

APPS RUN THE WORLD

Government

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

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Summary

This applications market sizing report examines the 2009 performance of the top 10 applications vendors in the government vertical, which includes federal, state and local government agencies as well as nonprofit organizations.

The market posted a modest increase in 2009 as government agencies pressed on with their automation plans in order to comply with a raft of new regulations including the disbursement of federal stimulus dollars. E-Government initiatives, coupled with system upgrades and replacements, helped sustain applications spending at a time when the public sector was still offloading their existing infrastructure to third-party software and services vendors in order to pare costs and streamline operations.

Top Line and Bottom Line

On the top line, the government vertical promises to be one of the most lucrative markets for applications vendors because of demographic shifts, which will result in massive retirement of experienced government workers especially in developed countries over the next few years. Automating workflow and the building of a robust data repository is expected to be one of the remedies to stem the potential loss of the tribal knowledge. The same applies to business and knowledge process outsourcing, which will accelerate along with the increased use of off-the-shelf applications as the standard approach to handle common procedures. That in turn could mean wholesale replacement of legacy applications that no longer meet such requirements as e-government, constituent relationship management and grants accounting.

Revenue management is another bright spot in the government vertical as federal and local agencies seek to get a better handle of their financial management system by eliminating waste and minimizing budget deficits through rigorous revenue collection.

The bottom line is that the government vertical, after years of steady growth, could get even bigger as public spending shows no signs of slowing down. The housing crisis and the subsequent financial system meltdown has resulted in bigger governments, requiring many public-sector entities to take on the role of a regulator, lender of the last resort, as well as bailout conductor, all of which would require continuous use of business and specific applications to complete those tasks.

Market Overview

The market for applications for the government vertical rose 3% in 2009 as public agencies and nonprofit organizations increased their applications spending to help them tackle some of the most pressing operational and social service requirements from tax collections to public safety management.

By and large these applications have become the bedrock of the society helping government agencies and their constituents navigate a maze of regulations, while delivering public services to the rich and poor alike through better data aggregation and dissemination.

Vendors that cater to the vertical have spruced up these applications continuously to meet the changing user requirements. SunGard, for example, is slated to release in 2010 a slew of new applications for financial, human resources, community development and computer-aided dispatch (CAD) systems as public safety suites, as well as a new national ePortal product.

Others have taken advantage of the recession to expand through acquisitions. In 2009 Tyler acquired Assessment Evaluation Services for tax and appraisal and Parker-Lowe & Associates for land and records, and distribution rights

to computer-assisted mass appraisal software from Causeway Data Communications (CDC) Ltd. More recently it purchased WizNet for electronic filing for courts.

In 2010 CGI, the big systems integrator that also sells ERP applications to government agencies, offered \$1 billion to acquire Stanley Inc., a provider of information technology services and solutions to U.S. defense, intelligence and federal civilian government agencies.

Such big purchases underscore the growing consolidation of the government vertical, which has seen the making of hundreds and perhaps thousands of applications vendors, consulting firms and systems integrators specializing in different segments and subverticals within the public sector space.

Not everyone is enamored with the acquisition approach. New World Systems, for instance, has been expanding into different segments of the government market solely on the basis of organic growth for nearly 30 years. Coincidentally it has scored high marks from its 750 customers representing 1,500 state and local government agencies.

Implications Of The Great Recession of 2008-2009

One of the lessons of the Great Recession is the new role that governments have taken on to head off a possible depression. The US government took an active role in rescuing failing corporate giants from Merrill Lynch to General Motors and the market breathed with a sign of relief.

The result has been a new wave of applications spending to ensure that the heftier role of the government in the private sector would produce the desired results. One of the beneficiaries was Oracle, which won a deal to sell Oracle Governance Risk Compliance Applications along with Oracle E-Business Suite to the National Institutes of Health, which is a part of US Department of Health and Human Services.

NIH planned to use the Oracle applications for a more robust financial management system to better manage ARRA (American Recovery & Reinvestment Act of 2009), including activities to improve accountability, transparency and reporting, and mitigating the risk of fraud, waste and abuse, of all federal funds including ARRA funds. Additionally Oracle has won similar deals with Social Security Administration and other projects all designed to safeguard that such government expenditures would be in full compliance.

Cost reduction was another marker of the lingering effects of the recession. While some government agencies chose to scale back their applications investment, others initiated projects to experiment new ways to reduce their operating expenses through virtualization and cloud-based services.

Scott County in Minnesota, for example, has started migrating its Lawson ERP applications to the Amazon environment for disaster recovery purposes. The move is expected to help the county government reduce their support burden.

Similarly, Derwent Shared Services, a health authority in the UK, was able to merge eight organizations with different ERP applications into a standard ERP system from Unit4 within three months and the whole project was on time and on budget.

The net is that many of these labor-saving practices from automating expense reporting to workforce management for effective scheduling and workforce analytics proceeded as expected because of their tangible benefits and proven results.

Such examples underscore the fact that government agencies, similar to any commercial entity, have been under pressure to weather the recession with diminished resources. But with careful planning, judicious use of technologies that help meet their operating and business process improvement requirements, these government users have made great strides in lockstep with their counterparts in the private sector.

Customers

State and local government agencies are likely to offer considerable opportunities as they rebuild their communities through intelligent technologies ranging from mass notifications to smart grid technologies. One scenario calls for the feeding of Web services and relevant data to a portal paving the way for citizens to hop from their cars, bicycles and others means of getting around short distance to the public transportation systems, creating a home to grid network to mitigate environmental impact.

Federal agencies, on the other hand, are likely to spend time rationalizing the applications and technologies that they have invested for the past few years. New big apps projects are likely to be far and few in between. Already there are signs that the U.S. government has imposed a freeze on \$3 billion worth of IT projects, while reevaluating others that could affect billions of dollars of additional spending.

Around the world, applications implementations will gravitate toward countries such as China and India and in fast-growing cities from Hyderabad to Lagos where infrastructure spending has barely kept up with population growth.

In addition to using core financial, HR, procurement applications to help better run their operations, government agencies in these places are expected to invest in mission-critical applications for disease control and public safety systems. Mobility could become one of the lowest common denominator behind such systems for helping citizenry access public services and emergency help. Integration may well be the key to successful implementations with large systems integrators such as Mahindra Satyam already building for the Indian government public safety systems similar to the 911 service in the United States.

Top 10 Applications Vendors In Vertical

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

Vendor	2009 Share(%)	2009 Applications Revenues From Government (\$M)	2008 Applications Revenues From Government (\$M)
Oracle	12.84%	454.3	450
SAP	7.63%	270	300
SunGard	6.64%	235	220
Blackbaud	5.93%	210	193
CGI/AMS	4.69%	166	177
Tyler	4.29%	152	148
Constellation	3.53%	125	83
UNIT4	2.26%	80	74
Lawson	1.98%	70	75
New World Systems	1.27%	45	41
Subtotal	51.07%	1807.3	1761
Other	48.93%	1731.7	1662
Total	100.00%	3539	3423

Vendors To Watch

In 2010 Blackbaud will be a vendor to watch as it emerges as the leading applications developer for nonprofit organizations, following a series of acquisitions and rapid expansion designed to help customers better run their operations regardless of their size, location and fund-raising method.

With 22,000 customers, Blackbaud could become the confidence indicator of the government vertical because nonprofit organizations tend to take longer to recover given the fact that most of their benefactors would not resume their pledge levels until the overall economy is stabilized. Any sign that Blackbaud has achieved sustainable growth could trigger a full-blown market recovery.

The trend to watch is the acquisition strategy of expansion-minded vendors such as Constellation, Oracle, SunGard, Tyler, all of which could be reigniting their buying spree by picking up software assets in subverticals as well as the international markets where the profile of a global application vendor for the government vertical has yet to be etched in stone.

Outlook

On the upside, the government vertical is becoming less crowded following an avalanche of M&A activities. The remaining vendors are likely to enjoy reliable recurring revenue streams plus extensive product portfolios that generate substantial cross-sell and upsell opportunities as system upgrade and replacement projects gather momentum.

