Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies

11 September 2013 ID:G00249530

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VIEW SUMMARY

This Magic Quadrant focuses on ERP systems that support a single-instance strategy for multienity midmarket and upper-midmarket companies. Leading systems have started to execute on a strategy that addresses the Nexus of Forces: cloud, analytical, mobile and social.

Market Definition/Description

This document was revised on 16 September 2013. The document you are viewing is the corrected version. For more information, see the Corrections page on gartner.com.

ERP systems are one of the core business applications of almost all companies above a minimum complexity. The basic concepts and functionalities have been developed and implemented for more than 20 years, but the term “ERP” was coined by Gartner in 1990. In the original definition, originating from MRP II, ERP systems’ functionality normally covers finance and accounting (general ledger, accounts payable and accounts receivable), purchasing, HR management, sales or customer order management, and operations management. Gartner now defines ERP in a broader sense as “a technology strategy in which operational business transactions are linked to financial transactions, specifically general ledger transactions” (see “Q&A: What ERP Is and What the Associated Terms Really Mean” [Note: This document has been archived; some of its content may not reflect current conditions] and “Agenda Overview for ERP and Enterprise Suites: Strategies and Value Realization, 2013”).

The more mature ERP systems were developed for product-centric companies, which typically use most of the functional areas of ERP. Product-centric companies traditionally are:

Manufacturing companies: These focus their business activities on the development, manufacturing, assembling and selling of products, and on the delivery of their related services. This includes all kinds of discrete products, from small and simple consumer products to complex products (such as airplanes or power plants). It also includes products that are generated in process manufacturing, such as most products in food and beverage, chemical industries or pharmaceuticals. Other product-centric companies are active in markets such as utilities, rental and services, and aerospace and defense.

Distribution companies: These focus on buying, storing, moving, repackaging, selling, and delivering products and their related services. Depending on the structure of their sales channels and customers, companies in wholesale and distribution, and those in retail, fall into this category of product-centric companies (unlike, for example, professional services companies).

The boundaries between these types of enterprises have been slowly disappearing; more manufacturing companies have been distributing and servicing their products, which has led to tighter integration of ERP, CRM and supply chain management (SCM) solutions. The combined manufacturing and distribution functionality is used by enterprises in industries as different as third-party logistics, utilities and the energy sector. Although this list is not exhaustive, it indicates that product-centric ERP is used successfully in, and is relevant to, a variety of industries.

Almost all organizations use administrative ERP strategies that are focused solely on the traditional back-office functions in financial administration, indirect procurement and human capital management (HCM). Product-centric companies typically use an operational ERP strategy that covers administrative functionality plus areas such as customer and order management, inventory management, product life cycle management (PLM), direct procurement, and the management of their manufacturing and/or distribution facilities, which often includes asset management.

The systems in this Magic Quadrant are analyzed and rated on their ability to support the operational ERP strategy of product-centric companies. Consequently, the Magic Quadrant is not applicable to organizations that are only looking for administrative ERP, or ERP for non-product-centric companies. This is because several vendors that provide administrative ERP for organizations in the public sector, healthcare, professional services, financial services and so on are not included in this Magic Quadrant. The “Vendor Guide for Administrative ERP Applications” provides a comprehensive overview. For a detailed ERP vendor evaluation model, see “Use a Vendor Evaluation Model to Select ERP Vendors and Software.”

Many may mistakenly think that “midmarket” means “ERP lite,” or that midmarket companies are “simpler” than their larger counterparts. Gartner has produced research that analyzes this market with a
unique process framework (see "Midmarket Companies: Clarify Requirements for Process and Information Support to Enable ERP" and "Midmarket Companies: Use These Criteria to Select an ERP System With Low Total Cost of Ownership" [Note: These documents have been archived; some of their content may not reflect current conditions]). Most midmarket enterprises have a core set of business processes that is at least as complex as that of large enterprises, and that forms the basis on which these companies differentiate themselves. However, outside these core processes, the majority of business processes in most enterprises in this segment do not have the scale to require a highly sophisticated or automated solution to support them. Instead of being simpler, these enterprises apply more information-centric and people-centric approaches to executing many of their processes, seeking solutions that offer "good enough" support for their nondifferentiating business areas. A key part of our analysis is a vendor's ability to support a core set of global-class strategic processes, combined with offering good-enough capabilities for the less-strategic, but still important, information-based processes, thereby limiting the overall complexity of the solution.

Product-centric companies vary significantly in size and complexity, ranging from less than 10 employees up to the Global 2000 companies, which have hundreds of thousands of employees. The latter are often subdivided into smaller divisions. Therefore, ERP systems are also composed of varying functional depths and breadths to meet the needs of these different-size companies. In this Magic Quadrant, we concentrate on ERP systems that are used primarily by independent, multientity midmarket companies seeking a single-instance ERP system.

In more detail, the user organizations in this market:

Focus on product-centric business, falling into manufacturing, distribution or a combination of both. They may also offer some product-related services.

Are independent companies with revenue between approximately $200 million and $1 billion, and up to 10,000 or more employees. Typically, companies of this size have limited IT resources and seek ERP systems with low total cost of ownership (TCO). Nevertheless, they look for solutions that offer broad and deep functionality.

Seek systems that can support their differentiating, specific requirements, but do not require a huge overhead in the nondifferentiating business areas. The systems must be adaptable to changing business needs. Because of their smaller size, midmarket companies are able to react more flexibly to changing market conditions, and can react more quickly to new opportunities than most large enterprises. Therefore, they need ERP systems that support flexibility rather than inhibit it.

Require support for industry-specific requirements and business processes: In some cases, they need combinations of these attributes — for example, process manufacturing versus discrete manufacturing, or when they're the manufacturers and distributors of their products, and they also offer after-sales services.

Have an international presence, either by doing business through a channel, or by having or building a direct presence in multiple countries or geographies. Therefore, they seek ERP systems that are available and supported in more than one geography.

This definition was further refined in the 2012 iteration of the Magic Quadrant to include only single-instance ERP systems for multientity organizations, wherein multiple entities can be operated using one central instance of the ERP system. Pushed by globalization, many midmarket companies have a more direct presence in multiple countries. To cope with this situation under the limitations of the resources available to them, their desire is growing to support multiple organizational entities (like country units) out of one single instance of their ERP system (see "When to Consider a Single-Instance ERP Strategy" and "ERP Consolidation: Standardizing Processes and Evaluating Your Options"). The single instance could be one global single instance (GI), or there could be multiple regional instances, each of which supports multiple business entities in the respective region. It is important to notice that the ability to support single-instance deployment has always been an evince in prior iterations of this Magic Quadrant. To further improve the relevance of this Magic Quadrant for CIOs, IT leaders, IT managers, application managers and others in multientity, midmarket companies, we have only included systems that can support multiple organizational entities out of one single-instance system.

A multientity company is characterized by one or more of the following criteria:

The company consists of multiple organizational units, such as multiple business units with different offerings (for example, one manufacturing and one servicing the company's products). These units often work with the same customers and on the same products, but their pricing and delivery mechanisms differ.

The company is present in multiple countries with differing legal, tax and statutory requirements per country. In many cases, each country organization operates in the local language. Even smaller organizations covering parts or all of Europe will experience a wealth of different languages and even multiple currencies.

The entities can encompass multiple manufacturing, sales or delivery locations that can have a high level of interaction, regardless of the geographic location. Many European midmarket companies have, for instance, opened manufacturing locations in lower-cost regions of Eastern Europe.

To coordinate the various units and entities, these companies have cross-entity functions and structures — for example, for areas such as basic financial planning and consolidation, and cross-entity manufacturing resource planning (MRP), including capacity and fulfillment planning, centralized and decentralized purchasing, interentity and intraentity transactions, and flexible assignment of human and technical resources to entities.

Multientity is not a characteristic that is only present in large companies. Among Gartner clients, a variety of smaller organizations with revenue below $100 million have built an international presence, or divided their businesses into multiple organizational units. However, they still want to run these entities with a high level of commonality in processes and information at the lowest possible costs by using a single-
instance deployment of their ERP systems.

Alternative Scenarios to Single-Instance ERP

Some multientity companies have chosen a federated approach by supporting each entity with its own ERP instance, and by building data synchronization mechanisms among these instances. This approach can offer benefits, especially in cases where there is a high level of autonomy and independence between entities. When these companies want to consolidate their instances to lower support costs, and to increase business process standardization by using one common instance, they tend to migrate to ERP systems that allow single-instance deployments.

Systems that can only support one entity per instance are in no way inferior to multientity, single-instance systems. Systems such as Infor SyteLine (formerly known as Infor10 ERP Business) or Microsoft Dynamics NAV can be easier to handle in a site-by-site mode, and allow local organizations to be run more flexibly than when using some of the bigger and more complex ERP suites. For more details on different instance strategies (for example, loosely coupled ERP), see “Determining the ERP Suite Strategy for a Newly Merged Enterprise.”

Magic Quadrant

Figure 1. Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies

Vendor Strengths and Cautions

Epicor ERP

Epicor ERP (formerly Epicor 9), following its introduction in 2008, now has hundreds of customers live on the platform across a small number of minor point releases. The platform is service-oriented architecture (SOA), and is based on .NET with extensive use of Microsoft infrastructure components, such as SQL Server, plus some Progress Software technology on the server side. Epicor ERP is also available as a software as a service (SaaS) offering, with different editions (Express, Standard and Enterprise) targeted at customers of different sizes. Epicor Express is aimed at small companies that need a turnkey application and, thus, only a subset of the functionality enabled. The Enterprise and Standard editions are designed for larger companies with more complex requirements. These editions can be deployed by the customer in a single or multitenant environment. The target audience for Epicor ERP remains midsize to large-scale make-to-order and mixed-mode manufacturing companies, as well as distributors and service companies.

The Epicor ERP product, when initially released, was ambitious and a major product investment as Epicor sought to converge functionality from various acquisitions into a brand-new architecture. As was to be expected, the initial releases had some code quality issues, implementation skill shortages and system performance issues, the latter sometimes resulting from the product’s very high level of configurability.
Since then, Epicor has been addressing these issues with the next version of Epicor ERP, having a strong theme of continuous improvement after the past few years of stabilization. The date for the next release is still to be determined, but it will aim to increase performance and reduce overhead for system maintenance and improved usability, rather than bring significant new functionality.

A major development since the original release of Epicor ERP was the company’s merger with Activant Solutions in 2011, as well as additional acquisitions made, such as Spectrum Human Resource Systems and SolarSoft Business Systems in late 2012. Rather than rewrite and bring some of the functionality into the Epicor ERP platform now, the short-term plan is to selectively offer functionality from some of these new additions by wrapping certain modules and applications (such as Epicor MES and Human Capital Management [HCM]) within the Epicor Internet Component Environment (ICE) SOA framework and using this to integrate with Epicor ERP. This is currently a work in progress, which Gartner will monitor.

