Top 10 Enterprise Resource Planning (ERP) Vendors

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The Top Ten ERP Vendors

The global ERP market has been seeing an average of about 10% growth year on year since 2006, and while the current global economic slowdown is bound to cause a dip in this growth pattern, it is a safe bet that the overall trend will sustain. Growth in ERP markets will almost certainly go back to 10% plus as soon as the Eurozone crisis subsides.

Understanding the ERP Market Space

Like every other segment of the IT industry, the ERP industry is evolving rapidly. The industry has clearly differentiated between very large enterprises and the small and medium business sectors. It is the second segment that is seeing rapid growth and the emergence of new players in the ERP business.

ERP vendors are classified as Tier I, II or III depending on the kinds of clients they service. The three groups are very distinct and the size and complexity of their solutions are also very distinct.

In general, the Industry classifies a Tier I ERP vendor as one that sells extensively to the Tier I market – a market that has companies with annual revenues exceeding $1 billion. These companies are invariably multinationals with a presence in many different geographic regions. Naturally enough, Tier I ERP products have a high cost of ownership due to their complexity and costs of implementation and support. While there have been several Tier I vendors earlier, mergers and consolidations have shrunk the list considerably. The list of Tier I ERP vendors is now very small and consists of just two entries – SAP and Oracle.

Tier II vendors sell ERP products that suite mid-sized companies that have revenues in the range of $50 million to about $1 billion. The products of Tier II vendors are specifically built to handle this market and cater to a single or multiple locations of deployment. Naturally, Tier II solutions are easier to manage and support and cost correspondingly less as well. Often, Tier II solutions are confined to a specific industry vertical. This group sees considerable competition and is comprised of about 20 well-known companies.

Tier III ERP solution providers target companies that have revenues of $10 million to $50 million. Solutions provided by these companies are simple to implement and support and have correspondingly lower cost of ownership. Many ERPs in this group are single location installations and built for a single vertical. While they are easy to manage and deploy, the risk is that a company could soon outgrow the solution and hence some kind of migration path must be kept in mind when a small but rapidly growing company selects a Tier III solution.

ERP Moving into Cloud Computing

Another interesting development in the ERP space is the advent of cloud computing solutions. A number of users are beginning to use cloud based ERP solutions. These solutions typically provide a lower cost of ownership – initial startup costs can be lower by as much as 30% to 50% as compared to an ERP solution hosted within your own premises. This becomes even more relevant for companies with a large geographical expanse. Typically, the first movers to the cloud were the relatively smaller companies and mid-range companies were the next to consider a move to the clouds. Large companies were the most conservative in this regard.

Since ERP implementations can be very complex, smaller companies are able to experiment more easily with cloud solutions. The very large companies have all made very significant investments in their existing ERP systems and hence may not be so keen to change.

Nevertheless, it is clear that the Software as a Service (SaaS) model will influence the ERP industry considerably in the future. Generally, SaaS is associated with lower costs due to following a rental model for using software and due to a 'pay as you go' approach. It is not clear how this will apply to ERP solutions, but the move to the cloud is indisputable. There are several concerns about the cloud, but these are also being addressed as the technology matures and finds widespread use – some of these are:

- Will the SaaS model imply a standardized solution?

- What happens to any earlier ERP investment?

- Risks of governance, security and vendor lock in.

In spite of the relevance of these concerns, it is clear that more cloud based ERP solutions will emerge. Very recently, Larry Ellison announced that Oracle would now be embracing cloud technology. Although he did not mention cloud based ERP solutions, he did throw his weight behind the technology.

Implementation sizes of cloud based ERP solutions will increase slowly and this is a space that must be watched carefully.

Choosing between On-premise and Cloud Based Solutions

A large number of case studies are available about both cloud based and on-premise deployment of ERP solutions. From a study of these, the key reasons why either is selected can be easily discovered.