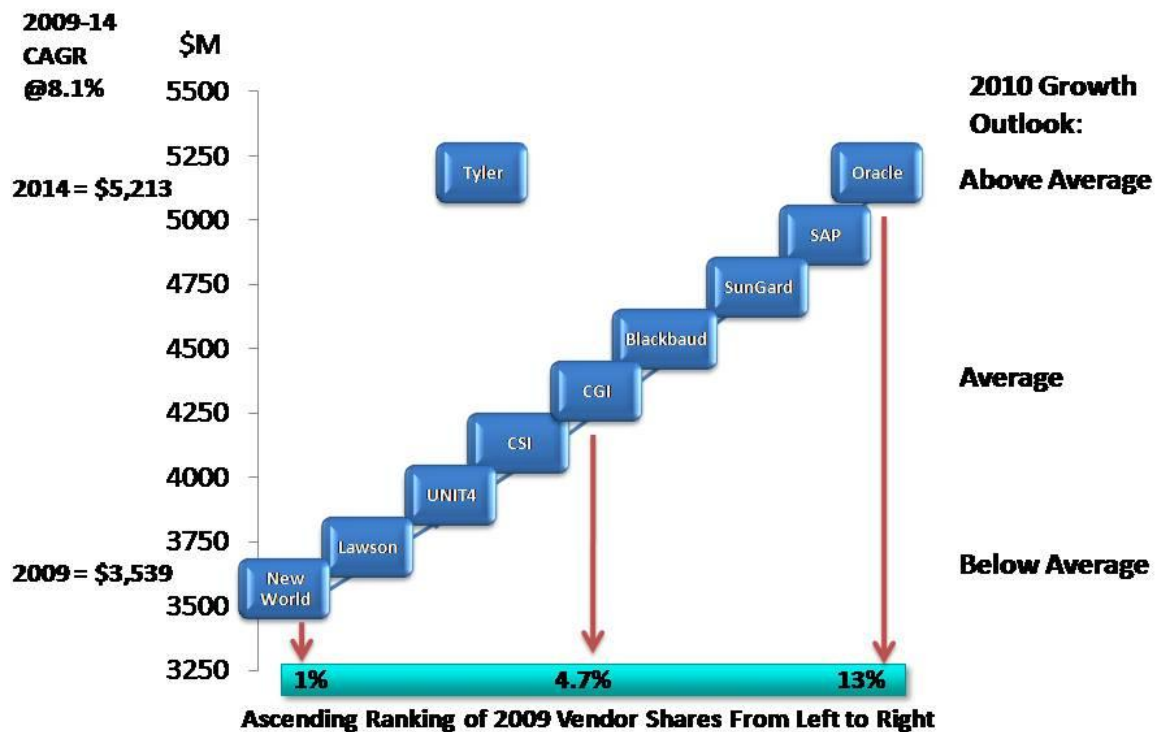
On the downside the public backlash against big governments and ill-conceived public spending to prop up the sagging economy through higher taxes and ballooning budget deficits could make any government CIO think twice about investing in elaborate IT projects that yield little near-term returns.

Another deterrent is the sometimes conflicting priorities of government users, policy makers and elected officials who often pit IT projects into a politically charged discussion that erodes public support.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 government applications market with Oracle claiming the top spot at 13%, followed by SAP, SunGard, Blackbaud, CGI and others. Based on our SCORES methodology, Oracle and Tyler are rated above average for their growth potential in 2010. The market is expected to achieve a 8.1% compound annual growth rate rising from \$3.5 billion in 2009 to \$5.2 billion by 2014.

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



Profiles of Top 10 Applications Vendors In Vertical

- Oracle
- SAP
- SunGard
- Blackbaud
- CGI/AMS
- Tyler
- Constellation
- UNIT4
- Lawson
- New World Systems

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

After making heavy investments including a series of acquisitions, Oracle is poised to use its newfound power to extend its lead in the public sector with continuous product enhancements augmented by a thriving ecosystem of partners that align with the overall technology direction of the vendor and that of government users. Typical users are large federal, state and local government agencies with complex applications requirements.

Applications Revenues In Government:

	2008	2009
\$(M)	450	454.3

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	181.72	40%
EMEA	204.435	45%
Asia Pacific	68.145	15%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	227.15	50%
Large(1K-5K ees)	159	35%
SMB(1K ees and below)	68	15%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	125	27.5%
Maintenance	329.3	72.5%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 12.8% share in the government vertical, Oracle's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Armed with an integrated applications and technology solution, Oracle has continued to accelerate its public sector push by partnering with experienced systems integrators, expanding product offerings at the subvertical level, while boosting customer satisfaction by synchronizing the activities of an army of product engineers, account and business development managers, and industry specialists all dedicated to the government market.

The strategy has all the hallmarks of Oracle's leveraging its hefty research and development capabilities and elaborate field operations to make the biggest impact on one of its most strategic verticals.

In 2009 Oracle upped the ante by acquiring Haley, which specialized in policy automation for the public sector especially in social services setting. Oracle is providing integration components that connect Haley with Siebel CRM to tackle challenges such as budget formulation, disbursement and provider management, and outcome management for health and human services and other social welfare organizations.

Oracle has more than 3,000 public sector customers across a full spectrum of government agencies in all parts of the world.

Key Applications For Government Vertical:

Oracle E-Business Suite, Enterprise Taxation Management

SCORES Analysis

Strengths

By continuously tweaking an all-encompassing product and go-to-market strategy, Oracle has met with considerable success in the public sector. Much of that is driven by an integrated public sector team. In North America alone, the team has more than 1,000 employees, half of whom product engineers heavily involved in the pre-sale and post-sale processes to help public sector customers optimize Oracle's full slate of applications, middleware and database products. Another 100 employees are industry experts, many of whom have had years of experience working for the government.

Oracle is also beefing up its business intelligence applications by adding new capabilities for public sector agencies to help optimize funds management and fund execution.

In addition Oracle in 2009 released Oracle Enterprise Taxation Management 2.2.0, the newest version of the tax-specific, commercial off-the-shelf software solution that enables tax and revenue authorities to optimize revenue collection.

All these developments, coupled with Oracle's sales and marketing prowess, have placed the vendor in an enviable position to capture growing shares in the public sector.

Customers

Oracle has been selling into different government organizations with increased momentum. For example the US Office of Personnel Management went live in October 2009 with Release 12 of Oracle E-Business Suite for financials, Hyperion Planning and Oracle BI, as well as Oracle SOA suite in a shared service environment replacing its legacy systems. The new solution allows for standardization of process and coding structure in conformance with the Common Government-wide Accounting Code.

Other customer wins in 2009 included Abu Dhabi Department of Education, Child Maintenance and Enforcement Commission (UK), Department of Finance and Personnel (UK), Department of Homeland Security, Flemish Ministry, HM Prison Services, Hungary Ministry of Defence, Ministry of Defence (Czech Republic), Ministry of Finance of Mozambique, Ministry of Social Affairs (Saudi), US Department of State, City of Austin, Dutch Tax Authority, European Parliament, Inter-Governmental Action Group against Money Laundering in West

Africa(GIABA), Kentucky Department of Taxation, The Ministry of Finance of Mozambique, Social Security Administration, US Air Force, European Parliament(Belgium), Ministry of Finance (Egypt), IKT Agder (Norway), Ministry of Environment and Forestry (Turkey), National Guard Health Affairs (Saudi Arabia), and Treasury General South Africa (South Africa).

Opportunities

Oracle's biggest opportunities remain upgrading its PeopleSoft and Oracle EBS applications customers in the public sector, while making inroads into government agencies in emerging countries.

Its dominance in such regions as the Middle East, United Kingdom and increasingly China and the rest of South East Asia underscores its ability to expand its government business in mature and emerging countries, a feat that has eluded many of its competitors.

Because of the huge installed base of more than 250,000 database customers, many of whom are in the public sector, Oracle is expected to have an insider's track to cross-sell its applications into those accounts, a significant advantage to advance its complete technology stack strategy.

Risks

If integration were the key to consolidate Oracle's gains in the public vertical, the risks of not doing it right could not be understated. Equally challenging is the fact that Oracle is making ease of integration between industry specific solutions like Haley and other Oracle and non-Oracle applications a centerpiece of its total solution delivery strategy. The penalty of not making it work for all segments of the government market, or any vertical, could end up costing Oracle a lot more than its acquisition costs because of the loss of customer goodwill.

While Oracle has started offloading some of the integration burden to its partners such as Accenture and Wipro that help develop the so-called process integration packs, quality may not be consistent. In addition it may only work for customers that have been working closely with certain systems integrators in a controlled environment.

For an acquisitive vendor like Oracle, the gating factor behind its acquisition and vertical strategies may well boil down to the integrity and consistency of the associated integration components.

Lastly Oracle will have to face the prospects that its enormous size - coupled with its vertically integrated approach - would backfire when selling into new customers and verticals that fear such strategies would amount to a technology lock-in that eventually entails exorbitant costs in the long run.

Ecosystem

Oracle has been building out its ecosystem of partners by working closely with experienced system integrators such as Accenture, which has done more than 600 implementations of Oracle solutions in the public sector.

Another major partner is IBM Global Services, which is spearheading Oracle's push into social organizations with integrated CRM and case management solutions.

In 2009, under the new OPN Specialized program, Oracle is partnering with CedarCrestone to address the public sector. New products will be developed for end-to-end business processes like service purchases as well as overall improvements in rule configuration and reporting in the government vertical. Target areas include public sector pension and constituent relationship management implementations.

Shares

With a 12.8% share in the government vertical, Oracle is poised to gain share in the space with above average chances because of its extensive product portfolio, effective sales and marketing methodology, as well as a robust ecosystem that delivers results.

