

APPS RUN THE WORLD

Professional Services

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

12/30/2010

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Summary

This applications market sizing report examines the 2009 performance of the top 10 applications vendors in the professional services vertical, which is made up of firms involved in the delivery of specialized services including accounting, architecture, engineering, information technology, legal, staffing, tax and audit, as well as other business services such as advertising and public relations.

As the general business climate begins to improve, professional services organizations have experienced increased booking, albeit still below the pre-recession levels. Many companies have boosted their spending with accounting, legal, tax and audit firms in order to meet a growing array of governance, risk and compliance requirements.

In other cases, demand for specialized services has picked up with architecture and engineering firms cashing in on government-funded projects to create new or replace existing infrastructure.

IT services will also become a growth engine in the vertical as companies accelerate investment in Cloud-based services to augment or replace their on-premise systems.

Top line and Bottom line

On the top line, the professional services vertical is showing some signs of life as the business cycle begins to trend upward. However the fragmented nature of the vertical highlights the fact that certain segments such as architecture and engineering firms that are direct beneficiaries of government stimulus funds in fast-growing countries in Asia and Latin America will fare well.

Staffing firms such as Kelly Services have reported double-digit revenue growth in their operations in Americas and Asia Pacific in recent quarters after posting a 22% drop in sales in 2009.

Business in legal services remains sluggish. Clifford Chance LLP, one of the world's largest law firms with 3,200 lawyers in 20 countries, continued to post a 5% revenue decline to £1.1 billion for its fiscal 2010 ended April 20, following a similar drop for its fiscal 2009.

The professional services vertical will continue to experience sweeping consolidation in order to take advantage of the economy of scale and increased demand for global delivery of specialized services.

While applications vendors could seize the opportunity to help standardize the back to front-office functions of their customers, the strategy may not resonate with professional services organizations that take an autonomous approach in running their far-flung operations because of their insistence of keeping location-specific workflow and IT system intact. WPP, the world's largest marketing services company, is an example of that.

The bottom line remains that the professional services vertical is all about hiring and retaining talents that are increasingly mobile and migratory because of the fluidity of the knowledge economy made possible by globalization and open exchange of ideas and transferable skills. That makes the job of applications vendors focusing on specific segments like legal and engineering more important than ever, while defending their niche by addressing the present and future needs of their customers through continuous innovation and uninterrupted delivery domain-specific content and analytical insights that are hard to replicate.

Market overview

The market for applications for the professional services vertical was flat in 2009 as end users ranging from lawyers to engineering firms took the cue from their customers with multiple rounds of belt-tightening in order to stave off the effects of the recession.

For much of 2009, the market was largely supported by maintenance revenues that had been built up over the previous years. License and subscription revenues were growing at single-digit at best.

In fact Intuit saw a reduction in the number of its professional accountant purchases by 1,000 during its fiscal 2009 because of the downturn even though it managed to post an 8% rise in revenues. For its latest fiscal year ended in July 2010, unit sales dropped 2,000 while revenues from these professionals rose 13% because of higher prices.

Meanwhile large deals were quickly replaced by small transactions, while the number of net new customers was slipping. It also came on the heels of accelerated customer churns with on-demand channel vying to become a viable alternative to on-premise implementations.

For example, Salesforce has been making major inroads into the professional services vertical because of the intrinsic value of customer relationship management applications to an array of services companies from software developers to accounting firms.

In fact, Salesforce has become a metaphor for many professional services companies to realize the untapped potential of the Internet, allowing them to be agile and disruptive, while exploiting a new generation of tools for widespread distribution of their goods and services through customer and partner collaboration.

The same applies to NetSuite, which has been beefing up its ERP, eCommerce and CRM offerings for the on-demand audience. In 2009 NetSuite acquired QuickArrow for its professional services automation offerings, following its earlier purchase of OpenAir.

Other vendors have also fired up their acquisition engine to fuel their growth. Deltek, for example, acquired Maconomy for its ERP applications designed for marketing and advertising firms in July 2010, while Thomson-Reuters created a business unit dedicated to governance, risk and compliance following a series of acquisitions. The purchases included TaxStream for income tax provisioning, Abacus Enterprise for tax management, GoSystem Audit for auditing tools, Paisley for Governance Risk and Compliance, and more recently Sabrix for sales tax management and Complanet for GRC.

The shift toward the on-demand model, coupled with the consolidation trend, is expected to transform the business model of vendors selling into the professional services vertical with not just operations and customer information management applications, but also a whole array of tools for online community creation as in the case of the Intuit Partner Platform for QuickBooks extensions from Intuit partners, or social media for the enterprise as in the case of Chatter from Salesforce.com.

Implications of the Great Recession of 2008-2009

One of the perverse impacts of the recession has to do with the steep cuts that companies have made to their inhouse legal, accounting and human resources departments, making it impractical or even impossible to handle increased workload with the return of a more favorable business climate.

The growing acceptance of using outside service providers to handle such tasks has been a boon for those that handle accounting, customer service, IT, legal and staffing tasks either on a project by project basis or taking over the complete end to end business process on behalf of their clients.

Some of these service providers, including many in the business process outsourcing space, have been struggling lately, raising fears that demand for their services may lag behind that of the overall professional services vertical because of the general reluctance of BPO clients - especially those that receive government subsidies during the peak of the recession - to eliminate internal positions in order to keep their image intact.

While IT service providers such as Accenture have reported strong financial results and sunnier growth outlook, others such as Genpact and even Oracle Financial Services Software Ltd., formerly iFlex Solutions, have resorted to layoffs to sustain their BPO operations over the past year.

Since June 2009 Oracle Financial Services has eliminated 1,703 employees, including a 30% cut to the headcount of its BPO unit, which primarily serves financial services companies like Citigroup handling their back-office functions. The BPO unit of Oracle Financial Services Software Ltd. saw a 25% revenue decline for its third quarter of 2010.

It's fair to assume that the impact of the recession on the professional services vertical will be uneven at best, perhaps leaving some of the largest and the most established organizations in better shape than ever. As a result it will take longer for small and midsized professional services organizations to regain their footing, thus prolonging the recovery for applications vendors that focus on this segment.

Customers

While the WPP's stance on leaving its local operations and IT systems is unique because of the outsized presence of the advertising firm, most professional services organizations are coming to terms with the importance of enterprise-wide standardization.

For example, Ciber, a mid-sized IT consulting firm and systems integrator, recently announced its plan to hire a new chief information officer whose first task is to streamline in-house ERP and redundant systems. For the time being, Ciber, which has made a number of acquisitions in recent years including Canon Technology Solutions and Itemic Private Ltd. in 2009, runs SAP ERP for its business in Europe, while also using PeopleSoft Enterprise from Oracle for its US operations.

Even vendors focusing on professional services vertical such as Wolters Kluwer has been rolling out an enterprise HCM system from Oracle to manage its far-flung operations, which have more than 19,000 employees around the world.

That trend is expected to become more pervasive among IT consulting firms. For example, IDS Scheer was picked up by Software AG in 2009, while NTT Data bought Intelligroup in July 2010.

It is fair to assume that the recurring theme among customers in the professional service vertical will be on how different internal and external systems can stay compatible at a time when Cloud-based solutions loom large in the context of IT transformation.

That in itself could pose serious opportunities and risks for vendors that target the professional services vertical, formulating new strategies that could serve as a template for them to go after other verticals that will face the same dilemma of having to choose between on-premise and on-demand solutions in the coming years.

Top 10 Applications Vendors In Vertical

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

Vendor	2009 Share(%)	2009 Applications Revenues From Professional Services(\$M)	2008 Applications Revenues From Professional Services (\$M)
Microsoft	15.1%	719	669
Oracle	15.0%	715	679
SAP	12.9%	617	598
Intuit	9.0%	429	416
Sage	8.4%	402	398
Thomson	5.1%	242	227
Wolters Kluwer	4.7%	225	224
Deltek	3.9%	184	193
UNIT4	2.8%	132	122
Salesforce.com	2.4%	116	108
Subtotal	79.3%	3781	3634
Other	20.7%	984	1168
Total	100.0%	4765	4802

Vendors To Watch

One of the major developments is the invisible hand of Microsoft, which has been particularly active in shoring up the product portfolios of vendors that focus on the professional services vertical by OEMing its vast catalog of software technologies from SharePoint to analytics.

The latest is the 2010 deal to help Lexis-Nexis develop a new suite of practice and financial management applications based on the Microsoft Dynamics AX platform for legal customers especially those that have been accessing the LexisNexis content offerings in Europe.

Microsoft also provides the technology framework for applications being developed by Client Profiles, another major ISV focusing on the legal marketplace, and Thomson Elite, a division of Thomson-Reuters, that sells into major law firms. The invisible hand of Microsoft could become a sensitive issue as these partners continue to expand by stressing their unique brand equity and product differentiation, a value proposition that could become harder to come by.

The same applies to the heightened tension between Thomson-Reuters and Wolters Kluwer, which have been facing off each other in a number of segments from accounting to legal and from GRC to industry-specific content financial services.

Outlook

On the upside, the professional services vertical seems to be on the mend as demand for expert services begins to gather speed especially in emerging markets where such services are considered a premium.

The onslaught of cloud-based services and on-demand offerings that include the latest social media tools will also help vendors such as Salesforce.com and NetSuite to gain traction within the vertical.

