter of fiscal 2011. A host of large multinationals, banks and government agencies chose to standardize on Oracle ERP applications, middleware and database products. Indeed there was a direct correlation between Oracle having more products to sell and fetching higher selling prices.

Despite such rewards, there are risks associated with the strategy. It remains to be seen whether Oracle is gearing up to primarily sell these big software bundles at the expense of small customers like those in the SMB market. Additionally the big deal strategy could backfire when Oracle partners and resellers are excluded from such transactions given the vendor's prevailing attitude of pruning its indirect hardware channel.

Ecosystem

It's too early to tell whether Oracle is committed to selling its ERP products along with its partners. Suffice it to say that Oracle's channel program is a work in progress. On one hand, the vendor has expanded its network of partners specializing in the new Oracle Fusion Applications. Cognizant, Infosys and Wipro have been selected to participate in Oracle Fusion Applications integration and migration co-development projects. It's not clear how its partners and resellers can support and be compensated for the on-demand component of the new applications.

On the other hand, Oracle's ecosystem of partners has also gone through a fair amount of consolidation. Since January 2010, these partners – some of which focusing primarily on Oracle ERP practice – have become increasingly acquisitive. Abeam, Advent Global, CedarCrestone, CherryRoad, Hitachi Consulting, NTT Data, Perficient and Saturn Infotech have all made acquisitions in order to become more competitive in their race against tier-1 systems integrators like Accenture.

The flip side of these acquisitions is that they could lead to implementation delays because of attrition and integration bottlenecks. Then there is the possibility that Oracle may see the tide beginning to turn with certain partners dominating specific areas such as CedarCrestone buying Sierra Systems to gain a bigger share of the PeopleSoft consulting market, an outcome that could the control of some Oracle projects under the mercy of a few partners.

Shares

With a 6.2% share in the Enterprise Resource Planning applications market, Oracle's ability to gain share is above average because of its extensive portfolio of ERP brands supported by an array of technology assets that prove to be instrumental in lifting average selling prices and thusly wallet shares across its major customers.

On the upside, Oracle's new Fusion Applications, which offers multiple delivery methods, will serve as a catalyst for the vendor to develop alternative recurring revenue streams. Based on the trajectory of similar on-demand offerings from niche vendors, the impact of Fusion Applications could amount to $10 million in additional product revenues for Oracle in its fiscal 2012 ending May 30 of next year. The ramp could be steep with Fusion Applications revenues jumping to $80 million in its fiscal 2013.

On the downside, 2011 will be a defining year for Oracle to exert control over the majority of its applications customers, or risk losing them to on-demand vendors and/or competing ERP offerings.

For example, sustaining support for Oracle EBS 11i9 and PeopleSoft Enterprise 8.9, two ERP release versions with sizable customers, will expire by June 2011, creating a vacuum that needs to be filled with massive upgrades throughout 2011.

Failing to do that could result in Oracle rolling out different tiers of support programs in order to prevent any leakage of its high-margin maintenance revenues.

Sage

Irvine, CA

www.sagesoftware.com

Overview:

Sage, the ERP applications market leader in the SMB segment, is scaling up its offerings to address the needs of a diverse base of enterprise customers, while leveraging the latest Web services to expand into new and uncharted territories. Typical customers are small and midsized companies that have been relying on Sage to help them tackle a growing list of business process requirements through easy to use software and outsourced services.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	1450	1479

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	591.6	40%
EMEA	798.6	54%
Asia Pacific	88.7	6%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	29.5	2%
Large(1K-5K ees)	147.9	10%
SMB(1K ees and below)	1301.5	88%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	251.4	17%
Maintenance	251.4	17%
Subscription	976.1	66%

2010 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	Above average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 4.4% share in the Enterprise Resource Planning market, Sage's ability to maintain and win share in the market segment in 2011	Average

Full overview:

After years of global expansion through acquisitions, Sage has embarked on a new era of growth through better use of its technology arsenal.

While Sage will continue to make selective acquisitions to boost its top line, the UK-based enterprise applications vendor that has built a worldwide installed base of 6.3 million customers is shifting its priorities to focus more on boosting recurring revenues, optimizing its ecosystem of partners and resellers as well as leveraging connected services to become more entrenched in the core SMB marketplace and strategic verticals.

The new strategy follows the arrival of a new management team led by its new CEO Guy Berruyer and his North American chief Pascal Houillon who place a premium on driving synergy and organic growth through the cross-selling and upselling of its extensive product portfolio to millions of customers as part of a global initiative to create a more cohesive organization.

The introduction of Sage ERP X3 v6 in January 2010 marked the beginning of a global ERP offering from the vendor that previously spent more time packaging different applications for new and existing customers than selling them under a unified brand, something X3 aims to do across more than 50 countries.

The emphasis on Sage ERP X3 v6 underscores Sage's attempt to scale up its offerings by marketing robust solutions that can handle increasingly complex business process needs of its customers, some of whom have been growing steadily with their headcount as well as the number of countries they serve.

In addition to selling Sage ERP X3 and well-established ERP products like Accpac and MAS 90, Sage is stepping up the delivery of its connected services from payment processing to payroll and employee benefits. New connected services include emarketing, treasury management and expense automation.

One scenario calls for customers using Sage ACT, a popular contact management program, to build integrated marketing campaigns after seamlessly connecting and mining relevant information on existing accounts and new prospects from other Sage products.

Key Applications For Enterprise Resource Planning:

Sage ERP X3, Sage ERP Accpac, Sage ERP Accpac Online, Sage ERP MAS 90 and Sage ERP MAS 200, Sage ERP MAS 500, Sage Peachtree Quantum, Sage 50, Sage 200, Sage Line 500, Sage 1000, Sage Baurer.

SCORES Analysis

Strengths

Sage's reach into different walks of life underscores its power of leveraging common standards and user-friendly products to become ubiquitous and indispensable in the day to day running of the business world.

Its core ERP applications featuring Web 2.0 portal and Microsoft Office integration enable companies to run a gamut of mission-critical functions including their finances, human resource administration and back-office tasks such as inventory management. Increasingly Sage has been adding capabilities to help them streamline processes like eCommerce, e-filing, and payment processing.

The result is a growing platform with numerous ways of nurturing and supporting its large base of customers. In this case, size matters for a vendor that has achieved the lion's share of the SMB market, while adding hundreds of thousands of customers every year. Among the top 10 ERP vendors, Sage held the biggest share at 14% in the SMB market segment, which is defined as organizations with fewer than 1,000 employees, as shown in following table.

2010 Shares of SMB Segment(Customers With Fewer Than 1,000 employees) of ERP Market:

Vendor	2010 Share(%)	2010 Applications Revenues From SMB Segment of Enterprise Resource Planning ($M) Applications Market
Sage	13.7%	1302
SAP	12.0%	1137
Oracle	7.8%	744
Microsoft	5.2%	493
TOTVS	3.5%	329
Intuit	3.2%	305
Constellation	2.6%	245
Infor	2.5%	242
Epicor	2.0%	193
Unit4	1.6%	149
Subtotal	54.1%	5138
Other	45.9%	4362
Total	100.0%	9500

Source: APPS RUN THE WORLD, April 2011

Sage's lock on the SMB market continued to manifest itself in 2010 with the addition of 252,000 customers to reach a total of 6.3 million. More than 1.8 million of its customers have entered into support contracts with Sage, a large representation given many of its products are sold at the retail level where asking customers to fill out product registration forms is a chore. In 2010 Sage was able to keep its maintenance and support contract renewal rates running at 81%.

Sage has raised customer intimacy to a higher level by encouraging its resellers to carry multiple products, while making further inroads into accounts that have been using more than one product line from the vendor. Sage Healthcare, for instance, has made channel recruitment a priority this year by targeting the vendor's ERP resellers to add healthcare offerings.

With the combination of right products, a large installed base and a thriving ecosystem, Sage has proven that big vendors can still be agile enough to meet the multi-dimensional needs of its customers, while boosting their loyalty through continuous investments in support and services.

Customers

Sage has 6.3 million customers around the world and hundreds of thousands of them have been long-time ERP customers running multiple products with some written specifically for their industries. In North America, Sage has more than 75,000 customers using different ERP applications such as Sage ERP X3, Sage ERP Accpac and Sage ERP MAS.

Recent customer references included Avmor Ltd., Crown Holdings, Dyna Electric Company, Ethypharm, Fatboy Construction, Kemper Valve & Fittings, Minetti S.P.A, Namakwa Diamonds, RTI Hotel Supply, Satellite Industries, Schubert Nursery, Stellos Electric, and Van Genechten Packaging.

Opportunities

With the help of Sage ERP X3 v6, the vendor is going after a much bigger target audience. Since its launch last year, Sage ERP X3 v6 has garnered over 3,000 customers with more than 165,000 users worldwide.

After building a global Sage ERP X3 practice that is backed by 200 partners and 1,500 consultants, Sage is targeting organizations with as many as 1,500 concurrent users, a far cry from its traditional sweet spot of selling into businesses with just a few dozen employees.