On the upside, the momentum is on Oracle's side because of the synergistic benefits of its acquired products, broad alliances with key partners as well as the global coverage and local market presence that makes successful implementations replicable from one agency to another.

On the downside, Oracle is saddled with legacy PeopleSoft and EBS implementations at different levels of the public sector, which is still slow to embrace Oracle's latest releases because of heavy modifications that have been made.

SAP

Walldorf, Germany

www.sap.com

Overview:

SAP has been expanding its presence in the public sector by extending its flagship ERP applications to industry-specific solutions in order to meet requirements from different accounting rules to risk management for local governments. Typical customers are state and local governments as well as large federal agencies that need to standardize on a single financial reporting and constituent-facing systems to improve productivity and ensure policy compliance.

Applications Revenues In Government:

	2008	2009
\$(M)	300	270

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	67.5	25%
EMEA	175.5	65%
Asia Pacific	27	10%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	81	30%
Large(1K-5K ees)	108	40%
SMB(1K ees and below)	81	30%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	77.2	28.6%
Maintenance	192.7	71.4%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	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 7.6% share in the government vertical, SAP's ability to maintain and win share in the market segment in 2010	Average

Full overview:

As SAP becomes more active in selling into services industries including the public sector, the software powerhouse has stepped up its push by developing applications designed to accommodate the financial planning and budgeting, human resources and asset management requirements in the context of a government user, while improving any process associated with the operations of a public agency.

With more than 1,000 government agencies as customers, SAP has scored big wins among some of the largest federal, state and municipal government organizations in the world.

Key Applications For Government Vertical:

SAP ERP

SCORES Analysis

Strengths

SAP has been honing its skills in the public sector by enlarging its product footprint to meet financial process automation requirements of government agencies of different sizes. Its acquisition of BusinessObjects has boosted its financial reporting capabilities. City of San Diego, for example, has been relying on such SAP products to help meet those challenges.

In 2009 SAP released Best Practices for Local Government that included preconfigured processes, templates, data and documentation in downloadable format at no additional charge for its customers and partners. The Best Practices are designed for customers running or upgrading to SAP ERP 6.0 system through SAP enhancement package 3.

The software, coupled with Best Practices, allows for support for Government Finance Officers Association account structure, org and function structures for local government, risks and processes configured for local government, as well as functional requirements for finance and controlling, budget execution, receivables, payables, procurement, HR, and payroll.

Its recent messaging on the value of clarity and SAP's ability to help customers realize such goals should resonate with a growing number of government agencies wanting to achieve greater transparency with regards to their internal operations as well as their interactions with constituents.

Customers

Over the past few years SAP has seen increased momentum in the public sector vertical by winning significant ERP projects for large government agencies such as the Florida State Department of Revenue, Michigan Department of Human Services and the US Department of Agriculture.

In 2009 SAP's customer wins in the public sector included Bernalillo County, cities of Edmonton, Henderson, Ottawa, and Tampa, Finnish State Treasury, Japan Post Holdings, and Queensland Motorways.

In the case of Bernalillo County, the SAP ERP system was chosen to replace its legacy systems, allowing the 2,500 employees of the county to automate and streamline most financial processes and improve access to data for more efficient reporting purposes.

Opportunities

SAP's potential in the public sector vertical remains selling its bread and butter ERP products to large government agencies in need of overhauling their financial and HR systems in order to become more accountable to elected officials and their constituents.

Buoyed by new capabilities such as in-memory database for its BusinessObjects analytics offerings and their native integration into other SAP functional applications, such combinations will present a compelling case for government users to standardize on the SAP financial reporting tools to streamline their workflow and strengthen their decision-making process.

Risks

SAP's biggest strength of providing an all-encompassing product suite may turn out to be its challenge because it may not meet customer requirements in specific situations or subverticals within the government market. SAP's long-term success will depend on its ability to harness the collective strengths of add-ons and complementary applications from its partners working in concert with its ERP suite and other products to create a complete solution.

Another challenge has to do with the fact that SAP's government solutions, which have been widely deployed in its home country and other parts of Western Europe, are still fairly new to customers in United States and other regions, an issue that will take time for the vendor to resolve.

Ecosystem

SAP has been refining its ecosystem with a number of new programs designed to spur innovation as well as achieve scalable collaboration in order to address unique industry requirements through partners and reduce cost and complexity of ownership of SAP applications.

The creation of the EcoHub, which leverages knowledge from its community of partners and key stakeholders to accelerate customers' purchase decision, is a step in that direction.

For the public sector, SAP has been working closely with partners including Cap Gemini, Deloitte, HP EDS, IBM Global Services, Infosys, Mahindra Satyam, TCS, and Wipro.

Shares

With a 7.6% share in the vertical, SAP has an above average ability to gain share in the market as the vendor continues to invest in new products, a sustainable ecosystem as well as rapid implementations to ease adoptions.

On the upside, the robust ERP system from SAP has already enjoyed considerable support from big and mid-sized government agencies underscoring their scalability and SAP's presence in adjacent markets such as aerospace and defense could help garner additional support from organizations working closely with their government customers all tapping into a common system to boost collaboration.

On the downside, SAP's push into the government vertical in markets such as United States requires heavy involvement from its systems integration and consulting partners and the delicate balance between leading off the engagement with its direct sales force vs. its channel remains a daunting task for the vendor that is long accustomed to having considerable control over its implementations as well as their outcome.

SunGard

Orlando, FL

www.sungard.com

Overview:

SunGard, a major application and services vendor, has continued to achieve tangible results in the public sector by beefing up product offerings and expanding into adjacent markets. This follows years of expansion into state and local government agencies through successive acquisitions and reorganization efforts. Typical customers include federal, state and local government agencies in need of new financial, operational and industry-specific solutions.

Applications Revenues In Government:

	2008	2009
\$(M)	220	235

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	188	80%
EMEA	47	20%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	70.5	30%
Large(1K-5K ees)	117.5	50%
SMB(1K ees and below)	47	20%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	100	42.6%
Maintenance	135	57.4%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	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 6.6% share in the government vertical, SunGard's ability to maintain and win share in the market segment in 2010	Average

Full overview:

For years SunGard has been making progress with a carefully orchestrated strategy to exploit increased public funding of local and statewide projects from modernization of law enforcement agencies to standardization of financial systems across different state offices.

Even with recent customer cutbacks as a result of the recession, SunGard's public sector business seems to have emerged from the downturn relatively unscathed thanks to a growing base of loyal followers in multiple regions that are seeing tangible benefits of relying on SunGard's industry-specific solutions for their day to day operations.

Currently SunGard has 700 public safety agencies and 900 cities and counties as public-sector customers in North America and Europe.

Key Applications For Government Vertical:

Aspireview performance management applications and OSSI public safety systems

SCORES Analysis

Strengths

SunGard Public Sector division, which has more than 1,600 government agencies as customers, continues to chalk up new deals especially with its Aspireview performance management applications and OSSI public safety systems.

SunGard started expanding in the public sector in 2003 with the purchase of government software specialist HTE, followed by the 2005 acquisition of Vivista for its integrated solutions for public safety, criminal justice, local government organizations. Two years later it acquired Aspire fraud detection applications for public sector.

Steady progress has been made to improve these products. In 2009 it launched an absence management service for UK public-sector organizations with the help of its partner Firstcare. In 2010 SunGard plans to release new applications that are based on the Microsoft Dot Net architecture. The new releases will include financial, human resources, community development and computer-aided dispatch (CAD) systems as public safety suites, as well as a new national ePortal product.

Such enhancements underscore its commitment to the public-sector market by tackling challenges that are not easily resolved with plain vanilla applications products.

Customers

With more than 1,600 customers in the vertical, SunGard has gained an upper hand selling into some of the largest and complex government operations.

For instance, agencies like the Federal Emergency Management Agency and the U.S. Bureau of the Census, have relied on SunGard solutions for mobile workforce automation, field reporting solutions, custom workflow tracking, as well as core processes like financials, purchasing and payroll administration. Other SunGard users include Department of Justice, the Internal Revenue Service, and the Federal Communications Commission.

More recently, SunGard has won deals from agencies such as Deptford Police Department, Kings Lynn and West Norfolk, Dunwoody Police Department, Montcalm County Central Dispatch, Oak Lawn Police Department in Illinois, and Livingston County, MI.

In the case of Kings Lynn and West Norfolk, the housing authority has standardized on SunGard's Housing Benefit products and services, which help with the management and submission of files to the local department of welfare and public assistance, resolving a case load of more than 21,800 tax benefits claims.

Opportunities

Instead of selling full-scale ERP or core financial applications to public sector customers, SunGard has been able to yield better results by focusing on industry-specific solutions for functions such as police dispatching and public agency performance management. Its Aspireview product has been well received by a growing number of

government agencies in the United Kingdom that rely on the application to report, track and monitor how their services are performing.