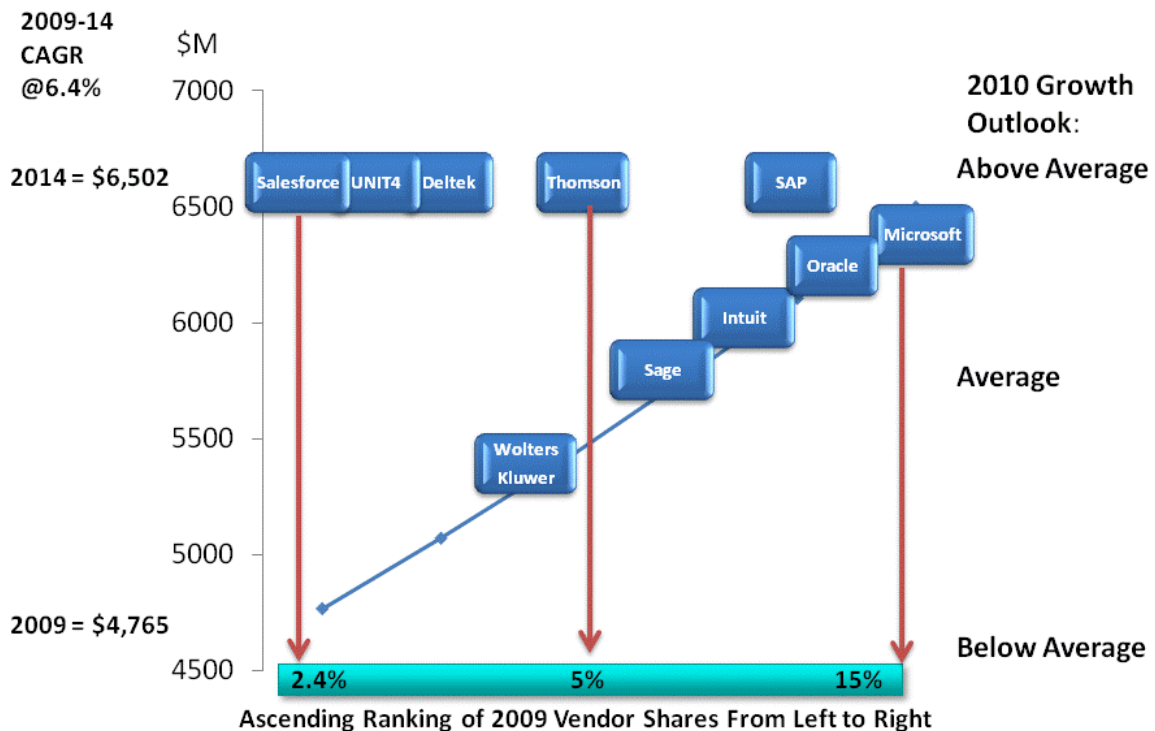
These new products – some of which are available free of charge – could have major ramifications on how professional services organizations are going to be running their operations, but also on the way they manage their customers and partners.

On the downside, one of the most challenging segments within the vertical is going to be staffing firms, which could see further shakeout given the bleak job recovery picture in developed markets such as the United States.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 applications vendors in the professional services market with Microsoft claiming the top spot at 15%, followed by Oracle, SAP, Intuit, Sage and others. Based on our SCORES methodology, SAP, Thomson, Deltek, UNIT4 and Salesforce.com are rated above average for their growth potential in 2010. The market is expected to achieve a 6.4% compound annual growth rate rising from \$4.7 billion in 2009 to \$6.5 billion by 2014.

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



Profiles of Top 10 Applications Vendors In Vertical

- Microsoft
- Oracle
- SAP
- Intuit
- Sage
- Thomson
- Wolters Kluwer
- Deltek
- UNIT4
- Salesforce.com

Microsoft

Redmond, WA

www.microsoft.com

Overview:

Microsoft has become the leading applications vendor for the professional services vertical by making it easy for its partners and their customers to extend the Microsoft's technology platform to automate an array of back-office and customer-facing functions. Typical customers include major IT consulting firms and system integrators that repackage Microsoft applications for different professional services organizations.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	668.7	719.1

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	287.6	40%
EMEA	359.6	50%
Asia Pacific	72	10%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	431.4	60%
SMB(1K ees and below)	287.6	40%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
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License	323.6	45%
Maintenance	395.5	55%
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	Above average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 15% share in the Professional Services vertical, Microsoft's ability to maintain and win share in the market segment in 2010	Average

Full overview:

With considerable development resources and backing from its infrastructure offerings, Microsoft offers a two-pronged strategy in selling into the professional services vertical with robust products and a massive channel program.

At the product level, Microsoft offers an extensive portfolio of back-office and customer-facing applications for different professional services organizations from large IT consultants to small firms that specialize in any niche within the vertical.

In addition to these mission-critical applications, the Microsoft Project offering, which is a part of the Office productivity applications suite, remains one of the most popular software packages for project management among professional services organizations because of its seamless integration into other Microsoft tools.

Then there is the Microsoft Dynamics SL product, which has been widely adopted by thousands of professional services organizations. In October 2010 Microsoft announced the general availability of Microsoft Dynamics SL 2011 in the second quarter of 2011.

Sporting the familiar Microsoft Office look and feel and role-specific dashboards, Microsoft Dynamics SL is designed to bring project participants users up to speed because of the intuitive user interface. Other enhancements include Quick Query, which provides more than 50 predesigned search options to find information faster, and the ability to Quick Send documents, such as invoices and purchase orders from within Microsoft Dynamics SL to customers and vendors.

From a go-to-market perspective, Microsoft has aligned itself with more than 10,000 partners including many that focus exclusively on the professional services vertical. While some have simply acted as applications resellers on behalf of Microsoft, others have incorporated multiple Microsoft technologies including Microsoft Dynamics, SharePoint Portal, Microsoft Project and Microsoft CRM into their solutions in order to compress development time while boosting product quality for everything from Web services to real-time collaboration.

The result is a complete set of applications tailored for professional services organizations, allowing them to exploit rich functionality such as Dynamics SL for project costing to Dynamics CRM for online customer support, along with a channel-led initiative that addresses the special needs of law firms, environmental planning companies and other niches within the vertical.

Key Applications For Professional Services Vertical:

Microsoft Dynamics SL, NAV, GP, AX, CRM, Microsoft Project 2010

SCORES Analysis

Strengths

The Microsoft Dynamics business unit, which is a part of Microsoft Business Division, enjoys the backing of the vendor's technology platform business that covers everything from Windows operating systems to SharePoint portal, allowing the unit to concentrate its firepower to address granular solution requirements of its professional services customers.

Not only does the Microsoft Dynamics division have the product features and development capabilities to help its professional services customers handle complex project and customer management requirements, its ISV and business partners have amplified the effects with their domain expertise.

For example, Client Profiles, one of its major ISV partners, has extended the reach of Microsoft Dynamics to the legal service provider space by weaving Microsoft infrastructure and applications capabilities into its offerings in such areas as Case Management, Financial Management, Document Management, Client Relationship Management (CRM) and Document Imaging, selling them to more than 1,000 law firms in the United States.

In November 2010 Microsoft announced a partnership with LexisNexis International to develop a new suite of practice and financial management applications based on the Microsoft Dynamics AX platform for legal customers especially those that have been accessing the LexisNexis content offerings in Europe. The products, which are expected to become generally available in 2012, will target mid-tier and international law firms.

Customers

With more than 30,000 customers in the vertical, Microsoft has established a broad spectrum of customers ranging from those in information technology services to conventional consulting firms. Its reference wins include Acerta, Booz Allen Hamilton, Dorset Software, INFOMA, Powertek, Reed Smith, and Winshuttle Inc.

Opportunities

On-demand delivery and redefinition of customer relationship management will help Microsoft Dynamics further its goal in consolidating its gains in the professional services vertical.

With more than 350 partners becoming on-demand resellers of its ERP and CRM applications, Microsoft has the potential of reshaping many of the verticals that it targets. As many professional services firms have reduced their headcount following the recession and internal IT support has become a premium, on-demand implementations appear to be a logical choice for those seeking to reduce their dependence on on-premise implementations.

XRM, which covers any relationship management function designed for specific stakeholders across the enterprise and beyond, is another major Microsoft initiative in hopes of furthering its momentum in the CRM market. A number of Microsoft partners such as Streamsol have developed XRM solutions that leverage Microsoft CRM applications as well as complementary technologies from mobile to analytics to help different professional services organizations achieve improved process efficiency and stakeholder lifecycle management regardless of how and where they want to access the applications, thus reducing their total cost of ownership especially for those that have already standardized on the Microsoft platform.

Risks

Microsoft's two-pronged approach does not necessarily result in a consistent way of dealing with customers. On one hand, territory management, if not handled properly, could spin out of control as its resellers and ISV partners provide the same target audience with ostensibly different applications that in fact encompass similar technologies and capabilities derived from the Microsoft product portfolio. While the packaging may be different, the inner working is based on standard features of SharePoint, Microsoft Dynamics and Microsoft SQL Server.

In the legal service provider space, the vendor works closely with both Client Profiles and its competitor Thomson Elite, which have been partners of Microsoft for a number of years. The expanded partnership with LexisNexis underscores Microsoft's desire to establish a significant presence in the legal market through multiple distribution and ISV partners, a strategy that could backfire when the positioning of these products starts to blur.

While customers may find such interchangeable components flexible and perhaps unavoidable, the invisible hand of Microsoft could become a sensitive issue as these partners continue to expand by stressing their unique brand equity and product differentiation, a value proposition that could become harder to come by.