Overall license revenue for Epicor declined 10% in 2012, but this was counterbalanced by a 64% growth in SaaS revenue (albeit from a modest base) as Epicor expanded its cloud offering and offered Epicor ERP in an Epicor-hosted environment. Epicor has grown through many acquisitions, and many of the products are still actively sold. From an Epicor ERP perspective, the vendor does not publicly disclose revenue numbers; however, from the increase in new customers for the product and migration activity (from other Epicor products), it’s clear that Epicor is seeing success with this product.

Epicor ERP remains one of the most visionary systems among those in this Magic Quadrant, with the closest resemblance to Gartner’s vision of a model-driven packaged application (see “Model-Driven Packaged Applications: Using SOA and BPM to Modernize Packaged Applications” [Note: This document has been archived; some of its content may not reflect current conditions]). Due to some remaining delivery issues, the system continues to be positioned in the Visionaries quadrant.

**Strengths**

The Epicor ERP architecture supports a variety of deployment options (on-premises, single-tenant SaaS or multitenant SaaS) using the same code base, which offers customers a lot of choices and allows them to switch between these options as needed.

Epicor is actively investing in integration strategies to bring components from recent acquisitions to the Epicor ERP user base, such as Epicor HCM.

Epicor has an established track record in quickly localizing financials for new countries, and, combined with the option of using Epicor professional services, gives midmarket customers that want to deploy globally greater confidence for their implementations.

Epicor has recognized earlier challenges in the initial release of Epicor ERP, and has made good progress in rectifying performance-related problems. Epicor aims to further improve this with a streamlined architecture in its next release.

Epicor has started to integrate Epicor ERP with some of the acquired products from Activant and SolarSoft. This will take time to be completed, but in the short term, some products, like SolarSoft’s production control software, might be a welcome add-on to Epicor ERP.

**Cautions**

Epicor ERP implementation skills, while an improvement over prior years, are still not of equal quality and availability globally. Customers should verify that the “Signature” implementation methodology is being followed end-to-end in multigographic implementations, and should plan for occasional resource issues in their project planning. Customers that experience issues in their implementations should not hesitate to escalate to the newly created “customer advocates” in their region, or to corporate Epicor.

To avoid performance issues, one of the critical elements is to avoid virtualizing the database in the initial setup of the system, unless best practices and skills and adequate infrastructure are applied. In our experience, not all customers have always been forewarned of this.

The flexibility of Epicor ERP allows customers in industries other than the main target to use the solution, but professional services from Epicor and its partners have sometimes struggled to map system functionality to the more special requirements of these customers.

**IFS Applications**

IFS successfully launched IFS Applications 8 in May 2012. Early adopters’ experience was positive, reporting a high-quality release and a well-trained professional services staff. The product includes Enterprise Explorer as the standard user interface (UI) and incorporates localizations for approximately 40 countries, with 25 more countries supported with localization packs, including Brazil, Russia, India and China (BRIC). Enhancements across the broad suite give IFS Applications a strong functional fit in aerospace and defense, oil and gas, automotive, high tech, and industrial and process manufacturing. New modules include Health & Safety, as well as improvements in HR, project management and budgeting, plus an integration of the acquired 360 Scheduling solution. Support of mobile access is done through the IFS Cloud. Co-innovation with partners like NEC has delivered further enhancements. More than 100 companies are upgrading or have upgraded to the latest version IFS Applications 8, which will be centrally supported until at least 2017.

IFS has improved its ability to implement and support its product by intensifying its cooperation with a number of large global system integrators (SIs), which will complement IFS’s global presence. In late 2011, IFS acquired its Latin American distributor and implementation partner, LatinIFS.

IFS grew its ERP license revenue by 6% in 2012. This was an especially good performance, considering many other European software providers did not fare as well. IFS’s strategy of focusing on large project-centric businesses with a global footprint, and having less emphasis on chasing lower-end manufacturing opportunities, is proving effective.
Some of the many product enhancements, like the Enterprise Explorer UI, which has been received positively by users, result from multiyear innovation projects that were executed in a very consistent fashion. IFS remains focused on one core product, the strength of which allowed it to expand its presence in a number of industries, from complex multiyear project manufacturing through high-volume batch manufacturing. These factors, combined with IFS's growing presence around the globe through a mix of strong direct presence and growing practices in global SIs, have led to IFS Applications becoming a solution in the Leaders quadrant.

Strengths

IFS Applications 8 was delivered to the market with high product quality and stability, and with a well-prepared consulting force, according to early adopters. The product enhancements are a good mix of customer-driven initiatives with more visionary initiatives. For the Enterprise Explorer UI, thousands of screens have been reworked, resulting in a user-friendly UI that is well-received by customers.

Some partner-built IP is first released as “product extensions,” which allow faster adoption without an upgrade and are subsequently incorporated into the next standard release.

IFS is successfully overcoming its lack of visibility and market awareness through a combination of marketing efforts and partnerships with global SIs. A series of revamped global user and partner events has helped to support this.

A number of global SIs are building out their IFS practices, some of them with worldwide offerings in multiple industries, which helps to improve service delivery around IFS Applications, and strengthens IFS’s global presence.

Cautions

The level of knowledge about, and expertise in, IFS Applications 8 is still immature in some parts of the world. Customers implementing or upgrading to IFS Applications 8 need to diligently check the level of expertise and be prepared for potential project overruns.

The collaboration between some local partners and the development and support centers in Sri Lanka and Sweden has not always been sufficient. Customers should build direct relationships with corporate IFS to avoid project risks.

The IFS partner ecosystem is still relatively small, and some customers want more alternatives for services (especially for developing and maintaining extensions and customizations) that, so far, have been delivered directly by IFS, and are rated as high quality, but also are seen as rather expensive.

Infor LN

Infor LN (previously known as Baan, and called “Infor10 ERP Enterprise” in the 2012 iteration of this Magic Quadrant) has long been Infor’s main solution for upper-midmarket and lower enterprise customers in project-based and complex discrete manufacturing, as well as in distribution industries. Since the 2012 Magic Quadrant, Infor LN has provided some updates. The two releases, 10.2 and 10.2.1, provided additional aerospace and defense as well as automotive industry functionality, improved functionality for project and service management, and improved reporting and analytics. An additional enhancement is a launch of a number of localized languages.

A noted change at Inforum, Infor’s global customer conference in April 2013, was some welcome attention to product-level discussion by top management, after years of rather obscure portfolio discussions that had confused customers. Product insight is important for existing customers, and provides a clarity that was lacking under the previous management. In stark contrast to some of Infor’s many other ERP solutions, Infor LN has achieved a better leadership and evangelistic structure. There is now a well-defined product road map, although, in large parts, it is dependent on plans outside of the LN team.

However, these positive developments are counterbalanced by a number of issues around LN, including a continued lack of professional services reported by customers, issues with legal compliance in various countries and a reported lack of flexible reporting tools. Also, much of the road map for LN relies on cross-product initiatives, such as ION. Infor delivers on its technology strategy, but ION, beyond basic integration, has not yet seen a lot of large-scale adoption and is largely unproven. Gartner and Infor customers struggled to find any references at the time this research was conducted. If ION fails to deliver, then the road map for LN customers, beyond core functional enhancements, is at risk, especially as it pertains to ION-based social ERP, event and workflow management, and business intelligence (BI).

Infor added elements of social functionality as part of its Infor Ming.le product launch, but it is not yet apparent how the wealth of activities and information floating around any company can be structured in such a way as to not bury an ordinary user. The company also announced Sky Vault, a cloud storage capability of the ION business vault for Infor customers, which should enhance analytics and collaboration. Sky Vault is planned for general availability in late 2013.

Infor’s ERP license revenue was bolstered in 2012 by including a full year of Lawson’s revenue, and, as such, we believe the ERP business grew by 49%. While growth was helped by the inclusion of Lawson’s revenue, we believe that Infor was also effective at generating license revenue organically across its other ERP product lines, most notably with Infor LN.

The acquisition of TDCI (announced at Inforum 2013) internalizes a strong product configuration solution that was available as a partner extension for a number of years. It provides an opportunity for Infor to develop true differentiation in guided selling situations, presuming it drives ahead with extension of the product.

The formation of a solid road map and the clearer flagship status of Infor LN within Infor have helped the product’s rating this year. However, challenges still remain in its ability to deliver consistent resource numbers and depth internationally, which, when taken together, keep LN in the Niche Players quadrant.

Strengths
A strong product road map and clear positioning show LN to be Infor’s leading system for product-centric upper-midmarket companies. The product benefits from cross-product strategic developments like ION.

The target industries for LN remain virtually unchanged, but LN’s position has been strengthened, especially where overlap with other products (for example, Infor M3) exists.

The partnership between Infor and IBM has been expanded into a more consistent offering of “cloud enabled” ERP solutions, which offers further options to deploy LN off-premises beyond the previously existing hosting partners.

Infor’s online support capability has greatly increased in recent years. This year, Infor365 support is being replaced by an interactive Infor Xtreme Support portal to access critical support resources, including 24/7 access to software patches, service packs, updates, release notes, a knowledgebase, recorded briefings, online communities and new support apps.

Infor Ming.le shows interesting consideration of the future ERP paradigms, and support for how ERP systems are beginning to be used. Influenced by Infor’s Hook & Loop design company, it tries to bring social features and traditional transactional systems closer together.

Cautions
As in previous years, customers report a significant lack of professional resource capacities and capabilities, which puts LN-related projects (like upgrades or wider deployments) at risk. Infor says it has recognized these issues and is actively working on improving the situation.

Customers report heavy price increases, pressure to switch contracts where new functionality is sought, and, in some regions, harsh auditing practices. Customers should prepare to protect themselves.

There seems to be minimal adoption of ION beyond the core integration features. There also seems to be little customer confidence in ION’s ability to handle complex, high-volume requirements.

Customers trying ION report that they are struggling with strategic decisions to use ION or other third-party technologies for integration, BI and mobility platforms.

To adopt ION, customers need to be on the latest releases, but many are on older releases of Baan IV and V, or even LN, and are struggling to gain any support up to grade.

LN was in need of operational reporting enhancements and risked falling behind the competition. Infor has released Operational Reporting and Analytics for Infor LN to address client concerns, but Gartner has not yet seen these enhancements used in live customer deployments. ION, Sky Vault and other initiatives may help, but these are all in early stages of availability.

Infor’s UI framework Infor Ming.le (formerly Workspace) does not change the internal transactional UI of LN, but delivers a “shell” inside which LN runs unchanged. The LN UI offers very limited personalization features for end users. Further modernization of the user experience for LN is planned, based on the HTML5 client released with version 10.3.

Infor Ming.le is in its very early stages, although Infor bets much of its innovation strategy on it, and Infor Ming.le is the basis for a lot of LN’s road map substance. If either ION, Infor Ming.le or other Infor cross-product initiatives fail, then Infor LN’s development road map will look sparse and be at risk.