Risks

SunGard, which has long taken a decentralized approach to run its different applications business units, may be at a disadvantage when its competitors are extracting synergistic benefits across different verticals by mixing and matching products and services as well as driving customer satisfaction through organization-wide competency centers that encapsulate rapid prototyping, value realization implementation and even custom development.

To that end, SunGard has sought to dispel that notion by emphasizing the clear value of its different applications offerings by aligning them with the three principal areas they serve - local government, K-12 education, and central and federal government agencies.

Ecosystem

SunGard Public Sector's major technology partner is Microsoft, which has been working with SunGard on a number of major product rewrites based on the Microsoft Dot Net architecture.

The public sector division also collaborates with other divisions of SunGard in such areas as high availability, recovery, and remote solutions guarantee. The public sector primarily sells direct and it relies on its own development and consulting services to deliver tailored solutions for customers.

A greater effort to build out its ecosystem appears necessary for SunGard to trumpet its open interoperability with other technology and ISV vendors.

Shares

With a 6.6% share in the government vertical, SunGard's ability to gain share in the public sector vertical is average.

On the upside, its track record, coupled with considerable recurring revenue streams from long-time customers, should help sustain its growth, which appears to be rebounding.

On the downside, SunGard's delay in releasing its new Dot Net-based solutions for the public safety space underscores the difficulties of modernizing its legacy systems that meet current and future customer requirements in terms of backward compatibility as well as Web services enablement.

Blackbaud

Charleston, SC

www.blackbaud.com

Overview:

Since 1981 Blackbaud has positioned itself as the applications vendor of choice for nonprofit organizations that aim to use the latest technology solutions to help them automate their operations from fund accounting to constituent relationship management. Typical customers are nonprofit organizations of different sizes with a diverse base of benefactors and supporters.

Applications Revenues In Government:

	2008	2009
\$(M)	193	210

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	191.1	91%
EMEA	14.7	7%
Asia Pacific	4.2	2%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	31.5	15%
Large(1K-5K ees)	52.5	25%
SMB(1K ees and below)	126	60%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	31.5	15%
Maintenance	115.5	55%
Subscription	45	30%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 5.9% share in the government vertical, Blackbaud's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Blackbaud has emerged as the leading applications vendor for nonprofit organizations, following a series of acquisitions and rapid expansion designed to help customers better run their operations regardless of their size, location and fund-raising method.

Over the past year the vendor has seen increased momentum with its online donation platform Blackbaud Now, while beefing up its analytics and specific solutions for different segments of the nonprofit market.

Blackbaud Now, which carries no upfront setup fees, has helped customers create more than 1,000 websites to promote online donations, while the vendor has seen growing adoptions of its Web products such as Blackbaud NetCommunity and Blackbaud Sphere, which are available via on-demand, on-premise or Blackbaud hosting delivery model. Blackbaud NetCommunity and Blackbaud Sphere are designed for online fundraising, email and website marketing, team fundraising, events, advocacy, and content management.

In 2009 Blackbaud expanded internationally by acquiring RLC, a Dutch software developer focusing on constituent relationship management applications for 80 of the largest nonprofit organizations in the Netherlands and others in Europe.

Blackbaud's more than 22,000 customers include independent nonprofit organizations and those that are affiliated with art and cultural institutions, health and human services, churches, ministries and schools.

Key Applications For Government Vertical:

Raiser's Edge for donor management, Financial Edge for financial management, Education Edge for private school administration

SCORES Analysis

Strengths

Blackbaud has enjoyed a widespread following among nonprofit organizations that have come to rely on the vendor's extensive product portfolio to effectively manage a full range of event fundraising activities. Blackbaud has epitomized the power of online technologies that allow nonprofit organizations to strengthen ties with a large number of constituents. Nowhere is the scalability and the capabilities of Blackbaud's offerings more evident than its Blackbaud Enterprise CRM designed for large nonprofit organizations. The product has an open Application Program Interface (API) and documentation that encompasses more than 11,000 features available to users in its current release and more than 16,500 features that will be included in its 2010 release.

In a given quarter, Blackbaud secures five to six customer wins on Blackbaud Enterprise CRM with each transaction topping \$500,000. Currently Blackbaud Enterprise CRM represents as much as 18% of its booking.

On the other end, Blackbaud has a large selection of low-end products priced as little as \$30 in monthly subscription fee. In 2009 it introduced an affordable application designed for small arts and cultural organizations.

Blackbaud expanded its presence in the nonprofit vertical in 2008 with the acquisition of Kintera, one of its key competitors, adding 4,000 nonprofit and government customers to a total of more than 23,000. That came after Blackbaud's acquisitions of Target Software and eTapestry in 2007. Since 2009 Blackbaud has been overhauling its internal operations and bracing for the lingering effects of the recession, which dealt a blow to many non-profit organizations.

To that end, Blackbaud has reorganized its operations by establishing three business units focusing on general markets, enterprise customers and international. Each of the divisions has dedicated product sales, marketing and support resources to meet specific market requirements.

The recent reorganization, which should help Blackbaud better accommodate different needs of its large, small and international customers, represents a major milestone for the vendor to usher in its next phase of growth through a combination of additional acquisitions, increased collaboration between the vendor and its partners, as well as

incremental sales of add-ons such as the recently introduced ResearchPoint by Target Analytics, which helps nonprofits identify, target, and cultivate potential major and planned giving donors.

Customers

With 22,000 customers in 55 countries, Blackbaud has built a critical mass reaching a large number of major nonprofit organizations including American Red Cross, Lincoln Center, Los Angeles County Museum of Art, Salvation Army, and the University of Oxford.

In the case of Oxford University, the UK foundation selected Blackbaud Enterprise CRM as a core component for data sharing, reporting and constituent relations by creating a centralized communication platform in a £1.25 billion fundraising campaign that targets the school's 180,000 alumni and friends.

Other customer wins in 2009 included Boys & Girls Clubs of Puerto Rico, Diabetes Research Institute Foundation, Earthjustice, Foundation for Caregivers, Greene School, Heifer International, Jesuit College Preparatory School of Dallas, Jews for Jesus, Lutheran Church - Missouri Synod, Marquette University, My Sister's House, Ohio State University, Room to Read, and University of Michigan.

Opportunities

With more than 3.7 million nonprofit organizations around the world, the addressable market for Blackbaud's products is immense. While much of Blackbaud's near-term growth will stem from its existing customers of 22,000, its future lies in a new generation of Web 2.0 applications that enable nonprofit organizations to harness the collective power of users who choose the online channel to contribute their time, money and resources through instant communication, social media networking and ad hoc collaboration.

International market is another big opportunity for Blackbaud, which recently set up a business unit dedicated to international nonprofit organizations. The acquisition of Dutch developer RLC appeared to be the opening salvo.

Risks

Blackbaud, long considered the pace-setter among applications vendors for nonprofit organizations, is under pressure of registering meaningful organic growth at a time when many nonprofits are still struggling financially and their appetite for technologies often trails that of the general public sector market because of the lag effects of corporate giving programs, which do not rebound until economic recovery fully manifests itself.

The increased emphasis on its on-demand solutions, some of which like Blackbaud Now that requires no upfront licenses, could end up cannibalizing sales of its other products, or at the very least get customers accustomed to paying next to nothing when they start using Blackbaud applications.

Ecosystem

Blackbaud has built an extensive ecosystem made up of more than 200 partners among applications, consulting, referral and solution providers.

Sample partners include 3fold Consulting, 7Distribution, Achieve LLC, Adcieo, Advizor Solutions, Adzoom LLC and AQ2 Technology.

Many of these partners joined Blackbaud's ecosystem as a result of the acquisition of Kintera, which stitched together a network of organizations helping it tap into different segments of the nonprofit market from arts and culture to enterprise-class philanthropic organizations.

One of its most recent partnerships is TechSoup Global, a nonprofit organization devoted to making technology and technology education available and affordable to other nonprofits and libraries all over the world. TechSoup will distribute BlackbaudNow and MatchFinder to eligible nonprofits and libraries.

Shares

With a 5.9% share in the vertical, Blackbaud's ability to gain share is average because of considerable economic pressures facing nonprofit organizations. As a result, much of Blackbaud's growth is likely to come from acquisitions and the vendor is getting fairly cautious on that front.

On the upside, Blackbaud's large installed base as well as its varying recurring revenue streams from software subscriptions to transaction fees should help the vendor sail through the downturn in better condition than others.

On the downside, its product strategy appears to be a work in progress awaiting a full evaluation to determine the strengths and weaknesses of each moving part of its extensive product portfolio. For example, Kintera was a product of many acquisitions(six in 2004) and its patchwork of partners and consulting firms offered different degree of technology competency making implementation consistency a necessity in 2010.

