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

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VIEW SUMMARY

This Magic Quadrant focuses on ERP systems that support a single-instance strategy for multientity midmarket and upper-midmarket companies. Leading systems are modernized around product and delivery, but most are still slow to support a postmodern strategy and to offer IMC capabilities.

Market Definition/Description

This document was revised on 5 December 2014. 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 used by almost all companies above a minimum complexity. The basic concepts and functionalities have been developed and implemented for more than 30 years, but the term "ERP" was coined by Gartner in 1990. In the original definition, originating from manufacturing resource planning (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 that integrates a set of business functions, such as finance, HR and purchasing, with operational aspects, such as manufacturing or distribution, through tight linkages from operational business transactions to financial records" (see "ERP Strategy Must Address the Challenges of Postmodern ERP" and "Agenda Overview for ERP and Enterprise Suites: Strategies and Value Realization, 2014").

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 these are only a few examples, they indicate that product-centric ERP is used successfully in, and is relevant to, a variety of industries.

Almost all organizations use administrative, traditional back-office ERP functions in financial administration, indirect procurement and human capital management (HCM). Product-centric companies expand this by using operational ERP 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.

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EVALUATION CRITERIA DEFINITIONS

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website,

The systems in this Magic Quadrant are analyzed and rated on their ability to support the combined administrative and operational needs 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 User-Centric 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 largest global enterprises, which can have hundreds of thousands of employees. The latter are often subdivided into smaller divisions. Therefore, ERP systems also are 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 \$2 billion, and typically up to 10,000 employees, or sometimes more. 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 and discrete manufacturing in the same system, or when they're the manufacturers and distributors of their products, or when 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 geographies. Therefore, they seek ERP systems that are available and supported in more than one geography.

Are interested in cloud delivery models and SaaS ERP systems to potentially reduce the effort needed to operate and manage their ERP system. Actual adoption is still very limited to simple organizations that have minimal needs to differentiate the core processes supported by ERP.

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 (GSI), 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 evaluation criterion in previous 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:

advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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 agility 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 their ongoing 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 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."

Vendors Not Evaluated, but Also Worthy of Consideration

There are other ERP systems in the market that offer support for product-centric businesses of scale operating in a distributed environment, although not all operate in a single-instance manner. These include, but are not limited to, Fujitsu Glovia, Microsoft Dynamics NAV and GP, Infor SyteLine and Visual, Oracle Fusion Applications (see "Evaluating How Oracle Fusion Applications May Fit an Application Strategy"), SAP Business ByDesign (see "Re-evaluate Purchasing and Deployment Plans While SAP Replatforms Business ByDesign on Hana"), Plex Online, NetSuite (see "What You Need to Know About NetSuite's Product and Ecosystem Investments"), Ramco Systems and Syspro. (Some, but not all, of these solutions are covered in "Vendor Guide for Administrative ERP Applications" [Note: This document has been archived; some of its content may not reflect current conditions], although not with a focus on the operational product-centric side of ERP.) These products were not formally evaluated because they did not meet one or more of the inclusion criteria (see the Inclusion and Exclusion Criteria section) — for example, number of existing customers, number of new customers, geographical spread of customer base, or proof it could scale to support multiple entities in a single instance. However, these are all still credible ERPs, which may actually be more appropriate or closer to your individual requirements, rather than the "ideal" situation set out in the Evaluation Criteria section.

Some vendors are primarily present in their home countries; examples include Totvs in Brazil and Yonyou (formerly Ufida) in China. While they are very strong inside their respective home countries, their presence outside of their country is very limited. Companies looking for alternatives in these countries should include these vendors in their selection process.

Gartner is receiving more questions about some newer market entrants, among them Workday, Acumatica, Kenandy and FinancialForce; the latter two being built on the salesforce.com platform. However, from an ERP suite perspective, these systems have not yet reached the functional breadth and depth or the size of global customer base that would justify their inclusion in this Magic Quadrant. Companies interested in these offerings should be aware that they would be early adopters of systems that are less proven than other systems evaluated in this Magic Quadrant.

Gartner analysts receive frequent questions regarding "cloud ERP." It is important to note that "cloud" is not a defining criterion for ERP systems. Instead, the term "cloud" is used for many different deployment and operation models, including private cloud, isolated tenancy, cloud hosting and many

more (see "How to Select the Right Cloud Business Application" and "How to Determine the Characteristics of the Right Cloud ERP" [Note: This document has been archived; some of its content may not reflect current conditions]). Some systems, such as NetSuite, Plex Online and SAP Business ByDesign, are only available in a multitenant SaaS mode. Others, such as Epicor, offer more choice by being available on-premises, as a hosted system or as multitenant SaaS. Yet others are available on an infrastructure as a service (IaaS) environment, such as IFS Applications on Microsoft Azure or Infor CloudSuites on Amazon Web Services. This trend will continue, and we expect more of the traditional ERP solutions offered in different kinds of cloud deployments.

Magic Quadrant

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



Vendor Strengths and Cautions

Epicor ERP

Epicor's flagship ERP product has grown considerably in functionality, and stabilized since it was first launched in December of 2008. At the time of evaluation, there were approximately 4,500 customers globally across 81 countries on releases of Epicor ERP version 9 or 10, with approximately 50% live. The product is sold and implemented by Epicor directly or via Epicor's partner ecosystem, which currently has around 280 partners globally for this product. While the product is designed for product and service organizations, much of the strength (from the historical foundation) lies in the application's support for product-centric organizations.

Epicor had a successful year in 2013, driven by both increased sales (on-premises and cloud) and further customer adoption of a more mature and stabilized Epicor ERP. Epicor's strong growth of 19% includes effects from the acquisition of Solarsoft Business Systems, as well as recovery from the weaker previous year. There are many products within Epicor's portfolio, but Epicor has continued to nurture most of the older product lines and provides customers with additional technology and functionality via its service-oriented Internet Component Environment (ICE) framework, in addition to migration paths to the Epicor ERP product.

Version 10 is the most current version released in April 2014. From a "what's changed" perspective, much will not be apparent to the business user because the majority of the effort in the latest release has been in reworking the technical foundation of the product, primarily the removal of Progress code, and making the application entirely based on Microsoft .NET. Another major change has been the go-forward stance of only supporting Microsoft's SQL database platform. These changes, while seeming to constrain choice, have allowed Epicor to focus on coding and quality efforts undistracted by the need to support additional databases that were as not as popular for Epicor's target customer base. The net result is increased performance for tasks such as faster processing, posting and reporting, as well as improved stability versus the prior version. Changes aimed at the user include an optional new user interface, which adopts the Windows "Metro" style, and new mobile applications that extend and expose ERP data via mobile access. Also included in the new release is Epicor Social Enterprise (ESE), which leverages social media concepts to allow users and companies to collaborate and follow information throughout their ERP system. The graphical business modeling allows model-based design of company structures, business processes, transactions, screens, dashboards, reports and more, all of which moves Epicor ERP even closer to Gartner's vision of a model-driven packaged application (see "Systems of Differentiation and Innovation Require Different Types of Model-Driven Application Platforms"). For the near-term point releases, Epicor will again focus on delivering functionality enhancements. Uplifts in financial management and manufacturing, for example, are planned for the next release.

While the latest release may not have been as ambitious in terms of business-related functionality road maps, the time and effort taken by Epicor to refactor its foundation were not trivial, and it shows Epicor's vision, as well as its dedication to its current and prospective customers. The technical enhancements will enable Epicor to quickly utilize forthcoming developments in in-memory database technology, usability and simplicity, and mobility and collaboration. They will also provide freedom of choice between on-premises, hosted or multitenant cloud deployment on Microsoft Azure or other public/private cloud platforms with more predictable results. The product is designed for global use, but the majority of the customer base is still North America-based. Indeed, while the application has been translated and has localization packs available for many countries outside of the U.S., Epicor's official training material for end users and administrators is still English-language only. While we have seen a concerted effort to improve the quality and consistency of the product and professional services, there is still variability in Epicor's delivery capability and capacity. These factors reconfirm Epicor ERP's position as a Visionary product in this Magic Quadrant.