Infor M3
Infor M3 (originally Lawson M3, and called “Lawson M3 ERP Enterprise” in the 2012 iteration of this Magic Quadrant) is an ERP solution that targets fashion, food and beverage, chemical, manufacturing, distribution, and equipment (formerly called “equipment service management & rental [ESM&R]”). Its most recent major release, 13.1, was made generally available in May 2013; from now on, however, new functionality will be released through annual point releases (previously called Accelerator Packages), such as 13.2 and so on, instead of major releases as with other Infor ERP products.

The addition of Infor Optiva PLM to boost the product life cycle capabilities of the solution for food and beverage should widen its attractiveness. The product will also benefit from additional developments across Infor in the longer term. These will include ION, Infor Ming.le (the company’s social collaboration suite that embodies Workspace) and Infor’s localization solution, local.ly.

However, even two years after the acquisition of Lawson Software, the road map for M3 lacks a lot of clarity, especially regarding the future of some technology initiatives that were started under Lawson, including Smart Office (LSO), Business Intelligence (LBI), Enterprise Search and more — all of which are overlapping with competing ION initiatives. The same is true regarding the future strategy of industries in which M3’s coverage overlaps with that of other Infor ERP products. This makes planning for existing customers very difficult, although Infor has stated that most of these technologies will continue to be supported.

In addition to all this, there appears to be little evangelism through Infor for the M3 product, which seems to operate as a company within a company. As a result, the ongoing issues regarding the availability of consulting resources for M3 not only were not resolved through Infor’s global presence, but also have become even worse, and the exit of previous partners is continuing. Customers have reported issues with very aggressive audits, and also that they are being forced to replace their existing contracts with less favorable conditions.

Infor’s ERP license revenue was bolstered in 2012 by including a full year of Lawson’s revenue, and, as such, we believe the ERP business grew by 49%. While growth was helped by the inclusion of Lawson’s
The combination of a lack of clarity about M3's future and the unresolved issues around delivery capabilities are keeping M3 in the Niche Players quadrant.

**Strengths**

As part of Infor, M3 customers now have access to the wide variety of Infor products (for example, EAM, PLM and Supply Chain Planning), some of which are being integrated through ION. The newly added development capacity seems to have stabilized the delivery of product enhancements, which customers appreciated.

Infor's industry focus was strengthened through the Lawson acquisition, and has been adopted more widely by Infor and extended to other ERP product lines.

QuickStep, another Lawson approach, is the foundation for the Implementation Accelerators that Infor plans to release for other product lines, although the majority of the ones on the road map are actually evolutions of previous QuickStep solutions. This means that M3 customers seeking to extend deployment will not be subject to a different implementation methodology.

The vast majority of M3 customers are using the IBM technology stack, but M3 is also available on Microsoft and Oracle/AIX stacks.

**Cautions**

Most of the Lawson initiatives like LBI, LSO, Enterprise Search and so on are under revision because they overlap with similar Infor 10x technologies. Customers have reported a lack of clarity in Infor's road map for these product technologies. Infor is building migration paths — for example, to the newly built HTML5-based UI, while the Workplace UI is being discontinued.

According to customers, the lack of availability of professional services consultants has not yet been alleviated, and has created issues and delays in projects. Infor is working to resolve this issue. Customers embarking on major initiatives need to pay special attention to guarantee the resources that they need. They should include freelancers in their selections, where available, but must diligently check these freelancers' level of expertise.

The lack of detailed road maps being published beyond 2013, the move away from regular major releases, and the unresolved lack and changing of field resources create concern about M3's long-term position within the wider Infor portfolio. Customers and prospects should seek long-term contractual commitments in areas that are important to them.

Because of overlaps with other products in the Infor portfolio, especially Infor LN, M3's industry focus now concentrates on food and beverage, equipment, fashion, and the chemical industry. Gartner believes that this will slow down the development of industry-specific functionality for M3 outside these newly focused target industries.

Customers report that Infor has been trying to move them off their existing contracts from pre-Infor times, which would result in worse terms and conditions, including a substantial rise in the cost of maintenance. Customers should push Infor to write new orders against their existing software license agreements.

**Microsoft Dynamics AX**

Microsoft Dynamics AX is the most scalable of the four Microsoft Dynamics ERP systems. Among these, AX also has the clearest centralized strategy for industry verticalization, with specific functionality for discrete and process manufacturing, retail, wholesale/distribution and services, and the public sector in selected countries.

Following the already substantial upgrade of the initial release of AX 2012 in late 2011, Microsoft Dynamics delivered significantly upgraded functionality within Dynamics AX 2012 R2 in December 2012.

The AX 2012 R2 solution offers significantly more comprehensive functionality than earlier versions, with key inclusions extending options for business model flexibility. Customers on AX 2004 that wish to upgrade are finding it necessary to reimplement rather than upgrade. Even customers on AX 2009 that are considering an upgrade are finding that the significance of the business model changes — plus the opportunity to take advantage of major financial, reporting and operations enhancements — makes a reimplementation more advisable than an upgrade. Microsoft plans to bring out two further feature packs for AX 2012, incorporating key supply chain enhancements it has acquired from its partners. Gartner believes that the changes in the next major release, due in 2014 or 2015, are predominantly technological in nature to enable a cloud-based version of Dynamics AX, and that functional updates will be less evident. Therefore, customers that are interested in business-related improvements should not wait for the next major release.

The functional and technical revisions within AX 2012 R2, plus the first sight of some very necessary life cycle support services, significantly alter the target market potential for the product. Prior to AX 2012, the product was rarely deployed by companies with more than $750 million in revenue. AX 2012 R2 enables customers to deploy the product as one single instance globally. Increases in performance mean that companies with as much as $5 billion in revenue are now considering and deploying the product.

Leveraging the increased capabilities of AX 2012 R2 requires new and very enhanced expertise from partners, from Microsoft and from its customers. While Microsoft did invest in some partner readiness prior to the general availability of AX 2012, our reference checks this year showed that there is significant room for improvement in partner readiness and delivery quality. Partner training started far too late, and evidence shows that few partners have the combination of product certification, industry depth and any real-life experience with AX 2012, let alone AX 2012 R2. Furthermore, the functional and business model footprint is beyond most existing partners — for upgrades and new implementations. However, it is not stopping partners from attempting implementations. To date, Microsoft has not produced certification for the R2 version (which is a significant addition), nor has certification been enforced on all field personnel.
Customers are struggling to tell the difference between partners with and without experience. This has put a number of customer projects at risk.

Despite years of announcements, there is minimal progress with major Global Systems Integrators. Microsoft Consulting Services (MCS) does not seem to be growing in advance of projects, or in areas other than technology-focused support. A number of Microsoft Dynamics’ largest AX customers commented that Microsoft is not doing enough to build business-level competency in MCS or its partner community.

Microsoft does not disclose revenue at the Dynamics product group level, but Gartner believes that the ERP part of the business grew 1% in 2012. We also believe that new license activity was bolstered by sales of Microsoft Dynamics AX 2012.

So, while the product grows stronger, Microsoft’s go-to-market activities and its failure to guarantee the necessary delivery capacity for new and upgrading customers have greatly impacted Dynamics AX’s rating. While potentially temporary, this has moved the product from the Leaders quadrant to the Visionaries quadrant.

**Strengths**

The Microsoft Dynamics AX product continues to receive major investment, and benefits not only from the competent Dynamics development team, but also from advances across the wider Microsoft organization — for example, from the server division that delivered the SQL Server Reporting Services that are widely used in AX.

The addition of Dynamics Lifecycle Services, while new and incomplete, seems to be moving in the right direction.

Despite the fast pace of change, customers report that the product/code quality remains high. AX 2012 R2 allows customers to implement one single global instance, which covers the BRIC countries alongside more traditional countries, such as the U.K. and the U.S. — a scenario in which different instances were required with earlier versions.

Integration between Microsoft Dynamics AX and Microsoft Office has been greatly enhanced.

Customers report that end-user training has been greatly reduced to the point where it is quickly becoming a differentiator for Microsoft Dynamics.

The visibility of Microsoft Dynamics AX in the enterprise space has been greatly increased, and some bigger deployments are in the pipeline.

**Cautions**

Certification examinations for consultants are aligned to major releases only (for example, Microsoft Dynamics AX 2012). They are not updated for feature packs or other “minor” releases, such as AX 2012 R2. There is also no certification covering Microsoft Dynamics for Retail, and presumably, this will also be true if Microsoft develops further industry solutions. Customers seeking to engage partners must be stringent and ensure that all partner personnel working on their projects have tangible experience with AX 2012 R2, not just earlier versions.

Customers that have evaluated upgrading to AX 2012 report that, while some technical tools exist for exercises such as data migration, support for business model and process changes are either minimal or nonexistent.

Every reference customer found it necessary to engage the Microsoft Dynamics development team because little other experience existed. Customers commented positively about the quality of support provided by this team. However, this interaction does not scale because the team size is limited.

The majority of global installations seem to be led by MCS. However, MCS lacks business transformation depth, as does most of the existing partner community.

As Microsoft Dynamics AX evolves to meet the needs of larger organizations, there is a risk that it could become too complex for small businesses. However, this may add clarity to this sector, which is served by Dynamics NAV and Dynamics GP today. A few AX 2012 customer references have suggested that this lower limit may already have been reached.

**Oracle E-Business Suite**

Oracle E-Business Suite is a global, multiorganization, scalable solution with strong functionality for service and product-centric industries. On the product-centric side, these include high tech, industrial manufacturing, automotive, life sciences, consumer packaged goods, chemical, communications, utilities, engineering and construction, aerospace and defense, and natural resources. The latest major update at the time of this writing is Oracle E-Business Suite Extensions for Oracle Endeca, available for release 12.1.3 (released in August 2010). The next major release, 12.2, has no public release date set, but Gartner believes it could debut during the latter half of 2013 or sometime in 2014. As such, the commentary and analysis made in last year’s Magic Quadrant is still relevant.

Changes we have noted since last year include a growing awareness of and interest in Oracle Fusion Applications providing new functionality to existing E-Business Suite implementations. Gartner thinks that the adoption of Fusion Applications used in conjunction with Oracle E-Business Suite is still very limited, but steadily increasing, particularly the use of Oracle Fusion HCM Cloud.

When version 12 was initially released, there were some widely reported “teething” issues for new and upgrading customers, but, based on feedback gleaned from conversations Gartner has had with customers, the process of upgrading to Release 12.1.3 has significantly improved with fewer issues reported.

According to Gartner estimates, license revenue for Oracle’s overall ERP portfolio grew 6% in 2012. While Oracle does not break out revenue by product line or size of business, we believe that license revenue growth for Oracle in the midmarket was close to the overall average for ERP across all products and
Due to the scalability and breadth of industries covered by Oracle E-Business Suite, a wide range of additional modules is available that provides deeper functionality needed to support more complex organizations. However, prospects for these additional modules should be prepared for some negotiation over the pricing, because Oracle generally considers these to be premium products with appropriate price points.

Strengths

Oracle E-Business Suite offers proven support for GSI deployments, and is well-suited for companies needing support for fast international growth and scalability.

Oracle's Endeca acquisition and the subsequent work done by Oracle to integrate E-Business Suite with Endeca bring forth enhanced search and drill features within certain areas of E-Business Suite — for example, order returns and delays in order management.