CGI

Montreal, Quebec, Canada

www.cgi.com

Overview:

As a full service information technology and business process services company, CGI has scored big customer wins because of its deep domain expertise as well as proven solutions such as its ERP offerings for the government vertical. Typical customers are state, local and federal government agencies.

Applications Revenues In Government:

	2008	2009
\$(M)	177	194.7

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	194.7	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	194.7	100%
Large(1K-5K ees)	0	0%
SMB(1K ees and below)	0	0%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	14.6	7.5%
Maintenance	180	92.5%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	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 5.5% share in the government vertical, CGI's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Leveraging its experience in selling into the government vertical, CGI has been a top contender for major IT and business process improvement projects on a consistent basis winning its fair share of large contracts such as the GSA Alliant IT contract vehicle, which translates into billions of dollars of consulting, software and/or services sales for a number of years. That in turn allows CGI to devote considerable resources to developing its services offerings, which represent a sizable portion of its revenues.

Through the years CGI has kept a commanding position among its long-time customer base, placing it as one of the leading ERP services and applications vendors with some of the largest government agencies, which in turn would invest even more with the vendor because of its integration expertise.

Its aggressive stance and investment in future growth in the federal sector was evident with its May 2010 decision to acquire Stanley Inc., a pure-play provider of information technology and business process services and solutions to U.S. defense, intelligence and federal civilian government agencies. The acquisition is expected to shore up CGI's expertise in the embedded applications for defense and government customers.

In March 2009 CGI became one of the 59 companies awarded by the General Services Administration on its Alliant IDIQ contract for information technology services, products, and solutions worth an estimated \$50 billion over the next five to 10 years. Even though CGI was not named in the initial Alliant award in 2007, a number of losing bidders including CGI, filed a petition with the GSA to reopen the contract for a new round of bidding.

Among the 59 companies named in the latest award, CGI is the only vendor with a major built-for-government ERP solution and brand. Because its federally-focused Momentum product line has already been well established in the federal marketplace, CGI's status as an Alliant license holder could turn the company into a preferred ERP choice in the eyes of government buyers.

For that reason, CGI only focuses on major contracts and it has a relatively small number of customers —just 700 in the government vertical primarily in North America.

Key Applications For Government Vertical:

Momentum (federal ERP), AMS Advantage (state and local ERP), CACS-G (government collections), TEMPO (environmental permitting, licensing, compliance, and enforcement), and Sovera (healthcare enterprise content management).

SCORES Analysis

Strengths

CGI has 30 years of domain expertise in selling into government users, as well as a long track record of winning and renewing long-term contracts. For example, in the tax and revenue world, through its debt collection work, CGI has increased revenue by over \$1.6B for state & local governments. For its government ERP solutions, CGI is both the software developer and the implementer, offering customers greater confidence and improved accountability.

CGI is particularly good at long-term engagements that often beget additional sales and services opportunities because of its role as the prime contractor responsible for a full range of IT functions for the buying agency as well as its associated departments that can access the same technologies and services from CGI, resulting in incremental revenues for the vendor.

CGI has also been successful at gaining new clients, such as in its recent contract win against Oracle, SAP, and Lawson at Pima County, AZ where the county rated Advantage a much better fit for government.

Another differentiator is that 87% of its employees own stock in CGI, a practice that should give it incentives to put the interest of its clients first, while keeping turnover lower and boosting customer satisfaction.

In addition to ERP applications, CGI also sells solutions and/or services in credit and debt collections, tax and revenue management, human services, public housing administration management and consulting, claims auditing and fraud detection, environmental solutions and energy management applications in the government vertical.

Finally, the onslaught of egovernment efforts has also been instrumental in helping CGI extend its applications and services offerings. Recently, its winning of a recompile for a five-year, \$73 million contract from Centers for Medicare and Medicaid Services highlights CGI's ability to spearhead the modernization project through continuous maintenance and enhancement of the three websites at the healthcare agency. Additionally in 2009, CGI won a \$70M contract extension with the Commonwealth of Virginia for maintaining eVA, one of the largest government eProcurement projects.

Customers

With 700 customers in the vertical, CGI is interested in landing big deals and helping existing clients modernize and meet new demands rather than signing up as many customers as possible.

For example, in the state and local market, the largest cities and counties depend on CGI's AMS Advantage enterprise solution. It scales for New York City, Los Angeles County, City of Los Angeles, and Fulton County, GA, which are among the largest ERP implementations in the U.S. Overall, CGI has 20 states and other large local government clients.

In 2009 its customer wins in the government vertical included Centers for Medicare & Medicaid Services (CMS), City of New York, Commonwealth of Virginia, County of Orange, CA, Direction des registres et de la certification (DRC), Maricopa County, AZ, State of Louisiana and US Environmental Protection Agency.

Opportunities

CGI is deeply entrenched among some of the biggest federal agencies and state governments, which will remain its biggest opportunities.

While it has continued to enhance its ERP offerings, the question is whether CGI plans to make acquisitions a priority in order to expand its product portfolio to include other complementary applications from revenue management to constituent relationship management. The \$1-billion acquisition of Stanley appears to put that priority as the front and center strategy for CGI and fits well with CGI's build-and-buy growth strategy.

Risks

Because of CGI's emphasis on its services business, its applications components often get overlooked, something that its competitors have been quick to use to dismiss its research and development capabilities, or its technology vision for that matter.

That makes it doubly important for CGI to sustain the lifecycle of its ERP applications through continuous innovation, while extending partnerships with others that can bring complementary solutions to the product mix in order to accentuate its staying power as the provider and facilitator of both well-established and potentially disruptive technologies mitigating any integration challenge for its customers.

Ecosystem

CGI maintains partnerships with ISV vendors including ATG for its eCommerce applications. It also partners with Microsoft, Oracle and SAP for implementing their different platform and applications on their behalf. CGI also has a joint-selling alliance with Bell (including Bell Ontario, Bell Quebec, and Bell Nexxia) and a partnership with IBM.

Shares

With a 5.5% share in the government vertical, CGI's ability to gain share is average for the following reasons.

On the upside, it is expected to continue to win significant contracts, which are going to be in long duration.

On the downside, because CGI is positioning itself as an end-to-end services company with product solutions rather than a product company, this may have contributed to lackluster showing for its applications license sales. Its maintenance revenues could also be adversely impacted in the long run as a result.

Tyler Technologies

Dallas, TX

www.tylertech.com

Overview:

With its dedicated commitment to the public sector, Tyler has become one of the largest software vendors catering to state and local governments by meeting their specific requirements from land records management to fund accounting. Typical customers are state and local government agencies that have been saddled with legacy systems needing a long-term solution to improve efficiency and financial control.

Applications Revenues In Government:

	2008	2009
\$(M)	148	152

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	152	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	22.8	15%
Large(1K-5K ees)	98.8	65%
SMB(1K ees and below)	30.4	20%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	30	19.7%
Maintenance	107	70.4%
Subscription	15	9.9%

2009 SCORES Box:

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

Full overview:

Aided by acquisitions and a long track record of serving the public sector, Tyler has experienced a swift ascent thanks to increased public spending over the past few years. Tyler offers a full line of applications for managing everything from e-government initiatives to court filing system replacements.

The five major product areas are financial management, courts and justice, property tax appraisal and tax, public safety and public records and content management.

In 2009 Tyler acquired Assessment Evaluation Services for tax and appraisal and Parker-Lowe & Associates for land and records, and distribution rights to computer assisted mass appraisal software from Causeway Data Communications (CDC) Ltd. More recently it purchased WizNet for electronic filing for courts.

Tyler has more than 6,000 customers in the government vertical with most of them in North America. It also has a growing presence in Puerto Rico, US Virgin Islands, and the United Kingdom.

Key Applications For Government Vertical:

MUNIS financial system

SCORES Analysis

Strengths

With an army of 600 developers, Tyler boasts one of the largest R&D teams dedicated to the state and local government market.

As it continues to expand its reach into different aspects of the public sector vertical, rising expectations of sustainable product innovation and service delivery follow. To that end, Tyler's recent alliance with Microsoft Dynamics should help facilitate that process both from new product release and channel coverage perspectives.

A tight integration between its MUNIS financial system with other acquired technologies will also be a priority for Tyler in the coming years. Already it has made significant progress on that front linking MUNIS with its transportation management systems.

Such enhancements underscore Tyler's development capabilities and product strengths, culminating in proven results that resolve a host of process and financial control issues for government agencies of different sizes.

In 2009 dozens of borough, city and county agencies across Missouri, Oregon, Texas and other states have standardized on Tyler applications as the system of record for a full range of their business processes.

City of Moss Point in Mississippi, for example, bought Tyler's INCODE financial management applications to help it manage budget, accounts payable, human resources, utility billing, and work orders requirements, along with the use of Tyler's Court Case Management to automate its justice system.