For instance, one of the many customers that recently adopted Sage ERP X3 v6 was Crown Holdings, a consumer and packaged goods company with more than 20,000 employees and operations in 41 countries. Other big companies that have selected Sage ERP X3 v6 include Fiat and Saint-Gobain Semiconductor. In many European countries, Sage has also made a concerted effort to push into bigger organizations by offering high-performance solutions such as the Sage ERP 1000 version 3.0 for the upper midmarket.

In North America, Sage is positioning Sage ERP X3 v6 for five verticals: hard goods manufacturing, food and beverage, chemicals, life sciences and wholesale distribution. It has also created three pre-configured packages for process manufacturing, discrete manufacturing and distribution industries.

Later this year, Sage plans to release Sage ERP X3 v6.2 with more than 300 functional enhancements including the ability to support new areas of business such as sub-contracting and project-based manufacturing management, and improved management for distributed and global organizations (multi-chart of account and multi-country management) within one singular software design. For its other products, Sage plans to continue to enhance the user interface for Sage ERP Accpac by leveraging the Google Web Toolkit to improve and optimize browser-based applications performance.

Another major opportunity lies in connected services based on Sage's Web protocol SData that extends an array of useful features to customers running its ERP and CRM applications, in some cases blurring the distinction between the two. The list of connected services includes shopping carts, payments, data protection, electronic invoicing and lead generation.

For example, Sage Payments Connected Services can extend the reach of Sage ERP Accpac users to those running Sage ACT or SalesLogix in order to collaborate on eMarketing campaigns and complete business transactions all using mobile devices.

Though Sage is considered a latecomer to the Web delivery of its products, the growing emphasis on scaling up its ERP systems while adapting its offerings to the interconnected environment is expected to help the vendor expand its already entrenched presence in the ERP SMB market segment, especially among organizations that have scaled back their own IT operations.

Risks

Despite its lackluster performance over the past few years, Sage is readying a major comeback after appointing a new team of senior executives as well as reformulating its strategies to boost organic growth.

However it will take time to bring cohesion to a company with more than 13,000 employees, hundreds of applications some of which dating back to the 1980s as well as a long-standing policy of acquiring products than building them from scratch.

Additionally Sage's organic growth will be incremental, perhaps indiscernible at times, because of its reliance on recurring revenues that are slower to develop than traditional license revenues. For instance, some of its recent ERP offerings start at as low as $67 per user per month.

Its move toward connected services and online versions of its applications – selling them alongside with its ERP and CRM products - is also fraught with challenges, namely the need to harness end to end marketing, channel and support programs that used to be handled separately by different divisions. Another dilemma facing Sage is its decision to rally behind a global brand, which may resonate with some customers but not others especially those that have seen eroding support for products such as MAS 500.

Sage is expected to rely more on its research and development efforts to drive synergy across its product lines, a relatively new strategy that may entail rationalizing its extensive product portfolio, which for years has been built primarily through acquisitions.

Sage has made considerable progress optimizing the economy of scale of its R&D activities. For example, it has developed the Advisor technology that is built in across a number of its applications. The integration of payments services into its ERP lines now accounts for 20% of its Payments business.

Only by developing more unique offerings like Advisor and ERP X3, which derives from its 2005 acquisition of Adonix, can Sage start rekindling the relationship with its vast installed base.

Ecosystem

As the role of channel partners gains strategic importance in the SMB market, Sage has made a concerted effort to reboot one of its most potent weapons in retaining customer loyalty.

In 2010 Sage bulked up its ecosystem by signing up 110 new resellers in North America, while boosting the quality of its channel partners through hundreds of training and certification programs in order to help them develop incremental revenues. For example, assisting these resellers to hire more quality salespeople resulted in more than $20 million in additional license revenues for Sage last year.

For years Sage has cultivated a long list of resellers that have paved the way for the vendor to recruit expert advisors, while making significant inroads into key verticals such as construction and non-profit organizations.

Some of its long-time channel partners include Blytheco, Forepoint, Goldcoast Advisors, Honkamp Krueger & Co., Infinity InfoSystems, Infoman, K&R Consulting, Net@Work, Plus Computer Solutions, RBP Methods, and Tennessee Software Solutions. Many of them have spent more than a dozen years specializing in different Sage products.

Notable partners in the construction vertical include Accordant Company LLC, Aktion Associates and Axlin Data Systems. In the nonprofit space, Sage has been partnering with TechSoup Global, which specializes in bringing technological empowerment and philanthropy to social benefit organizations.

After suffering some attrition in its reseller base due to the recession, Sage is raising the bar by investing heavily in such places as Sage Sales and Consulting Academy in order to sustain its clear differentiating factor.

Shares

With a 4% share in the Enterprise Resource Planning applications market, Sage's ability to gain share is average as it continues to realign its offerings while striving to bring more synergy across its disparate operations.

On the upside, Sage's recent results suggested that the vendor has been able to restore organic growth through better positioning of its ERP suites in order to stimulate demand for connected services as well as attached sales of complementary products and services.

On the downside, as the vendor was struggling to jumpstart its momentum last year, its competitors were able to rebound at a more rapid clip raising doubts about Sage's ability to recover lost ground.

Microsoft

Redmond, WA

www.microsoft.com

Overview:

As a high-tech superpower, Microsoft is well equipped to attack any part of the market with different operations requirements and the software giant has enjoyed considerable success in the ERP applications marketplace with its full-spectrum artillery including an increasingly potent Cloud strategy. Typical customers include hundreds of thousands of small and midsized companies served by a long list of resellers, ISV and OEM partners.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	1174	1232

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	517.4	42%
EMEA	603.6	49%
Asia Pacific	110.8	9%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	123.2	10%
Large(1K-5K ees)	616	50%
SMB(1K ees and below)	492.8	40%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	677.6	55%
Maintenance	529.7	43%
Subscription	24.6	2%

2010 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 3.7% share in the Enterprise Resource Planning market, Microsoft's ability to maintain and win share in the market segment in 2011	Below average

Full overview:

With a thriving ecosystem of ISV and OEM partners that resell its ERP brands into different segments of the enterprise applications market, Microsoft is capable of extending its reach into far more places than many of its competitors.

Microsoft also makes good use of its infrastructure products including Windows servers, SharePoint portals as well as Office productivity tools, providing with its partners a full spectrum of desktop, mobile and Web-based technologies that they can deploy in response to rapid market shifts without investing their own development resources.

Microsoft even foots the bills for some of its partners including Tyler Technologies and Aldata helping them incorporate Microsoft ERP applications such as Dynamics AX, GP and NAV into their products for verticals such as public sector and retail.

The all-encompassing strategy is further augmented by Microsoft Azure, the Cloud-based platform that the vendor is using to sell an array of Web services from customer relationship management applications to complete ERP suites.

Microsoft is stepping up the delivery of enhanced features for its ERP applications. In August 2011 the vendor plans to release Microsoft Dynamics AX 2012, which includes enhancements such as prebuilt industry capabilities, templated business processes and context-sensitive business intelligence for role-based analytics and decision support.

Additionally Microsoft Dynamics AX 2012 features the look and feel of Microsoft Office, native support for SharePoint portal and Microsoft Dynamics CRM, as well as out-of-the-box Web services, all of which are designed to spur a new wave of ERP adoptions by appealing to business professionals as well as casual users with almost game-like simplicity, Cloud-based accessibility and role-tailored data requirements. Among the 200 beta users of Microsoft Dynamics AX 2012, some have managed to upgrade to the new version without any IT involvement underscoring its simplicity message is resonating with regular users.

For the past few years Microsoft has been buttressing its ERP offerings by packing more product features from different parts of the organization.

For instance, Microsoft Dynamics SL 2011 is fully integrated into Microsoft Project Server 2010, Microsoft SharePoint 2010, Microsoft Office 2010, Microsoft SQL Server 2008 R2 and Microsoft Dynamics CRM. That makes it possible for customers in construction, professional services, government contracting, architecture and engineering fields – all target markets for Dynamics SL – to buy one product that works seamlessly with others from the same vendor thus resulting in a better user experience.

The same applies to Microsoft Dynamics NAV 2009 R2, which offers customers built-in integration with Microsoft Dynamics CRM and enhanced data visualization features; and Microsoft Dynamics GP 2010 R2, which also incorporates pre-integrated business intelligence capabilities from the vendor.

In many respects, Microsoft is operating a fleet of battleships loaded with weapons that are interchangeable, multiplying their firepower when they converge together to attack specific markets. Tactically Microsoft is also helped by an armada of speed boats that can round out the market coverage

As a result, the combination of well-coordinated planning and careful field execution has strengthened Microsoft's positioning in the ERP marketplace.

Key Applications For Enterprise Resource Planning:

Microsoft Dynamics AX 2012, Microsoft Dynamics SL 2011, Microsoft Dynamics NAV 2009 R2, Microsoft Dynamics GP 2010 R2

SCORES Analysis

Strengths

In order to amplify the impact of its ERP strategy, Microsoft relies on an army of foot soldiers carrying out its marching order while reselling and sometimes repackaging its products to meet complex customer requirements.