Oracle has strong company viability and financial stability. It also has a large and vibrant ecosystem of SIs and consultants around the world, with capabilities to deliver to midsize and large enterprise organizations.

The range and availability of Oracle Fusion Applications, which offer best-of-breed-style "add ons" to E-Business Suite, are increasing, but they are still in their early days.

Cautions

Oracle Business Accelerators (OBAs) allow companies to reduce the time and scope needed for the initial phases of an E-Business Suite implementation, but they do not offer support for later changes and optimizations. Multiple OBAs for E-Business Suite cannot be combined with one another or be applied to an already-configured production system.

Despite E-Business Suite's strategic position in Oracle's strategy for its business application portfolio, deep out-of-the-box integration between E-Business Suite and Fusion Applications is not yet widely available, and adoption by midmarket E-Business Suite users is still limited, but steadily increasing, based on Gartner's experience.

Customers report that the usability of the application has improved where the UI has been overhauled, but there are still major parts of the application that have yet to undergo a UI improvement. Oracle notes plans of its continued investment in usability and mobility for Oracle E-Business Suite in upcoming releases.

Oracle does not offer a license for casual users, so where there is a large population of casual users, the cost of licensing can make the solution more expensive to purchase and maintain. Customers should check the available self-service modules (for example, for HR, expenses, procurement and so on) to see if any fulfill their requirements.

For Oracle's "add on" products to E-Business Suite, including new acquisitions like Endeca, customers should be aware that licensing is often set at a premium level.

Oracle JD Edwards EnterpriseOne

JD Edwards (JDE) EnterpriseOne continues to be a robust and global solution targeted at companies in various industries, including projects and services, consumer goods, manufacturing, and distribution, as well as asset-intensive industries like oil and gas. Its metadata-based architecture allows for some modernization across the entire system, including the new Web-client-based UI, as well as support for mobile access — for example, with a new iPad app that renders the application's screens and offers a more native look and feel than a merely browser-based UI. In addition, dedicated single-task mobile apps are being released, mainly for simple workflow and approval scenarios.

The current application release, JDE EnterpriseOne version 9.1, has been available since April 2012. Its One View Reporting component addresses the operational reporting issues that are a constant issue for most ERP systems. Based on the Tools 9.1 release and the Oracle BI Publisher, One View Reporting is also available for the 9.0 version of EnterpriseOne Applications. In addition, a new Health and Safety Incident Management solution allows for preventive actions by managing "near misses" of accidents and showing critical situations. Analyzers for application configuration and customized objects will help with upgrades. Templates for deployment on Oracle's VM platform and the Oracle Database appliance are examples for innovation that is only available for the Oracle technology stack. Some Oracle Fusion Applications (for example, talent management and compensation management) will have prebuilt integration. While Gartner does not yet see widespread adoption of Fusion Applications among JDE users, Oracle says it sees a definite uptick in the number of JDE EnterpriseOne customers licensing Fusion Applications.

According to Gartner estimates, license revenue for Oracle's overall ERP portfolio grew 6% in 2012. While Oracle does not break out revenue by product line or size of business, we believe that license revenue growth for Oracle in the midmarket was close to the overall average for ERP across all products and business sizes.

Oracle's strategy for mainly customer-driven development — combined with the breadth and depth of the solution and the experience in the delivery channel, which leads to a loyal and largely satisfied customer base — makes Oracle JDE EnterpriseOne a strong Challenger.

Strengths

JDE EnterpriseOne continues to be developed in a customer-driven way, with horizontal and industry-specific enhancements — for example, for project-oriented businesses. The system is globally available and can scale up to support multibillion-dollar companies, although the majority of its users are upper-midmarket companies.

EnterpriseOne's architecture has allowed Oracle to make some cross-product enhancements, like the new UI and the One View Reporting — both of which enhance the entire product.
EnterpriseOne makes clever use of Oracle's wide technology portfolio, including add-on solutions, middleware and database technology — and now also hardware. Not all of these solutions are targeted at midmarket companies, so the midmarket companies need to check which of these solutions fit their needs and capabilities.

Cautions

Lack of familiarity with JDE among some of Oracle's sales staff and partners, coupled with the higher visibility of E-Business Suite, means that JDE is often overlooked in opportunities where it could be a good fit. This also means that customers often have to specifically ask to evaluate JDE, which limits sales opportunities.

One View Reporting is treated as a separate product that needs an extra license. To acquire it, customers on older preacquisition contracts might have to change all their licenses to more standardized Oracle contracts, which may increase price levels.

Initiatives like releasing JD Edwards EnterpriseOne for the Oracle Database Appliance and the Oracle VM Templates that the Oracle technology stack will offer features that are not as readily available on the IBM stack or Windows stack. The core ERP product will see continued support on all three stacks that are available today, but customers on the IBM stack or Windows stack have to check which innovations and add-on products are available to them and when.

Most EnterpriseOne enhancements are driven by explicit customer demand. Being relevant for existing customers and prospects that are seeking a robust solution, this makes JDE EnterpriseOne a solid follower, but does not offer visionary leadership. Companies that are looking for leading edge should consider other solutions.

QAD Enterprise Applications

QAD Enterprise Applications serves midsize and large organizations in the manufacturing sector (particularly automotive and industrial manufacturing), plus consumer products organizations, including those in the life science sector and food and beverage sector. With a presence in 21 countries and a good spread of customers and employees by region, QAD is predominantly a direct sales, implementation and support organization, with partners only used in a small number of select geographies.

QAD has acquired two new organizations since the 2012 Magic Quadrant: Strasbourg, France-based DynaSys brings a strong supply chain planning suite, n.SKEP, which is written in .NET; and Cebos, a quality management suite for industries such as aerospace, automotive, electronics, food, government, medical and general manufacturing. Both add functionality that enhances the QAD solution, although each may be too comprehensive for some of QAD's customers and will need extra effort to be integrated with QAD's core product.

QAD's greatest challenge, as voiced by a number of customers, is its product strategy. While most QAD customers use the Standard Edition of its product, QAD has invested heavily in developing a new, more comprehensive Enterprise Edition, which it launched in 2008 to compete against other leading, upper-midmarket ERP solutions. The Enterprise Edition solution incorporates enterprise-level financials (built on the 2006 acquisition of the Belgian company Soft Cell) plus many structural changes to accommodate a GSI deployment. It is aimed at upper-midmarket or lower enterprise-level customers, but is also the only upgrade option for existing customers, most of which are small or midsize midmarket organizations, or subsidiaries of large companies.

According to QAD customers that have evaluated the product, the solution is prohibitively complex for many of QAD's existing customers. For those that do seek to upgrade, in most cases, it will require reimplementation, and customers found the effort to be extremely challenging. As a result, few customers say that the business case for change is justifiable. Regardless, QAD is pushing customers to upgrade, but a very limited number of them have done so, even though Enterprise Edition has been available for more than five years. QAD has developed consulting services to assist customers' transitions, and at its customer event in May 2013, QAD Explore, the company pushed Enterprise Edition almost exclusively during keynote sessions. New customers that implemented Enterprise Edition without any previous experience with QAD have expressed stronger support for the product.

QAD's ERP license revenue declined in 2012, following an uptick in 2011. QAD has improved its license revenue performance since the worst of the recession, and it has shifted some revenue to On Demand booking; however, compared with others in this Magic Quadrant, its annual license revenue is considerably smaller.

In terms of delivery capability, QAD's support of existing customers does not seem to have altered significantly since last year. However, customers evaluating or using Enterprise Edition have said that many of QAD's consultants and partners do not possess the business transformational expertise required for the complexity of business change that is enabled by the product. The very limited uptake of Enterprise Edition (despite the focus of R&D and go-to-market activities on it), the declining number of professional services resources, the lack of new customers in the reference checking and the slow innovation have positioned QAD in the Niche Players quadrant.

Strengths

Enterprise Edition contains very enhanced financial administration modules, and consolidates country packages into one codebase. Previously, product deployment required separate code instances for Brazil and some other countries.

QAD has a very loyal and slow-moving customer base that provides a very healthy stream from maintenance (currently 55% of revenue), resulting in a positive financial outlook for QAD, provided the company successfully secures this maintenance stream.

The two recent acquisitions, DynaSys (for supply chain planning) and Cebos (for quality management), are important additions for the very quality-oriented industries in which QAD is active.
Customers highlight the low TCO of their existing QAD applications, but they were not confident that this level could be maintained with QAD’s On Demand offerings, or following a move to Enterprise Edition.

Cautions

Adoption of Enterprise Edition (available since 2008) is very small. The move from Standard Edition to Enterprise Edition will likely require a reimplementation for most customers. QAD needs its customers to upgrade to benefit from its R&D efforts.

Gartner feels that almost all development is focused on Enterprise Edition. Standard Edition continues to be supported, but will benefit from minimal innovation. As an example, the role-based scenarios of the .NET UI are not retrofitted to Standard Edition.

The number of consultants does not seem to be growing, and customers are having difficulty finding competent consultants that can offer the combination of Progress Software skills, QAD skills and industry expertise needed to turn the product’s enhanced capabilities into business benefits.

QAD continues to be slower in adopting new technologies, such as mobile and social, than its competitors. Customers would like to see a faster increase in capabilities.

To provide fully operational quality assurance support, Cebos still needs to be fully integrated in all quality-related processes within QAD Enterprise Applications.

QAD did not present any recent customer wins as references for this Magic Quadrant, which raises some concerns about its new business success.

Sage ERP X3

Sage ERP X3 is Sage’s global ERP solution. Originating as the French solution Adonix, ERP X3 was officially launched as a global product in early 2010, and has since been adopted in additional countries. Sage offers ERP X3 in two variants — Standard and Premium — to help speed up the implementation between “simpler” and more “complex” demands from customers in the midmarket. ERP X3 is targeted at industries such as discrete manufacturing in high tech, automotive and tools, as well as more process-oriented manufacturing in pharmaceuticals, cosmetics, chemicals, and food and beverage, through a partner collaborative approach.

The latest version of Sage ERP X3 is 6.5 (released in 3Q12). The main differences between this version and earlier versions are integration with other Sage products, such as Sage CRM and Verteego, as well as increased country coverage and deeper localization. A major release (version 7) will have new functionality built in. It will be available as v7.0 for early adopters in December 2013, and as v7.1 for general availability in May 2014.

Significant changes since our last assessment are related to the go-to-market efforts. In the past, sales efforts were driven at a country level by local management. However, in keeping with the intent to make ERP X3 a global solution, Sage has changed this to be more centralized by forming a new pan-European organization for addressing the midmarket, including ERP X3 — and this is also intended to drive the ERP X3 business globally. One of the latest adjustments is the option to purchase Sage ERP X3 on a subscription licensing model, as opposed to a traditional perpetual license with annual maintenance. While the customer base is still very much EMEA-dominated, Gartner has observed significant traction for the product in North America since the 2012 Magic Quadrant.