Companies that chose on-premise hosting often do so largely because of the following reasons:

- Leveraging existing systems – companies that had substantial investment already in on-premise hardware or software wished to leverage that to reduce overall costs.

- Ensure connectivity with legacy systems – in some cases legacy systems were critical to the business and the company wanted to ensure that these stayed connected to the final solution. This was easier with on-premise installations.

- More predictable performance – many companies are still uncomfortable with the cloud and prefer the security of on-premise installations to ensure that the systems stay under their control.

- Compliance issues – at sometimes there are compliance issues such as those mandated by HIPAA etc that are easier to meet if the solution is hosted on-premise.

On the other hand, companies that selected cloud based solutions favored the following reasons to do so:

- Lower initial cost – with a pay as you go model, initial costs are a fraction of the on-premise model. This makes ERP affordable for many companies that would otherwise not be able to consider such solutions.

- Rapid deployment – since no installation is done on your premises, the roll out is much faster. All you have to do is to ensure that PCs are connected to the Internet.

- Very little IT staff is needed to manage the ERP.

- Upgrades are managed by the service provider and are transparent to you. In a traditional on-premise hosting, an upgrade sometimes causes reversal of customizations which can be a major loss of capability. This even prompts some companies not to upgrade.

- Scaling up is easy and involves very little additional expenditure. Your costs increase as your capability to pay does.

ERP Vendors by Sector

ERP solutions are such a specialized field and the necessity of domain expertise is so critical that solutions and their providers can be easily broken down by sector. Each sector has its own top 10 list. Of course, many of the players are common to all domains – SAP, Oracle and Microsoft

being the main examples. But variations tend to creep into the Tier II and Tier III end of the market.

This study looks at the following major sectors of Industry:

- Manufacturing & distribution industry
- Transport, communication, energy, sanitary services
- Service sector
- Retail sector

Details of the top players in each sector are tabulated below along with their market shares. In some cases, where the market is extremely fragmented at the lower end, it is difficult to identify the last few of the top 10 and a grouping called 'other' captures the rest of the vendor list.

ERP Vendors in the Manufacturing and Distribution Industry

This market is dominated by SAP, Oracle and Microsoft in that order and together they command a 55% market share. A number of Tier II vendors also have considerable market share. The lower end of the market is very fragmented with 26% going to a large number of vendors each of whom has less than 1% market share. Here is what the list looks like - (All figures are in percentages – in this and subsequent tables).

SAP	Oracle	Microsoft	Infor	Epicor
28	15	12	7	5
IFS	Lawson	Consona Corp	Activant	QAD
2	2	1	1	1
Others				
26				

Transport, Communication, Energy, Sanitary Services

In this sector, the top 3 remain unchanged but as the table below will show; their market share is increased by nearly 20%. As a result, SAP, Oracle and Microsoft cover nearly 73% of the entire market in this domain. The remaining vendors share about 11% between themselves and a much smaller proportion goes to the 'others' group. The table of relative standings in this section is as shown below.

SAP	Oracle	Microsoft	Infor	Epicor
35	23	15	4	2
IFS	QAD	Adonix	SAGE	Visibility
1	1	1	1	1

Service Sector

The trend of the big three maintaining their dominance continues unchanged. The lower end of the market is more fragmented and only seven companies that have a market share of 1% or more can be identified. The position of the major players in this space is shown in the table below.

SAP	Oracle	Microsoft	Infor	Epicor
30	21	15	2	3
Lawson	Netsuite	Other		
2	2	25		

Retail Sector

In the retail sector the dominance of SAP, Oracle and Microsoft continues. Microsoft improves its position in this sector, coming out even with Oracle. In Tier III service providers, we find new entrants in the list with small vendors taking up nearly 11% of the market space. The table below shows the relative positions in this domain.