What Microsoft has been doing to mitigate such risks is by developing a more stratified partner ecosystem. The program benefits those that have committed the most to the Microsoft platform by providing them with the best training, support and margin opportunities. That seems to be the preferred way for Microsoft to exert control over these partners especially those that prove to be strategic and loyal toward building a common goal with the vendor.

Ecosystem

Microsoft primarily sells its applications through its channel to customers in the professional services vertical. Key partners include CCH, Client Profiles and Queue Associates Inc. that target the professional services vertical.

Shares

With a 15% share in the Professional Services vertical, Microsoft's ability to gain share is average because of its already sizable installed base that results in a stable recurring revenue stream.

On the upside, its increased ability to sell different flavors of XRM applications through its partners will help drive incremental revenues, while a more predictable outcome will come in the form of increased acceptance of its on-demand strategy, which could be the key for Microsoft to restore its former glory with the advent of cloud computing by way of its dominance in the operating system and server markets.

On the downside, its desire to revamp its sprawling partner network is a work in progress and any change to the makeup of its channel could portend some disruption to its relationship with certain partners and their professional services customers. Already some ISVs such as Tyler Technologies have reported delays in getting Microsoft channel subsidies that they have been counting on to fund future Dynamics-based applications for their customers. The move toward cloud computing could also be a mixed blessing since it could make it easier for these partners and customers to migrate away from the reliable Microsoft platform toward a server independent environment where Microsoft no longer rules.

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

Oracle has built itself one of the biggest franchises in the professional services vertical after amassing a number of applications widely used by staffing firms, IT services organizations, and advertising and consulting companies with multinational operations. In recent years Oracle has started moving down market by capturing small to mid-sized professional services organizations as clients with differentiated products.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	679	715

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	358	50%
EMEA	215	30%
Asia Pacific	143	20%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	215	30%
Large(1K-5K ees)	358	50%
SMB(1K ees and below)	143	20%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	214.5	30%

Maintenance	500.5	70%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	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 15% share in the Professional Services vertical, Oracle's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Following its 2008 purchase of Primavera, Oracle has been gathering momentum in the professional services vertical with applications and solutions designed to boost productivity, profitability and customer satisfaction of a full spectrum of services-centric organizations.

By combining domain expertise and tailored products such as Primavera P6 for project and portfolio management that meet the needs of staffing firms, IT consultants and business services organizations, Oracle has continued to gain ground in the vertical.

Oracle started expanding into vertical after its acquisition of PeopleSoft in 2004 giving the ERP vendor an important beachhead in the staffing firms that relied heavily on the human capital management applications from PeopleSoft. The subsequent purchases of Siebel and Primavera strengthened its product portfolio for a broader array of professional services organizations from the likes of Deloitte in IT consulting to big public relations firms such as Edelman and WPP.

Oracle has also succeeded in penetrating subsegments of the professional services vertical under its three major pillars – Consulting Services, Business Services and Staffing. In consulting services, Oracle has been selling into segments such as management consulting services with references like Bain & Co., PWC in auditing and tax firms, and Orrick in legal services. In business services, Oracle has become entrenched in segments such as credit reporting agencies with references like D&B, Centrix in adjustment and collection services, Lloyd’s Register in risk management and ADT in security. And in staffing, Oracle has become the de facto solution providers among leading staffing firms like Kelly Services, Manpower and Spherion.

Key Applications For Professional Services Vertical:

PeopleSoft Talent Management, Oracle Project Management, PeopleSoft Program Management, Oracle Project Resource Management, PeopleSoft Resource Management, Oracle Project Costing, Oracle Project Billing, Siebel Contact Center and Service, PeopleSoft Costing, PeopleSoft Billing, Oracle Service, Primavera Enterprise Project Portfolio Management

SCORES Analysis

Strengths

Not only has Oracle built an extensive portfolio of applications for the vertical with best-in-class features like billing and project management, it has also leveraged its tremendous clout in the IT industry to steer some of the biggest names in technology to adopt solutions for their in-house professional services organizations.

These organizations are ideal candidates for Oracle because of their size and propensity to standardize their business processes, while streamlining their training and service delivery. Some have become natural customers of Oracle’s solutions for the vertical because they could become the direct beneficiaries after learning the ins and outs of the applications in order to implement them on behalf of their clients.

Hence big Oracle implementers such as Accenture, Cap Gemini and Deloitte have become big users of Oracle applications within their professional services organizations. That in turn results in further reusability of Oracle’s applications throughout these embedded professional services organizations in the tech industry in a virtuous cycle that demands and rewards process standardization and best practices replication. The professional services organizations within tech vendors such as BT, Cisco, EMC, Fujitsu, Hitachi, NEC, Novell, and Siemens have become heavy users of different Oracle applications to run their operations from front-office automation to talent management.

Another strength has to do with its increased presence in the mid market where small to midsized professional services organizations have been its largest vertical in Americas and Europe consistently for the past several years because of rich product functionality and a robust program that supports its worldwide partners to expand into new and existing customers. Some of its reference wins in midmarket professional services organizations included Fexco, Nomicorp, Navigant Consulting and WEP Solutions.

For midmarket customers in the verticals, its Accelerator for Consulting Services includes 27 flows and 24 modules covering every major function from project resourcing to financial management that a consulting company needs to run its business. WEP Solutions, an IT solutions company in India, was able to use the Accelerator to implement Oracle Financials, Inventory, Procurement, Order Management and CRM in 133 days.

Such successes in both ends of the vertical underscore Oracle's ability to exploit its influence and technological advantages by meeting customer requirements at a time when many professional services organizations are still searching for a standardized business process template to follow in order to help them scale their operations profitably on a global level.

Customers

With more than 10,000 customers in the vertical, Oracle has built an enviable lead in the vertical especially among some of the largest business consulting, staffing, and IT service providers in the world.

The following lists the reference wins in the professional services vertical by Oracle in its four fiscal quarters that correspond to those in calendar year 2009:

3Q09

Administaff, Affiliated Computer Services, Claranet Ltd., eBay Comfort SA, Experian, LexisNexis, MoreVisibility, SRG Asia Pacific Sdn Bhd

4Q09

Hays plc, IDS, Interpublic, Log-In, ProQuest, Quad Graphics, United Online, UNNE

1Q10

BG Group, Dong Tam, Fuji Soft, Homeserve, Technology Integration Group

2Q10

Dylan Staal, FPT Corp., Gemadep Corp., Lawn Tennis Association, Nova Group, VinaGame Software Service Co.

Opportunities

Professional services organizations will be one of the major verticals Oracle plans to target with its upcoming Fusion applications with social-networking-based HCM designed to appeal to young and mobile professionals in different services sectors. In addition embedded Business Intelligence in Fusion applications will offer predictive analytics to help professional services companies plan career paths of their employees.

Oracle is also gearing up for the professional services vertical with a new product called Project Analytics. The application, which is a part of Oracle business intelligence applications, enables professional services organizations to track project and program performance and control costs, take action to improve project portfolio performance, and deliver insight into project revenue, billing, and profitability.

Risks

Despite its technological prowess, Oracle has been decidedly low-key when it comes to delivering cloud-based solutions to its professional services customers. Many of its applications including the latest releases of Oracle EBS 12.1 and PeopleSoft 9.1 remain on-premise solutions. Though Oracle has made hosting an option for its customers, developing cloud-based applications and making them readily available for professional services organizations does not appear to be a priority for the vendor.

That may change with the pending release of Oracle Fusion applications, which will be geared toward services-based organizations with the options of running them either on-premise or over the cloud. The question is whether such migration from EBS or PeopleSoft to Oracle Fusion can come easily without causing any disruption on the day to day project management of its professional services customers.

Even if it can be done without a hiccup, the issue is that Oracle, following its many acquisitions, will be pressured to balance and stabilize these moving parts that its professional services customers have been relying on for their mission-critical functions, which will make any near-term migration a wishful thinking at best.

For example, Ciber, an IT professional services organization, is in the midst of overhauling its in-house ERP (based on both PeopleSoft and SAP in the US and Europe, respectively) and redundant systems, a task that could take much of 2011.

Amid such streamlining measures, disruptive offerings from its competitors could prove to be the undoing of Oracle when it can least afford to layer another platform on top of its many moving parts that will continue to run in a parallel manner.

Ecosystem

Oracle primarily sells direct to big accounts in the professional services vertical, but it also uses a growing number of partners to help it penetrate the small and mid-sized organizations. Some of the partners include Chain Sys, Dataweave, DAZ SI, INTEREM, New Generation, and System Dynamics. Currently Oracle has more than 35 partners leveraging its Accelerate methodologies to help speed delivery of its solutions to customers in multiple regions.

Shares

With a 15% share in the Professional Services vertical, Oracle's ability to gain share is average because of its heavy reliance on maintenance revenues from its large base of professional services customers.

On the upside, the expansion of Oracle's Accelerate program in the midmarket is beginning to drive a fair number of net new professional services customers into its fold and its recent acquisitions of Primavera and Sun Microsystems will spur additional cross-sell and upsell opportunities.

On the downside, Oracle's ability to lead the professional services vertical is a work in progress because it addresses many different segments with varying requirements and it remains difficult to determine how much cross-selling will occur even when some of its products are going to be integrated in the future. For example, the upcoming integration between PeopleSoft and Primavera could be beneficial for some, but it is not clear whether these customers may prefer extracting more value from their existing investments rather than adding others that could spell complexity.