License revenue for Sage’s ERP business across its many product lines declined 4% in 2012, but this was countered by a rise in subscription licensing. Sage has a particularly strong focus on small organizations, and the difficulties in the macroenvironment have resulted in a less robust business performance. That said, Sage’s ERP X3 business has weathered the economic difficulties well, and as a business unit, it has performed significantly above average, as evidenced by new customer adds that Gartner has seen.

The Premium Edition has been successfully deployed to customers with, on average, 60 users, and the Standard Edition has been successfully deployed to customers with around 20 users. However, there are exceptions, and the largest customers have more than 1,000 users. The Sage solution is increasing in depth and localization with each release, but we believe that more examples and references are needed from customers using it in global, multiorganizational configurations to help in selling to larger companies. These factors led to us positioning Sage ERP X3 in the Niche Players quadrant.

Strengths

As part of its “customer for life” strategy, Sage has provided clear migration paths and licensing options for existing Sage customers on smaller packages to move to Sage ERP X3.

For historical reasons, Sage has always been known as a strong provider in North Africa for its other solutions, and this intellectual property has been brought into the ERP X3 product, thus making it one of the few international ERP solutions at this level with the capability to support North Africa natively, as well as other African countries.

Sage ERP X3 is one of the centerpieces of Sage’s growth strategy. As such, Gartner has seen increased investment into this product, as well as examples of Sage’s management being extremely attentive to customer requirements and calls to help maintain the quality of implementation and development of the product.

Cautions

Sage has improved its industry strategy for Sage ERP X3, but the strategy is overly dependent on partners, and the product lacks the same level of deep functionality for its target vertical industries as some other products in this Magic Quadrant.

Packaged and standard integrations with Sage’s local HR solutions still require a custom professional services engagement, although Sage is working on a tighter integration framework between Sage ERP X3 and its local HR and payroll solutions. Users should also check Sage HRMS, which is based on
the ERP X3 platform and is available in some EMEA countries.

There are still a significant number of customers on the older Adonix product, and we believe better communication of road maps and migration tools is needed to help move this base forward.

Sage has announced that it will develop a SaaS version of ERP X3, but Sage is more focused on building much needed internationalization and product depth.

ERP X3 is developing in a steady, but cautious, manner. Initiatives like improvements in UI and architecture are useful, but they do not represent leading-edge technology.

**SAP Business All-in-One**

SAP Business All-in-One is a brand umbrella for approximately 700 preconfigured versions of major parts of SAP's Business Suite that are built, sold, implemented and supported by approximately 1,000 SAP partners. Together, these versions cover virtually every product-centric industry. Being derived from the Business Suite, most of the technology and application enhancements become available for Business All-in-One solutions, although sometimes with a certain time lapse that is used by the partners to uplift their extensions to the latest baseline.

Business All-in-One's underlying concept of preconfigured solutions has been extended to SAP's Rapid Deployment Solutions (RDS), of which there are now more than 150 available. They can be deployed incrementally and in various combinations, but additional testing might be needed to prevent collisions of configurations.

Like the SAP Business Suite, Business All-in-One is also available on Hana (see "SAP's Business Suite on Hana Will Significantly Impact SAP Users"), but at the time of this writing, there were only live reference sites using NetWeaver Business Warehouse on Hana. Gartner believes that Hana is mainly relevant for midmarket companies to perform analytics on the live transaction data without the need for a data mart or a data warehouse. The Virtual Data Model (also called "SAP Hana Live") provides a much easier-to-use basis for this. Business All-in-One is now available on Enhancement Pack 6, and provides enhanced localization for China as well as extended geographical coverage.

Sybase Adaptive Server Enterprise (ASE) is now available for Business All-in-One, offering an attractive, alternative DBMS offering. To improve the user experience, which is often criticized by users, SAP is undertaking initiatives such as Screen Personas or Fiori to build HTML5-based applications. However, Gartner believes that this will only slowly transform the existing applications.

License revenue for SAP's ERP business declined by 3% in 2012, but much of this negative trajectory was due to the currency headwind when converting euros to U.S. dollars. While SAP does not separately break out ERP product groups, we believe that Business All-in-One performed at or above the overall rate for the ERP Business. From a size perspective, SAP's revenue for ERP is the largest overall, which provides strong company viability and stability for customers considering SAP's Business All-in-One product.

Currently, SAP has the broadest response with regard to the four Nexus of Forces: information with BusinessObjects and the Hana developments; mobile with Sybase, Sylo and partner solutions; and a broad cloud story with a variety of offerings; however, there is still limited progress in dealing with the social force. This innovation — although not necessarily relevant for all midmarket companies, and creating more confusion and concerns about a lack of integration — is available to Business All-in-One customers at their discretion. Together with SAP's strong position in business applications and service deliveries, this makes SAP Business All-in-One a Leader in this Magic Quadrant.

**Strengths**

SAP Business All-in-One, because it's derived from the Business Suite by preconfiguration, offers rich functionality and many well-documented, industry-specific best practices, which together address a wide range of requirements out of the box. More than 700 solutions are available globally and supported by more than 1,000 partners worldwide. Most partners deliver their own extensions for specific industries or regions.

SAP remains committed to the core and upper midmarket with its mature and proven Business All-in-One concept. A number of RDS packages can be applied on top of Business All-in-One as fixed-scope and fixed-price solutions to start adopting additional functionality, like mobility or various functional enhancements.

Most of SAP's investments in the Business Suite (for example, Hana), such as the addition of mobility and others, and the R&D work done by the Business Suite teams, become available for Business All-in-One customers, although sometimes with a certain delay.

While many do not have "big data" requirements in terms of data volume, midmarket customers reported that migrating their NetWeaver Business Warehouses to Hana gave them greater flexibility, and helped them avoid extensive work in designing data marts and cubes for their reporting and analytics. Instead, using the Virtual Data Model allowed them to create reports directly on the transactional data. The Hana One offering, based on Amazon's cloud infrastructure, can provide an easy entry point from which to experiment and learn.

SAP's acquisition of Ariba can be of interest to midmarket companies wanting to become part of a large supplier network that might open up additional sales channels.

**Cautions**

The lack of interaction and cooperation between Business All-in-One partners — most of which compete against each other in the market — prevents customers from selecting and implementing the best packages for their needs, because not all Business All-in-One packages are available in the geographies where deployment and support for a specific customer would be needed.

The Business All-in-One approach is not visible enough in SAP's marketing as an easier route to make the SAP Business Suite viable for midmarket companies. This does not help overcome concerns at the board level, which is afraid of an overwhelmingly rich and, therefore, overly complex
Concerns about complexity and lack of usability remained vivid among customers with which Gartner spoke. The NetWeaver Business Client, which is intended to improve user friendliness, has not been widely adopted. Screen Personas and Fiori will offer some improvement over time, but Gartner believes that it will take several years to fundamentally transform the existing applications.

As with many rapid implementation approaches, selecting the right Business All-in-One package among the several hundred offered in different industries and geographies is not easy, and requires the customer to build a detailed enough business process blueprint. Cutting this phase short puts companies at risk of selecting a wrong Business All-in-One package, which will result in costly changes and rework in later phases of the life cycle (see "Handle Rapid Implementation Packages for ERP With Care").

When deploying multiple RDS packages, customers need to diligently check and test that certain combinations of the packages do not collide and overwrite configurations, which adds significant overhead effort. SAP offers so-called "preassembly services" to assist with this.

### Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

#### Added

No vendors have been added to this iteration of the Magic Quadrant.

#### Dropped

No vendors have been removed from this iteration of the Magic Quadrant.

### Inclusion and Exclusion Criteria

The inclusion criteria that were used in the 2012 version of this Magic Quadrant remain basically unchanged for incumbent offerings. An ERP suite must fulfill all these criteria to be included:

- **Application functionality**: The functionality provided by the vendor in the application must contain the systems of record for general ledger and product master, plus at least four of the following systems of record: order data, customer master, employee master, vendor and supplier master, purchasing, contracts, assets, pricing, cost, quality and planning. The solution must support multiple organizational units, multiple country legislations, and so on in one integrated instance.

- **Geography**: The vendor must serve at least two of the following three global regions: (1) North America; (2) EMEA; and (3) Asia/Pacific.

- **Installed base**: The vendor must have at least 500 multientity customers (with the organizational structure as described in the Market Definition/Description section) in a product’s installed base, and the installed base distribution must be at least 20% in two of the three geographies.

- **New license sales per product submitted**: Each quarter, license revenue from new customers (with the organizational structure as described above) must contribute at least 10%. Also, two of the three geographies must contribute at least 20% of new license sales each.

- **Viability**: The offering must be a viable and supported offering at the time of this Magic Quadrant’s publication.

- **Architecture**: The majority of an application must be in one architecture and data model (application platform), or the vendor must have a credible vision for accomplishing this.

We find that clients are interested in offerings from large global vendors with fragmented installed base offerings, regardless of whether the product is global, because of the marketing presence of these vendors. Therefore, to account for this interest, we have defined an independent criterion:

- In this context, a large global vendor (not the product analyzed here) must have an installed base of at least 3,000 customers in the core and upper midmarket. For such a vendor, we will include the ERP system for which the vendor has articulated a strategy to make the product available globally by year-end 2013. That system must be targeted at product-centric companies in the core and upper midmarket. The evaluated product still must fulfill the criteria defined above under Viability, Application Functionality and Architecture, and at least 10% of this product’s quarterly revenue must come from new customers.

The only difference between this independent criterion and the inclusion criteria listed above is that, while coming from a large global vendor, the product itself does not yet meet the requirement of being an international product.

Some of the ERP systems analyzed in this Magic Quadrant are from vendors with multiple ERP systems. The Magic Quadrant assesses the specific products meeting the inclusion criteria rather than an aggregate of a vendor’s multiple products.

### Evaluation Criteria

#### Ability to Execute

The breadth and depth of functionality and the underlying technology of midmarket ERP products are highly rated components of a vendor’s Ability to Execute. The most functionally comprehensive systems
are not automatically the best choices for midmarket companies, which, in many areas of their businesses, have neither the need for specialized functionality nor the means to cope with it (see "Midmarket Companies: Clarify Requirements for Process and Information Support to Enable User-Centric ERP" [Note: This document has been archived; some of its content may not reflect current conditions]). The right mix of good-enough functionality in commodity processes with strong support for fewer, but strategic, processes is more important. Because midmarket companies have only limited IT resources to assign for implementing and running an ERP system, the lowest possible TCO throughout the application life cycle (from selection through implementation, optimization, operation and management, to retirement) is a key requirement, and is one important differentiating factor (see "Midmarket Companies: Use These Criteria to Select an ERP System With Low Total Cost of Ownership" [Note: This document has been archived; some of its content may not reflect current conditions]). The expectation that the TCO of a "cloud ERP" would be much lower than other ERP systems is the major reason for the growing interest in these offerings. However, cloud ERP can only reduce some parts of the overall costs (see "Don't Believe the Hype: SaaS Only Reduces Part of the Effort Needed to Implement and Operate Business Applications").