Strengths

Epicor has clear road maps, and support with tools, for the majority of its ERP portfolio to migrate to the Epicor ERP 10 platform. Epicor offers extended functionality to Epicor ERP, in select areas, from other parts of the Epicor product portfolio via its proprietary integration framework, ICE.

Epicor has further enhanced the technology in version 10 to make it easier to deploy in the cloud. With its multitenant architecture, Epicor ERP offers multiple deployment choices to its customers and prospects.

The DesignerBusiness Process Management as well as the Business Activity Query (BAQ) tool are further improved allowing business users to more quickly and easily retrieve data and provide expanded analytics. Future releases are planned to improve the integration of transactional data and analytics.

The new UI allows for even easier screen personalization by end users, across multiple types of devices, maintaining Epicor's reputation as a very user friendly ERP system. The adoption of the new UI can be done at the individual user's pace, as the traditional UI is still supported in Epicor ERP 10.

Quality of documentation and training material for Epicor ERP version 10 (developed and published by the Epicor University) for application administrators, business users and implementation consultants is well-thought-out and executed.

Cautions

Epicor ERP 10 is mainly a technical uplift, so customers awaiting greater breadth and depth of business functionality will have to wait for future releases, presumably in late 2014 with version 10.1. While the new release has significant improvement in stability and performance, Epicor's reputation has suffered from the shortcomings of previous releases. Epicor needs to take strong actions to convince the market that the improvements that have occurred will be sustained.

Customizations and extensions written in Progress advanced business language (ABL) will have to be recoded in the upgrade to Epicor ERP 10. Customers on Epicor 9 should start using .NET (if they are not already) for all new development efforts to reduce the effort required in a future upgrade.

Existing Epicor ERP customers looking to upgrade to the latest version need to go through a number of step upgrades. Even if you're on a relatively recent release of Epicor ERP (prior to 9.05.702A), it's likely a direct upgrade path is not available.

Epicor's implementation partners are only certified on a company level, not on an individual consultant's level, which makes it more difficult for prospects and customers to assess the experience and skills of resources they want to engage with. Further improvements to Epicor's project delivery capabilities are needed, which Epicor acknowledges and is working on.

Epicor is an organization with more than \$1 billion in revenue, but international customers are a relatively small part of the business. So while the product is globally usable, the choice and availability of local implementation and support capabilities may be less in some regions.

IFS Applications

IFS Applications is a broad and globally available ERP solution, primarily targeted at project-oriented business in industries such as aerospace and defense, energy and utilities, industrial and process manufacturing, and service providers. It is built on Oracle server platforms, but it alternatively supports lower-cost infrastructure like JBoss and is also certified on Microsoft's Azure IaaS.

IFS had a successful growth year, with 12%, among the highest seen in this Magic Quadrant. This was due to its focused industry strategy and focused segmentation strategy, which is essentially predicated on fewer but higher-value deals.

The current IFS Applications 8 was released in May 2012, and by the time this research was undertaken, it was adopted by approximately 25% of IFS customers. Recent product developments include enhancements in warehouse data collection, trade and logistics; a new manufacturing visualizer; and an integrated corporate performance management module.

Based on its success, IFS continues to build out its partnerships with some global system integrators (GSIs), and its efforts to enable its partners is helping to overcome some of the scarcity of skilled resources. Some bigger projects are now led by partners, for example, by NEC in Japan.

The next release of IFS Applications is planned for 2015, and is currently being tested through an early adopter program. It will feature horizontal enhancements across several areas, and will offer enhanced social collaboration and a reworked architecture. This will allow IFS to get close to Gartner's vision of a model-driven packaged application and to adapt the solution to different needs by configuring instead of customizing (see "Systems of Differentiation and Innovation Require Different Types of Model-Driven Application Platforms"). The enhancements will add flexibility, but will also enable more cloudlike deployments with regular upgrade cycles. The vision for IFS's next UX will offer further improvements over the already intuitive Enterprise Explorer UI.

IFS is one of the few vendors in this Magic Quadrant that is entirely built around one ERP system. It focuses on capital-intensive industries, primarily in manufacturing, but is also continually expanding its coverage of adjacent industries, for example, in services. Its visibility and global delivery capabilities are improving, and IFS shows one of the best growth trajectories. The road map is strong, combining enhancements across the suite with more fundamental modernization efforts, leading to one of the most user-friendly ERP systems in the market. These facts, together with a consistently strong base of reference customers, make IFS Applications one of the Leaders in this Magic Quadrant.

Strengths

IFS Applications is a broad and scalable global ERP system, with 43 countries supported in the core and 19 more with localization packs, some of them supported by partners.

IFS Applications is based on a modern and consistent service-oriented architecture (SOA), which allows for modular deployments and for IFS-built modernizations (for example, user interface, mobility, cloud enablement) across the entire suite.

IFS is improving its partnerships with some global SIs, such as Infosys and Tech Mahindra, but also engaging in more regional agreements with Accenture, Capgemini and KPMG. Some of these companies are starting to take more responsibility by leading entire projects, not only supplying resources to IFS-led projects.

After transforming its entire user interface in v.8 into one of the most user-friendly UIs in this Magic Quadrant, IFS is undertaking further modernizations of its already strong architecture to come closer to Gartner's vision of a model-driven packaged application.

IFS focuses on some core industries, mainly asset-intensive and complex project-based manufacturing and service companies, but also builds out a presence in process industries, such as food and beverage and chemicals. This focus is supported by an industry-oriented service organization with expertise highly rated by customers.

Cautions

Despite working on its marketing campaigns, IFS is still a relatively unknown player in some markets compared to some larger competitors, which makes it more difficult for prospects to achieve internal management buy-in when IFS is considered.

With the growing ecosystem of service partners that are fairly new to IFS, customers need to check on the level of certification and expertise of individual consultants.

IFS is working to become a more harmonized global delivery partner, but issues with sourcing can still occur. It can still be difficult to pull subject matter experts from a different region into a project. In some projects, IFS did not take as much responsibility over the success of the project as wished for by the customers.

Although transparently communicated, IFS sometimes charges license fees for new enhancements like custom fields and the report rule engine. Customers upgrading should insist they get access to these enhancements for free as part of their maintenance.

Infor LN

Infor LN is Infor's primary ERP solution for upper-midmarket and lower enterprise customers in complex discrete manufacturing industries including: high tech, aerospace and defense, industrial machinery and equipment, and automotive, plus industries with maintenance and repair operations and/or with a distribution industry focus. Many customers will still recognize the product under its historical Baan product name. Consulting support for Infor LN is spread across North America (25%), EMEA (50%) and Asia/Pacific (25%), though substantial development, particularly for customer configurations, is undertaken from India. The current release of the product is 10.3.1, released in January 2014 with 10.4.0 expected later in 2014 as part of an annual release cycle.

Infor's ERP business grew 2% in the past calendar year. It has multiple products within this business and it has been actively engaged in promoting and selling its Intelligent Open Network (ION) product, as well as encouraging customers to upgrade to the "10x" product releases.

Since the last Magic Quadrant, Infor has continued its focus on four areas: integration to other products in Infor's portfolio, the addition of a new HTML5-based UI, new functional additions in 10.3, and an accelerated move to cloud delivery.

Integration investment has unsurprisingly centered on Infor's PLM Discrete solution, its Infor Product Configuration Management (PCM) solution, Infor e-Commerce, Infor Ming.le, plus in-context analytics — particularly related to its quality module. The use of ION, Infor's integration platform, among Infor LN customers is almost exclusively focused on integration and workflow between Infor's own products. Its use for business intelligence (BI), social and mobile is extremely limited, as is the use of the Business Vault, or Infor's new Sky Vault. Most LN customers have already implemented, and gained skills with, other integration platforms, such as webMethods, negating the need to use ION beyond that required to integrate existing and new Infor products.

The new HTML5-based user interface should add welcome simplification for users, plus additional customer-defined fields. Infor LN 10.3.0 also incorporated Infor Ming.le, Infor's portal and social business integration platform. Adoption of Infor Ming.le remains slow across Infor's products including LN. Customers say they do not see the value of the investment, preferring Infor to concentrate on rounding out core functionality.