Such reliance reinforces Tyler's key differentiators, which have become more apparent than ever with its recent acquisitions that have created end-to-end solutions that are expected to meet or exceed customer requirements.

Customers

With more than 6,000 customers in the vertical, Tyler has built a formidable presence among small and mid-sized municipalities primarily those with population between 25,000 and 250,000. In a given year, Tyler does about 200 transactions and sizable customer wins have become commonplace. For example it recently won an \$8.8 million contract to help South Dakota overhaul its court system. Other big wins include a similar deal to overhaul the court system in Hillsborough County in Florida and a \$4.6 million implementation of a new financial system in St. Louis.

Already Tyler's Odyssey Courts and Justice systems have been implemented statewide in Minnesota, New Hampshire, New Mexico, Indiana and North Dakota.

Opportunities

Tyler's biggest opportunities lie in its increased collaboration with Microsoft to tap into the extensive reseller network of the technology giant.

Another key growth driver lies in its software as a service delivery model, which posted a 16% increase in sales in 2009. Subscriptions now represent 6% of its revenues.

Finally additional business process outsourcing services – leveraging its expertise in appraisals services – could help transform the operations of many public agencies needing to offload their IT infrastructure to their technology providers.

Risks

With 6,000 customers and 8,000 installations comes the inevitable challenge of accommodating the needs of its diverse installed base, which will become more complicated as Tyler shifts from traditional software implementations to on-demand delivery of its applications.

Customization and modification requirements will be kept to a minimum with on-demand delivery and that may not necessarily be up to the liking of some of its public sector customers, especially those that have invested in their IT infrastructure or those that consider system reliability and uptime critical to their operations.

Lean implementations have been a key attribute of Tyler, which has achieved an 1 to 1 ratio for license and service revenues, compared with other vendors that charge more than a dollar in service for every dollar spent on software license. However Tyler has been able to reap recurring revenues through additional services sales following the initial implementation. The shift to ondemand applications delivery could put that recurring service revenue stream in danger.

From a revenue recognition standpoint, Tyler's revenue makeup will go through considerable changes and there may be a lag effect that could mask the long-term potential of its on-demand strategy.

Ecosystem

Tyler partners with a number of VARs and ISVs that complement Tyler's different government-specific systems. Its partners include Amicus Group for its systems integration services to courts, Emphasys SymPro for its treasury management software for the public sector, Four Js for value added selling on top of Tyler's MUNIS financial management applications, Koch Financial for lease financing programs to public entities, and Periscope for procurement solutions.

Tyler also works with Microsoft to incorporate Microsoft Dynamics AX into its product lineup, while leveraging the Microsoft sales channel to offer such bundles. The joint solution with Microsoft will be released in early 2011 covering such areas as HR, payroll, and budget formulation.

Shares

With 4.2% share in the government vertical, Tyler is poised to grow its share in the market through internal development and acquisitions.

On the upside, its laser focus on the public sector will entail Tyler's investing considerable resources to shore up its government offerings in order to raise the barriers of entry for competitors.

On the downside, Tyler faces the new challenge of juggling both on-premise and on-demand delivery of its solutions, which could result in significant shifts in its recurring revenue stream for the next few years. What is needed is for Tyler to articulate its product roadmap, while ensuring easy migration from one platform to another.

Constellation Software

Toronto, Ontario, Canada

www.csisoftware.com

Overview:

Over the past several years, Constellation Software has emerged as a major enterprise applications software vendor in the government vertical through successive acquisitions, jockeying for market dominance with a growing collection of mission-critical products designed to keep public agencies running everyday.

Applications Revenues In Government:

	2008	2009
\$(M)	83	125

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	87.5	70%
EMEA	37.5	30%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	12.5	10%
Large(1K-5K ees)	68.75	55%
SMB(1K ees and below)	43.75	35%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	30	24%
Maintenance	95	76%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Below average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VAs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.5% share in the government vertical, Constellation's ability to maintain and win share in the market segment in 2010	Average

Full overview:

After making more than a dozen acquisitions since 2004, Constellation Software has firmly established itself as a key applications vendor in the government vertical.

Altogether it made 16 acquisitions in the government vertical. In 2009 it added 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.

The net result of these purchases has been a sharp jump in its maintenance revenues from legions of loyal customers in the government vertical long accustomed to using these products for day-to-day tasks ranging from government revenue management to citizen self service and from transit authority dispatching to public housing program management.

Currently Constellation has more than 5,000 government agencies as customers primarily in North America and Europe. Typical customers include municipal governments, public transit organizations and health and social services agencies.

Key Applications For Government Vertical:

Emphasys Software for housing finance agencies and public housing authorities, Trapeze Group for public transit organizations, and Harris Computer Systems for state and local governments.

SCORES Analysis

Strengths

Constellation's software offerings for the government vertical are sold through three divisions Emphasys Software for housing finance agencies and public housing authorities, Trapeze Group for public transit organizations, and Harris Computer Systems for state and local governments.

In 2009 Harris was the biggest of the three divisions, but the recent folding of the acquired transit systems under Trapeze could tip the scale away from Harris for 2010.

Each of the three divisions has secured anywhere between a few hundred and a few thousand customers in North America and Europe. Constellation has also seen increased traction in the government vertical by focusing on the most profitable customers and contracts through disciplined selling and careful market analysis.

Through tight expense control and head count elimination following each acquisition, Constellation has managed to post consistent profitability by generating operational synergy as well as harvesting high-margin maintenance revenue.

Despite the economic downturn, Constellation's public sector business, which includes all three divisions, posted a 2% organic growth, compared with a double-digit contraction without the effects of acquisitions for its private sector division, which sells into home builders, manufacturers and club membership organizations. Already the public sector business now represents more than three quarters of its total revenues and its value continues to grow because of the synergy among different products allowing government agencies to standardize on a single technology provider for the bulk of their back office, operational, and constituent-facing functions.

The breadth of Constellation's offerings for different government operations, coupled with a well executed acquisition and integration strategy, will continue to bode well for the vendor that has every attempt to dominate the public sector market.

Customers

With more than 5,000 customers in the vertical, 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.

In 2009 Constellation's customer wins included 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.

Many of these wins were fairly small billing and customer information systems sales covering a few hundred users each. However they provide a dependable maintenance revenue stream for Constellation in the long run.

Opportunities

Constellation's expansion plan in Europe is expected to open up new opportunities for a vendor that has just started cracking the global market. While Constellation is preparing to invest heavily in the global market, much of its core business will still be coming from US government customers with their hefty maintenance fees.

While cross-selling and upselling has not been a standard practice at Constellation, that is about to change since its recent acquisitions have been bigger in size, which have brought in more all-encompassing solutions that can be bundled or unbundled for add-on sales.

Risks

Branding remains a challenge for Constellation, which has spent so much time and resources acquiring dozens of software properties without giving the slightest thought to creating an overarching product vision or brand that resonates with target customers.

The same applies to the risks of stiffer customer, channel, and operational challenges as the profiles of its customers begin to shift.

While branding and execution challenges may be fairly easy to tackle, rapid technological changes will expose Constellation's vulnerability as a holding company — making it easier for others to poach Constellation's vast installed base of customers and growing numbers of business partners.

Ecosystem

Constellation, which continues to sell direct, maintains partnerships with ISV vendors such as 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.

Constellation also has a long-standing relationship with IBM for its Informix and server products.

Shares

With 3.5% share in the government vertical, Constellation is expect to gain share through incremental organic growth supplemented by strategic acquisitions.

On the upside, Constellation has developed a well-honed acquisition and integration strategy, which appears to have added top and bottom line benefits to the vendor and its customers.

The question is whether Constellation should concentrate its time and energy on its public sector business, which has outperformed its private sector division. Without exercising such laser focus, Constellation could see increased competitive and margin pressure on its private sector division, which ultimately could drag down the performance of its public sector business from a financial standpoint.

UNIT4

Slidrecht, Netherlands

www.UNIT4.com

Overview:

UNIT4 is best known for its agile applications that easily adapt to changing customer requirements. Additionally it has won over a growing number of public sector organizations needing to become more responsive to their constituents through constant improvement to their workflow, financial reporting and service delivery process. Typical customers are state and local government agencies and nonprofit organizations in Europe and North America.

Applications Revenues In Government:

	2008	2009
\$(M)	74	80

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	4	5%
EMEA	74.4	94%
Asia Pacific	1.2	1%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	16	20%
Large(1K-5K ees)	40	50%
SMB(1K ees)	24	30%

and below)		
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2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	20	25%
Maintenance	52.8	66%
Subscription	7.2	9%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.2% share in the government vertical, UNIT4's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Since early 1980s UNIT4 has embarked on a continuous journey to reinvent itself through acquisitions, innovative enhancements and global expansions. At the same time, its ability to sell into the public sector vertical has been

buoyed by successful implementations at marquee customers and cross-selling and upselling of complementary applications.