For example, one of its partners HSO has been extending the Microsoft Dynamics AX functionality with a complete set of add-ons including Sales, Costing, Projects, Purchasing, Equipment, Trade, Warehouse Management, Accounting, Production, Service and Maintenance that render the use of legacy systems in a manufacturing organization obsolete.

In 2010 Microsoft intensified such collaborative efforts with its ISV partners. For instance, Microsoft and Aldata signed a global agreement last year to incorporate Microsoft Dynamics AX into a new generation of integrated retail solutions that include Replenishment and Merchandising Optimization, Store and POS Management, and Loyalty and Digital Marketing modules that are ready-made, fast to implement and easy to use for midsize retailers. The first Aldata Retail solutions on Microsoft Dynamics AX for Retail were designed for home electronics, do-it-yourself, and sports and fashion retailers.

That followed agreements with ISVs such as Tyler Technologies, which has incorporated Microsoft Dynamics AX into its product lineup for state and local governments, while leveraging the Microsoft sales channel to offer such bundles. The joint solution between Tyler and Microsoft covers such areas as HR, payroll, and budget formulation. In return, Tyler has received research and development subsidies from Microsoft.

The vendor has had similar successes creating combined vertical offerings based on Microsoft Dynamics AX with ISVs including Aldata in retail, GFI Informatique in public sector in France, and Lexis-Nexis in law firms.

Not only have such deals created a captive audience for broad distribution of Microsoft ERP technologies, they are also considered an indispensable tool for the software giant to sustain its platform-centric approach, which has proven to be highly effective in extending the dominance of Windows in the PC market.

Customers

Microsoft has more than 300,000 customers using its ERP applications. Some of these customers have been using applications sold under the Microsoft brand, while others are running similar products that carry different logos but leverage Microsoft technologies extensively.

Long-time Microsoft Dynamics ERP customers include Amax, Black Box Network Services, Hard Rock, and NK Parts.

In any given vertical Microsoft has built a loyal base of ERP customers. For example, its reference wins in manufacturing include Bowles Fluidics Corp., Lattice Semiconductor Corp., Polaris Industries, Roland DGA Corp, S&V Industries, and Volcano Corp.

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 in distribution vertical.

Opportunities

Following the January 2011 release of Microsoft Dynamics CRM Online, the cloud version of the Microsoft Dynamics CRM 2011, Microsoft is gearing up for similar releases that include its ERP applications.

Though it will be a while before Microsoft Dynamics ERP Online becomes available, early indications based on the release of Microsoft Dynamics AX 2012 suggest that the online version will include features such as order management, requisitioning, mixed mode manufacturing resource planning, among others, all of which will be augmented by Web-based workflow ranging from unified communication to a raft of self service capabilities for managers, employees and suppliers.

As with its on-premise products, the upcoming Microsoft Dynamics ERP Online is expected to rely heavily on its resellers, ISV and OEM partners for sales, marketing and customer support.

Already the vendor has released Microsoft Dynamics Cloud Partner Profitability Guide to help set the expectations of its partners when selling such online products, which will be different from the way they offer on-premise applications.

Instead of implementing the on-premise product for a small firm with a handful of users, Microsoft partners may have to target bigger organizations with more subscribers. Scalability, shorter sales cycles and reduced service fees could be the norm for high volume selling of online products. In order to turn a tidy profit, Microsoft estimates that its partners need to keep their costs of goods sold to a quarter or one-third of what they have been accustomed to in the on-premise selling environment.

Whatever shape the sales and marketing of online software delivery takes, it is fair to assume that Microsoft is aiming to reshape the ERP marketplace with a new breed of products, which may well have to be supported by a different team of reseller, ISV and OEM partners.

Risks

Because of its reliance on resellers, ISV and OEM partners, Microsoft faces a different set of challenges. Some of its partners such as Aldata, SunGard and Tyler Technologies have seen tepid growth over the past year. Tyler, for example, saw a 17% plunge in its license sales in 2010 because of cuts at the state and local government levels. Others like Aldata and SunGard experienced a single-digit increase in their license sales, while others partners such Fullscope, Radiant Technologies and Omnios were acquired amid a wave of consolidation sweeping across the Microsoft Dynamics channel.

As a result, Microsoft Dynamics was hamstrung by the sluggish recovery in its channel last year and the migration to the online delivery of its products could mean near-term margin erosion for partners needing to redeploy their resources and increase infrastructure spending.

Ecosystem

In response to such structural changes to its channel, Microsoft has been revamping its ecosystem by providing more incentives to resellers that specialize, engage in certification programs for vertical solutions as well as deliver high-performance results.

Other changes include Autobill, which aims to streamline the renewal process for both of its customers and partners; and enhanced support program that covers the full spectrum of Microsoft products.

All these enhancements are designed to raise the quality of its channel partners, while boosting customer satisfaction. Currently there are 10,000 Microsoft Dynamics partners worldwide.

Shares

With a 3.7% share in the Enterprise Resource Planning applications market, Microsoft's ability to gain share is below average because of the slow pace of recovery by its business partners.

On the upside, new releases such as Microsoft Dynamics AX 2012 should help boost its sales, but not until the product ship date of August 2011. Additionally the recent efforts to boost quality of its channel should allow some of its stronger partners to better compete with other vendors.

On the downside, the transition to online delivery could take considerable time and effort to have positive effect on a sprawling ecosystem with many of its ISV and OEM partners facing their share of migration issues. And it could well turn into a waiting game among partners that happen to be representing other vendors, which are also expected to launch their own Cloud-based channel marketing programs.

Infor

Alpharetta, GA

www.infor.com

Overview:

By announcing its intention to buy one of its biggest ERP rivals, Infor is gearing up for rapid expansion on all fronts while preparing for its next phase of growth through systematic upgrades of its current installed base and product enhancements to attract new customers. Typical customers are manufacturing and asset-intensive companies along with their subsidiaries that have been standardizing for years on Infor applications to automate an array of administrative and production processes.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	825	865

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	423.8	49%
EMEA	363.3	42%
Asia Pacific	77.8	9%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	164.3	19%
Large(1K-5K ees)	458.4	53%
SMB(1K ees and below)	242.2	28%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	224.9	26%
Maintenance	640.1	74%
Subscription	0	0%

2010 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	Above 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	Above average
Total	With a 2.6% share in the Enterprise Resource Planning market, Infor's ability to maintain and win share in the market segment in 2011	Above average

Full overview:

After hiring the former co-president of Oracle last year, Infor launched an unsolicited bid to acquire Lawson in March 2011 sparking a new round of consolidation in the ERP applications market.

Both moves have placed Infor as one of the most closely-watched ERP vendors in 2011 because of the track record of its new CEO Charles Philips, who was instrumental in Oracle's acquisition strategy; as well as the ramifications of the combination of Infor and Lawson, which could become a significant counterweight to applications giants SAP and Oracle.

Since 2004 Infor has been embarking on an acquisition rampage that culminated in a long list of ERP applications products and their marquee customers including some of the biggest companies in aerospace, automotive components and parts manufacturing, and electronics.

More recently Infor has been expanding into services-based industries by acquiring Softbrands, which catered to both manufacturing and hospitality verticals. The planned purchase of Lawson could boost the number of Infor customers in services sectors like healthcare, equipment rental, state and local government as well as professional services.

Key Applications For Enterprise Resource Planning:

Infor ERP VISUAL, Infor ERP LN, Infor ERP LX, Infor ERP SyteLine, Infor FMS SunSystems

SCORES Analysis

Strengths

Armed with a number of well-received ERP applications, Infor has established a sizable presence in automotive, industrial machinery as well as different segments of the process manufacturing space. The entrenched presence, which predates Infor's acquisitions of these ERP brands, is a potent weapon for the vendor to extend the relationships with major accounts through periodic upgrades.

For example, Ferrari, the Italian sports car manufacturer, started running ERP Baan IV as the engine behind its production processes in 1998. Infor acquired SSA, which controlled the Baan product line, in 2006. Last year Ferrari launched an upgrade plan to migrate from Baan IV to the latest version of Infor ERP LN. The migration project will involve system reimplementation for all manufacturing stages from production planning to process management, cost and quality. It is expected to run through the summer of 2011.

Such projects underscore Infor's successes in nurturing the long-standing ties with many customers that have come to depend on their stable systems because of their undiminished business benefits.

The continuous support and improvements that Infor has put behind products such as Infor ERP LN, which is the logical extension for thousands of Baan users, justify further reinvestments by these customers, a virtuous cycle that is likely to sustain Infor's growth for years to come.

One of its biggest product enhancements is Infor Workspace, a Microsoft SharePoint-based user interface that combines such attributes as single sign-on, in-context collaboration and business intelligence. Infor Workspace is currently available for Infor ERP LN, Infor ERP SyteLine, and Infor FMS SunSystems, among others.