Infor LN Service Management received investment in the new release, including field service management, where the service is provided by the manufacturer. This is in contrast to Infor M3 where the field service provider is different from the manufacturer (transfer of as-delivered, as-maintained configurations, etc.).

Infor is introducing Infor LN as part of its Infor CloudSuite offering. Based on Amazon Web Services (AWS). Extending support for open-source technology including the database EnterpriseDB Postgres Plus Cloud, Infor is one of the first major ERP vendors offering one of their systems on an open-source database system. Infor CloudSuite comprises a variety of products and combinations offered on Amazon's AWS platform. Some of them are industry-specific suites based on Infor LN from a number of Infor solutions, the first ones released being for automotive, aerospace and defense. If successful, the new deployment option will increase Infor LN's flagship position within the Infor.

Infor is beginning to push harder for customers to upgrade from earlier versions. UpgradeX is its latest attempt to encourage upgrades, comprising ROI analysis, a fixed-fee upgrade, upgrade tools for data conversion, and more, with the resulting solution being delivered in the cloud. However, we have not yet spoken to any references pursuing this direction.

Infor LN's functional road map is almost exclusively based on customer requests, and, thus, lacks vision according to customers and Infor. For existing customers, this is positive as it often reduces issues with the product, but Gartner believes that it is unlikely to create visionary or market-leading functionality.

Infor LN 's strategy is still a work in progress. Its success in new business hinges on Infor focusing on its existing user base, the availability and depth of skills, and additional capabilities around the product. Skills gaps will require significant redress before customers' frustrations are eased. These factors confirm Infor LN's position as a Niche Player in this Magic Quadrant.

Strengths

Infor LN's functional industry strength as Infor's flagship ERP for discrete environments, plus the clarity and purpose of its microvertical road map confirms LN's position in Infor's portfolio.

Infor LN's position as one of the first CloudSuite solutions in the portfolio, along with the open-source database option on PostgreSQL, helps to protect the installed base that may come under pressure from alternative cloud vendors.

Customers state Infor Xtreme Support as significantly improved in responsiveness and quality of responses, and see value in their investment.

Gartner expects the new HTML5 UI to add increased contextualization, better personalization and ease-of-use benefits.

Cautions

Infor's UpgradeX Program targets customers on older releases to move them to Infor's cloud-based offerings, but Gartner believes that this can result in higher total cost. Customers need to ensure that they can leverage former investments in licenses, for example, in the form of a "bring your own license" model.

Adoption of CloudSuite is minimal to date and customers seem to have limited interest, based on LN references. There also seems similar limited interest in other initiatives such as UpgradeX, Infor Ming.le and Rhythm. These technologies have few live references, so clients should test upgraded environments thoroughly before switching.

As in previous years, Gartner did not receive references who use ION beyond simple integration between Infor products. Infor's partner ecosystem also lacks experience with ION. Customers interested in social capabilities have already made investments in technologies such as Microsoft Lync, providing much of the social capabilities required by most organizations and negating investment in Infor Ming.le. Customers not wanting to be early adopters will have to wait until bigger adoption of ION can prove the technology's credentials.

Infor's UI strategy seems constantly in flux. LN's HTML5 UI is not a significant enhancement, as it didn't rework the transactional screens, and will be replaced by a new UI developed by Hook & Loop.

Many references commented that they are not happy with the speed of modernization in LN, and would like to see more enhancements in the core product compared to what they consider are peripheral initiatives, such as ION, Infor Ming.le and Rhythm.

Infor M3

Infor M3 (previously called Lawson M3) is Infor's main ERP system for industries such as fashion and textile, food and beverage, chemicals and consumer product goods, distribution, plus companies dealing with renting and servicing equipment. In its fourth year after being acquired by Infor, M3's position in Infor's ERP portfolio has been clarified more, and the road maps for its core industries as presented now reach out beyond 2016.

Infor's ERP business grew 2% in the past calendar year, with its portfolio of multiple ERP-related products (see "Market Share: All Software Markets, Worldwide, 2013"). Infor has been actively engaged in promoting and selling its ION product, as well as encouraging customers to upgrade to the "10x" product releases. Products like Infor M3 reportedly experienced double-digit year-over-year revenue growth within this portfolio.

The current version of M3 is 13.2, available since February 2014. M3 13.2 offers a range of incremental enhancements throughout the system, and new modules such as quality management, laboratory control, a fresh food planner and others. It also includes further improvements of an HTML5-based client UI, which offers configurable start pages, a new menu navigation and more. Infor Fashion PLM is undergoing a major renovation delivered in phases over the next two years. The number of enhancements delivered over M3 10.1 shows a positive increase of investment by Infor.

Infor plans to upgrade the M3 business engine on an annual base. However, customers going through upgrades highlighted that a broad deployment of M3 encompasses many components with different versions for each, which made their upgrade and deployments of additional components such as ION more complex than expected. Moving to 13.x requires a traditional approach, supported by migration toolkits provided by Infor consulting; but once customers are on 13.x they can deploy annual incremental feature packs.

M3 is also being rolled out as part of Infor's CloudSuite offering. The UpgradeX Program aims to help customers that seek to move their existing M3 environment into Infor's cloud, but Gartner has not been able to verify adoption nor wide-scale interest from customers to do so.

Despite investments made by Infor, the professional services situation around M3 is still described by customers as a serious issue, the existing resources being scarce and expensive. Infor has recognized these issues and started to invest more in consulting for M3, but customers have yet to see major improvements. The changes of ownership, from Intentia via Lawson to Infor, have resulted in multiple changes to the product strategy, which affects customers upgrading from one of the previous releases. Uptake of Infor's 10x technology offerings, such as ION, Infor Ming.le, Mongoose, CloudSuite and others, is still very limited among the M3 customers that Gartner has spoken with. Infor's focus of M3 toward specific niche industries, together with the above factors, confirms M3's position as a Niche Player in this Magic Quadrant.

Strengths

Infor M3 continues to be a robust, broad and deep ERP system for its core industries, and is well-suited for upper-midmarket and lower enterprise companies that look for deep industry capabilities but are not seeking the latest technology.

Infor M3's position in Infor's portfolio seems to have strengthened in the past year. Infor's 10x technology strategy presents opportunities to leverage some of the other Infor offerings, with certified integrations with Inforce (now followed by the acquisition of SalesLogix), Motion Road Warrior, Supplier Exchange and others.

The investment in product enhancements means M3 13.x has been significantly enhanced across the suite compared to older releases.

Infor's support for M3 has stabilized, and customers with a dedicated support account manager, in particular, feel they are well-served.

Cautions

Customers recognize Infor's focus on its "Work Is Beautiful" campaign, and its investment in its design agency Hook & Loop and new UIs, but they would prefer Infor to concentrate investment more in core industry and business-critical functionality for Infor M3.

Despite investments by Infor to improve the situation, the lack of resources with skills and experience in both the new technologies in Infor's portfolio and the core ERP functionality of M3 is still causing issues for customers. In some cases and some regions partners are stepping in, but customers found that most partners are unfamiliar with some of Infor's other offerings, primarily around ION. This issue is unlikely to diminish in the short term, particularly if UpgradeX becomes successful.

Some customers reported continuing rigid and inconsiderate license audits undertaken by Infor. M3 administrators should collect solid data about actual system usage in order to be able to prove that they are compliant with their license agreements and contracts.

Not many customers that Gartner spoke with have expressed their interest to move their applications to Infor's cloud offerings, and most of them could not see the value of UpgradeX for their planned initiatives. Customers considering using Infor's cloud offerings should approach them with appropriate caution.

The overall level of customer satisfaction with Infor M3, among those companies that Gartner spoke with, is rather low compared to other systems included in this Magic Quadrant.

Customers using M3 Enterprise Collaborator (MEC) find it difficult to justify moving to ION for integration purposes. The adoption of ION beyond basic integration capabilities (for example, for BI and mobility), and of Infor Ming.le among M3 customers, is minimal. As a result, companies interested in these offerings should approach these products as they do with other early adopter initiatives.

Microsoft Dynamics AX

Dynamics AX is Microsoft's flagship ERP solution for core and upper-midmarket, as well as lower, enterprise organizations. The majority of live operations comprises customers with a few hundred users; but as Dynamics AX has grown its functional footprint, so too has its applicability to increasing sizes of organizations. Today, some customers are approaching \$5 billion in revenue with thousands of users globally. AX incorporates financials, human resources and operations management, plus capabilities for industries such as retail, manufacturing, services industries and public sector. Partners extend it to other industries including financial services.