SAP

Walldorf, Germany

www.sap.com

Overview:

After years of improving its offerings for the professional services vertical, SAP has begun to reap significant benefits by securing a growing list of reference wins while harnessing its expanded product portfolio to help customers meet present and future business process challenges. Typical customers include international law firms, business consulting organizations and IT service providers.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	598.4	617

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	246.8	40%
EMEA	308.5	50%
Asia Pacific	61.7	10%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	203.6	33%
Large(1K-5K ees)	351.6	57%
SMB(1K ees and below)	61.7	10%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	215.95	35%

Maintenance	401.05	65%
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	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 13% share in the Professional Services vertical, SAP's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Fueled by more than 10 years of product enhancements and aggressive acquisitions, SAP has embarked on an all-out campaign to expand its presence in the professional services vertical.

Even though SAP is better known for its dominance in asset-intensive industries like oil and gas, its ability to penetrate different services sectors has become more pronounced than ever. For example, IT professional services organizations have taken advantage of SAP applications to help automate their operations, while replicating such implementations for their own clients. The virtuous cycle is expected to accelerate with the growing synergy between SAP and its professional services partners, resulting in best practices and complementary expertise that leads to greater penetration of the vertical.

Additionally SAP is bolstering its offerings with the help of ISV partners as well as continuous enhancements that enable the vendor to address different segments of the vertical with distinctive products.

Much of the growth in the vertical will come from the midmarket where SAP has laid the groundwork for an expanded portfolio of on-demand applications designed specifically for small and mid-sized professional services organizations.

Key Applications For Professional Services Vertical:

SAP for Professional Services includes the following modules that automate key business processes of a variety of professional services organizations:

- Strategy & Planning, Portfolio Management
- Client & Opportunity Management, Client and Contact Management, Client and Project Acquisition
- Project & Engagement Service Delivery, Project Management, Project Resource Management
- Business & IT Service Management, Service Level Management, Service Desk, Field Service, Service Order Management, Enterprise Asset Management
- Knowledge & Resource Lifecycle, Recruitment and Training, Performance and Compensation, Knowledge Management
- Engagement Management, Proposal and Order Management, Time and Expense Management, Invoice Management
- Subcontractor Management, Service Procurement

SCORES Analysis

Strengths

With its extensive market reach, SAP has developed specific applications for different segments of the professional services vertical.

At the top end, SAP has been selling its SAP Business Suite for professional services organizations with more than 2,500 employees that rely on integrated offerings such as SAP ERP 6.0 to standardize their business processes from project management to multi-resource scheduling.

Stepping up its push into the vertical, SAP has made considerable inroads into medium-sized professional services organizations that have up to 2,500 employees by offering them SAP Business All-In-One, which comes with domain knowledge and best practices from SAP and its partners to ensure smooth and rapid implementations.

For example, SAP has worked with All-In-One partners to define qualified solutions for engineering organizations, allowing them to cover specific scenarios from business development/sales to engineering & project planning and from procurement to project & claims management.

SAP also tailors its SAP Business One for fast-growing professional services organizations, while gearing up its on-demand offerings SAP Business ByDesign for professional services organizations with somewhere between 100 and 500 employees.

Already professional services organizations represent a significant percentage of SAP Business ByDesign customers. With additional Professional Services capabilities being available in its on-demand software in 2011,

SAP expects accelerated adoption among professional services organizations that favor its rich functionality and industry-specific features.

SAP is making industry-specific improvements by adding Project Manager Cockpit based on OpenText software, Operations Dashboards for project and IT services organizations, as well as integrated financial and resource planning by leveraging analytical applications from its partners.

These differentiated offerings are consistent with SAP's typical approach when sizing up a vertical by delivering end-to-end solutions based on a detailed process map that scales to address a myriad of business pain points and customer information management requirements.

Customers

With more than 3,000 customers in the vertical, SAP has been focusing on professional services organizations that have worldwide operations and need to tackle complex business process challenges when managing their employees and customer relations.

Its reference wins included Atos Origin, Continental Resources, Hatch, Howrey LLP, Itelligroup, MindTree Ltd., Personnel Decisions International and Thomson Reuters.

Other recent customers included Aquent, Baker & McKenzie, Freeman Co., Numerical Algorithms Group, Securitas, Sotheby's, Televerde, UHY Advisors and Yoh.

Opportunities

With a combination of strategic acquisitions and co-development efforts with partners, SAP has been exploiting new opportunities by expanding its product portfolio that is built and priced differently for its many modules to meet the needs of specific market segments.

Following the successful integration of BusinessObjects analytics offerings into its product mix, SAP acquired Sybase in 2010 to pick up another 40,000 customers including many in business services and software segments. Among Sybase customers in the vertical are comScore, Experian Integrated Marketing, Hurley, Innovation Group, MICRO Systems, and Securitas, providing a fertile ground for additional cross-selling and upselling opportunities. Additionally SAP can expand its reach into the vertical by selling Sybase database, data integration and mobile solutions.

In the on-demand space, SAP is positioning its latest version of its Business ByDesign applications to meet the front-to-back office needs of small and mid-sized professional services organizations that are gravitating toward Web-based solutions because of usability and quick deployment advantages.

The new release of SAP Business ByDesign includes complete project management capabilities including project planning and scheduling, project resource management, project procurement, time recording, project invoicing and project accounting.

Then there is the legal segment that SAP is targeting by co-developing with TCS, which extends SAP for Professional Services with best practices and functionality for law firms to manage financial accounting and time-recording processes and other business requirements associated with their partnerships.

Risks

Despite its successes in selling into the vertical, many of its customers remain large professional services organizations. By one measure, SAP has been selling into the biggest professional services firms listed among Fortune 500 companies.

However these big deals – with some resulting in 8-figure transactions - have become more difficult to come by because of the lingering effects of the recession, the growing emphasis on the midmarket with the ramped-up release of SAP Business ByDesign for professional services vertical will test the viability of SAP's new business model as it seeks to reduce its dependency on large software license sales in favor of a more diversified recurring revenue stream.

Ecosystem

SAP primarily sells direct to the professional services vertical. For the midmarket, it has signed reseller agreements with such firms as All for One, IDS Sheer, Orga, R5, Siemens, TDS, and Steeb that offer SAP applications to professional services organizations.

SAP also relies on a growing list of ISV partners that offer complementary products for project-based businesses as well as IT service management and BPO requirements. They include IBM, Jive, Microsoft and OpenText. The relationship with OpenText is particularly noteworthy because of the broad-based OEM arrangement that enables SAP to co-label content and document management software from OpenText for an array of professional services organizations from law firms to tax and audit companies.

Shares

With a 13% share in the Professional Services vertical, SAP's ability to gain share is above average because of the incremental cross-selling and upselling opportunities from its Sybase acquisition.

On the upside, the Sybase acquisition, coupled with its renewed push into the on-demand space with the latest release of its Business ByDesign product, will usher in a more stable recurring revenue stream for SAP.

On the downside, SAP's expansion plans in the professional services vertical coincide with its product and business strategy shifts with traditional license sales possibly taking a back seat to on-demand delivery, which could lead to an extended period of pipeline and revenue building.

Intuit

Menlo Park, CA

www.intuit.com

Overview:

Having established an enviable lead in the U.S. small business market, Intuit has been parlaying its successes within the accounting profession to different segments of the professional services vertical through brand and product extensions. Typical customers include thousands of accountancy and tax firms that cater to small companies.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	416	429

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	389.1	90%
EMEA	42.9	10%
Asia Pacific	0	0%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	0	0%
Large(1K-5K ees)	0	0%
SMB(1K ees and below)	429	100%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	150.15	35%
Maintenance	171.60	40%

Subscription	107.25	25%
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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 9% share in the Professional Services vertical, Intuit's ability to maintain and win share in the market segment in 2010	Average

Full overview:

In the United States Intuit is synonymous with the small-business market because of the ubiquity of its financial management and personal-finance applications, which have become indispensable for a whole generation of startups and established corporations.

In the professional services vertical, Intuit offers a line of applications designed for accounting and tax professionals, while selling its general ERP products such as QuickBooks to different professional services organizations.

Each year it sells more than 100,000 units of its applications to professional accountants. Already it has established an installed base of 250,000 accountants running applications such as Lacerte, ProSeries, and QuickBooks Accountant Edition on behalf of millions of small to mid-sized businesses. Intuit's share within the US accountancy profession is estimated to run between 36% and 42%.

Key Applications For Professional Services Vertical:

Lacerte Tax, ProSeries Tax, ProLine Tax Online, QuickBooks Accountant, QuickBooks Enterprise Solutions Accountant Edition

SCORES Analysis

Strengths

Intuit has long enjoyed a loyal following among tax and accounting firms, especially those that help manage the financial reporting and compliance functions of many small businesses during tax preparation season.

Intuit has also been a master of extending its base products with add-ons from practice management to document management, allowing the vendor to cultivate incremental recurring revenues from its customers.

Through acquisitions, it has been picking up additional products to further its brand extension strategy. Its recent purchases of Mint.com for money management, PayCycle for online payroll processing and Medfusion for healthcare payment and patient portal have shored up the vendor's delivery of Web services that complement its core software solutions.

Another advantage of its extensive product portfolio is that it allows Intuit to sell into the professional services vertical, or any market segment for that matter, with products at different price points. While small professional services firms may choose to spend a few hundred dollars for QuickBooks to handle their accounting function, others could be spending a lot more for the QuickBooks Enterprise Solutions or Premier Professional Services that comes with prebuilt project cost reports and proposal and invoice templates.