Infor Workspace, which places a premium on the usability of consumer technologies to optimize productivity and repeat usage, include key features such as mapping tools that provide visibility into locations of goods, inventories, assets and supply chain networks.

Infor is following up with other enhancements with a plan to hire 400 engineers by the end of 2011. The planned purchase of Lawson will boost the number of people dedicated to building enterprise applications to 8,000.

Customers

Infor has more than 70,000 ERP customers. Recent customer wins included Aster Group, The Automation Partnership, Barbican Insurance, Bullet, Cetis, Ferrari, Linemaster Switch, Memco, Nelson Industrial, Puerto Rico, Supplies Group, and Stork Power Services.

The planned purchase of Lawson will raise that number to 75,000, compared with 65,000 at Oracle and 69,000 at SAP, two of its fiercest competitors in the ERP market.

Opportunities

The proposed $2-billion bid to buy Lawson, which is expected to be completed in the third quarter of 2011, could open up new opportunities including the addition of complementary products despite some overlaps, accelerated push into strategic verticals as well as combined shares to gain control in the mid-market ERP segment.

While Lawson and Infor complement each other in many ways, their product lines are strikingly similar. Lawson offers M3 ERP apps for asset intensive industries such as food and apparel manufacturing with functions from costing to supply chain planning, Infor also sells best-of-class applications that address complex factory automation, work order and logistics requirements.

On the services side, Lawson S3 ERP product line has been well received because of robust Human Capital Management capabilities including those designed for talent management. Similarly Infor sells core HR applications what used to be known as Infinium, which has been paired with Boniva for strategic HCM projects. Thus the deal is to raise barriers of entry to shut out any potential gatecrasher, while chasing bigger opportunities among existing customers.

The addition of Lawson, which has an installed base of nearly 5,000 customers with many fitting the midmarket description, will provide Infor, which in itself has more than 70,000 customers(again mostly midmarket organizations), with extensive coverage in key verticals like healthcare, public sector and manufacturing as well as the product breadth needed to dominate the segment.

Risks

One key determinant to the future of Infor may lie in its evolving Cloud strategy. The proposed acquisition of Lawson could plug a few holes even though it also carries some risks.

While both vendors have not been particularly successful in driving Cloud-based revenues, it is more imperative than ever for the two to leverage the economy of scale in order to define and optimize a common on-demand framework for their existing and future customers. For its part, Infor reiterated that the combined entity has already achieved 1 million users running different HR, manufacturing, asset management, and financial applications.

Also, there is the theory that putting two mediocre players together doesn’t make a winner given the history of their fair but otherwise ineffectual execution(namely the drawn-out integration of Intentia for Lawson that spawned the M3 line, and Infor’s shifting Services Oriented Architecture strategies that undermined the modernization of its legacy systems.

Ecosystem

Infor primarily sells direct to its ERP customers, but it also relies on reseller channel to help address the needs of those in EMEA and Asia Pacific. Currently it has 1,400 partners representing 25% of its license revenues.

Since the overhauling of its reseller channel program in December 2008, Infor has signed 25 partners including many that focus on selling its ERP applications and other products for verticals such as discrete manufacturing.

Last year Infor acquired Qurius' ERP LN operations. Qurius is an Infor implementation partner that caters to manufacturing customers in Italy, Germany and Spain.

In 2011 Infor plans to invest heavily in its channel by boosting market development funds as well as support capabilities from certifying product training to the unveiling of the Infor Partner Network in order to help drive specialization and collaboration among its resellers. In return for their increased commitment, Infor is expected to elevate some resellers to a higher status under a stratified program that aims to improve channel quality.

Shares

With a 2.6% share in the Enterprise Resource Planning applications market, Infor's ability to gain share is above average because of its proposed acquisition of Lawson, which could result in a big jump in its ERP product revenues in 2011.

On the upside, Infor's recent performance appeared to be improving considerably as it launched one of its biggest acquisitions since its $1.4-billion purchase of SSA Global in 2006. Combining the effects of the proposed purchase of Lawson and its increased momentum, which saw a 17% growth in license revenue for its fiscal third quarter ended in early 2011, suggested that Infor is likely to exit the year with double-digit rise in product revenues because of successful upgrade and upsell strategies to its enlarged installed base.

On the downside, any delay in integrating Lawson into Infor or any slippage in its upgrade momentum could have serious ramifications on its recurring revenues, potentially putting Infor in a defensive position. In addition its revival could be held back amid the growing pressure from competitors that have succeeded in pursuing major acquisitions to block its advances into their core verticals.

TOTVS

Sao Paulo, Brazil

www.totvs.com

Overview:

TOTVS has capitalized on the fast-growing Brazilian economy with a series of acquisitions and an effective franchise model that allows the ERP vendor to reach every nook and cranny of the local market. Typical customers are small and midsized companies that have turned to TOTVS for a host of electronic bookkeeping and process automation applications to help them meet new government compliance requirements, while boosting their overall efficiency.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	355	411

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	402.7	98%
EMEA	8.2	2%
Asia Pacific	0	0%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	24.6	6%
Large(1K-5K ees)	57.5	14%
SMB(1K ees and below)	328.8	80%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	143.8	35%
Maintenance	267.1	65%
Subscription	0	0%

2010 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	Above 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	Above average
Total	With a 1.2% share in the Enterprise Resource Planning market, TOTVS' ability to maintain and win share in the market segment in 2011	Above average

Full overview:

After years of rapid expansion, TOTVS has become one of the largest ERP applications vendors in Latin America and its momentum appears to be accelerating thanks to soaring commodity prices and favorable economic conditions in a region awash with natural resources that feed the insatiable appetite for everything from cattle to iron ore in many parts of the world.

With a strong lineup of financial accounting, business intelligence and front-office applications, TOTVS has become the engine that propels the growth of a wide swath of the Brazilian economy fueled by government requirements for better financial reporting as well as the increased purchasing power of the middle class.

The growth of TOTVS has been impressive with its ERP revenues more than quadrupling to $411 million in 2010 from $96 million four years earlier and its total customer count has exceeded 26,000, compared with 15,500 in the same period.

TOTVS has augmented its growth with a number of ERP and middleware acquisitions including BCS, Datasul, Dynamo Relevant, Logocenter, Midbyte and RM Sistemas since 2005. Following the purchases, TOTVS has been reorganizing its burgeoning number of company-owned locations, franchisees and reseller partners in Latin America and Europe.

On one hand, TOTVS has invested heavily to bulk up the channel by acquiring partners that used to be selling applications such as RM and Datasul. On the other hand, it divested those that no longer fit into its campaign of enhancing the brand equity of TOTVS under a single banner.

For example, TOTVS sold off in December 2010 the Sofit 4Transport product for fleet management developed by Datasul on third-party technology platform. That followed TOTVS' decision in November to buy Mafipa Serviços de Informática, which focused on supporting the distribution channels for its RM product line. Such moves are laying the groundwork for TOTVS to establish an integrated sales and support network to deliver a converged product line across the region.

Key Applications For Enterprise Resource Planning:

TOTVS ERP, TOTVS Manufacturing, TOTVS Asset Maintenance, TOTVS Advanced Planning and Scheduling

SCORES Analysis

Strengths

After capturing the hearts and minds of small and midsized businesses to create a significant installed base in Latin America, TOTVS has turned its attention to some of the biggest companies in the region.

Over the past few years, it has secured major accounts in agribusiness, construction, retail, distribution and logistics, along with top banks, colleges and law firms. For instance, it serves the top five banks in Brazil, which in turn could act as references for other financial services companies and their clients. Last year TOTVS experienced surging sales into its top customers as they continued to expand and license additional user seats, resulting in a 25% jump in its average selling prices.

The lion's share of its installed base remains companies with fewer than 250 employees that have considered TOTVS their long-term technology provider addressing their overall IT requirements from hardware configuration to hosting support.

TOTVS is replicating its success in the Brazilian SMB market to areas such as Argentina, Peru and Mexico, positioning the vendor as the regional software powerhouse where customers prefer indigenous heroes that are considered more agile and responsive to the needs of local companies than others that need to answer to central authorities in faraway places.

In order to accelerate the regional push, TOTVS signed a deal in December 2010 with IBM, which will serve as its business partner selling the vendor’s Cloud-based ERP offerings delivered by IBM’s hosting facilities in Brazil to customers all over Latin America with Argentina, Chile and Colombia as the initial target countries.

The deal underscores the growing clout of TOTVS that is on the verge of reshaping the IT marketplace throughout Latin America because of its penchant for acquiring valuable technology and marketing assets, exposing them to a large audience through a scalable platform, and ultimately reaping tremendous returns with discipline and savvy financial management.

Thanks to its robust license sales and cost control measures through a shared service approach and operations efficiency, TOTVS achieved a record EBITA margin of 25.6%(vs. high teens at many of its competitors) in 2010. At the same time, its general and administrative expenses dropped to 6.4% of revenues in 2010 from 7.7% a year earlier.