Microsoft's ERP business grew 6% in the last year. While the vendor does not disclose product revenue, it has publicly communicated that Microsoft Dynamics AX was a key new license contributor in the past calendar year, achieving double-digit revenue growth. The increased frequency and focus of Gartner inquiry calls indicates validity in this claim.

The newest release is Dynamics AX 2012 R3, generally available to customers since May 2014. It adds increased warehouse management system (WMS) and transportation management system (TMS) capabilities, both originally built by Dynamics' partner Blue Horseshoe (then called Warehousing for AX [WAX] and Transportation for AX [TRAX]). AX for Retail, designed to support end-to-end retail needs, gained differentiating additions in support of omnichannel retail, including enhanced point of sale (POS) flexibility, plus a new retail channel call center.

AX 2012 R3 is also the first AX release that can be hosted on Azure (AX IaaS), a critical steppingstone in the product's development toward a full cloud model, expected in its next significant release, some time in 2015. AX is based on the SQL Server database, the latest version of which (SQL 2014) offers in-memory capabilities comparable to those of SAP Hana. Dynamics has yet to leverage these capabilities in the form of new business-related application functionality.

Information gathered from Gartner inquiries shows a significant portion of new AX opportunities coming from companies with an excess of \$1 billion in revenue. This drives requirements for improved systems and project management capabilities, which Microsoft calls its Dynamics Lifecycle Services (LCS). These have been further enhanced with AX 2012 R3, and can be used in combination with the SureStep or other project implementation methodologies.

Microsoft's biggest challenge remains its constrained ability to service new opportunities with experienced direct or partner resources, especially for larger customers that expect industry and process depth and comprise extensive and complex requirements. Microsoft Dynamics is slowly

improving on this weakness by re-engineering its training courses and supporting documentation to enhance partner and customer enablement, and building on its direct sales and presales teams. Microsoft claims that more than half of its AX revenue is now generated directly. Despite a number of complaints from customers of poor partner support, plus Microsoft's narrow (and reportedly expensive) consulting services capabilities through its Microsoft Consulting Services team, the overall picture has slightly improved since the last Magic Quadrant. Together, these factors confirm Dynamics AX's position in the Visionary quadrant of this Magic Quadrant.

Strengths

Dynamics has continued its strong execution of the partner product innovation strategy that resulted in the WMS and TMS additions to AX 2012 R3, similar to its retail and process industry additions over recent years.

Customers consistently comment about the intuitive nature of the Microsoft Dynamics AX UI over other solutions they examine. They also applaud its flexibility and its integration to other products in the Microsoft portfolio.

Product quality and scalability are consistently high, given the significant developments added to the product in recent years. That said, customers say that premier support, Microsoft Dynamics-enhanced support, is an important inclusion now that AX has grown in complexity and stature.

The Microsoft Dynamics Lifecycle Services being incorporated and enhanced at each release provide valuable IT performance data and trends. Further enhancements of the services are expected toward the latter part of 2014. To date, Dynamics has not made the use of these services mandatory, but Gartner recommends that every customer adopts them. Customers say that the process maps are useful for business process redesign, and the task recorder is a valuable addition.

The CRM capabilities in Dynamics AX and Dynamics CRM show some overlap, but can also support each other well.

Cautions

Customers seeking global (international) deployment will find few partners to support their venture and little action by Microsoft to help customers identify those partners that can deploy globally. Customers say that the partner-led structure and the current size of most partners often isn't strong enough for the enterprise space.

Microsoft SureStep still lacks the embedded key performance indicators (KPIs) that should drive it, though visibility of technical KPIs can be drawn from the Lifecycle Services solutions. Customers should seek stringent KPI statement and tracking through the inclusion of business-led KPIs within every step of the statement of work, especially when multiple partners are involved.

Microsoft has a vertical-industry strategy and is rolling out a successful approach from the U.S. to subsidiaries worldwide. The new industry team (vertical-industry team unit) is nascent and presents itself in much stronger shape than previous incarnations. While Microsoft can direct local business units to follow its recommendations or best practices, it has no means to do this with partners. Since it can only indirectly influence partners, its ability to positively impact individual customers may be limited.

Customers seeking to use Dynamics AX alongside Microsoft CRM will find that the two are not yet well-enough-aligned, and have substantially different UIs and processes. They are, today, not built as a single, yet modular, end-to-end solution. As AX extends further into the enterprise layer, Microsoft must address this issue.

The WMS and TMS capabilities presented in AX 2012 R3 are comprehensive for most midmarket needs, but Microsoft did not acquire the rights to the complete Blue Horseshoe product set, nor did it embed them as received. In some cases, parts were rewritten, and efforts were restricted to wider, industry-agnostic functionality. This is relevant for customers expecting the full industry depth of Blue Horseshoe's WAX and TRAX extensions when licensing AX.

Oracle E-Business Suite

Oracle E-Business Suite (EBS) 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.

According to Gartner estimates (see "Market Share: All Software Markets, Worldwide, 2013"), Oracle's ERP business was flat overall. While Oracle does not disclose financial metrics for individual product lines, we believe the key growth products included Oracle Cloud Applications, while core ERP products saw a modest decline relative to the year prior.

The latest major update at the time of this writing is Oracle E-Business Suite version 12.2.4, which was released in August 2014. Release 12.2 includes functional enhancements and a technical innovation for "online patching," which allows patching while users are in the system, thus reducing downtime for mission-critical business processes this leverages edition-based redefinition features in Oracle Database 11g R2. The online patching and the Oracle Application Testing Suite are designed to streamline

patching and related maintenance activities. Many Oracle customers have upgraded or are in the process of upgrading from release 11.x to 12.x, with adoption of release 12.2 still in the early stages.

Through its 2011 acquisition of Endeca, Oracle has delivered 21 new modules called Oracle E-Business Suite Extensions for Oracle Endeca. These enable information-driven navigation to easily and quickly identify issues and how to resolve them. The new EBS Extensions cover areas such as financials, order management, inventory and warehouse management, and service management. However, the current license pricing for Endeca makes it a very expensive option.

Oracle E-Business Suite remains one of SAP's strongest competitors in large enterprises and upper-midmarket companies. Oracle has made some efforts with its partners to reduce implementation timeline and costs. However, the intrinsic depth of functionality and complexity of EBS, and the need for very skilled IT resources to operate and maintain it, can restrict its usability in some core midmarket companies. A number of customers have mitigated the need for skilled IT staff by using managed application and hosting services offered by Oracle and partners. Due to the scalability and breadth of industries covered by Oracle E-Business Suite, a wide range of additional modules are available to provide deeper functionality needed to support more complex organizations. However, prospects for these additional modules should be prepared to negotiate over the pricing. Oracle generally considers these to be premium products with appropriate price points, which can make the business case challenging for midmarket companies.

Oracle continues to provide out-of-the-box mobile applications for EBS, and has enhanced the mobile development tool called Oracle Mobile Application Framework (MAF) to enable EBS clients to better extend existing applications to mobile devices where they do not already exist. Oracle also continues to invest in overall usability and mobility with core enhancements to its Web development tool called Oracle Application Framework (OAF) to enable tablet optimization and device integration. This design approach continues to drive improvements in selected areas of the user experience and productivity of EBS.

Although not yet functionally as deep as EBS, especially for product-centric companies, and although not yet primarily targeted at midmarket companies, the emergence of Oracle Cloud Applications provides a more clearly visible, next-generation offering (see "Evaluating How Oracle Fusion Applications May Fit an Application Strategy").

Oracle E-Business Suite, together with Oracle's complementary applications, such as Oracle Hyperion and selected Oracle Cloud Applications delivers a branded suite (see "ERP, SCM and CRM: Suites Define the Packaged Application Market"), where some deeper integrations have to be built and maintained individually. Release 12.2 and the future road map mainly include customer-driven enhancements, and thus, lack vision according to customers. This is positive for the customers base, but isn't enough to create visionary or market-leading functionality. Together, these facts position Oracle E-Business Suite in the Challengers quadrant of this Magic Quadrant.