Intuit's multiple recurring revenue streams have boosted its capabilities to exploit any fast-growing segment in order to mitigate the risks of depending solely on the professional tax accountant space, which could be a laggard when it comes to adopting the latest technologies.

Customers

With more than 100,000 professional accountants using its products on a regular basis, Intuit has built a franchise with its tax preparation applications for an important group of business influencers. It also maintains a base of thousands of professional services organizations that use its general accounting and payroll products.

Opportunities

In one of its biggest moves to expand overseas, Intuit last year decided to go after the India market as part of its global business unit dedicated to addressing the needs of small businesses around the world with localized products. The move is likely to spur acceptance of Intuit-branded products for small businesses in Asia where the professional services vertical is undergoing major transformation because of rising standard of living.

One upcoming product is Intuit Jasmine, a customer contact management application that makes it easy for small businesses to connect to mobile phone users in India.

Closer to its home base, Intuit beefed up its presence in the professional accounting market last year by offering incentives in the form of product grants worth up to \$10,000 for accounting and tax firms.

Intuit is also keeping up its innovation quotient. For example, Client Data Review, a new feature that first appeared in QuickBooks Accountant 2009 and was significantly expanded in QuickBooks Accountant 2010, is designed to cut more than half the time needed for accountants to find and fix bookkeeping errors made by their clients.

Risks

Similar to many small businesses that it targets, Intuit has been adversely impacted by the recession. In fact, Intuit saw a reduction in the number of its professional accountant purchases by 1,000 during its fiscal 2009 because of the downturn even though it managed to post an 8% rise in revenues. For its latest fiscal year ended in July 2010, unit sales dropped 2,000 while revenues from these professionals rose 13% because of higher prices.

The question is whether Intuit's business in the professional services vertical has reached a plateau as more individuals are doing without the help of tax professionals in order to save money and take advantage of a plethora of free online tax preparation services.

Intuit's 2006 acquisition of Digital Insight for its online banking offerings and its recent purchase of Medfusion underscore the vendor's desire to expand vertically beyond its core targets even though its positioning in the small-business market appears unwavering. On the other hand, its ability to gain share in the professional services vertical is fraught with challenges at a time when easy to use Web services have undermined one of the key differentiating factors that made Intuit successful with its intuitive but standalone desktop software implementations in the first place.

Ecosystem

Intuit primarily sells its applications directly. But it also uses retailers and mass merchandisers to help sell its QuickBooks products.

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

Shares

With a 9% share in the Professional Services vertical, Intuit's ability to gain share is average because of its steady recurring revenues from unit sales of its professional accountant packages.

On the upside, the recovering economy is expected to help boost Intuit's presence in the small-business market, while its professional tax business will also get a lift from increased volume.

On the downside, its diversification strategy through acquisitions will result in Intuit spreading its resources over a diverse range of market segments and connected services, which could further dilute its focus on the professional services vertical.

Sage

Irvine, CA

www.sage.com

Overview:

A steady stream of acquisitions has catapulted Sage to become one of the largest applications vendors for the professional services vertical, providing its customers with ERP suites as well as specialized solutions for accounting firms around the world. Typical customers include chartered accountants and small and mid-sized professional services organizations.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	397.5	401.6

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	120.4	30%
EMEA	240.9	60%
Asia Pacific	40.1	10%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	0	0
Large(1K-5K ees)	40.1	10%
SMB(1K ees and below)	361.4	90%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	240.9	60%

Maintenance	160.6	40%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 8.4% share in the Professional Services vertical, Sage's ability to maintain and win share in the market segment in 2010	Average

Full overview

Sage has positioned itself as the global technology leader in such segments as accountancy and mid-market ERP solutions, following an acquisition spree that resulted in one of the biggest product portfolios for professional services organizations.

With more than six million customers including hundreds of thousands of professional services organizations, Sage has demonstrated that its ubiquitous product offerings, channel partners and worldwide support capabilities have provided the impetus to blanket a broad spectrum of the business community.

Key Applications For Professional Services Vertical:

Sage Group Consolidation, Tasbooks for accountants, Sage 50 Accounts Professional Online, Sage 50 Accounts Client Manager, Sage Practice Solution, Sage Instant Accounts Production, Sage 50 Accounts Client Manager, Sage ERP MAS 500, Sage BusinessVision, Sage ERP Accpac, Sage ERP MAS 90 and Sage ERP MAS 200, Sage Pro ERP

SCORES Analysis

Strengths

As small and mid-sized businesses have left such tasks as financial accounts consolidation in the hands of their trusted accounting advisors, the accountants' dependency on Sage has increased accordingly because of its domain expertise and the economy of scale of its worldwide development resources.

Sage started building up its presence in the accountancy segment of the vertical by acquiring Best Software and Accpac in the United States, Handisoft in Australia, Tetra in the United Kingdom and Adonix in France. It then boosted the investments by picking up Xperts for its data acquisitions software for accountants, Xperts for its solutions for chartered accountants and XRT for treasury and cash management applications.

Such acquisitions have also brought along a long list of reseller and consulting partners, many of whom have a long track record in the accounting field. The result is the emergence of a formidable player in the professional services vertical with extensive ties to the key stakeholders who in most cases have every incentive to recommend Sage's applications to their customers because of the reusability of their expertise and best practices.

Customers

Sage has more than half a million as customers in the vertical including at least 40,000 clients using special edition designed for professional services companies.

Opportunities

While different regions of Sage have been operating fairly autonomously over the years, the 2009 launch of Sage ERP X3 represented the vendor's first major foray into delivering a standard product for an international audience. The ERP suite is designed for 38 countries and it has been used by big organizations such as Fiat or Saint-Gobain Semiconductor. Following the X3 launch, Sage has started making a bigger push into bigger organizations by offering high-performance solutions such as the Sage ERP 1000 version 3.0 for the upper midmarket. Sage's current customers include one third of companies listed as FTSE 100.

As Sage is becoming more selective in its acquisition strategy and investing more of its resources in high-end applications, the vendor is keen on expanding its presence among big professional services organizations with hundreds of users. Already its CRM applications have been adopted by firms such as BDO Simpson Xavier, Boxwood Group, IONA throughout their worldwide operations.

Risks

The recession has dealt a blow to Sage as many of its small business customers have either scaled back or gone under, depleting reliable support revenues for the vendor. Sage has attributed its lackluster results over the past year to its inability to harness the collective power of its huge installed base that sometimes delivers spotty performance.

In selling into the professional services vertical, Sage has not been generating enough value from its Sage Accountants Network, or for that matter its army of resellers and business partners. Some of these resellers have fallen on hard times, while others have been lured by its competitors.

To that end Sage has unveiled a number of initiatives to redirect its resources to better support its accountant constituencies, while shoring up its high-end products to enable its partners to sell more into larger organizations

that are likely to be investing more in products along with premium support and value-added services from the same resellers.

Ecosystem

Sage primarily sells through thousands of resellers and consulting partners. For a number of years the vendor has benefited from its Sage Accountants Network representing 20,000 members, many of whom are accountants themselves. The program is designed to create a community for accountants to share information and reinforce support capabilities throughout the network.

Recently Sage has invested more in the consulting partner network by creating an accountant advocate team, which is made up of accountants who act as product evangelizers on behalf of the vendor.

Shares

With a 8.4% share in the Professional Services vertical, Sage's ability to gain share is average because of its high customer retention rate and global footprint.

On the upside, Sage's increased push into the midmarket is expected to help drive license sales into larger professional services organizations.

On the downside, its lackluster results over the past year suggested that it might take some time before Sage could return to its previous growth rates.

Thomson Reuters

New York, NY

www.thomsonreuters.com

Overview:

One of the most diversified information resources companies, Thomson has been expanding its presence in the professional services vertical through acquisitions and product enhancements. Typical customers include accounting firms, legal service providers and professional services organizations.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	227	241.6

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	169.1	70%
EMEA	48.3	20%
Asia Pacific	24.1	10%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	72.4	30%
Large(1K-5K ees)	96.6	40%
SMB(1K ees and below)	72.4	30%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	67.6	28%
Maintenance	149.7	62%
Subscription	24.1	10%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 5% share in the Professional Services vertical, Thomson's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Armed with an extensive product portfolio, Thomson has built a large following in the professional services vertical by harnessing its long track record in publishing, markets information and technology solutions.

With more than 138 years of history, Thomson has cast a long shadow over such industries as law, tax and accounting as well as electronic media by specializing in professional publishing and research tools. The applications business came into being through a series of acquisitions including the purchases of Computer Language Research/Fast-Tax (CLR) for its accounting and tax management applications in 1998 and ProLaw in 2001 and Elite Information Group in 2003 for their practice management apps for law firms.

Other acquisitions included TaxStream for income tax provisioning, Abacus Enterprise for tax management, GoSystem Audit for auditing tools, Paisley for Governance Risk and Compliance, and more recently Sabrix for sales tax management and Complinet for GRC.

Thomson targets the professional services vertical through its tax and accounting and legal divisions, which have more than 19,000 employees, the majority of whom are involved in its publishing, research tools, and advisory service businesses. Though applications sales to professional services organizations account for only 5% of the revenues of the two divisions, they represent a strategic part of its business helping drive recurring revenue stream with dependable maintenance and subscription fees as well as value-added and managed services for research, analytics, reporting and tax filing purposes.