Product or Service: In addition to the functional fit of the solutions to a wide range of midmarket companies, we have rated the ease of adapting or modifying a solution, the UI (ease of use, personalization and collaboration, integration with analytic applications, and so on), the overall simplicity or complexity of the offering, the level of verticalization that a solution has achieved. Because of limitations in resources, many midmarket companies look to their primary ERP vendors when seeking additional products (for example, for PLM, SCM and warehouse management). Therefore, we also rated the availability of add-on products and the level of their integration with the core ERP system. An ERP system's ability to serve a multientity company in a single instance always has been an important evaluation criterion for this Magic Quadrant. The Product or Service criterion has one of the highest weightings in this Magic Quadrant.

Overall Viability (Business Unit, Financial, Strategy, Organization): Because most ERP systems are used for 10 or more years, vendor and product viability and risk remain important criteria. However, although the vendor's viability is important, it should not overshadow product fit, vendor expertise, TCO, and service and support. Several of the vendors included in this Magic Quadrant are smaller companies, and, although there are some viability concerns, all other factors being equal, viability alone should not preclude users from considering these vendors. Many smaller vendors have been profitable and in business for many years, and most actually suffered less from the economic climate from 2010 to 2012 than some of the large vendors did. While their revenue may not be in line with large megavendors, their overall persistence in successfully serving their target markets over a number of years, and the size and stability of their existing customer bases, merit their consideration.

The intensive acquisition activities of the past few years have shown that ERP systems whose architectures are not dated, and that have an active user base of a certain size, are not automatically taken off the market. The products are still sold, even when the vendor is taken over by a competitor with an overlapping offering, although the speed of innovation and the investments into the acquired product might be negatively impacted. (For further information on ERP acquisitions, see "Managing Vendor Risk: It's Not the Software Vendor You Should Worry About, It's the Product" and "Where All the Midmarket ERP Vendors Have Gone" [Note: These documents have been archived; some of their content may not reflect current conditions].) Therefore, the Overall Viability criterion has a medium weighting.

Sales Execution/Pricing: Pricing and sales execution are significant differentiators in the midmarket ERP segment. ERP systems whose core market is in the upper midmarket or large enterprise space are often significantly more expensive in terms of TCO. Although even high discounts on license fees can often be negotiated, other important cost factors (such as rates for consultants and maintenance rates) are less flexible. Several vendors have huge portfolios of additional components (such as PLM, CRM and SCM), but the prices for these components are often much higher than the core ERP licenses. Many midmarket firms realize this after they have made a significant investment of time and resources in deploying the ERP system, expecting, but not finding, similar pricing on extended components once their evolving requirements demand them. Ease of buying is important for midmarket companies that cannot afford to install complete teams for the selection and negotiation process. Most of the vendors in this research do a huge portion of their business through an indirect channel, and the development and sustainability of the channel is an equally important factor. Finally, license models that offer options for different types of users (for example, not requiring a full license for examination-only users) help companies build a more user-centric ERP strategy. For these reasons, the Sales Execution/Pricing criterion has a high weighting.

Market Responsiveness/Record: Midmarket ERP is a slowly evolving market. Most solutions have been around for more than 10 years, and, in some cases, the roots of the systems date back 20 or more years. Because of this level of maturity, market responsiveness is less important for the core ERP functionality, so the Market Responsiveness/Record criterion has a low weighting.

Marketing Execution: While important to market visibility, most of the vendors covered lack the means to be highly visible in multiple regions. Vendors that can afford to run global marketing campaigns suffer from the fact that the portion of their messaging that is focused on midmarket companies is often hidden under the highly visible, but generic, overall messaging targeted at the largest enterprises. Therefore, the Marketing Execution criterion has a low weighting.

Customer Experience: An ERP vendor's ability to build and exploit functionality to drive business value for the users, and to provide a good customer experience, are critical elements of a vendor's Ability to Execute. ERP systems touch almost all parts of a company, and the implementation of an ERP system is one of the most complex projects in many companies. Midmarket companies lack workforce capacity to allow many business users to exclusively support the implementation; rather, the implementation work has to be done in addition to the daily workload (see "Midmarket Companies: Use These Criteria to
Select an ERP System With Low Total Cost of Ownership* [Note: This document has been archived; some of its content may not reflect current conditions]. Vendors with a long track record in the midmarket have designed and built their systems and implementation tools to overcome their customers' resource constraints, and their consultants and professional services are well-acquainted with this limitation. The lower level of specialization that is typically prevalent in midmarket IT organizations requires support organizations on the vendor side that can deliver technical and business support efficiently, and flexibly fill gaps in skills and resources for their customers. For international deployments, it is important that this level of quality and ability is equally present in all regions where the systems are available, either directly or through the partner channel. For these reasons, the Customer Experience criterion has a high weighting.

Operations: Finally, the operations criterion looks at a vendor's internal ability to meet its goals and commitments on an ongoing basis. Factors include the quality of the organizational structure, including skills, experience, programs, systems and other vehicles that enable an organization to operate effectively and efficiently on an ongoing basis. Because the external factors that are important for companies that deploy any of the systems are included in the criteria described above, the Operations criterion has a low weighting (see Table 1).

### Table 1. Ability to Execute Evaluation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>High</td>
</tr>
<tr>
<td>Market Responsiveness/Record</td>
<td>Low</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>Low</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Gartner (September 2013)

### Completeness of Vision

**Market Understanding:** We assess an ERP vendor's ability to understand buyers' wants and needs for ERP in general, but for midmarket ERP in particular, and then translate them into products and services. Vendors that show the highest degree of vision listen, understand and anticipate buyers' wants and needs, and can augment them with their own ERP visions. Vendors that simply respond to current market requirements without anticipating future requirements will not likely be successful over the long term due to the complexity of functional and technical enhancements that will have to be made to the products, even in the comparably slow-moving ERP market, and because of the significant time needed to build and roll out the necessary product enhancements or extensions. Vendors' domain expertise, their focus on product-centric companies in the midmarket, their technology vision, and their vision for the midmarket ERP of the future rank highly, which is why the Market Understanding criterion has a high weighting.

**Marketing Strategy:** A vendor's marketing strategy has a low impact on the midmarket ERP market. Although important, marketing strategy is not highly differentiated among vendors. Most vendors in this market struggle with their visibility and market awareness, and, in the case of well-known brands, it is not obvious from their marketing that they are relevant players in the midmarket ERP space. Therefore, the Marketing Strategy criterion has a medium weighting.

**Sales Strategy:** A good vision for the sales strategy will remain an important success factor in the future. Midmarket companies have some specific buying behaviors (see "Forecast Analysis: Small-and-Midsize-Business External IT Spending, Worldwide, 2011-2017, 1Q13 Update" and "Predicts 2012: Midsize Businesses Seek Technologies to Simplify Their IT Environments" [Note: This document has been archived; some of its content may not reflect current conditions]), and vendors that want to be successful in this market have to build strategies and organizational structures to comply with these behaviors. A concise and transparent mix of indirect versus direct channels is important, because customers expect similar structures and consistent conditions in all regions where they need to deploy the solution. Examples of innovation in the sales process include self-service capabilities to guide prospects (such as Web-based solution configurators and pricing engines). Therefore, the Sales Strategy criterion has a high weighting.

**Offering (Product) Strategy:** Product strategy is critical; it refers to a technology provider's approach to development and delivery, which emphasizes differentiation, functionality, technology, methodology and feature set as the provider maps to current and future midmarket ERP requirements (see "How to Evaluate Your Vendor's ERP Strategy" [Note: This document has been archived; some of its content may not reflect current conditions]). It also refers to technology evolution, which includes important topics such as user centricity (see "How to Learn to Love Your ERP (Again)" and "Using the Hype Around iPads and Tablets to Make ERP More User-Centric" [Note: These documents have been archived; some of their content may not reflect current conditions]), cloud (see "How to Select the Right Cloud Business Application"), mobile (see "From Mobile to Post-PC ERP"), embedded analytics, SOA and model-driven packaged application awareness (see "Model-Driven Packaged Applications: Using SOA and BPM to Modernize Packaged Applications" [Note: This document has been archived; some of its content may not reflect current conditions]), master data management, social software, and the emergence of business...
process platforms (BPPs) and multienterprise BPPs. For the purposes of this evaluation, Gartner measures vendor strategies for building end-to-end processes that span functional areas across the enterprise. The vendors' understanding of market changes, and their product strategies for successfully navigating these changes, significantly influences their Completeness of Vision, which is why this criterion has a high weighting.

**Business Model:** Vendors' business models (that is, the soundness and logic of providers' underlying business propositions) are not critical, except as they apply to delivering overall midmarket customer satisfaction; therefore, the Business Model criterion has a low weighting.

**Vertical/Industry Strategy:** Industry-specific functionality is an important differentiating factor among midmarket ERP systems. Some vendors have selected a number of industries on which to focus, while others offer more horizontal functionality and rely on their partner channels to complement and complete the solution (see "How to Evaluate Your Application Vendor's Industry Strategy" [Note: This document has been archived; some of its content may not reflect current conditions]). In this case, to avoid customers being overly dependent on partners (which are typically much smaller and often less viable than the vendor), it is important that the vendor and the partners show a high level of mutual engagement, and work closely together through joint development and rigid certification programs to ensure clarity and consistency in relaying timely messages, and delivering product functionality of the highest quality to the customer base. Because most vendors in this Magic Quadrant have developed an approach to offer industry-specific functionality (although each for a different set of vertical markets), the Vertical/Industry Strategy criterion has a medium weighting.

**Innovation:** Most midmarket ERP vendors do not have the size or financial means to drive massive generic innovation programs. Instead, they tend to be pragmatic, taking a just-in-time approach to delivering process and feature innovations, based on when their customers expect them and can use them, rather than an "invent it and they will come" mentality. As shown in recent developments (such as role-based UIs, industry-specific orientation or in-memory database technology), major trends are often developed by some of the large vendors. As they are generally accepted and sought out, the trends become quickly adopted by the smaller vendors as well. ERP-specific innovations to support new trends in the markets and industries targeted by the systems are rated under the Offering (Product) Strategy criterion. Therefore, the Innovation criterion has a low weighting.

**Geographic Strategy:** We look at a technology provider's strategy for directing offerings, resources and skills to meet the specific needs of internationally active midmarket companies. Since more midmarket companies are participating in globalization trends, and are present in multiple countries or regions, it is important that their ERP vendors can accompany and support them in all relevant territories. Many of the vendors included in this Magic Quadrant have a market presence that is stronger in some regions than in others, so this is an important selection criterion to determine whether the vendor covers all markets that are, and will be, relevant to the selecting company. Therefore, the Geographic Strategy criterion has a medium weighting (see Table 2).