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 continued investment in products provides functional and technology innovations, improved analytics and an enhanced user experience within targeted areas of E-Business Suite.

The technical update to release 12.2 provides the opportunity for Oracle clients to reduce the downtime required to install patches and updates, permitting EBS clients to install fixes and new functionality with less disruption to the organization.

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.

Cautions

The scalability and breadth of industries covered by Oracle E-Business Suite come at the price of complex implementations and a large amount of overhead in terms of ongoing maintenance, which may be burdensome for smaller midmarket firms. EBS only runs on the Oracle DBMS, which Gartner considers to be expensive.

Some customers are concerned about lower account management quality by Oracle. IT procurement professionals consistently rate Oracle as the most challenging vendor with which to do business.

Oracle has continued its investment in usability and mobility for Oracle E-Business Suite. However, while customers report that the usability of the application has improved where the UI has been overhauled, there are still major parts of the application that have yet to undergo a UI improvement. Because of the different technologies underlying the EBS application, there are some transaction flows available only in Oracle Forms. Although Oracle plans continued investment to improve the UI for Oracle Forms-based transaction flows, the timing for these changes is unclear.

The cost of licensing can make the solution more expensive to purchase and maintain. Customers should check the availability of read-only licenses and self-service modules (for example, for HR,

expenses, procurement and so on) to see if any fulfill their requirements as an option to reduce license costs.

Customers should be aware that, for Oracle's "add on" products and Endeca extensions to E-Business Suite, licensing is often set at a premium level.

Oracle JD Edwards EnterpriseOne

Oracle JD Edwards (JDE) EnterpriseOne is 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 road map continues to show steady improvements, with new releases containing not only functional enhancements, but also some more fundamental modernization to its user experience and technology.

According to Gartner estimates (see "Market Share: All Software Markets, Worldwide, 2013"), Oracle's core ERP products saw a modest decline relative to the year prior. While Oracle does not disclose financial metrics for individual product lines, Gartner believes the key growth products included Oracle Cloud Applications (which includes Oracle Fusion Applications). According to Oracle, JD Edwards reportedly saw strong revenue growth in Oracle's fiscal year 2014.

The current application release 9.1 was made available in April 2012; its latest version is 9.1.2. Its current EnterpriseOne Tools version 9.1.4 offers enhancements for UI, system management, administration and platform certifications. The composite application framework allows end users to combine multiple applications into one screen with dynamic refresh. Better support of tablets is delivered through a native iPad client and Chrome browser enhancements that support intuitive gestures to navigate. Additional purpose-built mobile applications are available for areas such as managing work orders and equipment, health and safety, customer interactions and others. One View Reporting is based on Oracle BI Publisher and contains prebuilt reports and dashboards, plus a One View Watchlist feature that allows users to create alerts and notifications. Gartner has not seen many customers adopting it to date. This may be due to the pricing, but also because many users have already built their reporting infrastructure on different tools. JD Edwards continues to support multiple technology platforms (those from Oracle, IBM and Microsoft) but some innovations (such as reporting and mobility) are first- and better-supported on the Oracle technology stack.

Based on JD Edwards' release cycle of two to three years, the next major release, 9.2, can be expected in 2015, but neither an exact date nor details of the planned enhancements have been confirmed so far. Further enhancements will likely include better support for Oracle's in-memory database features, a simplified upgrade process from release 9.1, support for Android-based devices, and mobile One View reports.

The combination of a solid road map (although not visible enough), with customer-driven enhancements, the choice of platforms, the availability of a good range of specialized add-on products and better availability of external consultants than with some other ERP systems secure JD Edwards' position as a Challenger in this Magic Quadrant.

Strengths

JD Edwards customers can benefit from Oracle's add-on products, both in technology and in business applications — for example, Oracle HCM Cloud, Oracle Enterprise Performance Management (including Hyperion), and Value Chain Planning (aka Demantra) — but they have to check which of these products offer best fit with their needs and capabilities.

JD Edwards continuously improves its support for mobile processes in certain application domains, including purpose-built mobile applications for iOS and Android. The license model is user-centric, with no additional licenses being consumed by people using the application on multiple devices at a time.

JD Edwards has a solid road map for future enhancements, which includes advanced capabilities based on Oracle's Database 12c in areas such as project portfolio management, real-time sales advisory and some planning workbenches.

Companies that have migrated to JDE v.9.1 will benefit from easier upgrades to future releases by using improved tools to move customizations forward.

Cautions

Some customers, including those on older releases of JD Edwards (both EnterpriseOne and World), report deteriorating quality of account management by Oracle. IT procurement professionals consistently rate Oracle as the most challenging vendor with which to do business. This increasingly affects JD Edwards customers that, as a consequence, look for alternative ERP solutions.

Many customers express frustration about a lack of communication and information provided to them, especially regarding the future of JD Edwards in Oracle's portfolio. Oracle needs to more proactively communicate its product strategy and improve the visibility and clarity of future product road maps. Customers should check Oracle's websites (e.g., learnjde.com) or the My Oracle Support sites to get clarity, and need to get firm commitments for what they require.

Customers find One View Reporting rather expensive and struggle to migrate their existing reporting infrastructure over to it.

Despite JD Edwards' good presence in some larger SIs, customers outside of North America struggle to find enough skilled resources. External resources are easier to find than those that could be hired as internal staff.

The planned advanced analytics capabilities based on the 12c Database, One View Reporting's use of Oracle BI Publisher and the mobile applications developed on the Oracle Application Development Framework Mobile (ADF Mobile) are further examples of Oracle delivering innovation on its Oracle's Fusion Middleware stack faster and deeper than on the alternative stacks by Microsoft and IBM. According to Oracle, no Oracle technology stack is required at runtime, but customers preferring the Microsoft or IBM technology stacks need to check which of these features will be available on their individual stack.

QAD Enterprise Applications

QAD was formed in 1979; today it is a global organization with offices in 19 countries and selling indirectly via partners in 45 countries. QAD Enterprise Applications (Enterprise Edition) and QAD Cloud ERP are the flagship ERP offerings from QAD — the former on-premises, the latter deployed in the cloud — which can be combined in a blended solution. QAD Cloud ERP comes in Life Sciences (FDA qualified) and Automotive (MMOG/LE process integrated) editions, in addition to the general edition. QAD also has QAD Enterprise Applications (Standard Edition), which continues to be maintained, but is not sold to new customers. QAD has over 2,000 customers in 90 countries, with approximately a third in high tech and industrial manufacturing, nearly 30% in automotive, more than 20% in consumer products and food and beverage, and the balance in life sciences. The application supports the localization requirements in 46 countries. QAD Enterprise Cloud also acts as the cloud service facility vehicle for several other cloud solutions from QAD, such as BI, Managed EDI and QMS. QAD has also recently started offering QAD Boomi AtomSphere, based on Dell Boomi, to integrate QAD Cloud ERP with third-party applications.

Gartner's 2013 market share data showed QAD's ERP business grew by 5%, which is a respectable and solid performance against the market average. In particular, QAD was successful at attracting a significant number of new customers, as well as deals with existing customers, as shown by reported growth of 11% in first half of 2014.

The latest version of QAD Enterprise Applications (2014) became generally available in March 2014. Version 2014.1, which builds on this, was delivered in September 2014. Recent enhancements include mobile analytics capabilities, process map visualization and navigation, a role-based UI and reporting framework using .NET, inclusion of a mobility framework, and changes to the architecture to allow for shared service domains. From a functional perspective, uplifts have been made across the suite with significant attention on financial management, manufacturing, customer management, supply chain and analytics. However, the server side still relies on the OpenEdge platform from Progress Software that Gartner considers to be an aging platform, of which several larger independent software vendors (ISVs) have moved off (see "IT Market Clock for ERP Platform Technology, 2014").

QAD's overall quadrant placement remains largely the same as last year, but we have seen some positive additions to product functionality as well as improvements in QAD's credentials to deliver QAD Enterprise Applications in the cloud. Moreover, while it has taken some time for QAD to encourage the movement of its Standard Edition installed base to Enterprise Edition, the past 12 months appear to have some customers incorporating the move into their IT plans. Together, these factors confirm QAD's position as a Niche Player in this Magic Quadrant.