Over the past year UNIT4 has continued to gain traction in the public sector vertical by winning deals among state and local agencies as well as quasi-governmental organizations. Nonprofit organizations, for example, have been drawn to UNIT4's well-architected solutions because of the heightened need to tackle fundamental shifts as a result of reorganization and restructuring, compliancy and reform, financial management driven change or organic growth.

At a time when users in the government vertical are faced with issues such as aging population and immigration reform, their existing systems often fail to keep up with the demand for greater visibility into their operations.

The messaging of UNIT4's ERP platform, which touts post-implementation agility that allows users to easily respond to such changes, has started to resonate with a growing number of these organizations.

Key Applications For Government Vertical:

UNIT4 ERP, Agresso Business World

SCORES Analysis

Strengths

UNIT4's strengths lie in its deep understanding of the government vertical helping the vendor solidify its position in countries such as the Benelux, Germany, Ireland, Norway, Spain, Sweden and the United Kingdom. In some of these European countries, UNIT4 has been consistently shortlisted as a top ERP applications provider by government agencies and nonprofit organizations because of credible customer references and proven solutions.

Its expertise in selling into public sector vertical has a global appeal because of similar workflow and financial and project management requirements. Another attribute of UNIT4's applications has to do with its ability to improve information transparency and service delivery process across the entire organization. That is made possible by its flexible architecture that leverages an innovative metadata model that synchronizes data, business processes and reporting and analytics allowing for easy, fast and efficient applications change scenarios often without requiring IT involvement, data reentry or replication.

A case in point is City of Bergen in Norway that has succeeded in reining in budget deficit because of the use of an efficient financial management system from UNIT4 that provides its financial managers with greater visibility and control through an electronic workflow that ensures accurate reporting and accountability.

After selling into hundreds of public sector organizations in Europe, UNIT4 has succeeded in replicating that in the United States. Within the past few years, it has established a beachhead in a growing number of city agencies.

Customers

In 2009 Unit 4 expanded its presence among government agencies in Africa, North America and other regions. In fact the public sector was where it secured many of its largest wins. Its biggest 2009 customer win was one that exceeded \$4 million from a deal with the city of Maputo in Mozambique and nearly half its top deals last year came from the public sector vertical.

Recent customer wins included Carbon Trust, Center for Research in Environmental Epidemiology (CREAL), City of Camas (Seville), City Council of Maputo in Mozambique, Foster Care Associates, International AIDS Vaccine Initiative, Office of Fair Trading, Sovereign Housing Group, and Woonstad Rotterdam.

Currently UNIT4 has more than 2,500 customers in the public sector vertical. About 90% of these customers are in central and local government, while nonprofit organizations make up the rest.

Opportunities

UNIT4 is expected to consolidate its gains in the applications market by tapping into cross-selling and upselling opportunities from its recent acquisitions and alliances. Its 2008 purchase of Coda helped strengthen its financial management capabilities, allowing UNIT4 to offer two distinctly different products to the government sector – meeting the needs of those that gravitate toward a homogeneous approach (Agresso ERP) and others that prefer a heterogeneous environment with CODA Financials. The same applies to its alliance with Salesforce.com, which could become the impetus for UNIT4 to frame constituent relationship management to its best advantage by harnessing the synergy between its products and those of partners that leverage the Salesforce.com's development platform and on-demand delivery model.

Risks

Currently UNIT4 derives 90% of its revenues from Europe as it begins to generate incremental opportunities from new markets such as the United States.

With growing signs of a protracted economic slowdown in many parts of Europe where UNIT4 is entrenched, the vendor may brace for a fair amount of volatility in its home base. In the first quarter of 2010, UNIT4 said its sales in Europe especially to government customers rebounded with major orders from customers such as Herefordshire Council, Chesterfield NHA and Southend-on-Sea Borough Council. Still, the acquisitions of Coda and IBS Consist are expected to be instrumental in helping UNIT4 weather the slowdown by locking in additional recurring revenues.

Another issue has to do with the UNIT4's converged product strategy and whether it would help the vendor optimize cross-selling and upselling opportunities across its enlarged portfolio. For the time being, UNIT4 has stated that it would keep its Coda and Agresso product lines separate.

Ecosystem

For the public sector vertical, UNIT4 has been partnering with a growing number of organizations with specific government knowledge. In the United Kingdom, UNIT4 is working with Buying Solutions, the national procurement partner for UK public services.

Around the world UNIT4 partners with a large number of solution and technology partners from Sabre in the travel industry to TransGov Accelerator Consortium, a network of Microsoft Gold Certified Partners that collaborate to meet all aspects of the Transformational Government Agenda in order to improve government services by streamlining business processes in the public sector.

Shares

With a 2.2% in the public sector vertical, UNIT4's ability to gain share is average because of its dependency on the Western European market.

On the upside, the new branding campaign at UNIT4 is going to bring cohesion across its product lines, paving the way for its customers to utilize more complementary solutions from a single technology provider.

On the downside, UNIT4's recent expansion plans - primarily targeting other horizontal ERP vendors - appear to have overshadowed its core competency in the public sector vertical, a development that could help competitors drive a wedge between UNIT4 and its target customers in the government vertical.

Lawson

St. Paul, MN

www.lawson.com

Overview:

Lawson Software has been offering a full line of Enterprise Resource Planning and industry-specific solutions such as grants management for the public sector, while eyeing new ways to serve government users through the use of virtualization, cloud computing and other advanced capabilities. Typical implementations range from financial and procurement applications for state and local government offices to HR and payroll systems for city and county employees.

Applications Revenues In Government:

	2008	2009
\$(M)	75	70

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	70	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	10.5	15%
Large(1K-5K	42	60%

ees)		
SMB(1K ees and below)	17.5	25%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	12	17.1%
Maintenance	58	82.9%
Subscription	0	0

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	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	Below average
Total	With a 1.9% share in the government vertical, Lawson's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Lawson has been a stellar performer in the government market with continuous improvements to its products, ecosystem of partners offering complementary solutions as well as the speed and quality of its implementations.

The result has been increased acceptance of its integrated applications by state and local government customers especially those that are increasingly feeling the effects of shrinking budgets. To that end, Lawson recently announced a number of initiatives ranging from virtualization to cloud computing aiming to help government agencies reduce their IT overhead through smarter use of their existing applications investment.

Such moves are expected to help further Lawson's momentum at the state and local government agencies. That followed Lawson's move in 2009 to create nine new verticals including US public sector as a part of its corporate reorganization, underscoring its increased commitment to these industries with dedicated resources.

Currently Lawson has more than 500 customers in the public sector primarily state and local government agencies in the United States.

Key Applications For Government Vertical:

Lawson S3 ERP, Financial Management with encumbrance accounting

SCORES Analysis

Strengths

Despite the economic downturn, Lawson has continued to show its resiliency and staying power through product and support enhancements as well as a new organization structure that puts increased resources behind strategic verticals such as the public sector.

In 2009 much of its product enhancements involved the on-demand delivery of its talent management offerings. Public sector organizations have been a major market for such HR solutions to help them boost hiring and retention capabilities at a time when many are expected to face a draught of qualified employees, a situation exacerbated by pending retirement of a large number of experienced workers.

In 2010 Lawson took one step further by launching Cloud Services portfolio in collaboration with Amazon to deliver a full array of ERP and HR applications that will be hosted using the Amazon Elastic Compute Cloud (Amazon EC2) infrastructure.

Without requiring them to invest in their own hardware, security and networking setup, some of its government customers have already taken advantage of Lawson's cloud computing services to ease their support burden. Scott County in Minnesota, for example, has started migrating its Lawson ERP applications to the Amazon environment for disaster recovery purposes.

Usability is another key attribute of Lawson, which has been layering on top of its applications with Smart Office based on Windows Presentation Foundation technologies from Microsoft. The attractive user interface enables its customers to take advantage of role-based personalization, business intelligence capabilities, and a simple system look and feel that fosters group collaboration, all of which are woven into their existing Lawson applications and Microsoft productivity tools. Last year Lawson introduced Smart Office 9.0.3 and Lawson Enterprise Search as well as enhancements to Business Process Platform that is based on Lawson System Foundation.

Last year Lawson also introduced QuickStep Government as a part of its new implementation methodology and software offerings. QuickStep Government includes industry-specific content, preconfigured databases, and integrated learning simulations. Already QuickStep Government has been a key driver behind net new customer wins because of its considerable business and technology benefits based on best practices implementations.

Such advances in cloud computing enablement, product capabilities, and implementation methodologies are likely to help Lawson capture incremental opportunities in the government vertical, which is on track to become one of its fastest-growing revenue contributors in 2010.