**Table 2. Completeness of Vision**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Low</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Innovation</td>
<td>Low</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (September 2013)

**Quadrant Descriptions**

**Leaders**

Leaders demonstrate a clear vision and the Ability to Execute against this vision. Midmarket ERP Leaders' products have deep and robust functionality that addresses a range of core user requirements. Not necessarily the largest vendors in terms of revenue, they have proven products, a track record of customer success and demonstrated momentum in growing their market presence, as well as a clearly communicated strategy to develop their current products into a next-generation application without causing too much disruption when adopted by their customer bases. Leading vendors have offerings that appeal to the specific process needs of midmarket customers, show good support for user-centric ERP approaches, and are designed or streamlined for low TCO, while being available and well-supported in multiple regions.

Leaders are successfully transforming their products into model-driven applications to allow for high process and information flexibility, with tools for embedded analytics and UIs that allow for easy adoption by different types of users in the context of a user-centric ERP strategy (see "How to Learn to Love Your ERP (Again)" [Note: This document has been archived; some of its content may not reflect current conditions]). Leaders have compelling strategies for addressing the ongoing market changes related to
Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies

actual cases, the number of employees will be up to 10,000 or even between 100 and 999 employees, and with annual revenue between $150 million and $1 billion. In some cases, the number of employees will be up to 10,000 or even between 100 and 999 employees, and with annual revenue between $150 million and $1 billion.

Challengers

Challengers have broad and mature ERP systems, along with a strong international presence, either directly or through indirect channels. Although their solutions can be configured to the needs of midmarket companies, they may not have a clear strategy for fundamentally modernizing their solutions (for example, a lack of financial potential for the significant investments needed, or architectures that do not allow for evolution, or the existence of other solutions in their portfolios, which, in Gartner's view, will be preferred over the solutions analyzed here, such as Fusion Applications as Oracle’s next-generation offering).

Challengers offer solid support for companies that do not expect to undergo dramatic changes and do not expect the most innovative solutions built using the latest technologies. All products listed in the Challengers quadrant presumably will not disappear, even if their vendors are acquired (see "Managing Vendor Risk: It’s Not the Software Vendor You Should Worry About, It's the Product" and "Where All the Midmarket ERP Vendors Have Gone" [Note: These documents have been archived; some of their content may not reflect current conditions]). Challengers have stable consulting and support structures in multiple geographies. Finally, despite any noted shortcomings, which vary depending on the product offering and vendor, one clear, distinguishing feature of a Challenger is a vocal and satisfied base of customers across the geographies and industries the vendor serves.

Visionaries

Vendors of products in this quadrant have a compelling vision for achieving a differentiated position in the market (such as addressing some of the trends that Gartner defines as the Nexus of Forces), having a full SOA/model-driven packaged application strategy, and offering high ease of use, implementation and operation; however, they lack certain characteristics in their Ability to Execute.

Visionaries might have compelling product strategies, but they lack the market momentum or have not yet reached full market presence to move higher in their Ability to Execute. Generally, customer satisfaction, as with Ability to Execute, is limited, mixed or ambiguous, due to the newness of recently introduced innovations, or because the vision — although noteworthy and theoretically appropriate to the midmarket — has delivered mixed results in vendor practice.

Niche Players

The Niche Players in this Magic Quadrant fall into two categories:

The first category comprises solutions that are often functionally adequate, and, in some cases, are the best choices for the specific requirements of an individual customer. However, they lack the full depth, breadth or robustness of functionality demanded by the most complex and sophisticated users, and often do not have a vision for attaining — or the level of persistence required to attain — the status of becoming a next-generation ERP product (see "How to Learn to Love Your ERP (Again)" [Note: This document has been archived; some of its content may not reflect current conditions]). These vendors often lack the broad experience, new client numbers, customer references or investment levels compared with the leading vendors in the market. This is not to say that Niche Players are not viable; in fact, they can be good ERP vendors for many buyers. In some cases — such as user companies that only deploy to a few countries, or companies with limited complexity or sophistication, or that are in a few very specific target vertical markets — a Niche Player vendor could be the best choice.

The second category comprises solutions that were originally designed as solutions for large enterprises, or, over time, have been developed for large enterprises. Although these systems have broad and deep functionality in most areas, their scope, complexity, cost and scalability can sometimes be more than what midmarket users require. In some cases, lack of skilled consulting resources and limitations in the availability of partners must be overcome to improve these vendors’ solutions’ Ability to Execute.

For both categories, we find that the products in this quadrant do not have a clear and credible vision for how to turn the solutions into modernized offerings (see Market Overview section below), whether because of a lack of financial means to execute against a vision, or because the company pursues other visionary plans that are not directly applicable to the products analyzed in this research.

Nevertheless, for an individual enterprise, a product in the Niche Players quadrant can be a good choice, depending on the user's requirements. A more detailed analysis is needed to determine the best solution for any given company, and Niche Players’ solutions should not be excluded from any selection process.

Context

The 2013 iteration of this Magic Quadrant addresses the needs of product-centric companies with between 100 and 999 employees, and with annual revenue between $150 million and $1 billion. In actual cases, the number of employees will be up to 10,000 or even more, depending on industry and
geography. These enterprises are not necessarily small, nor do they necessarily have only basic business requirements. They have limited IT resources and seek ERP systems that support their differentiating business processes well with deep functionality, but they do not require significant overhead in the nondifferentiating business areas, meaning the systems must minimize TCO and complexity (see "Midmarket Companies: Clarify Requirements for Process and Information Support to Enable User-Centric ERP" [Note: This document has been archived; some of its content may not reflect current conditions]). Compared with the 2012 iteration, the inclusion criteria for this Magic Quadrant were not changed. The evaluation criteria were only slightly adapted to reflect new market needs and dynamics, as described below.

Vendors included in this Magic Quadrant have demonstrated their ability to provide ERP systems for global, multitenant, midsize-to-large enterprise customers across a range of industries, as described in the Market Definition/Description section above.

This Magic Quadrant evaluates many ERP vendors in the market, but is not intended to be an exhaustive list of all possible vendors, solutions or products. The Magic Quadrant is a valuable tool to assess and compare multiple potential solutions and vendors, but clients are encouraged to develop a clear understanding of their own objectives and requirements (see "Use a Vendor Evaluation Model to Select ERP Vendors and Software"), and to use the Magic Quadrant in conjunction with inquiries with Gartner analysts.

Magic Quadrants are snapshots in time. To be fair and complete in the analysis, Gartner stops data collection at a specific time. The cutoff date for this Magic Quadrant was July 2013.

Market Overview

The context in which the analysis for this Magic Quadrant was done is described in the "Agenda Overview for ERP and Enterprise Suites: Strategies and Value Realization, 2013." In addition to the four trends that Gartner defines as the Nexus of Forces (see "The Nexus of Forces: Social, Mobile, Cloud and Information"), ERP systems must support user-centric ERP strategies to allow companies to increase the value that they get from their ERP investments. Finally, the devolution of monolithic ERP is an emerging trend as ERP vendors add more cloud offerings to their portfolios, and as companies adopt hybrid ERP strategies to provide greater business agility and flexibility.

In summary, our findings in each of these areas are described in the following subsections.

Cloud and ERP

Today, almost every ERP system being sold is marketed using the term "cloud ERP" in an attempt to make the system look more modern. However, the term "cloud" means different things in different contexts — for example, run off-premises in an enhanced hosting model with additional management services; sold under a subscription-based license model; deployed as a multitenant SaaS system; and various others (see "How to Select the Right Cloud ERP"). Most of the ERP systems analyzed in this Magic Quadrant are offered in a more or less traditional ASP or hosting model. In some cases, subscription-based license models are available. Only a minority of these ERP systems (for instance Epicor ERP) are also available in a multitenant SaaS deployment mode. In others (for instance, Microsoft Dynamics AX), availability as a cloud-enabled solution has only been announced for the next major release. Companies that are interested in utilizing a cloud-based ERP need to analyze their requirements and objectives to select the right flavor of cloud ERP (see "How to Determine the Characteristics of the Right Cloud ERP").

Most of the pure SaaS-ERP systems, such as NetSuite, Plex Online or SAP Business ByDesign, were not included and analyzed in this Magic Quadrant because none of them fulfilled the inclusion criteria in terms of focus on product-centric companies, or because of a lack of global availability.

Mobility

All ERP systems analyzed in this Magic Quadrant offer support for mobile access, although to varying degrees. Access to specific areas (such as posting of inventory transactions by specialized, often ruggedized devices) is often available through partnerships. Workflow-based tasks, often used for approvals by business line managers (for example, to approve purchase requests), are well-supported. Some systems (for example, IFS) offer special apps that make use of additional device capabilities (for example, location awareness and cameras) to make the creation and processing of travel expense reports easier. Some vendors (for example, SAP) offer comprehensive dashboards for mobile devices to present information and data analytics to users. JDE EnterpriseOne offers an app that renders the transactional screens on mobile devices, although the smaller screen size can make navigation of complex screen layouts difficult.

Companies should include the capabilities of mobile devices and the needs of their user bases to build a more user-centric ERP strategy (see User Centricity subsection below, as well as "Using the Hype Around iPads and Tablets to Make ERP More User-Centric" [Note: This document has been archived; some of its content may not reflect current conditions]). Companies that want to increase productivity and operational responsiveness by putting ERP functions on mobile phones and tablets should simplify ERP applications into single-function apps (for example, inventory status or sales leads) that are built with mobile application development technologies (see "From Mobile to Post-PC ERP"). Midmarket companies will often seek the support of their ERP vendors or implementation partners to achieve this. To avoid considerable overspending on mobility initiatives, companies must put a comprehensive mobile strategy in place (see "Best Practices for Mobilizing Access to Your ERP").

Analytics

Most ERP vendors analyzed in this Magic Quadrant have responded to the consistently negative assessments regarding reporting and analytics that their users have given over the past couple of years.
For instance, one of the biggest enhancements in the latest JD Edwards EnterpriseOne release is the new One View Reporting module. Infor is integrating its acquired BI solutions with its core ERP systems, and its strategic ITI initiative is intended to further support this. Microsoft Dynamics is making use of the very enhanced analytics capabilities of the underlying SQL Server database, and of productivity tools such as Excel.

So far, only a small number of the vendors are supporting wider aspects of predictive analytics and enterprise planning within their ERP suites, such as supply chain planning, workforce planning, and financial and business planning. However, the increasing availability of in-memory DBMSs is being used by some vendors (for example, SAP) to not only improve the performance of their existing ERP suites, but also offer and embed predictive analytics, planning and simulation into the ERP systems. As yet, none of the systems that Gartner has followed has completely realized Gartner's vision of "embedded analytics." In particular, the third level is not yet a reality — this is where analytics are embedded in the process to enable automated processing of information and intelligent decision making by the system without user interactions (see "Hype Cycle for ERP, 2013" and "Maverick Research: Judgment Day, or Why We Should Let Machines Automate Decision Making").

Social

This is the one force in the nexus that is the least well-developed. While social collaboration and analytics (for example, sentiment analysis) play some role in CRM and BI, ERP vendors are struggling to clearly demonstrate the value of the social capabilities embedded in their core ERP suites. A remarkable exception is Infor, which, in 2012, started to position its next-generation UI framework, Infor Ming.le, to make use of social collaboration features. Other ERP vendors have integrated social networks (mostly internal to the enterprise) in their ERP systems to allow users to more easily get in touch for ad hoc tasks and inquiries (see "Socializing Business Applications Using Enterprise Social Networks").