Strengths

QAD's credibility and references in key sectors such as industrial manufacturing, high tech and automotive are strong.

To help migrations and new implementations, QAD has produced well-thought-out and detailed documentation, process maps and implementation services as part of its Easy On Boarding methodology.

QAD has a strong customer base in Asia including more remote parts of China, where many other vendors struggle to deploy and support locally.

Cautions

QAD scores low on technology and service vision, and is not as innovative as other vendors. This may suit the pragmatism demanded by QAD's customer base, but does not serve them well in fast-changing industries such as automotive or high tech.

The migration of Standard Edition customers to Enterprise Edition is increasing, but Gartner's reference checks and inquiries still suggest some inconsistency in the quality and availability of professional services skilled in migrations. Customers should ensure they secure the services of experienced consulting resources for the full term of their project.

Because of the product direction with the Enterprise Edition, some features that existed in earlier versions of the core application are no longer available. Others are planned for future development, and customers need to check if all features they need are supported.

Cebos, a quality management suite acquired in early 2013, is a strong QA product according to our reference checks, but the strength and depth of integration is still less than expected from a product now wholly owned by QAD.

According to data supplied to Gartner, there are some larger companies using QAD Cloud ERP. However, we have not been able to completely validate this in our reference checks, and customers spoke about issues getting access to live reference customers.

Sage ERP X3

Sage ERP X3 is Sage's flagship ERP product, sold globally and designed for midsize organizations in a service- or product-centric environment. At the time of evaluation, Sage had approximately 4,500 customers using the application in different versions in more than 100 countries. The product can be acquired direct from Sage or via one of the 300 or so partners within the Sage ERP X3 ecosystem. From a product-centric perspective, Sage 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 approach.

Growth for Sage's ERP business was 2%. However, this is for the entire portfolio of ERP products. Looking at the Sage ERP X3 business alone points to a much stronger business performance in the past financial year, with double-digit growth for business overall, as well as a reported 11% growth in fiscal year 2013 of license revenue alone.

The latest version of Sage ERP X3, version 7, was made generally available in May 2014. One of the most noticeable changes is Sage reverting to a single-edition approach (previously Sage offered a standard edition and a premium edition). Collapsing two editions into one is a response to the simplification of set up and implementation in the latest release. Previously, the two editions used the same codebase, except standard edition was largely preconfigured for organizations with simpler needs, and premium edition was for companies needing more customization, multilegislation, multicountry support and more professional services involvement to make the application work for their specific requirements.

In the v.7 release, a major technical change relates to making the underlying architecture of Sage ERP X3 "cloud ready." The product can already be deployed as a private cloud offering, but these architectural changes allow it to be more efficiently delivered and managed as a scaled public cloud offering. Other changes include an improved user interface, extending some functionality into a "mobile first" paradigm, and improvements to the technical core, which make it easier to implement and maintain.

Overall, business users may not see a large amount of uplift in new functionality or deeper vertical support natively in the v.7 release. Sage has a strategy of leveraging partners to add verticalization to the base platform. X3 v.7 is a significant release technologywise because it provides the foundations for Sage's "next generation" ERP platform, which allows for an improved implementation (moving to one edition), ownership (improved system management and maintenance) and a new user experience. Sage ERP X3 is becoming a more technically capable and scalable solution with each release, but remains targeted at the lower midmarket.

However, we have seen Sage placing less focus on deepening the support for product-centric support. In addition to a solid focus on lower midmarket customer acquisition, Sage claims to have won and implemented a number of larger single-instance customers in product-centric industries, although we have been unable to directly verify the experience of these. Together with other attributes of the application, this limits Sage's capability to move beyond the Niche Player quadrant in this Magic Quadrant.

Strengths

Reference checks have been positive on the improved user interface and the new mobile application extensions offered in X3 v.7.

Due to its heritage, Sage has always had an advantage over its competitors when selling, implementing and supporting customers in Africa. In the last year, it has increased investment into the region and added net new partner resources in the Middle East.

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

While more partner-sold and -implemented deals is the strategy, Sage also allows for direct purchasing for customers as well as the use of Sage's professional services team, which becomes important in larger cross-geography implementations, of which there are only very few to date.

Cautions

The latest release, v.7, mainly focused on uplifting and improving the technical foundations of the product; there has been little change to the limited vertical depth and breadth of functional support for product-centric multientity companies provided by Sage directly since the last version.

The localization of ERP X3 for non-European geographies is incomplete, both in technology and in functionality. Customers need to check if their local and legal requirements are fully supported.

Sage is deliberately focusing product and sales efforts on the lower midmarket (organizations with 100 to 500 employees). Upper-midmarket organizations with more complex product-centric support requirements should check Sage ERP X3's capabilities to deliver in single-instance, larger multicountry/multisite deployments by directly speaking with reference customers.

Sage's partner ecosystem is growing, but not at the same scale and volume as some other competitors. Finding a local partner outside of key countries has sometimes proven difficult. Some existing Sage partners find it difficult to include ERP X3 into their portfolios. Sage needs to invest more in enabling its partners to support growth and remove the existing issues with consulting resources.

Sage has a large portfolio of complementary products, such as CRM, payroll, HCM and payment services; but the reality is few Sage partners offer a complete ERP plus extended application solution, or have the know-how to offer a complete solution. Hence, customers will need to piece this together themselves if a broader Sage environment is desired.

SAP Business All-in-One

SAP Business All-in-One is a brand umbrella for approximately 700 preconfigured, industry-specific versions of major parts of SAP's Business Suite (mainly ERP, CRM and supplier relationship management [SRM]) that are built, sold, implemented and supported by approximately 1,000 SAP partners. Together, these versions cover virtually every product-centric industry. Each solution provides business process documentation that includes feature set descriptions, process flow diagrams and step-by-step user guides. This approach now forms the basis for SAP's Rapid Deployment Solutions (RDS), many of which can be deployed on top of a Business All-in-One instance. Because they are derived from the SAP Business Suite, most of the technology and application enhancements (such as Hana and Fiori) 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.

Gartner estimates that total software revenue for SAP's ERP business grew 3% in 2013 (see "Market Share: All Software Markets, Worldwide, 2013"), with much of the aggregate growth coming from cloud services, especially from SAP's SuccessFactors business. SAP's on-premises ERP is believed to have experienced a decline as customers start to favor SAP's cloud products, as well as the still early maturity and ramp up of Business Suite on Hana where we see some customer interest, but also caution to assess customer benefits and lessons learned from early adopters.

Like many other SAP solutions, SAP Business All-in-One (the current release is based on Enhancement Package 7 [EHP 7]) is being migrated to SAP Hana. SAP Business All-in-One now supports three database options from SAP (Sybase Adaptive Server Enterprise [ASE], Hana and MaxDB), as well as Microsoft SQL Server, IBM DB2 and Oracle. All 55 country baselines are technically upgraded to EHP 7, and approximately half of the 200 best-practice processes that make up SAP Business All-in-One are now supporting the Hana in-memory DBMS (see "The Primary Use and Business Cases for SAP Hana Solutions"). Selected transactions are optimized to make use of Hana's in-memory features, either by switches within the transaction or by dedicated transactions. Subsequently, industry packages, country localizations, further transactions and reports, user interfaces based on Fiori are being delivered. However, of the four Fiori app types, only the transactional tasks run on a non-Hana environment, while the analytical dashboards, factsheets and the Smart Business Cockpits require Hana. Business All-in-One on Hana is still very new, and, as a result, not all references that Gartner spoke with actually used one of the SAP Business All-in-One versions. Other initiatives around Business All-in-One deliver additional RDS content and data visualization tools like SAP Lumira. The first steps toward simplifying the data model by removing aggregate tables and fields are being taken, but it is too early to see a decrease of the application's complexity, which continues to be a concern expressed by users. The same is true for the various initiatives to improve the user experience to address customers' comments about a lack of usability, for example, Fiori or Screen Personas.

