

The value of 2-tier ERP for small and large businesses – May 2010

By Bob Tarzey, Analyst and Director, Quocirca Ltd

There is no doubt that SAP is the world largest provider of ERP software. According to the website www.erplists.com it has about a third of the market. But that still leaves a lot of share for other vendors, many of which do not trip of the tongue. Understanding where the applications of some of the smaller players are being used can be tricky.

ERP is one of those categories where getting an accurate picture of market share is not that easy. The reason for this is twofold. First it depends on the size of companies; SAP and its closest rival Oracle are most closely focussed on larger businesses, other vendors such as Microsoft and Infor are more focussed on the mid-market – so overall market share does not tell you that much.

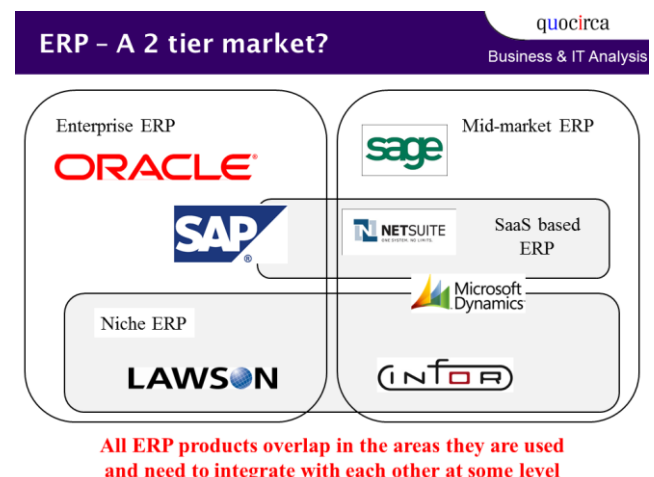
The second reason tying down ERP market share is tricky is that it turns out that large enterprises also buy mid-market ERP products. That is not to say they eschew the big players, but that they select other products to fit niches that SAP and Oracle do not serve well.

For example SearchManufacturingERP.com cites an example of the French company Areva using Infor SiteLine for site operations alongside SAP for its financials. It was felt that the Infor product was more cost effective and easier for its employees to learn to use for that particular purpose or group of users.

Such mixed use is referred to as 2-tier ERP and it is making a muddle of market share figures because many product usage surveys only ask questions like “what is the main ERP product that you use”, or they only interview representatives from the finance department who forget about products used by other departments.

If fact the mid-market vendors actually see the 2-tier market as a significant opportunity for increasing their market share. Microsoft actually has a page dedicated to 2-tier on the Microsoft Dynamic’s area of it web site. It provides a number of case studies including the German

company Wurth that uses Microsoft Dynamic’s Navision in branches whilst maintaining SAP at its HQ.

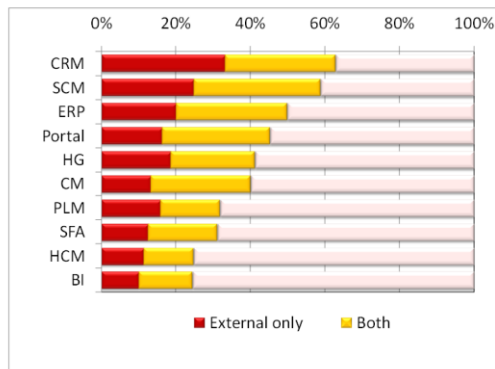


However, it is not a one way street. SAP has been targeting the mid-market for many years with its Business All in One product. Quocirca spoke to a number of SAP’s mid-market customers last year. A motivator for some of these organisations to use SAP, including Dishman a UK based pharmaceutical components supplier and Consol a South Africa bottling company, was, they reported, the ease of participating in the business processes of larger organisations that also used SAP.

To enable this, larger organisations need to open their ERP applications to authorised outsiders and the degree to which they were doing so was examined in Quocirca research conducted a few years ago. 50% of the enterprises surveyed were allowing external users to access their ERP systems, putting it third behind supply chain management (SCM) and customer relationship management (CRM). In the past this may have been done using electronic data interchange (EDI) but it is now usually accomplished by web-enabling the application – that is, allowing secure external access via a web browser.

External users of applications

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It is interesting that CRM is at the top of this list with over 60% of organisation allowing external access. Of all enterprise applications, CRM is the one that has been most successful in moving over to the software as a service (SaaS) delivery model as evidenced by the rise of salesforce.com and others in the last decade. So why isn't more ERP being delivered like this, as it seems an obvious way to enable the sharing of ERP functions between businesses?

The answer to that is that ERP is being web enabled but on a more modest scale. Businesses have been slower to web enable their own ERP applications ahead of other more obvious candidates such as portals, content management and CRM, but even when Quocirca's research was published 25% had done so.

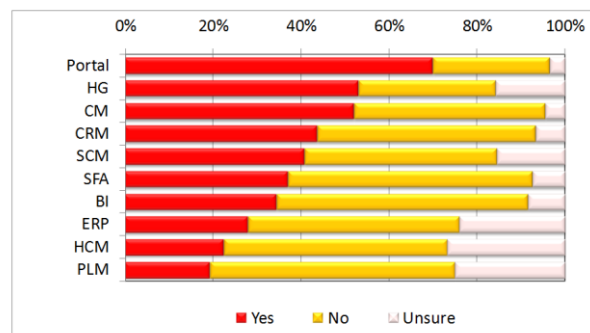
And the market for SaaS based ERP and related services have been growing. In an on-going survey of its members by the SAP UK and Ireland User Group, 20% of respondents said they had at least supplemented their SAP deployment with a SaaS based service where they might have otherwise use a product from SAP itself.

The best known pure play SaaS-ERP vendor is NetSuite and the traditionally on-demand vendors are following including SAP with its Business-by-Design product. But no one has achieved the level of success that salesforce.com has with CRM. So, is there something holding the market for SaaS based ERP back?

There is a limiting factor and this brings us full circle. Small suppliers do need to integrate with their larger suppliers ERP systems, but their internal processes and requirements will often be very different. Many will buy the ERP application that most suits their internal use and seek to integrate it with whatever applications those they trade with use.

Applications being web-enabled

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In other words 2-tier fragmentation of ERP is not just something that exists within large organisations it is also a fact of life across broader communities of businesses. The interests of ERP users are so diverse that the market will continue to support a broad range of products including those for enterprise wide needs and those for specialist niches and the various products will always need to talk to each other at some level.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, O2, T-Mobile, HP, Xerox, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca's work and the services it offers can be found at

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