Key Applications For Professional Services Vertical:

CS Professional Suite, Digita, ELITE 3E, Elite Enterprise 3.8, GoSystem Audit, Hubbard One ContactNet, ONESOURCE, ProLaw, Sabrix Sales Tax Management

SCORES Analysis

Strengths

With a long history of selling information tools including the widely used Westlaw online legal research service, Thomson is a top candidate when it comes to handling the operations and customer information management requirements of law firms.

For years Thomson Elite has been the back-office system of choice for thousands of major law firms in the United States. The increased popularity of Hubbard One, which was acquired by Thomson in 2004 for its enterprise relationship management applications, has become a key enabler for law firms and other professional services organizations to expand their online presence and leverage its contact management modules for client retention and business development.

On the tax and accounting side, Thomson has expanded its focus by providing business, tax management and compliance applications to professional services organizations that aim to improve their end to end corporate functions including tax preparation, engagement, document management, and practice workflow. The tax and accounting division has also benefited from the proliferation of electronic channels that its customers can access under the Thomson umbrella for everything from CheckPoint Learning platform for training and certification to TaxStream for on-demand income tax provisioning.

The reliability of its end to end solutions, coupled with the flexibility of its online offerings, have made Thomson a trusted brand across a large number of professional services organizations.

Customers

Thomson serves more than 42,400 customers in the vertical, including 300 professional services organizations running its Hubbard One applications, 2,100 law firms using Elite and ProLaw systems and 40,000 accounting firms that rely on different applications under the Thomson Tax and Accounting division.

Reference wins included Allen & Overy LLP, Cooley Godward Kronish LLP, DWF LLP, and Hannes Snellman. The acquisition of Sabrix has brought along with reference wins in the professional services vertical, namely 170

Systems, AccessData Corp., Ancestry.com Operations Inc., BB&T Corp., Callidus Software, CDI Corp., Cort Business Services, Dairy Data Processing, Epsilon Data Management, LLC, GameFly, Gary Jonas Computing Ltd., HCSCG Corp., Hospital Housekeeping Systems GP, Icom America, K/P Corp., Kdm Signs, Kenexa, Lionworkz, Principle-Group USA, SquareTrade, Thought Equity Motion, TRUMPF Inc., US Investigations Services, LLC, Venda, Wacom Technology Corp. and Weldon, Williams & Lick, Inc.

Opportunities

The recent acquisitions of Complinet and Sabrix underscore Thomson's desire to extend its core offerings to include applications for corporate governance, risk and compliance. In fact, the recent creation of a dedicated business unit for GRC should reinforce Thomson's commitment to addressing complex compliance challenges by leveraging its products and services across the entire organization.

The new business unit, which combines Thomson Reuters GRC brands including Complinet, Paisley, Westlaw Business, West's Capitol Watch, Oden and Westlaw Compliance Advisor, follows the successes of the Thomson One initiative to deliver holistic solutions to financial services, insurance, professional services organizations and others.

Another major area of focus is the Thomson IP Management Services with its recent release of Thomson IP Manager 3.0 for managing patents, trademarks, invention disclosures and licensing agreements. The product is expected to help Thomson become more entrenched among professional services organizations and law firms expanding their reach into developing countries where IP disputes could become more common with increased global trade.

Additionally Thomson has been preparing its customers to transition to IFRS and other international reporting standards by beefing up localized release and support capabilities. By one measure, Thomson estimates that the number of accounting, legal and other professionals that it targets will grow from 15 million in 2009 to 18 million by 2013. Much of the growth in the user base will come from fast-growing economies from China to Brazil.

Risks

Like most media companies, Thomson has been transforming itself amid the onslaught of the online revolution. As Thomson adapts to the transition from print to electronic, its applications business could serve as a harbinger for things to come by delivering an integrated user experience for everything from elearning to tax filing.

The challenge is that many of its Elite and Prolaw users are still running their applications in a client server environment without real-time connectivity to the systems used by their customers and business partners and it could be years away before Thomson can deliver to its legal and tax and accounting customers the equivalent of Thomson One, an integrated workplace for its financial services users.

It remains to be seen the next phase of its growth will come from its technology business or the new media. If it's the latter, it should accelerate migration of its legacy software business to Web services. Failing to do so could undermine its vision or for that matter its overall value proposition as a next-generation information solution company.

For the time being, Thomson will have to invest heavily in the usability factor of its offerings to accommodate a new generation of professionals who have already accustomed to different ways of searching for and accessing knowledge and data relevant to their line of business through Web collaboration with their colleagues around the world.

Ecosystem

Thomson primarily sells direct to the professional services vertical. It also works with a number of partners that specialize in the legal industry by helping Thomson implement new systems. They include Advanced Legal Systems, Bellefield Systems, Control Systems Copittrak, Fritchman Winter Management, Inc., Global Exchange Group, and Verdatum.

Thomson has also been bolstering its professional services capabilities with the 2007 purchase of Baker Robbins, a systems integrator for the legal industry.

Shares

With a 5% share in the Professional Services vertical, Thomson's ability to gain share is above average because of its acquisition strategy along with cross-selling opportunities derived from its extensive product portfolio.

On the upside, Thomson is in a strong position to gain share with above average growth rates, benefiting from continuous technology and go-to-market investments that crystallize the vendor's vision in certain markets such as large accounting and law firms where its products and services have been widely deployed.

On the downside, Thomson's acquisition strategy has positioned the company in a number of distinct markets from news gathering to legal applications. More recently Thomson has been gravitating toward opportunities in government and healthcare. While its commitment to the legal and accounting profession appears resolute, its relentless pursuit of diversification and globalization should not come at the expense of its core competency in the professional services vertical.

Wolters Kluwer

Alphen aan den Rijn, Netherlands

www.wolterskluwer.com

Overview:

Founded in 1878 as an educational publisher, Wolters Kluwer has evolved to become one of the major apps vendors for the professional services vertical after its expansion into the software industry through a series of acquisitions and internal product development. Typical customers include accountants and auditors, law firms and other professional services organizations.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	224	225

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	123.7	55%
EMEA	90	40%
Asia Pacific	11.2	5%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	101.2	45%
Large(1K-5K ees)	67.5	30%
SMB(1K ees and below)	56.2	25%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	45	28%
Maintenance	112.5	50%
Subscription	67.5	30%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	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 4.7% share in the Professional Services vertical, Wolters Kluwer's ability to maintain and win share in the market segment in 2010	Average

Full overview:

With a rich history in publishing, Wolters Kluwer has been expanding into the software market over the past 20 years and the transformation is beginning to turn the company into a global apps vendor for the professional services vertical.

Over the past few years, its pace of expansion in the software market has quickened. In 2008 Wolters Kluwer acquired Addison Software and Service GmbH for its accounting applications for the German market, the Accountants Division of MYOB UK and MYOB Ireland, as well as CI Consultancy Limited (Ci3) for its enterprise risk management applications.

Then it strengthened its presence in the GRC market by acquiring Axentis in 2009, followed by its 2010 purchase of Tax Compliance Software from Ernst & Young Australia. In September 2010, it acquired FRSGlobal, which has more than 1,000 customers primarily banks and securities firms using its market and credit risk analysis, risk simulation and ops risk applications.

The latest move enables Wolter Kluwer, one of the biggest players in accounting, tax and auditing applications, to achieve a sustainable lead in the highly fragmented GRC market.

Key Applications For Professional Services Vertical:

A3 Software, Addison, Aspen Publishers, ATXTM, Best Case, CANTAX, CCH, CCH Small Firm Services, CCH Sword, CCH TeamMate, CorpSystem, Croner, KleinrockTM, Kluwer Law International, Loislaw, MediRegs, ProSystem fx, Taxprep, TaxWise, Wolters Kluwer U.K., Wolters Kluwer Tax, Accounting & Legal, CT Corporation, CT Corsearch, CT Lien Solutions, CT Summation, CT TyMetrix

SCORES Analysis

Strengths

Since its 1996 purchase of CCH, a major publisher house for accounting professionals, Wolters Kluwer has been scaling its applications business through acquisitions as well as enterprise-wide development to formulate a global technology strategy.

While the CCH deal allowed Wolters Kluwer to expand in the United States, it moved quickly to establish strong presence in Germany, Spain and the UK apps markets with purchases such as Addison, A3 Software and MYOB in the UK and Ireland.

Additionally its recent Maximizing Value for Customers program, coupled with the development of an enterprise wide shared service strategy to lower operating costs and boost IT efficiency, has ushered in a new way for Wolters Kluwer to leverage its corporate assets to better serve its global customers.

Customers

With more than 50,000 customers in the vertical, Wolters Kluwer has established a growing base of subscribers and software users in the vertical benefiting from its stronghold as a content provider of legislative updates and tax and accounting research, allowing large numbers of distributors, content partners and key stakeholders.

Opportunities

Already a major vendor in the online space with on-demand offerings such as CT TyMetrix for spend management for law firms, Wolters Kluwer has been making heavy investment in migrating users to the online world.

In 2009 it launched ProSystem fx Suite with Software as a Service (SaaS) offerings based on Microsoft Dot Net 3.5 Framework capable of hosting multiple tenants, which should ease the setup of shared services among its customers.

Wolters Kluwer is also becoming a major partner with Microsoft to optimize its applications for the professional services vertical by incorporating an array of Cloud Computing tools and Web services from Azure to Silverlight into product roadmap.

Risks

Branding remains one of the biggest challenges for Wolters Kluwer, which has been taking a fairly decentralized approach when it comes to running different technology operations around the world. In North America, its CCH remains the brand that most accounting professionals are familiar with when they look for accounting, tax and audit software tools and support. And it will be hard pressed for Wolters Kluwer to create a global brand that resonates with different kinds of professional service clients given its tendency to push into new markets and technology areas through acquisitions.