Customers

With an installed base of over 26,000 customers, TOTVS has carved out a sizable share of the Brazilian user market. Currently more than half of these customers are running its ERP applications, while others have adopted its industry-specific solutions and middleware products.

TOTVS focuses on six verticals including manufacturing, services, distribution and logistics, financial services and retail. Manufacturing has become TOTVS' largest vertical with more than 3,500 customers including 1,400 involved in production of capital goods, 1,100 in extractive and process manufacturing, and 1,000 manufacturers of metal and plastic products.

Reference wins include Aliança Metalúrgica S.A, GA., Mabel, Marcegaglia do Brasil, MA Italy, GRAVIA, and Plastiglas de México S.A. de C.

TOTVS has also done well selling into divisions of large companies such as Vale, the world's biggest producer of iron ore, as well as multinationals such as Volkswagen do Brasil Ltda. that have been making significant inroads into the Latin American market.

Opportunities

TOTVS' recent deal to leverage IBM's sales and hosting operations to sell its ERP products to fast-growing countries such as Colombia will expand the reach of the vendor beyond its home base at a significant cost advantage. Because the delivery will be Web-based, the success of the program could catapult TOTVS into one of the most formidable players in Cloud-based services as it starts replicating the large-scale deployment to different countries. Some of the places being targeted have the world's fastest-growing Internet adoption rates and Brazil is already home to more than 68 million Internet users.

The ERP applications vendor is aiming to become the technology leader in other areas as well. For example, the rollout of a high-profile digital TV service backed by software technology from TOTVS for the Brazilian market involved Banco do Brasil, Extra supermarket and Walmart chain. The digital TV service will lead to considerable opportunities in electronic commerce, helping cement TOTVS' reputation as the clearing house behind an onslaught of business and consumer transactions.

Then there is the untapped opportunity of selling into some of the conglomerates in Latin America that have a vested interest in supporting indigenous IT providers such as TOTVS to help diversify the local economy in anticipation of a number of much-anticipated international events such as the World Cup and the Olympics that will be held in Brazil in 2014 and 2016 respectively.

Risks

Following its explosive growth, TOTVS is kicking off a new era by venturing into different parts of Latin America through alliances with other big name partners, which could overshadow the work that it has done to boost its brand equity.

For one thing, the farther TOTVS is removed from its home base, the lesser known it becomes. Its attempts to penetrate markets like Peru, Chile and others will be blocked by a raft of local heroes including Xnear in Chile that have grown to be just as popular as TOTVS in their home countries.

Relying on the vast distribution network of someone like IBM is also a double-edged sword given Big Blue's propensity to work with a large number of technology partners including many that compete with TOTVS on a regular basis.

Another challenge lies in the ability of TOTVS to retain its cost advantage after years of relying on its franchisees that would assume the burden of selling and marketing its products to the local markets. While it's too early to tell whether TOTVS can replicate the same franchise model across Latin America, its decision to acquire some of its partners raised the question if it would do the same in different parts of the region. Such a move could erase its cost advantage as it gravitates toward a more centralized approach by launching a cohesive branding campaign.

Ecosystem

Over the past two years, TOTVS has consolidated its sales operations consisting of more than 160 channel partners and franchisees into a unified TOTVS-branded network of about 100 outlets.

During this time, TOTVS has been shoring up its distribution channel by acquiring Bonagura group, FDES, M2I, SRC, TOOLS Arquitetura Financeira Negócios S.A., YMF Arquitetura Financeira Negócios S.A., and TOTVS NE.

Currently TOTVS has six branches and 52 franchisees in Brazil, supplemented by 40 channel partners. For the rest of Latin America, TOTVS has 13 distribution partners. It has a branch and a franchisee in Portugal and one franchisee in Angola.

Shares

With a 1.2% share in the Enterprise Resource Planning applications market, TOTVS' ability to gain share is above average because of the high growth potential of the domestic market as well as its expansion into other equally promising countries in Latin America.

On the upside, the recent deal with IBM, coupled with its stellar financial performance, suggested that TOTVS is on the verge of becoming a regional powerhouse that could sway the IT direction of a large number of business users to its advantage for years to come.

On the downside, the move toward Cloud-based delivery of its ERP applications is expected to reshape the relationships between TOTVS and its franchisees and complementary channel partners, a shift that has proven to be difficult to pull off for anyone accustomed to on-premise implementations.

Compounding that challenge is the high expectations that TOTVS has set for its investors, who will not be satisfied with anything less than double-digit growth in its revenues and bottom line results.

Intuit

Mountain View, CA

www.intuit.com

Overview:

Riding on its small-business franchise, Intuit has been broadening its appeal as one of the largest ERP applications providers for a new crop of users through strategic partnerships, global initiatives as well as a growing array of complementary features from electronic payroll to decision support enablement, all of which could turn the vendor into a trusted technology vendor for millions of businesses around the world. Typical customers are small businesses with a handful to 50 or more employees.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	350	404

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	395.9	98%
EMEA	8.0	2%
Asia Pacific	0	0%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	12.1	3%
Large(1K-5K ees)	28.2	7%
SMB(1K ees and below)	363.6	90%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	323.2	80%
Maintenance	0	0%
Subscription	80.8	20%

2010 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	Average
Total	With a 1.2% share in the Enterprise Resource Planning market, Intuit's ability to maintain and win share in the market segment in 2011	Average

Full overview:

Having secured a critical mass in the US small business market, Intuit is expanding into new destinations such as India, while making further inroads into fast-growing sectors from healthcare communication to payments network.

The moves come at a time when Intuit, famous for its customer-centric strategy, is exploring new ways to transform itself, potentially multiplying the effects of its traditional model. Intuit has done well helping small businesses do their books with easy to use software applications and adding value by putting services such as online banking and payroll processing within their reach.

The one to many model is slowly giving way to one that allows Intuit to make money with many to many business transactions. The 2010 acquisition of Medfusion that helped Intuit break into patient to provider communication market was a case in point. Intuit is now positioning itself as the portal for medical communications, marketing complementary products and services such as Mint.com for personal financial management along with healthcare payment solutions.

Additionally its GoPayment, leveraging its payment network operations, allows users to take credit card payment with their mobile devices like iPhone, which could vastly expand its reach beyond the traditional point of sale terminal market. Intuit is working on another mobile payment technology that allows users to make a financial transaction simply by bumping two iPhones to establish a simple contact without the need of transponders or add-ons.

Intuit's transformation is even more striking given its recent alliance with Salesforce.com to resell Salesforce's popular customer relationship management applications into the QuickBooks installed base. The combination of QuickBooks and the contact management product from Salesforce could help reshape the small-business ERP market, boosting product utilization as well as additional sales of online services for both vendors.

Then there is the globalization aspect of its ongoing transformation. Intuit, which derives less than 5% of its revenues from non US customers, reckons that its future may lie in the international market. Over the past year Intuit has been going after the India market as part of its global business unit dedicated to addressing the needs of consumers and small businesses in different countries with localized products.

In an alliance with India's Moneycontrol.com, the vendor now offers Intuit Money Manager, a personal finance tool similar to Mint for millions of middle class Indians. Since its 2010 debut, more than 50,000 active users have been accessing the site every day.

Key Applications For Enterprise Resource Planning:

QuickBooks, QuickBooks Online, QuickBooks Accountant, QuickBooks Enterprise Solutions

SCORES Analysis

Strengths

Armed with an installed base of four and a half million QuickBooks customers, Intuit has continued to expand its already entrenched presence in the small business marketplace through heavy R&D investment. Currently Intuit is spending 17% of its revenues on R&D, totaling $573 million in FY 2010, a sum that dwarfs those from its competitors especially those that are still clinging to the desktop delivery model for SMB customers.

Intuit's momentum in the online space is becoming a game changer. In its fiscal 2010 unit sales of its flagship financial management product QuickBooks were flat, but the number of subscribers to QuickBooks Online jumped 36% to 201,000. For its first half of fiscal 2011 ended Jan. 31, the number of QuickBooks Online continued to surge reaching 241,000. If the trend continues, QuickBooks Online could eclipse the desktop version as the chief money maker for its evolving ERP strategy. Already QuickBooks Online now represents 60% of the unit sales of QuickBooks in the latest quarter, compared with 19% in 2007.

Intuit stands to reap greater profit potential from QuickBooks Online, which sells for anywhere from $12.95 a month for a single user to $63.16 a month for payroll-included version. Many choose the Online Essential version priced at

$24.95 a month for up to three users, paying close to $300 a year. By comparison, discounted version of the desktop version of QuickBooks Pro 2011 can be had for $127.99 at Amazon.

It's easier for Intuit to cross-sell other online services to SMB customers once they are connected to the vendor for regular release updates.

By focusing on an array of Web services from payroll processing to website building, Intuit is boosting add-on sales to these online customers. What works to Intuit's advantage is its significant development efforts to churn out complementary offerings such as emarketing, erecruiting, as well as 401K retirement services and workers compensation support that are fast becoming prerequisites for any small business owner.