Customers

Over the past year, the public sector has continued to be a solid industry segment for Lawson. Among its major wins in the public sector was Virginia Housing Authority, which licensed the full suite of Lawson S3 ERP applications for HR, payroll procurement and financial applications. Other wins in 2009 included cities of St Paul, MN, Abilene, TX, Montgomery, AL, Providence, RI, and Roanoke, VA; as well as Pennsylvania State Attorney General Office, Northern Colorado Water Conservation District and Rancho California Water District.

Altogether Lawson has more than 500 customers in the vertical representing a cross section of state and local government agencies in the United States.

Opportunities

Since 2009 Lawson has been ramping up on-demand delivery of its talent management solutions and the availability of the Lawson Cloud Services is creating new options for government users to access the latest technologies without incurring upfront IT costs, something that could have made the approval of certain business process improvement projects much more palatable.

Additionally Lawson has experienced increased momentum selling into health and human services organizations, as well as worker training, economic assistance and public safety initiatives from different government agencies.

The biggest near-term opportunity for Lawson remains upgrading its existing government customers to the latest Lawson ERP release as well as many of the usability, office productivity and search enhancements derived from the Lawson System Foundation, all of which will become key enablers for sustainable productivity gains for the end users.

Risks

While government agencies have always been a key plank of its strategy, Lawson's corporate reorganization has finally given the vertical the credit where it's due. The issue is whether Lawson is capable of convincing its typically risk-averse government customers to take on a new set of services and product upgrades such as cloud and on-demand computing without adversely impacting its traditional way of selling software licenses and maintenance support.

Using cloud computing to augment sales of its applications licenses may well be the easy part and the success of Lawson's strategy will depend on making such implementations work properly. That followed Lawson's recent overhaul of its professional services organization to better support its customers.

Two years ago Lawson announced a plan to reduce the services component to less than 40% of its revenues. So far the performance of its professional services operations has been flat at best.

The emphasis on cloud computing could put another wrinkle to Lawson's ability to ease customer adoptions, while making structural changes to its professional services delivery. Without careful planning and coordination of its own professional services organization and that of its partners, the push toward greater acceptance of its cloud services could unravel.

Ecosystem

Because of its strong track record and domain expertise in selling into strategic verticals, Lawson has developed a well-oiled ecosystem consisting of 200 partners and more than 500 trained consultants including many in the public sector.

With a stated goal of turning over 40% of its services delivery through the channel, the role of its implementation partners is expected to grow.

Shares

With a 1.9% share in the government vertical, Lawson has been tracking its progress by boosting product, support and industry specific resources to accentuate its core competency in one of its most important verticals.

On the upside, Lawson has been able to secure net new customers in a market that is probably more incumbent-favored than others because of the long sales cycle.

On the downside, the Lawson public sector business unit needs to compete for resources with other fast-growing divisions that could siphon off development and management attention and backing at a time when it is still recovering from the downturn.

New World Systems

Troy, MI

www.newworldsystems.com

Overview:

For nearly 30 years New World Systems has been positioning itself as one of the leading applications vendors showing high customer satisfaction and proven results with its keen understanding of the public sector vertical. Typical customers are state and local government agencies with complex financial management and public safety software requirements.

Applications Revenues In Government:

	2008	2009
\$(M)	41	45

2009 Applications Revenues In Government By Region:

Region	2009(\$M)	% of total
Americas	45	100%
EMEA	0	0%
Asia Pacific	0	0%

2009 Applications Revenues In Government By Customer Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	22.5	50%
Large(1K-5K ees)	22.5	50%
SMB(1K ees and below)	0	0%

2009 Applications Revenues In Government By Revenue Type:

Type	2009(\$M)	% of total
License	12	26.7%
Maintenance	33	73.3%
Subscription	0	0

2009 SCORES Box:

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

Full overview:

Unlike many vendors that tend to diversify their offerings after reaching certain size, New World Systems has remained steadfast with its single-minded focus on the public sector vertical. The vendor has been unequivocal about its long-held belief in staying independent and relying solely on organic growth.

By doing without acquisitions, New World Systems has been expanding by sticking to its knitting with a suite of public administration and public safety applications for state and local government agencies.

In 2009 New World continued to improve its product offerings by adding analytics and new computer aided dispatch capabilities.

Staying true to its core competency has allowed New World to deliver a fully integrated product strategy that meets the short-term and long-range requirements of its customers without fearing losing their support or being distracted by external events that could undo other technology providers.

With more than 750 customers representing 1,500 state and local government agencies, New World has blanketed almost every state and continued to boost presence in its home state Michigan as well as fast-growing areas such as the Pacific Northwest.

Key Applications For Government Vertical:

Aegis Public Safety, Court Management software, Logos Public Administration software

SCORES Analysis

Strengths

New World is unique among peers with its unyielding principles of not making acquisitions, sticking to US-based development resources and unwavering support for the long-term benefits of its public sector customers.

In many respects, what's good for its customers is good for New World, which regularly conducts monthly surveys to ensure customer satisfaction does not slip.

Because of its commitment toward the public sector vertical, which can be notoriously slow-moving when it comes to the latest technologies, or new providers for that matter, New World's high touch and unambiguous positioning has resonated with many government users.

In addition to its own development efforts, New World has been beefing up its ecosystem, while making it easier for public sector customers to take advantage of government stimulus dollars through technology adoptions that produce tangible results.

Another key strength lies in the domain expertise of its professional services organization, which has more than 100 employees. In the first half of 2009, it helped more than 128 customers implement new major applications, a pace that rivals world-class professional services organizations.

In addition to its rapid implementations, New World has been particularly active in key segments such as the automation drive at police departments around the country. Such initiatives have translated into dramatic cost savings and highly effective law enforcements at the local level, which in turn reinforces New World's value in collaborating with its customers to become more accountable to their constituents.

Customers

Since 1981 New World has been adding new customers, while becoming more entrenched among its installed base. Its customer count now exceeds 750 customers and 1,500 state and local government agencies in 48 states.

In some secondary and tertiary markets, New World has secured a strong foothold that is as extensive as the influence of the local elders.

In 2009 New World's customer wins included Bloomfield Township (MI), Calhoun County (MI), cities of Bismarck (ND), Blaine (MN), Bowling Green (KY), Duluth (GA), Eden Prairie (MN), Lawrence (IN), Newark (OH), Wyoming (MI), Cochise County (AZ), Douglas County (GA), Douglas County (NV), Hays County (TX), Kane County (IL) 911 Center, Kansas Turnpike Authority, Klamath County (OR), Pend Oreille County (WA), Providence (RI), Scott County (IA), Shenandoah County Sheriffs Office (VA), St. Clair County (IL), St. Mary Parish (LA) Government, and Town of Clayton (NC).

Increasingly New World has managed to sell into the consortium market. Red River Regional Dispatch Center and North East King County Regional Public Safety Communication Agency (NORCOM) were two recent examples of networks of emergency services communication centers that wanted to use the best available standardized systems to boost collaboration and efficiency through synchronized workflow.

Opportunities

In addition to the consortium market, New World is expected to do well in secondary and tertiary areas where efficient policing and administrative transparency is gaining widespread support among a new generation of appointees and elected officials.

These tech-savvy users are hoping to leverage the latest technologies to gain a better handle on mountains of paperwork and to eliminate procedural bottlenecks in order to make more relevant information available to key stakeholders and citizenry through a multitude of egovernment initiatives.

Risks

New World's relentless pursuit of the public sector vertical is particularly noteworthy when many of its competitors have been gripped by the consolidation wave as well as the frenzy of on-demand delivery and cloud computing technologies, all of which may well be superfluous for government agencies still grappling with their legacy systems.

Be that as it may, New World's customers are learning to adapt to new technologies. The rise of consortium buying as well as increased collaboration among government agencies point to the fact that scalability, extensibility as well as system overhaul across these organizations could be the wave of the future. The risks facing New World is whether it has the wherewithal to meet those challenges on behalf of its loyal customers and steering them to a direction that is mutually beneficial for all parties involved.

Ecosystem

Over the past year, New World has beefed up its offerings by working closely with leading vendors such as ESRI on Geographic Information System. In addition it has been a major partner of Microsoft in the public sector vertical by developing its applications on the Dot Net platform.

In 2009 New World expanded its ecosystem by partnering with Coplogic. The two companies provide an interface between New World Systems' Aegis/MSP Public Safety Software Solution, and Coplogic's DeskOfficer Online Reporting System (DORS), an online citizen reporting solution. The joint solution reduces data entry for agencies, improve the use of officer time and ensure all stolen property is accurately reported and tracked.

Shares

With an 1.2% share in the public sector vertical, New World's ability to drastically increase its share is average because of its aversion to mergers and acquisitions.

On the upside, its solid reputation, coupled with its lock on certain government customers, will provide a steady recurring revenue stream as well as repeat business.

On the downside, with increased competition in the government vertical, New World may have no choice but to consider finding alternative ways to sustain its growth by entering adjacent markets such as nonprofit organizations, schools and public utilities, and even pursuing the once unthinkable act of joining the M&A parade.

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