Ecosystem

Wolters Kluwer primarily sells direct, but it also uses resellers such as SunGard for its CCH Sword applications for operations risk management.

Shares

With a 4.7% share in the Professional Services vertical, Wolters Kluwer's ability to gain share is average as it continues to extend its domain expertise into different segments of the professional services vertical.

On the upside, Wolters Kluwer has been investing heavily in technology development to boost the new media quotient of its offerings with the use of social media tools for Web marketing and strong ties with platform vendors such as Microsoft for Web services delivery and IBM for its data center support capabilities.

On the downside, the recent purchase of FRSGlobal raised the specter of Wolters Kluwer gearing up to compete head-on with Thomson Reuters, which is three times its size. Any wrong move by Wolters Kluwer to expand in the banking and financial services vertical also raises the question whether the sum of its parts is worth more than its current form. Another issue is whether Wolters Kluwer should strengthen its traditional foothold in the professional services vertical first by formulating a coherent branding and technology vision that facilitates its global expansion strategy.

Deltek

Herndon, VA

www.deltek.com

Overview:

Founded in 1983, Deltek has been experiencing considerable growth in the verticals they serve by selling a range of ERP, CRM, resource management and project management applications to professional services organizations and government contractors responsible for complex and long-term projects. Typical customers include aerospace and defense companies, project manufacturers, accountants and auditors, architecture and engineering firms, IT service providers and management consultants.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	193.1	184.4

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	167.8	91%
EMEA	15.7	8.5%
Asia Pacific	0.9	0.5%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	25.8	14%
Large(1K-5K ees)	58.1	31.5%
SMB(1K ees and below)	100.5	54.5%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	58.9	32%

Maintenance	125.5	68%
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 3.9% share in the Professional Services vertical, Deltek's ability to maintain and win share in the market segment in 2010	Above Average

Full overview:

With its laser focus on project-centric businesses, Deltek has built a large following among professional services organizations and government contractors that rely on its applications to help them streamline and improve financial management, business development, project management, and human capital management processes as well as to drive compliance activities.

In its early years Deltek acquired a slew of business management applications from Harper and Shuman, A/E Management, and Semaphore to build a critical mass of thousands of customers in the AEC space within the vertical. Then it picked up Wind2 for professional services automation in 2005, C/S Solutions for earned value management business intelligence tools and Welcom for project portfolio management a year later before capitalizing on its vertical successes with a stock offering that netted the firm \$54 million in 2007.

In 2008 Deltek acquired Planview MPM to add yet another earned value management solution to its portfolio - this time a desktop application designed for distributed EVM functions within government contractors. In late 2009,

Deltek purchased mySBX for its online community of government contractors that use its network to find teaming partners and win business. In 2010 Deltek made a big push into additional professional services segments with the purchase of Maconomy for \$73 million. In addition, it broadened its offerings when it acquired INPUT, a government market research and analysis company. INPUT gives Deltek intelligence capabilities that complement its CRM capabilities, and INPUT market intelligence should also be attractive to architecture and engineering firms that want to expand in the government sector.

The result is one of the largest apps vendors capable of meeting end-to-end business process requirements of a full spectrum of professional services clients, big government contractors, systems integrators, and architecture and design firms of all sizes.

Key Applications For Professional Services Vertical:

Deltek Vision, Deltek Costpoint, Deltek GCS Premier, Deltek Maconomy, Deltek People Planner, Deltek Open Plan, and Deltek Cobra.

SCORES Analysis

Strengths

With its long track record and highly-differentiated offerings, Deltek has enjoyed the incumbent status as a reliable source for mission-critical apps designed specifically for the professional services vertical.

Its affordable solutions, coupled with domain-specific capabilities such as governance and earned value management, have helped Deltek gain widespread acceptance across professional services organizations of different sizes, especially among small and midsized firms. Thousands of these firms have been standardizing on Deltek applications for more than two decades.

The flagship product Deltek Vision for architecture and engineering firms has received continuous enhancements through the years evolving from a small-business only application to a global release with international accounting and tax transactions features and foreign-language support in French and Spanish. Some of the newer customers have hundreds of employees worldwide running the latest version of Vision 6.0.

Deltek Maconomy, designed for professional services organizations in accounting, legal services, management and IT Consulting, marketing communications, and research offers industry-specific functionality for small and large organizations. Deltek Maconomy, along with Deltek People Planner, offers a full breadth of capabilities that power the back-office, the front-office, project management and resource planning processes.

Deltek also offers complete government contracting solutions that run the operations and manage projects for a full range of contractors, from small IT services firms to the largest aerospace and defense contractors in the world.

Customers

With more than 14,000 customers, Deltek has made significant inroads into a wide range of professional services organizations.

Recent reference wins included ATK, Altus Group, Buro Four, Camber Corp., Challenger Geomatics Ltd., Concentric Energy Advisors, GENIVAR, Goba (Pty) Ltd., NCI Systems, Philippe Becker Design, Trow, and Watterson Environmental Group.

The acquisition of Maconomy has brought with it more than 600 customers including some of the biggest firms in marketing communications and public relations such as Hill and Knowlton, Leo Burnett and Ogilvy Public Relations, as well as some of the largest accounting firms in the world.

Opportunities

The Maconomy acquisition has paved the way for Deltek to exert control over the marketing communications and public relations segments and other segments of this market including accounting, consulting, and legal services – especially within the North American market. Additionally Deltek is solidifying its presence among bigger architecture and engineering firms that use Deltek Vision products. Deltek's ongoing R&D investments will help it deliver additional products including role-based dashboards, analytics, content and document management to meet their workflow requirements.

On the other hand, Maconomy, which has established a major foothold in Europe and other regions, will also be a key enabler for Deltek to generate revenues from international customers, which only accounted for 9% of its sales in 2009. Armed with its Global Choice 2015 strategy Maconomy has beefed up support for compliance with local statutory requirements for new markets as well as localized versions for Asia and Eastern European customers.

In government contracting, Deltek is in an excellent position to sell add-on modules to its customers and to sell INPUT products and services to its large installed base.

Risks

Prior to the acquisition, Maconomy adopted a product roadmap based on Java programming language and the Eclipse development framework, a direction that Deltek will continue to support.

While Deltek Costpoint remains J2EE, Deltek has been gravitating toward Dot Net in products like Deltek Vision and in some of its project management applications as the programming language for enhancing existing and writing new applications. The issue is whether Maconomy's support of Java would undermine the economy of scale needed for rapid product development.

At the same time the Maconomy acquisition reflects Deltek's desire to direct its resources to better support larger companies, even though its small and mid-sized customers make up the bulk of its installed base. What is likely to happen is that Deltek will strive to achieve consistent customer experience regardless of company size due to its centralized support function worldwide, while positioning Maconomy and Vision to accelerate the migration of its products to the ondemand delivery model in order to streamline product access at the global level.

Ecosystem

Deltek primarily sells its applications directly, but it also uses reseller partners that contribute about 10% of its license revenues historically.

Some of its biggest reseller partners include Acumen Advisors, Central Consulting Group., Equation Technologies, IntraVision Solutions, Kennedy Vomberg Inc., and Silveredge Systems Software, Inc.

Shares

With a 3.9% share in the Professional Services vertical, Deltek's ability to gain share is above average because of its incremental revenues from Maconomy's installed base of professional services customers.

On the upside, the Maconomy's acquisition is expected to generate considerable upsell and cross-sell opportunities for Deltek to exploit new and untapped markets in different regions.

On the downside, its recent quarterly results suggested its recovery is still a work in progress because of the lingering effects of the recession on its core markets. In order to continue to increase momentum, Deltek will need to buttress its positioning with sustainable innovation, ease of use and affordable product delivery and implementation as the guiding principles behind its unrelenting focus on project-focused companies.

UNIT4

Slidrecht, Netherlands

www.unit4.com

Overview:

UNIT4 is aiming to drastically boost its presence in the professional services vertical globally, having already made significant inroads into some of the well-established staffing, accounting and engineering firms in many parts of Europe.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	121.5	132.1

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	13.2	10%
EMEA	112.2	85%
Asia Pacific	6.6	5%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	6.6	5%
Large(1K-5K ees)	72.6	55%
SMB(1K ees and below)	52.8	40%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	33	25%
Maintenance	87.1	66%

Subscription	11.8	9%
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2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 2.8% share in the Professional Services vertical, UNIT4's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

For a number of years UNIT4 has been successful with its core competency that emphasizes rapid delivery of agile and easily configurable applications that evolve with the changing needs of different organizations, especially those within the professional services vertical where project change is routine. Now it is setting its sights higher in order to expand globally through acquisitions and product enhancements.

One strategy is to bulk up its human capital management applications offerings, an area that is of critical importance to professional services organizations such as those involved in staffing. In 2010 UNIT4 acquired IBS Consist in the Netherlands and Teta in Poland, both of which had expanded into vertical by selling ERP and HCM applications to fast-growing professional services firms with complex talent management and payroll requirements.

In June 2010 UNIT4 also made headway into the on-demand space by launching VITA CloudAngel, its cloud deployment option for fast-changing companies that want to be running their applications using either on premise or on-demand delivery model. The options are made possible by leveraging UNIT4's flexible VITA architecture based on the latest virtualization technologies. Professional services will be one of the first verticals that is expected to benefit from a templated CloudAngel offering slated to be released by the end of 2010.