SAP continues to be the leading ERP solution vendor, both in market perception and in market share (see "Market Snapshot: ERP Software, Worldwide, 2014"). However, it not as undisputed in the midmarket because of complexity and cost. Its Business All-in-One solution portfolio enjoys good adoption among midmarket customers, mainly those in the upper midmarket and lower enterprise segments. SAP's vision for exploiting in-memory capabilities is strong, and it has lately started initiatives such as Fiori and Screen Personas, although these only cover parts of the very broad application. Recent announcements to simplify licensing and pricing are promising for midmarket companies that cannot invest in expansive vendor management and sourcing capabilities. Taken together, these factors confirm SAP Business All-in-One's position as a Leader in this Magic Quadrant.

Strengths

The SAP Business Suite, which forms the basis for the various SAP Business All-in-One solutions, is the most scalable and global ERP solution. Once the initial implementation of a specific Business All-in-One version is completed, a vast number of service delivery partners can be engaged to further deploy and optimize the solution.

The best-practice template approach of Business All-in-One forms the basis for SAP's growing portfolio of RDS bundles, many of which can be used to expand the functional coverage of All-in-One. However, as with all rapid implementation methods, customers must carefully analyze if the predefined processes offer the best solution for their business needs.

SAP, through acquisitions, offers strong solutions such as SuccessFactors for HR, Ariba for procurement and hybris for e-commerce, each of which is classified by Gartner as a leading solution in its domain. Midmarket companies need to carefully check if these solutions are fit for their purposes.

SAP's investment in Hana in-memory technology will, over time, provide visionary planning and predictive analytics capabilities to Business All-in-One customers.

Cautions

Although the preconfigured nature of SAP Business All-in-One makes the first steps in an implementation easier, the concerns raised by SAP Business Suite's customers about total cost of ownership, complexity of the entire solution, lack of user friendliness and flexibility in many parts of the system are also true for a Business All-in-One deployment.

The many moving parts in SAP's portfolio create many complex dependencies. Most Fiori parts require Hana, the migration to the Hana IMDBMS itself requires being on certain Enhancement Packages (EHP 7 at least). Customers should not attempt to do some of these tasks in parallel, as that can significantly increase the effort transporting and testing changes.

The licensing options for some of the new features, like Hana and Fiori, were reported to be very complex. Customers should expect announcements by SAP executives regarding simplification of these options. Also, they should build terms into their contracts that allow for refunds of acquired products when conditions change, like the recent move to offering Fiori at no additional cost.

Because of the newness of most Hana-based initiatives, companies should check the level of real-life experience of consulting partners. Transactions optimized for Hana do not always work as before, and, in some cases, have to be replaced by others, which makes additional testing necessary. Sizing hardware can be especially challenging, and, when in doubt, hardware should be sized generously, even if that will drive cost further up.

A number of strategy changes make it difficult for companies to build consistent long-term road maps for their SAP environment. They need to be prepared to cope with short-term changes, for example, by adopting shorter implementation and deployment cycles.

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's appearance 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. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that 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 and the 2013 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 had articulated and executed a strategy to make the product available globally by year-end 2014. 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 it 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" [Note: These documents have been archived; some of their content may not reflect current conditions]).

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 a solution (see "What CIOs Need to Know About Application Simplicity" and "The Role of Simplification in Application Overhaul" [Note: These documents have been archived; some of their content may not reflect current conditions]), and 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 subcriterion 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 total 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" [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 information-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 as ERP vendors for midmarket companies 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 the 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.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	Low
Marketing Execution	Low
Customer Experience	High
Operations	Low

Source: Gartner (November 2014)

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: Small-and-Midsize-Business IT Spending, Worldwide, 2012-2018, 2Q14 Update" and "The Gartner Scenario for the Small-and-Midsize-Business Marketplace, 2014"), and vendors that want to be successful in this market have to build strategies and organizational structures to comply with these behaviors (see "Market Insight: Midsize-Business Primer, 2014"). 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"), mobility (see "From Mobile to Post-PC ERP" [Note: This document has been archived; some of its content may not reflect current conditions]), 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. Gartner measures vendor strategies for building end-to-end processes that span functional areas across the enterprise. Postmodern ERP and in-memory computing (IMC) are the latest additions to this already challenging list (see "Postmodern ERP Is Fundamentally Different From a Best-of-Breed Approach" and "In-Memory Computing Will Unlock New ERP and CPM Business Value"). For the purposes of this evaluation, 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, road maps to support postmodern ERP strategies and the use of 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 more or less 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.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	High
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Medium
Innovation	Low
Geographic Strategy	Medium

Source: Gartner (November 2014)

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 Deliver a More User-Centric ERP Solution" [Note: This document has been archived; some of its content may not reflect current conditions]). They have compelling strategies for addressing the ongoing market changes related to emerging technologies, such as SOA and the Nexus of Forces: cloud, analytics, mobility and the integration of social technologies (see "The Nexus of Forces: Social, Mobile, Cloud and Information"). While not yet adopted by many midmarket companies, strategies to support postmodern ERP and to leverage the potential of in-memory computing are essential to build future-proof solutions. Leaders also have built structures to extend their systems with industry-specific solutions, often in cooperation with their partners' ecosystems, which deliver the best support for the specific processes in vertical markets, while offering good-enough support for the less differentiating processes (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]). Leaders have built delivery channels — either directly or through an indirect channel — which help midmarket customers with their limited resources to successfully adopt, deploy and optimize their solutions. Finally, Leaders cultivate a broad and generally overwhelming level of customer satisfaction in a number of geographies and industries, as demonstrated in continuous interactions between Gartner analysts and the vendors' customers.

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, 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" [Note: This document has been archived; some of its 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. The capability to deliver consistent implementation and operation services in a globally balanced way has proven to be especially challenging.

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 2014 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 and 2013 iterations, 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" [Note: This document has been archived; some of its content may not reflect current conditions]), 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 August 2014.

Market Overview

Gartner's research context under which this Magic Quadrant was created is described in "Agenda Overview for ERP and Enterprise Suites: Strategies and Value Realization, 2014." The four trends that Gartner describes as the Nexus of Forces (that is, analytics, social, mobile and cloud) continue to be essential for most systems analyzed, as do support for user-centric ERP strategies and more flexible systems using a model-driven architecture. In addition, two trends have become more evident since the last publication of this Magic Quadrant (see "Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies"): postmodern ERP and in-memory computing.

Our findings for these and other areas are described in the following subsections.

Cloud and ERP

Steady execution — rather than disruptive new technologies — best describes the transition of ERP systems "into the cloud." The different flavors of cloud offerings are described in "How to Select the Right Cloud Business Application" and "How to Determine the Characteristics of the Right Cloud ERP" (Note: This document has been archived; some of its content may not reflect current conditions).

The impact of cloud computing varies by business domain. In domains such as sales force automation, human capital management, procurement and e-commerce, cloud deployment is already the dominant delivery model (see "Address the Impact of Cloud Computing on Your CRM, ERP and SCM Business Domains"). However, for more comprehensive ERP suites that support entire end-to-end business processes, public cloud and SaaS deployments are still the exception for most enterprises.

None of the ERP systems analyzed in this Magic Quadrant is a pure-play SaaS system (such as those from NetSuite or Plex), where customers cannot choose between different deployment models. Most of the ERP systems analyzed can be deployed on-premises or in various forms of cloud deployment. The most important changes compared to the last iteration of this Magic Quadrant are:

- More vendors offer subscription-based license models for their systems, for both on-premises and cloud deployments. Examples include Infor CloudSuite, which is also combined with a specific UpgradeX program to move customers to the latest release, and QAD Cloud ERP (formerly known as QAD On Demand).

- In a number of cloud ERP suites offered, it is not immediately obvious what products they are based on. When viewed from a distance, ERP systems seem to be more or less identical. However, when it comes to strengths or weaknesses in individual business areas, there are significant differences, so it is important for customers to seek clarity about the underlying ERP systems.

- Some cloud-delivered ERP suites are actually made up of different products, and it is not always clear what the level of integration between these components is. Customers that have to support end-to-end business processes need to check if their requirements regarding data and process integrity and a uniform user interface are fulfilled by the delivered solution, or whether integration must be developed.

- Most cloud-delivered ERP systems make use of public cloud IaaS or PaaS, like Infor CloudSuite on Amazon Web Services or IFS Applications on Microsoft Azure. We expect this trend to continue, leading to more deployment options offered for individual systems.