SAP	Oracle	Microsoft	Infor	Lawson
31	22	22	2	2
Consona Corp	QAD	SAGE	Exact	Other
2	2	3	3	11

With the above background, a final list of the top ten players in the ERP segment is drawn up. This list takes into account the market share of each player in various market segments. Where market shares add to the same value, a vendor who has presence in larger numbers of domains is ranked higher. With this ranking methodology, the final top ten list is produced below.

1	SAP
2	Oracle
3	Microsoft
4	Infor
5	Epicor
6	Lawson
7	QAD
8	SAGE
9	IFS
10	Consona Corp.

In the next few paragraphs, we discuss each of these companies briefly.

SAP – Founded in 1972 by five former IBM engineers, SAP is the undisputed market leader in the ERP space and is the third largest software company in the world. Its current version has more than 30,000 relational database tables that allow it to handle extremely complex business situations. While it is an undisputed number one in the Tier I ERP space, SAP has been criticized at times for being too complex and difficult to handle. If you are a small or medium company, this solution is probably more than what your company needs or could potentially handle.

Oracle – While Oracle was formerly best known for its relational database, it was for many years the database of choice for SAP ERP applications. This cooperative situation had existed since the late 70's. However, sometime around 2004, Oracle began to look at building its own ERP solutions and at the same time SAP began to offer its ERP solutions on the Microsoft SQL Server database platform as well. The first Oracle ERP product was Oracle Financials which was released into the market as early as in 1989. However, post 2004, Oracle began to become a serious player in the ERP market and is now a well-established number 2 in the Tier I market.

Microsoft – Microsoft Dynamics is mostly focused on Tier II clients in the ERP space. It provides solutions in a number of different business domains including in the Customer Relationship Management domain. A great advantage of Microsoft products is its great ease of use. This holds for its ERP products as well.

Infor – Infor Global Solutions is a privately held company that has grown rapidly in the Tier II vendor space since 2002. The company has taken an aggressive acquisition route to growth and continues to follow this path even now with its acquisition of ENXSUITE in 2011. Infor has a global presence to match the footprint of the top 3 and has clients in 194 countries. Infor has solutions in as many as in 14 different domains and it has a very good presence in each of the four specific domains that were previously discussed.

Epicor – Started in 1984 and working initially with DOS, Epicor later converted its products to Windows and followed a merger and acquisition path to acquire companies selling ERP products and then to offer their solutions as a comprehensive package. Epicor has a presence in over 150 countries and has more than 20,000 Tier II / III customers. Epicore likes to call its ERP "the key to possibilities not yet imagined".

Lawson – Acquired by Infor a couple of years ago, Lawson still maintains a separate identity although it does display the Infor logo on its web site. Specifically mentioning that it is tailored for the small to midsized business, Lawson has a presence in 68 countries and has more than

4,500 installations. Lawson caters to a large number of verticals and uses this as its USP. Simplicity of the solution is another key focus area in a market best known for its complexity.

QAD – The QAD website shows a chain with the logo of the cloud forming one of the links so we have an idea what is on the company's mind. The QAD Enterprise Application is designed to make it easy for first time ERP users to begin using an ERP in their company with the least amount of migration problems. The company supports and engages with its customers to ensure that the return on investment is obtained rapidly.

Sage – is a UK based company and had its beginnings in a 1981 summer job when the first version of a type of accounting software was written. This grew into larger versions until eventually, in 1984, Sage Software was launched as a company and achieved a fair amount of success. Like many other companies in the ERP space, Sage has grown by a number of acquisitions and says that 'acquisitions are part of its DNA'. The cross pollination of DNA appears to have been very successful given the rate of growth Sage has been seeing.

IFS – Founded in 1983, IFS focuses on building agile ERP solutions that use SOA architecture. This implies easy modification and adaptation to user needs. IFS is most useful four core strategic processes - service & asset management, manufacturing, supply chain and project management. It has a user base in excess of 2,000 installations and customers in 50 countries. One key reason for its success is its sharp focus on specific verticals.