Already payments services account for 5% attached sales of QuickBooks Online. Today one million customers contribute regularly to Intuit's recurring revenue stream.

As Intuit develops new recurring revenue streams by expanding overseas and going after new verticals such as healthcare, its future will rest on whether it can sustain its competitive edge through continuous innovation that underscores its intrinsic value – keeping its products as simple to use as possible.

For instance, Intuit is developing an online service that allows retailers to capture and display receipt information online and on the iPhone, replacing paper receipts with an automation process that could drastically improve the user experience both for merchants and consumers during product returns or refunds.

Customers

Intuit has more than four and a half million QuickBooks customers and the majority of them have fewer than 50 employees.

Opportunities

Intuit is expanding globally with hopes of taking its ease of use message to countries where small businesses are growing by leaps and bounds. With localized versions of QuickBooks Online, Intuit plans to sign up users in Singapore and United Kingdom in fiscal 2011 followed by expanded rollout in 10 other countries. In India, Intuit has launched GoConnect, an SMS mobile marketing offering, paving the way for similar initiatives in other countries.

Another area of growth is in the professional services vertical where Intuit has already established strong ties to as many as 250,000 accountants. While small professional services firms may choose to spend a few hundred dollars for QuickBooks to handle their accounting function, others could be spending a lot more for the QuickBooks Enterprise Solutions or Premier Professional Services that comes with prebuilt project cost reports and proposal and invoice templates.

Risks

As its QuickBooks franchise is being converted to the online space, the risks lie in its core base of desktop users, which still exert considerable influence over the company's direction.

Similar to its migration from Quicken to Mint for personal finance management, the move from QuickBooks desktop to QuickBooks Online is not without its challenges. For one thing, some of the features that were designed for QuickBooks desktop version either by Intuit or its developers are likely to fall by the wayside in QuickBooks Online.

Additionally the premium that Intuit is accustomed to charging for its stellar usability and customer service reputation will be difficult to sustain because of the proliferation of Web services, some of which are arguable more easy to use because of their Web 2.0-centric features.

The data center outages that Intuit suffered in fiscal 2010 were indicative of the type of risks that Intuit, which shuttles between the on-premise and on-demand environments, would probably have to face for an extended period of time. For now, Intuit appeared to have fixed the problem after shoring up its data center operations.

However the alliance with Salesforce.com underscores the limitations of its online expectations, dashing its hopes of developing a full blown version of CRM offerings on its own. At one point, QuickBase was considered a key part of its CRM strategy. Intuit is now positioning QuickBase the go-to-market product for mid-sized companies and corporate workgroups that want a customizable CRM or project management system, while Salesforce is geared toward addressing the needs of the majority of its QuickBooks small-business customers.

What both cases illustrate is the fact that Intuit's control over the user experience, something that has been a hallmark of Intuit's software strategy since its founding in 1983, will have to give way to multi-party collaboration that could become its new emblem.

Ecosystem

For years Intuit has been building a loyal base of developers – now totaling 75,000 – that add value to its desktop and other products. By aligning with Salesforce.com, Intuit aims to further the goal of creating a common platform for third party developers as well as key stakeholders such as accountants that create value-added offerings running on top of QuickBooks, Intuit Websites for eCommerce, as well as QuickBase for project management.

Another plank of its ecosystem strategy lies in the Intuit Partner Platform and Intuit App Center, which hosts 60 applications that are being accessed by 350,000 users regularly. The partner platform is designed to help Intuit extend its reach into the on-demand space by adding complementary online services for email marketing, expense reporting, and mobile applications.

Shares

With a 1.2% share in the Enterprise Resource Planning applications market, Intuit's ability to gain share is average as it migrates from the desktop world to the online space where recurring revenues will become more predictable and long-lasting.

On the upside, Intuit's growing success with QuickBooks Online highlights the benefits associated with the scaling up of its migration from the desktop world, resulting in a bigger portfolio of products and services that it can upsell and cross-sell.

On the downside, any slippage in upgrading its QuickBooks desktop users could be a threat to Intuit at a time when recovery in the small business market remains fragile and aggressively priced or free online financial management offerings are rampant.

UNIT4

Sliedrecht, the Netherlands

www.unit4.com

Overview:

UNIT4 scored solid performance in 2010 following a series of acquisitions that expanded its reach into different parts of Europe, while developing healthy recurring revenue streams to sustain its long-term growth. Typical customers are services-based organizations that have standardized on UNIT4 because of its flexible and scalable ERP system capabilities.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	319	372

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	20	5.4%
EMEA	348.1	93.6%
Asia Pacific	3.7	0.1%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	18.6	5%
Large(1K-5K ees)	204.6	55%
SMB(1K ees and below)	148.8	40%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	93	25%
Maintenance	238	64%
Subscription	37.2	1%

2010 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	Above 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 1.1% share in the Enterprise Resource Planning market, UNIT4's ability to maintain and win share in the market segment in 2011	Above average

Full overview:

Despite its expansion into new and emerging markets as well as Cloud-based delivery, UNIT4 has stayed the course by positioning itself as an agile ERP applications provider well equipped to meet the ever-changing needs of its customers.

After staking its claim on services-based verticals with its adaptable and flexible ERP applications for fast-growing companies, UNIT4 has set its sight on the burgeoning market of Cloud-based delivery of applications by creating FinancialForce.com under a joint venture with Salesforce.com in 2009.

An array of Cloud-based products and services were introduced to complement its on-premise solutions, all of which have been designed to automate business processes of a range of services industries from accountancy to government agencies.

On the heels of rechristening itself from Unit 4 Agresso in order to crystallize a unified vision, UNIT4 went on a buying spree in 2010 that culminated in adding technology assets and customers in faraway places from Poland to the United States.

In 2010 UNIT4 acquired IBS Consist in the Netherlands and Teta in Poland, both of which had made their names selling ERP and HCM applications into fast-growing professional services firms with complex talent management and payroll requirements.

In June 2010 UNIT4 made greater inroads into the on-demand space by launching VITA CloudAngel, its cloud deployment option for dynamic companies that want to be running their applications using either on premise or on-demand delivery model.

The rationale behind the name change and its subsequent moves is consistent with its vision of embracing change, which is based on years of planning and laying the groundwork for an adaptable and robust platform built to accommodate business changes and deliver additional functionality to scale and handle any unmet and forthcoming ERP requirements from its customers.

Key Applications For Enterprise Resource Planning:

Agresso Business World, CODA, FinancialForce.com, EKON ERP Solutions

SCORES Analysis

Strengths

In 2010 UNIT4 continued to excel where it demonstrated its core competency, providing intuitive and all-encompassing ERP solutions for dynamic organizations to automate and improve new and existing corporate functions from financial accounting to project management.

Many of these companies have managed to standardize end-to-end business processes by using UNIT 4 applications, while leveraging post implementation agility capabilities of the solution to help them tackle a multitude of changes including mergers, acquisitions and reorganizations that require constant updates to their data, their processes, and reporting and analytical requirements.

The ease of use factor, coupled with the flexibility of UNIT 4 applications to make systematic changes on the fly in order to handle such tasks as business unit creation or any scenario coming from the examples above, has been one of the key drivers behind successful implementations of its products at thousands of organizations around the world.

UNIT4 accelerated the push into key verticals last year in order to further differentiate from others that might have spread themselves too thin by being all things to all people.

For example, UNIT4 acquired the professional service automation product from Appirio solidifying its reputation as one of the largest applications vendors for the professional services vertical. UNIT made similar acquisitions and alliances last year giving it additional leverage in the public sector and higher education verticals.

What comes next is the fulfillment of the unified vision by making these internally developed and acquired technologies even more accessible and easier to use and implement through multiple delivery models that translate into not just business benefits for customers, but also lasting impact on the overall ERP market.

Customers

Since 2008 UNIT4 has added nearly 10,000 customers to a total installed base of more than 12,000 after its acquisitions of Coda, IBS Consist and Teta.

As it expanded across Europe, it has been winning major accounts in different verticals. Recent wins included Mesta, Norway's largest highway construction contracting group; and Meyers Norris Penny LLP, one of the largest chartered accountancy and business advisory firms in Canada with 2,400 employees in 50 locations.

The recent acquisition of PS Enterprise cloud solution from Appirio has resulted in the addition of professional services customers including NAV CANADA and Perceptive Software.

Other reference wins include insurance company NSIA Groupe in Ivory Coast; Universidade Católica Portuguesa (UCP) in Portugal; and MRC Technology, a UK organization that works with Medical Research Council-funded units.

Opportunities

Its recent acquisitions are shoring up UNIT4's capabilities in Eastern Europe, Benelux and elsewhere as it ramps up its global expansion strategy. The acquisition of Teta is expected to bulk up its presence in Poland and Hungary, which could contribute more than €40 million, or nearly 10% of its revenues in 2011. The purchase will also become a launching pad for UNIT4 to expand into Eastern European countries like Romania and Russia. On the other hand, its 2010 purchase of IBS Consist has added 600 customers mostly in the Netherlands to its roster, further cementing its position in the core Benelux market.