However, no ERP vendor analyzed in this Magic Quadrant has leveraged the complete set of social software capabilities, encompassing user profiles, groups, content authoring and sharing, discussions, wikis, blogs, microblogs, activity streams, social tags, social bookmarks, content rating, and social analytics. Nevertheless, Gartner expects the majority of companies to deploy social technologies not as individual, dedicated products, but rather as ways of working with and inside an ERP system. Therefore, we are expecting the vendors to respond to this challenge in future releases of their systems.

User Centricity

Very much like pace layering (see "Best Practices for Implementing a Pace-Layered Application Strategy"), user centricity is not a technology per se. Rather, it is a characteristic of an organization's ERP strategy that no longer puts data or processes at the center of the strategy, but rather the needs and working behavior of different groups of users (see "How to Deliver a More User-Centric ERP Solution" [Note: This document has been archived; some of its content may not reflect current conditions]).

Gartner has identified four types of users and their individual needs that must be supported by the ERP system in an optimal way (see "How to Learn to Love Your ERP (Again)" [Note: This document has been archived; some of its content may not reflect current conditions]). Many of the technologies described above are necessary to achieve this support:

Transactional power users use the ERP system as their primary tool to fulfill their daily jobs. They need a UI that can keep them from being efficient and productive. They require a clean and intuitive UI, features that allow them to personalize screens and screen flows to their individual needs, easy adaptation of business process templates that they need to follow, data visualizations and analytics capabilities embedded into their main screens, and a comprehensible and expandable help system that enables them to utilize less-often-used parts of the system in an efficient way. The fundamental concepts of model-driven packaged applications and of embedded analytics are important means of supporting these users, and of giving them the necessary combination of productivity and flexibility.

Casual users only use the ERP system for a small number of their business activities. This includes the large number of self-service users who have to do HR-related activities (like leave requests and similar casual activities), but also line-of-business managers who have to approve certain activities (such as the release of a purchase order with an exceptional value, leave requests, or travel expense reports). This also includes workers (for example, on the shop floor or in a warehouse) who post ERP-related activities (like starting a work order or receiving an item). These users are best served by very simple UIs with single-purpose screens that are easily tailored to the specific task at hand. Wherever possible, mobile devices should be supported to allow users to do these small, but important, business activities wherever they are.

Information users make use of the huge amounts of data that exist and are maintained within an ERP system. They often only need "read only" access to data, but to answer their questions, the ERP system needs to offer powerful, yet flexible, reporting and analytics capabilities, as described above. The difference between casual users and information users is that casual users create and change data, although on a smaller volume scale than transactional power users, while information users only read and use data from the ERP systems.

Business leaders and process owners need more indirect access to the ERP system. They are more interested in metadata about how their users work with the ERP system, where they struggle, how process owners can increase data quality and ensure process integrity, and how productive the different types of users are. SAP, for example, offers tools for process insight in its Solution Manager. Business leaders and process owners use this data to improve processes, train users and optimize the ERP systems (for example, by activating additional functionality or making decisions about customizations and upgrades). They need application performance monitoring tools that guide them in the right direction (see "Magic Quadrant for Application Performance Monitoring"), but also an ERP system with a modern architecture — ideally a model-driven one — that will allow them to make the necessary changes to the process definitions within the ERP system in the least intrusive way.
Many ERP systems analyzed in this Magic Quadrant have recognized the need for a better user experience, and have improved the UIs of their systems. Examples are IFS with its Enterprise Explorer UI, but also Oracle with the changes to the UI of JD Edwards EnterpriseOne. For casual users, some (but not all) offer additional types of user licenses that are less expensive than full user licenses. Information-only users are increasingly supported with dashboards, analytics tools synchronized with the transactional screens, and sometimes with tools based on mobile devices. However, the full adoption of user-centric principles has yet to happen.

Devolution of ERP

Different from large, complex enterprises, midmarket companies try to source as much of their functionality as needed by the business within one integrated ERP suite. As a result, most of the vendors included in this Magic Quadrant have built out their suites by adding more modules or integrating other products. Recent examples of modules added are the new Health and Safety Incident Management module for JD Edwards EnterpriseOne, and the modules for improved warehouse management and transportation management that will be released shortly for Microsoft Dynamics AX. One example of deeper integration is QAD, which is working on integrating its acquired Cebos quality product with its ERP system; another example is IFS integrating its ERP with 360 Scheduling.

This work is the opposite of the move to what Gartner describes as "postmodern ERP," in which the ERP suite is deconstructed into a more federated, loosely coupled ERP environment with much (or even all) of the functionality sourced as cloud services, or via business process outsourcers (see "Develop a Strategic Road Map for Postmodern ERP in 2013 and Beyond"). Gartner expects that, due to the move to postmodern ERP, within five years, hybrid ERP environments will be the norm, especially for large enterprises. However, we expect that most midmarket companies will prefer more complete integrated suites — they do not necessarily need an optimal solution for their nonstrategic business areas, but they can live with good-enough functionality. Still, for the few areas where they have specialized, they need an ERP system that best supports these differentiating business capabilities without having to take care of integrating and maintaining a more complex hybrid ERP environment (see "Midmarket Companies: Clarify Requirements for Process and Information Support to Enable User-Centric ERP" [Note: This document has been archived; some of its content may not reflect current conditions]).

Companies that believe their ERP systems will not fulfill most of their business requirements out of one integrated suite should use Gartner's Pace-Layered Application Strategy to build a more flexible business application landscape (see "Applying Pace-Layering to ERP Strategy"). In it, the ERP system delivers most of the commoditized functionality of systems of record, while more strategic requirements are delivered by additional systems of differentiation, complemented by systems of innovation that deliver short-term improvements (but are not necessarily built to last).

Four ERP Systems Are Currently Classified as Leaders and Visionaries

Compared with the 2012 iteration of this Magic Quadrant, there were two changes in the offerings that qualify as Leaders: IFS Applications entered the Leaders quadrant, while Microsoft Dynamics AX exited the Leaders quadrant and moved into the Visionaries quadrant. SAP Business All-in-One retains its position in the Leaders quadrant:

SAP Business All-in-One is one of the broadest and deepest solutions in the market, and its Best Practices and the fast-start program reduce the effort needed for the early phases of an implementation. SAP Business All-in-One is based on extensive experience from SAP's large partner channel, which has turned partners' expertise into prepackaged and precustomized versions of SAP's Business Suite, all of which is marketed under the brand name "SAP Business All-in-One." The basic concept of Best Practices has been expanded and forms the conceptual basis of SAP's RDS. Unlike other rapid implementation packages in the market, multiple RDS packages can be used in combination to set up different parts of the ERP system — for example, by combining the SAP ERP for Finance and Controlling RDS, powered by SAP Hana, with SAP Treasury and Risk Management RDS. Nevertheless, companies need to be careful not to expect too much from rapid implementation methodologies, and should prepare well before they select and deploy any (see "Handle Rapid Implementation Packages for ERP With Care"). Overall, challenges with this application's complexity and cost continue to be issues, which makes it a best fit for companies that are in the upper middle market or, with some rapid growth, intend to be there in a few years.

IFS Applications is a fully integrated and very comprehensive ERP suite. Rooted in its origins as a vender of enterprise asset management solutions, it is best suited for complex manufacturing and asset-intensive companies, and for those that run their businesses mostly organized around projects. However, in the past few years, IFS has not only used the experience it's gained through an initial focus on some core industries and then expanded into other industries (for example, automotive and process manufacturing), but also significantly grown its global presence. Some global SIs that have built professional services practices for IFS Applications have helped to improve the worldwide availability of IFS resources. IFS's vision with regard to user centricity, mobility and cloud usage has improved to a degree that allowed the solution to be recognized as a Leader in this iteration of the Magic Quadrant.

Two ERP systems are rated as Visionaries:

Epicor ERP (formerly Epicor 9), through its use of modern technology and delivering on the promise of a product based completely on an SOA, continues to be one of the most visionary and complete offerings in the market. Its ICE architecture and built-in business process management (BPM) features offer a high level of flexibility that can be preserved through upgrades, as witnessed by a number of customers with which Gartner has spoken. Epicor ERP has further expanded its innovative approaches to mobility, embedded analytics and deployment as a SaaS solution, now with three different editions. Epicor, despite the merger with Activant in 2011, is a comparatively small vendor, but the company and its Epicor ERP product have proved to be strong in worldwide competition.
Microsoft Dynamics AX is primarily targeted at midmarket organizations, but its latest version, AX 2012 R2, has been significantly extended to move it into the upper-midmarket and lower enterprise space, delivering competitive TCO through its integration with other Microsoft products and technologies. Microsoft’s industry strategy for Microsoft Dynamics AX has resulted in strong functionality as built by Microsoft’s internal resources and as offered by proven partners. Particularly for its newly targeted upper-midmarket and enterprise customers, Microsoft has, to date, delivered only limited implementation and support capabilities. Most of the existing channel partners have minimal experience with the product and business model extensions in AX 2012, and very few are ready to support implementations for large global deployments. Microsoft Consulting Services is building out its services, but, combined with a lack of presence in more global SIs, the available resources do not sufficiently cover the market demand. Customers coming from an earlier release have reported that the upgrade takes significant effort, such that most companies should consider a reimplementiation to fully leverage the much improved product capabilities. These factors have led to Microsoft Dynamics AX being positioned in the Visionaries quadrant, although with a strong Ability to Execute primarily in the core midmarket.

There are six other offerings in the Challengers and Niche Players quadrants. Some of these have superior functionality for particular parts of the market, so investigate these options because they might offer a good fit for your specific requirements. However, these offerings do not have compelling visions for leading the market, or they have other critical challenges detailed in the individual product summaries.

Gartner’s methodology does not allow readers to use the Magic Quadrant for a trend analysis to see how a solution has evolved, compared with its peers, just by looking at “how the dot has moved.” Instead, each Magic Quadrant is a point-in-time analysis that describes and analyzes the current situation (see “How Gartner Evaluates Vendors and Markets in Magic Quadrants and MarketScopes”). This is especially true when the evaluation criteria have been changed.

For this Magic Quadrant, from 2009 to 2010, a product’s ability to serve as a complementary solution in a two-tier ERP scenario was dropped (see "Two-Tier ERP Suite Strategy: Considering Your Options" [Note: This document has been archived; some of its content may not reflect current conditions]). From 2010 to 2012, solutions that did not primarily serve multiple organizations in one single instance were removed from the Magic Quadrant, and the ability to support multiorganizational enterprises received a higher weighting, along with some other changes in the evaluation criteria. In this 2013 iteration, the criteria associated with the Nexus of Forces megatrends received a slightly higher rating than they had before. These changes make it impossible to assess a product’s progress by comparing its current position in a given quadrant to its position in a previous version of the Magic Quadrant.