- Cloud-delivered ERP systems that share business logic will only deliver on expectations like faster time to deploy or automatic upgrades if the user organization is willing to adapt standardization and refrain from modifying or individualizing the ERP system (see "Standardize Business Processes and Implement Governance to Maximize Business Value of SaaS ERP" and "Define Your Customization Strategy for SaaS/Cloud Business Applications").

One notable change that is still missing from all vendors is elasticity in billing. While it is always possible to increase the use of a cloud-delivered ERP system, for instance by increasing the number of users, no vendor offers the opposite, that is, the ability to dynamically downscale the use of the system. This is important in cases of divestitures or when scaling down the business, but it will always need additional negotiations, and some vendors' terms and conditions explicitly decline this option. Customers should use Gartner services to familiarize themselves with service-level agreements, and terms and conditions (see "Develop Comprehensive Service Contracts When Moving From On-Premises to Cloud ERP").

Some of these changes, like the increased availability of more traditional ERP systems on IaaS, will diminish the relevance of the "cloud-native" nature of some ERP systems, including those delivered as SaaS. Instead of asking "what cloud ERP systems should we consider in our selection," customers need to define their requirements in regards to cloud deployment, ideally by using Gartner's 12 dimensions that define cloud-delivered ERP (see "How to Select the Right Cloud Business Application"), and then map these requirements against the types of cloud offered by vendors.

Reporting and Analytics Improved, but Few ERP Systems Leverage In-Memory Computing

Most systems in this Magic Quadrant have improved their built-in analytics capabilities. Almost all systems let users and system administrators embed dashboards and data visualizations into transactional screens. Oracle JD Edwards EnterpriseOne's One View Reporting and the increasing number of Oracle E-Business Suite Extensions for Oracle Endeca are further examples.

However, the rearchitecting of systems to enable the third level of embedded analytics, which allows for automated execution of business processes, is only slowly progressing. Contextual analytics embedded into the business processes is often limited to some workflows for a small number of users, not widely and flexibly available across the entire system.

Alternatively, the barriers between transactional and analytical data are increasingly being broken down by leveraging in-memory computing capabilities, which allow users to execute analytics directly on transactional data. Gartner believes that by 2018, the increased use of in-memory computing (IMC) means ERP applications will adopt a hybrid transactional/analytical processing architecture to embed analytics more tightly into business processes. To date, the only vendor that is making widespread use of IMC by accelerating analytics and building new applications is SAP with its Hana platform. Vendors that are using Microsoft's SQL Server DBMS are well-equipped to follow, but have yet to incorporate this into their product road maps. Over time, this will likely transform the nature of ERP systems to become more proactive systems offering predictive analytics and helping to make better decisions ahead of time.

User-Centric ERP by UI Renovation and Mobility

Some vendors in this Magic Quadrant, such as Epicor, IFS and Microsoft, have recognized the need for UI improvements sooner than others, and have executed multiyear projects to rework the UIs of their entire ERP systems. Others followed later, for example Oracle with JD Edwards, and QAD. Yet others — like Oracle E-Business Suite, SAP Business All-in-One, and Infor LN and Infor M3 — because of the complexity of their systems, struggle to fundamentally rework their entire systems. Instead, these vendors are using alternative approaches, like SAP's Fiori and Screen Personas, or various initiatives, like Infor Ming.le. Nevertheless, all vendors acknowledge that they have to offer an improved user experience, including improved personalization and more contextualized analytics closely connected to the transactional screens. However, they are realizing this at different speeds.

Mobile access to ERP systems is one of the preferred means vendors choose to offer better user interfaces. It comes in different flavors:

1. Special devices for special environments (for example, ruggedized devices for warehouse and shop floor transactions), often combined with scanners for bar codes or other types of labels like RFID.
2. Dedicated apps for special purposes (for example, approval of certain transactions in certain workflows), but also for certain tasks like travel and expense management, field service activities and the like.
3. Browser-based access to ERP systems, sometimes combined with some changes to the layout of buttons and menus, to ease the use of wider parts of ERP systems on mobile devices.
4. Native clients for entire transactional screens, sometimes combined with further gestures to navigate the screens, which are typically designed for much larger displays and therefore not easy to use on tablets or similar devices.
5. Mobile analytics functionality, for the growing number of users focused on consuming analytics and reports, often managers or casual business users. Most vendors started to offer dashboards and data visualization, although often limited to certain business areas and only for certain mobile operating systems.

Application managers and business analysts need to identify innovating or differentiating ERP processes where mobile could add business value and should incorporate ERP mobility into the organization's ERP strategy. They should assess their ERP vendors' road maps to see how these can support their mobile

ERP strategy and should redesign those processes in which mobile can add value to the business (see "Mobile Technologies and ERP Need to Evolve Together to Maximize ROI").

Social Collaboration

ERP systems have always been collaboration platforms, helping users to fulfill their daily business tasks as activities that are part of wider business processes. Where business processes were clearly defined and had to be strictly adhered to, users and application managers sometimes complained about the rigid nature of ERP systems that would not allow for greater flexibility. For less structured processes, additional tools such as workflow platforms or business process management tools had to be used in addition to ERP systems.

Most social collaboration concepts in the context of ERP systems belong to the "Achieve" style (see the four styles of social systems as described in "Delivering Enterprise Value From Social Computing" [Note: This document has been archived; some of its content may not reflect current conditions]), where outcome is defined by the objective of the business activity or process, and membership is defined by the users associated with an individual business domain. However, in some areas, such as project management or product design, styles like "Explore" or "Connect" can be helpful as well.

Some vendors in this Magic Quadrant have embraced social collaboration concepts more than others. Infor Mingle offers a UI on top of multiple Infor products in which concepts such as "follow an order," having context-based communications with other users, and more, are realized. However, it is not clear as of yet how the immense flood of data and information that is processed by an ERP system could be presented to users in a way that lets them manage the events and filter the relevant from the irrelevant.

Another issue was raised by a number of customers that were interviewed for this Magic Quadrant: companies that have already embedded social computing into their application portfolio are often using non-ERP platforms, such as Microsoft's Yammer or salesforce.com's Chatter, and find it difficult to deploy yet another platform (see "Magic Quadrant for Social Software in the Workplace" and "Hype Cycle for ERP, 2014").

Postmodern ERP

Postmodern ERP is Gartner's vision of the future of ERP. It is based on the observation that the all-encompassing ERP suites of the past have been deconstructed into more focused suites for areas such as HCM or procure to pay. This will ultimately result in a more federated, loosely coupled ERP environment with much (or perhaps even all) of the functionality sourced as cloud services or via business process outsourcers (see "Predicts 2014: The Rise of the Postmodern ERP and Enterprise Applications World").

Largely driven by a bigger need for flexibility and faster adaptation to changing market conditions, and enabled by cloud computing and a shift in buying power, many organizations have moved parts of functionality that used to reside inside ERP to surrounding satellite solutions (see "Use SaaS Applications in a Postmodern ERP Strategy to Drive User Acceptance and Process Improvement"), which then have evolved into comprehensive line-of-business-oriented suites in their own right. The large ERP vendors have reacted to this "hybrid" stage in Gartner's HOOOF model by acquiring cloud suite vendors. Examples include SAP's acquisitions of SuccessFactors for HCM, Ariba for procurement and hybris for e-commerce; or Oracle buying Taleo for talent management.

However, a hybrid landscape of loosely coupled systems lacks the integration and support of end-to-end business processes that many companies expect from an ERP system. This can be a challenge for product-centric organizations that desire integration between financial and operational capabilities. Also, midmarket companies tend to lack the IT resources to build and maintain integrations between multiple systems. They tend to look to their ERP vendor or implementation partner to deliver the integrations where needed. The specific combination of good-enough support for most business areas with sophisticated functionality in some key areas (as exhibited by systems with a strong focus on certain target industries such as Infor M3, IFS or QAD), continues to be attractive for many product-centric midmarket companies. Nevertheless, postmodern ERP concepts will grow in significance for all but the simplest product-centric midmarket companies, with current ERP implementations adapting over the next five to eight years.

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