Last year UNIT4 showed increased appetite in professional services and education verticals, two of its strategic verticals. First it acquired pFACT from Allocate Software, a project costing and financial appraisal tool used by research departments at Higher Education institutions.

That was followed by its decision to buy the PS Enterprise cloud solution from Appirio paving the way for FinancialForce.com to unlock the potential of professional service automation. For one thing, the professional services vertical has always been the specialty of both UNIT4 and Salesforce.com. Their products have been widely used at architecture, engineering and construction firms for the former and professional services organizations within technology companies for the latter.

The acquisition of PS Enterprise gave FinancialForce.com a ready-made PSA solution designed from the ground up for cloud implementation. For UNIT4, the advantage is to sell both on-premise and on-demand applications to professional services organizations, strengthening its capability to address unmet requirements from new and existing customers.

The series of acquisitions underscore UNIT4's desire to exert control over fast-growing markets and key verticals, while reaping the benefits of cross-selling and upselling into accounts that now find the vendor's extensive product portfolio more complete than ever.

Risks

With booming subscription revenues from a list of offerings including FinancialForce.com, VITA CloudAngel, Coda Cloud Rebel, Multivers for Benelux, and Ready for Spain, UNIT4 is gearing up for widespread acceptance of its Cloud-based solutions in moves that could reshape its profit picture along the way.

The acceptance part has already been established. UNIT4's subscription revenues soared 31% to €26.8 million in 2011, while its license sales rose 23%. In the first quarter of 2011, UNIT4's subscription revenues jumped more than 40% to about €8.3 million, compared with €5.9 million in year-earlier period. License sales during the quarter went up 23%, much of it was attributable to recent acquisitions. The accelerated growth of subscription revenues amounted to a run-rate of more than €41.5 million for 2011, compared with €26.8 million last year.

All these mean that its subscription revenues could represent a sizable chuck of its business, or as much as half of its license sales in 2011.

The issue is whether its increased reliance on subscription revenues would erode its margins. So far that has not been the case as its margin remained at 91.2% during the first quarter of 2011 and its EBITA margin stood at an enviable 20.4% in 2010, up from 19.8% in 2009.

In the meantime, UNIT4 is upping the ante on FinancialForce.com with increased sales and marketing investment as well as its first acquisition(PS Enterprise). The additions of a large number of new subscribers could entail even more infrastructure spending at least in the near term. Already UNIT4 estimated that FinancialForce.com would incur a loss between €7 million and €8 million in 2011 and it will not be profitable until 2013 as it projected earlier.

If UNIT4 is going to wean itself off license sales, the question is not a matter of when rather than how. That remains a daunting challenge for many of its competitors trying to make the transition.

Suffice it to say that UNIT4 has already exceeded the expectations of many with growing adoptions of its SaaS offerings, the future is whether it can sustain its profitability without undermining its license business, a portion of which may never be replaced because of user insistence of keeping the data in house especially among some of its public sector customers.

Ecosystem

After years of focusing on direct sales, UNIT4 has started realigning its channel strategy by building out a partner network that meets customer requirements in certain markets.

For example, UNIT4 signed a deal with EDB ErgoGroup ASA, an Oslo-based IT services company, to serve public sector customers in Norway and Sweden. Under the six-year deal, both companies will jointly develop programs to increase professional services and product development capacity covering ERP implementations for a range of administrative and e-government projects in the Scandinavian region.

Shares

With a 1.1% share in the Enterprise Resource Planning applications market, UNIT4's ability to gain share is above average as a result of recent acquisitions on top of increased recurring revenues attributable to strong sales of ondemand financial management and ERP applications.

On the upside, UNIT4 was gaining momentum with a 7% organic growth in the first quarter of 2011 after posting a nearly 6% organic growth in 4Q10, suggesting accelerating economic recovery in Europe, a key catalyst for its outstanding performance this year.

On the downside, the hard work of integrating its purchased technology assets will intensify and perhaps add complexity to its way of supporting and enhancing these products, while continuing its efforts to extend its vaulted platform to ensure interoperability among newly-acquired and existing customers regardless of the delivery model they have chosen to access UNIT4 applications.

Constellation Software

Toronto, Canada

www.csisoftware.com

Overview:

Founded in 1995, Constellation Software has emerged as one of the largest ERP applications vendors after acquiring more than 100 companies that compete in different verticals from the public sector to window and cabinet manufacturing markets. Typical customers are organizations with fewer than 1,000 employees who have been relying for years on applications from Constellation to handle an array of tasks from financial management to back-office operations.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	301	350

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	273	78%
EMEA	87.5	25%
Asia Pacific	7	2%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	35	10%
Large(1K-5K ees)	70	20%
SMB(1K ees and below)	245	70%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	49	14%
Maintenance	301	86%
Subscription	0	0%

2010 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	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1% share in the Enterprise Resource Planning market, Constellation Software's ability to maintain and win share in the market segment in 2011	Below average

Full overview:

After spending years of acquiring ERP and vertical applications vendors, Constellation Software has amassed more than 20,000 customers, an extensive portfolio of general purpose and specialized products as well as a healthy recurring revenue stream backed by one of the strongest balance sheets in the software industry.

In 2010 Constellation made 21 acquisitions for more than $91 million. Major purchases included Cogsdale, which provides ERP solutions to local governments and utilities, as well as the remaining shares, not already held by the company, of Gladstone PLC, which sells financial and membership administration packages for health clubs and leisure centers.

In April 2011 Constellation announced that it has hired BofA Merrill Lynch and BMO Capital Markets to act as its advisors for evaluation of strategic alternatives. Whether and how Constellation Software is going to pair up with another ERP vendor, or any buyer for that matter, is unclear. However it is fair to assume that Constellation will assume a different corporate identity in the coming months.

Key Applications For Enterprise Resource Planning:

Emphasys Software for housing finance agencies and public housing authorities, Trapeze Group for public transit organizations, Harris Computer Systems for state and local governments, Jonas for health clubs and golf courses, Newstar Homebuilders, Buildsoft, eSkye Software for Wineries

SCORES Analysis

Strengths

Constellation Software is an extreme example of how one vendor can grow through acquisitions and establish outsize presence in a large number of vertical markets.

In the government vertical, for example, Constellation has acquired in recent years such vendors as Tailored Business Systems for property tax billing systems, public transit solutions from Continental AG, and Global Software Corp. for its law enforcement records management software. That followed 13 other acquisitions since 2004. The purchases included AEK Computers, Cass Information Systems GEMS assets, DataNow, Mainstreet Software, Manatron, Maximus' justice, education and asset solutions businesses, MediSolution Ltd., Municipal Software Library, MuniSmart, PG Govern, Systems & Software Inc., Trio, and Varsity Logistics.

Some of these offerings are not considered ERP packages in the strictest sense because they can only automate one aspect of the operations. However the majority of its products have financial management capabilities, a critical component for inclusion into the ERP market.

Constellation has made similar moves into construction, moving and storage, RV and marine dealers, and club membership organizations, resulting in a diversified customer base as well as a steady recurring revenue stream that can offset sharp declines in any part of its vast product portfolio.

With a market cap of nearly $1.5 billion, Constellation has little debt and an eye-popping recurring revenue stream of $337 million in total maintenance sales in 2010 after experiencing a 34% jump from a year ago. It has earned high marks for its acquisitive winning streak by creating a reliable money-making machine. In fact it has been profitable over the past three years. Furthermore, it only paid $3.8 million in annual interest, or 0.06% of its revenues last year after embarking on its acquisitions to become a major ERP vendor bigger than many of its opponents that have become highly leveraged after their buying spree.

Customers

Constellation has more than 20,000 customers scattered over different verticals. With more than 5,000 customers in the public sector vertical, for example, Constellation has exerted considerable influence over the direction of government agencies and many have credited its products for helping them improve their business processes such as customer billing and work order processing.

Its customer references include Canton Borough Authority, Capital Area Transportation Authority, Central Ohio Transit Authority, Cities of Adrian, MO; Burlington, WY; Centerview, MO; Deland, IL; Leeds, ND; Loyalton, CA; San Buenaventura; and Elsinore Valley, among others.

Opportunities

After acquiring Continental in Germany for its transit agency software and attaining full control of Gladstone in the UK, Constellation's expansion plan in Europe is expected to open up new opportunities for a vendor that has just started cracking the global market.

The acquisition of Cogsdale, a Prince Edward Island, Canada-based ISV specializing in Microsoft Dynamics GP-based ERP applications, has solidified Constellation's position in the Canadian ERP market. Already Canada accounted for more than $126 million, or 20% of Constellation's total revenues, catapulting the vendor to become one of the biggest enterprise applications in the country.

Risks

The uncertainty over its future could become an issue in the coming months as Constellation looks for a merger partner or ends up being acquired by a competitor or investor group.