Consona Corp – Deriving its name from 'consonance with the customer', Consona is active in ERP, CRM, knowledge management and other related fields. The company is privately held and has grown by acquiring a number of specialist ERP companies. If you are doing business in a niche area where Consona has a focus, you may just be lucky. No one else we know is offering an ERP solution tailored to printed circuit board manufacturers or to metal wire and cable manufactures. A solution as focused as this is bound to be better than a generic ERP when put to use in one of those industries.

Selecting an ERP Solution

Selecting an ERP solution is a serious exercise and has to be executed with great care. Companies often go ahead with poorly or incompletely defined requirements and do not take adequate care in selection of a vendor. It is essential that the selection process encompass the following:

- A **structured approach** to defining requirements and creation of the tender document – all departments and stakeholders must contribute to the requirements definition and be

aware of the solution selection process. At the end of this process, you should be able to define with great clarity what the final solution will be able to help your company accomplish.

- **Realistic and comprehensive demonstrations** – Typical vendor demonstrations tend to be simple and straightforward. You need to see demonstrations that apply to your specific situation and not to your industry in general. You will have to work out in advance what part of the activity you want to see demonstrated and how much of sample data are you willing to provide prospective vendors. Needless to say, all your shortlisted vendors must provide the same type of demonstration with identical data.

- **An Objective selection** – the selection process must be clearly defined with well selected marking criteria. All stakeholders must be given an opportunity to rank solutions and make a decision matrix. Ensure due weight is given to the following criteria in creation of a marking matrix –

  - **Customizability –** check carefully how flexible the solution is and what adding new functionality entails. Determine how much you can customize yourself without needing to ask for support.

  - **Technical Fit** – the solution must fit the technology you are already using – for example if you are solidly on the Windows platform and use SQL Server as the database, you could opt for an ERP solution built on .Net and using the same database. This will simplify your manpower issues and make the solution easier to manage.

  - Calculate the **total cost of ownership** – many costs are not apparent in a vendor proposal – these could include upgrades to hardware, additional manpower, network costs, costs of software maintenance and customization and so on. Spend time and effort to unearth these and calculate as accurate a TCO as possible.

  - **Do not restrict your selection list** to the top three or four. There are more than 70 vendors in the market and many of the smaller ones offer very specialized niche ERP solutions. Some of them could fit your business very closely.

  - **Look to handle the unexpected** – if you want to process a refund based on a photograph of a damaged carton the customer emails you, can the system handle the image and absorb it into the workflow?

o Easy to use **reporting tools** and generation of ad-hoc reports – there are ERP solutions that are extremely formal about building reports, and this forces your users to rely on your IT staff. Other solutions allow you a degree of freedom to create any ad-hoc report you need. Ease of report generation is an important criterion too.

o **Interface** with vendor and client systems – electronic data interchange with collaborators and clients can often be essential. Ensure that your solution provides this functionality without needing any additional third party translation tools.

o **Security** should be built in from role based security at the individual level all the way up to the division and the business level.

A Few Final Thoughts

Anyone who has worked on ERP solutions knows firsthand how difficult it can be to get everything right and derive real benefits from the initiative. That of course is subject matter broad enough to generate another white paper on. But when you are in charge of the implementation, should you use a big name or a small niche player?

The answer, we think, lies in how specialized your business is. If you can fit into a generic solution with a small amount of customization, then maybe a standard solution will work for you. However, if you are in a very specialized business, why should you look for a generic solution in place of something that is closely tailored to your needs? Such a solution ensures that the software is built to follow your workflow rather than the workflow being adapted to the software.

ERP solutions can be terribly difficult to implement and cause a considerable disruption at work. A closely tailored solution will cause the minimum disruption and assure you of the greatest chance of success. The vendors discussed in this paper are all experienced (the youngest in the ERP business appears to be Oracle!) and selecting one of them that fits your niche seems to be a sensible and practical approach.