These developments come as UNIT4 continues to differentiate itself through applications designed for professional services organizations whose needs are constantly evolving in order to meet the people, project costing and business process challenges inherent within their vertical.

Key Applications For Professional Services Vertical:

Agresso Business World and Coda Financials

SCORES Analysis

Strengths

Founded in 1980, UNIT4 has established a strong presence in the vertical with increased momentum in business services, architecture and engineering, as well as IT services organizations.

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

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

Its sustainability message reaffirms UNIT4's commitment to addressing some of the pressing concerns among customers within the vertical. Because it has been selling heavily into professional services organizations including those involved in environmental management projects, its Sustain4 offering, which is an on-demand environmental performance management solution, is expected to resonate with its key constituents.

In turn these services firms, many of which have close ties to transportation, oil and gas and other asset-intensive industries, will extend capabilities such as assessment of organizational environmental impact as well as the underlying analytics and reporting to their clients and partners in order to optimize the results and the associated benefits through real-time collaboration.

Customers

With more than 1,500 customers in the vertical, UNIT4 has been particularly successful selling into mid-sized to large professional services organizations in Western Europe. Following its recent acquisitions of IBS Consist and Teta, UNIT4's customer count in the vertical is expected to exceed 2,000, including many in countries such as Hungary.

Both IBS Consist and Teta have kept a long list of customers including big firms like Accenture, Adecco, PriceWaterhouseCoopers in the professional services vertical.

Its reference wins in 2009 included Accenture, ATE Systems SL, DOF Subsea ASA, HIQ, MARKANT, Trocaire, Virgin Management and Woonstad Rotterdam.

Opportunities

Since 2008 UNIT4 has added nearly 10,000 customers to a total installed base of more than 12,000 after its acquisitions of Coda, IBS Consist and Teta, creating substantial opportunities for the vendor to cross-sell and upsell its customer relationship management, project costing and billing and other complementary applications to its growing base of customers in the professional services vertical.

Whereas it used to cater to small to midsized companies, the scalability of its solutions, coupled with its enlarged product portfolio, has allowed UNIT4 to sell into larger professional services companies with global operations. Recently it announced a \$1 million deal to sell core financials and payroll applications to Meyers Norris Penny LLP, one of the largest chartered accountancy and business advisory firms in Canada with 2,400 employees in 50 locations.

Risks

Through acquisitions, UNIT4 has assembled a long list of applications designed for professional services and other verticals. Whereas UNIT4 was primarily targeting services organizations, its recent acquisitions of Coda, IBS Consist, Teta have brought with them manufacturing and asset-intensive companies.

While its expansion has not meant the dilution of its focus on services sectors, or professional services for that matter, it underscores its desire to go beyond its usual sphere of influence. The strategy carries both risks and rewards for UNIT4 to take advantage of its economy of scale to dominate midmarket ERP segment, especially in Europe and increasingly in North America.

The question is whether its latest positioning, as demonstrated in its new branding of UNIT4, will resonate more with services-based customers or those in asset-intensive sector, a balancing act that will take UNIT4 continuous reinvention before perfecting it for the right audience.

Ecosystem

UNIT4 sells its applications directly and it also works with a number of partners specializing in the vertical.

Shares

With a 2.5% share in the professional services vertical, UNIT4's ability to gain share is above average because of incremental revenues from its recent acquisitions.

On the upside, the recent acquisitions are expected to help UNIT4 boost its presence in places such as Poland and Hungary where growth is expected to surpass that of its traditional stronghold in Western Europe.

While its third quarter 2010 results were encouraging with a 20% rise in license sales and a 35% increase in subscription revenues, its professional services organization was in flux because of recent restructuring moves including the selling off of its French subsidiary.

In the meantime heavy investment in its FinancialForce.com operation, the on-demand joint venture with Salesforce.com, could entail more changes in the way it positions its professional services organization as it turns to a more economical delivery model without the use of a large army of consultants and implementers. The key to UNIT4's future lies in its ability to strike a perfect balance its evolving on-demand strategy and its traditional on-premise implementations.

Salesforce.com

San Francisco, CA

www.salesforce.com

Overview:

Having become a major contender in the hotly contested customer relationship management apps market, Salesforce has continued to refine its strategy in key verticals including professional services where it has already enjoyed a loyal following. Typical customers include software and IT providers as well as a range of business services companies.

Applications Revenues In Professional Services:

	2008	2009
\$(M)	108.3	116

2009 Applications Revenues In Professional Services By Region:

Region	2009(\$M)	% of total
Americas	75.4	65%
EMEA	29	25%
Asia Pacific	11.6	10%

2009 Applications Revenues In Professional Services By Company Size:

Size	2009(\$M)	% of total
XL(5K ees and above)	58	50%
Large(1K-5K ees)	34.8	30%
SMB(1K ees and below)	23.2	20%

2009 Applications Revenues In Professional Services By Revenue Type:

Type	2009(\$M)	% of total
License	0	0

Maintenance	0	0
Subscription	116	100%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.4% share in the Professional Services vertical, Salesforce’s ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Salesforce, which has helped transform the ondemand applications marketplace, is forging ahead with a series of initiatives to sustain its lead in core verticals such as professional services.

The latest move is the use of social media tools called Chatter as part of its Force.com platform to boost collaboration among its nearly two million users that have been relying heavily on its customer relationship management applications. The move follows the expansion of the vendor as a key enabler of cloud computing allowing other developers, partners and service providers to layer their applications on top of its Force.com platform.

Thousands of professional services organizations, including many that sell software, business and IT services, have been using Salesforce CRM applications to run their sales, marketing, channel and customer service operations. The new offerings including Chatter will strengthen their capabilities to collaborate across the enterprise and beyond.

Key Applications For Professional Services Vertical:

Salesforce CRM, Sales Cloud 2, Service Cloud 2, Chatter, Force.com

SCORES Analysis

Strengths

Since its founding in 2000, Salesforce has been making major inroads into the professional services vertical because of the intrinsic value of customer relationship management applications to an array of services companies from software developers to accounting firms.

The need to lower sales and distribution costs by selling products and services through indirect channels has also spurred sales of partner relationship management systems at Salesforce.

For companies that are in the software and IT services segments, Salesforce and its associated tools like the Apex programming language for ondemand application development as well as the recently introduced Chatter for social media integration have become effective means to extend themselves to a broad base of users and customers that they otherwise would not have been able to address previously.

As its status as a trailblazer in the ondemand world continues to grow, Salesforce has become a metaphor for many professional services companies to realize the untapped potential of the Internet, allowing them to be agile and disruptive, while exploiting a new generation of tools for widespread distribution of their goods and services through customer and partner collaboration.

Customers

With more than 2,000 customers in the vertical, Salesforce has built a critical mass of users among software, IT service providers and a range of business services companies.

Its reference wins include ACI Worldwide, Akamai, Avid Technology, Axiom, Booz Allen Hamilton, Corporate Executive Board, EMC, Fair Isaac Corp., Fujitsu Learning, Ingres Corp., Innovapost, InterCall, Iron Mountain, Kroll, Maxwell Systems, Mitchell, Perceptive Software, PhonographicPerformance, PUNCH Graphix, Reed Exhibitions, Rewards Network, Sant Corp., Shavlik, SuccessFactors, Symantec, Transcom, Trapeze Software, U.S. Green Building Council, Vital Images, and Websense.

Opportunities

Because of the extensibility of its ondemand platform, Salesforce has evolved to become more than just a CRM software vendor. Increasingly it is tapping into adjacent corporate functions that can incorporate the CRM functionality into their business processes such as applicant tracking and erecruiting in HR talent management.

With the advent of social media, Salesforce is once again on the vanguard of leading the ondemand marketplace by offering reusable software components to help professional services organizations incorporate status updates and person profiles into their desktop and mobile environments to accommodate the work and lifestyles of a new generation of employees and customers.

Risks

Even though the majority of its customers are small and mid-sized companies that have been bearing the brunt of the recession, Salesforce has held up remarkably well over the past year. While its 90% and below renewal rate has been slipping behind some on-premise apps vendors that manage to keep 95% of their customers under active maintenance contracts, Salesforce has seen the renewal rate picking up as the economy improves.

The question is whether it can continue to grow its revenues given that Salesforce's pricing advantage, compared with the sometimes exorbitant implementation fees levied by its competitors, still holds true now that the cost delta between on-demand and on-premise has narrowed considerably because of increased popularity of fixed-scope and fixed-cost applications deployment.

A bigger challenge for Salesforce is its desire to position itself as a distribution platform on behalf of its partners and developers, many of which may end up selling to the same set of customers targeted by Salesforce. It could become a point of contention if Salesforce's distribution vision fails to stay compatible with that of its partners.

Ecosystem

Salesforce has established a thriving ecosystem using its Force.com platform, which now covers 1,300 partners, 250,000 developers and more than 160,000 custom applications.

Shares

With a 2.4% share in the Professional Services vertical, Salesforce's ability to gain share is above average because of its increased momentum in the on-demand applications and cloud computing markets.

On the upside, the surging popularity of on-demand applications and social media tools is giving Salesforce a golden opportunity to further exploit its first-mover advantage through continuous product innovation and ecosystem expansion.

On the downside, the social media phenomenon, which has started to transform the sales, support and customer service processes of many companies including those in the professional services vertical, could render obsolete many of the CRM products as contact management, email marketing and sales force automation that have been largely responsible for the making of Salesforce. That is a scenario that vendors like Salesforce need to anticipate by moving one step ahead of the conventional confines of CRM.