The issue is not over whether its customers will start defecting(many of them have been using its products for years), but rather potential changes to its decentralized management style. The approach has worked well for Constellation, but it may not be readily embraced or replicated by a new owner that will have to put its arms around an increasingly disparate organization held by multiple operating groups that share little in common.

Even the new owner is going to continue with the approach, Constellation's formula of acquiring companies for their steady maintenance revenues could cease to be a competitive advantage as a slew of Cloud-based offerings that have already become viable alternatives to traditional ERP applications.

Ecosystem

Constellation continues to sell direct and its ecosystem is primarily made up of third party ISV partners such as IBM and Microsoft as well as other suppliers that add value to its core products. These partners include AP Technology for its check printing software solutions, Dataprose for its billing solutions, Loris Technology for its document imaging and document management software, and NowDocs for document delivery.

Shares

With a 1% share in the Enterprise Resource Planning applications market, Constellation Software's ability to gain share is below average because of the uncertainty over its future.

On the upside, Constellation is expected to derive much of its growth from recent acquisitions. While the recovery in the construction market seems to have gathered momentum, sales to the public sector could be sluggish because of budget cuts among government agencies. Still the diversified customer base should ensure a steady, albeit low single-digit, organic growth for Constellation in the coming year.

On the downside, Constellation may scale back its acquisition strategy to avoid making deals that could impede any progress over a possible sale of the company. Moreover any changes to its management after the sale could undo the strategy that the company has been pursuing over the past 16 years.

Epicor

Irvine, CA

www.epicor.com

Overview:

With growing acceptance of a rejuvenated product line, Epicor has upped the ante by going private and merging with Activant, another major applications vendor, to create a powerful bloc in their fight for recurring revenues and market shares in key verticals like retail, manufacturing and distribution. Typical customers of both vendors include midmarket companies focusing on auto parts distribution, hardlines and lumber wholesaling, light manufacturing, specialty retailing, along with a long list of nonprofit organizations and professional services organizations.

Applications Revenues In Enterprise Resource Planning:

	2009	2010
$(M)	261	276

2010 Applications Revenues In Enterprise Resource Planning By Region:

Region	2010($M)	% of total
Americas	204.2	74%
EMEA	49.6	18%
Asia Pacific	22	8%

2010 Applications Revenues In Enterprise Resource Planning By Company Size:

Size	2010($M)	% of total
XL(5K ees and above)	13.8	5%
Large(1K-5K ees)	69	25%
SMB(1K ees and below)	193.2	70%

2010 Applications Revenues In Enterprise Resource Planning By Revenue Type:

Type	2010($M)	% of total
License	82.8	30%
Maintenance	193.2	70%
Subscription	0	0%

2010 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	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 1% share in the Enterprise Resource Planning market, Epicor's ability to maintain and win share in the market segment in 2011	Average

Full overview:

Backed by its new owner UK private equity firm Apax Partners, Epicor is aiming to become one of the largest ERP applications vendors by merging with Activant in a deal worth about $2 billion in April 2011.

The new round of consolidation is expected to reshape the competitive landscape with the emergence of a handful of players dominating certain market segments. In the case of Epicor and Activant, that would mean establishing a bigger footprint among retailing, manufacturing and distribution organizations, regional banks as well as mid-sized companies with extensive field service operations.

The merger of the two well-established ERP vendors will boost the number of customers they serve to more than 30,000, resulting in an expanded recurring revenue stream from long-time users as well as an enlarged ecosystem of resellers, technology partners and industry-specific alliances.

The combined entity will strengthen their capabilities in serving small and midsized companies by creating an extensive product portfolio that addresses their customer-facing, mobility, supply chain requirements, along with essential tasks such as financial accounting and production planning.

Key Applications For Enterprise Resource Planning:

Epicor 9, 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

Both Epicor and Activant have valuable assets to contribute to the making of a formidable ERP vendor as they pool their resources together to meet a long list of requirements from their current and prospective customers.

For Epicor, it has been a solid performer in manufacturing and retail vertical with proven solutions that enable companies with regional and global facilities to manage their far-flung supply chain, production and sales operations.

Epicor shored up its presence in the retail vertical after acquiring NSB Retail and CRS and picking up hundreds of retailers as customers by offering them point of sale systems and other retail applications to help support a range of retail transactions, processes and workflow.

Distribution companies, on the other hand, have 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 midsized distributors, mitigating the risks of failed implementation.

Industry-specific content is another key 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

Epicor has more than 20,000 customers using its ERP and industry-specific applications. Some of its recent wins included Chirch Global Manufacturing and Semiconductor Tooling Services, ELE Advanced Technologies Ltd., Farécla Products Ltd., Longvie S. A., Sanyo Color, Schleich, and Wilson Transformer Company.

Activant has more than 10,000 customers – half of whom are in the distribution vertical - using its ERP and distribution-specific applications. Reference customers include Aftermarket Auto Parts Alliance, Automotive Supply Inc., Express Oil, Kopp Drug, Mathew Hall Lumber, Piston Ring, Rexel, Shipton's Big R, Squires-Belt Material Co., Standard Group, Stine Lumber, US LBM Holdings LLC, Wholesale Auto Parts, and XL Parts.

Opportunities

In 2011 Epicor will continue to sell its flagship ERP release Epicor 9, which is considered the go-to-product for its 20,000 customers.

Since its debut in late 2008, Epicor 9 has been selling well with more than 300 live customers and another 600 going live by June of this year. Robust demand for Epicor 9 propelled Epicor's license sales by 17% to $82 million last year.

Activant does not have the equivalent of Epicor 9, a go-to-release that its 10,000+ customers could migrate to in droves. Instead Activant offers multiple ERP brands such as Catalyst, Eagle and Prophet 21 that it culled from a series of acquisitions.

Much of the attention will center around a growing number of buying groups that will be the conduit for Activant to sell into tens of thousands of their members and retail outlets.

Activant has made good use of these industry buying groups in order to extend its reach quickly, while saving on customer acquisition costs. For instance, it recently signed with ALLPRO Corporation to sell an array of ERP and IT solutions to its members including 270 companies who collectively represent approximately 1,300 stores that carry paint and decorating products.

Activant also has similar marketing agreements with Ace Hardware Corporation for hardware stores, Chain Drug Marketing Association for pharmacies, Lumbermens Merchandising Corporation for lumber retailers, and National Association of Electrical Distributors.

Risks

It will be interesting to see how the merged company under the Epicor name will fare specifically whether it can turn a profit after getting about $2 billion in cash – split roughly between investors of Epicor and Activant - from Apax, whose investors are now saddled with a total debt load of at least $725 million. In 2010 Activant's annual interest payment topped $31 million, or 8.3% of its revenues, and Epicor's was $20 million, or 4.5% of its revenues. By comparison, interest payments at some of its competitors like Lawson, whose purchase by Infor is pending, and Oracle are running less than 3% of their revenues.

What's remarkable about Apax's nearly $1 billion offer to buy Activant is the vendor's sizable debt load, which amounted to $495 million as of the end of 2010. To be fair, Activant has been paring its debt – down from its peak of $633 million in 2007, by selling off assets such as its productivity tools division last year.

In order to make the merger successful, the combined entity will have to pull equal weights to slash expenses, while maximizing its recurring revenues in order to service its high debt load.

Ecosystem

Epicor primarily sells direct. But it has established long-running alliances with platform vendors such as IBM and Microsoft. IBM has been co-marketing with Epicor for retailers by combining IBM's point-of-sale hardware and Epicor's retail applications. Microsoft, on the other hand, has been working with Epicor to optimize its applications on the Microsoft Dot Net platform. More recently, it has signed HCL, a large system integrator that started implementing Epicor 9 in the fourth quarter of 2010.

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

Shares

With a 1% share in the Enterprise Resource Planning applications market, Epicor's ability to gain share is average given the challenges facing its merger with Activant.

On the upside, Epicor is expected to trumpet the growing number of upgrade successes and new adoptions with the Epicor 9 release, especially in the international market where it has been localized for 53 countries and well received in fast-growing markets such as UAE, Oman, Czech Republic, China, Taiwan and New Zealand.

On the downside, the high debt load of the combined entity, coupled with the uncertainty over its product direction, could give its customers extra reason to prolong the evaluation cycle by comparing the potential benefits of doing an upgrade with running the current system in an extended maintenance mode.

Research Methodology

Data used in research reports are derived from publicly available documents, continuous surveys of applications vendors, customers, resellers, Independent Software Vendors, systems integrators and other verifiable sources.

Vendor shares and market forecast results are based on a combination of existing databases as well as demand side and supply side research conducted throughout the year with validation from vendors, customers, channel partners and documentations such as earnings releases and 10Q and 10K filings, vertical industry studies, regional and country-level statistics from public and private institutions(i.e. colleges, universities, government agencies and trade associations).

For additional information on our methodologies, here's the link:

http://www.appsruntheworld.com/Members/research