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

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**Summary**

This Magic Quadrant focuses on ERP systems that support a single-instance strategy for multientity midmarket and upper-midmarket companies. Leading vendors are rearchitecting their solutions to adopt in-memory technologies, cloud delivery principles and modern UIs.

**Market Definition/Description**

This document was revised on 10 December 2015. The document you are viewing is the corrected version. For more information, see the Corrections page on gartner.com.

Most organizations above a certain size and scope have some form of ERP solution. 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 as an evolution from "manufacturing resource planning (MRP II)." Gartner's current definition of ERP in the postmodern era is:

"Postmodern ERP is a technology strategy that automates and links administrative and operational business capabilities (such as finance, HR, purchasing, manufacturing and distribution) with appropriate levels of integration that balance the benefits of vendor-delivered integration against business flexibility and agility."

See "2015 Strategic Roadmap for Postmodern ERP." A formal definition of postmodern ERP may be found in Gartner's IT Glossary.

The original ERP systems were developed for product-centric companies, which typically have the broadest ERP functional footprint. 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 related services. This includes 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 applications 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 applications or ERP for non-product-centric companies. The "Magic Quadrant for Talent Management Suites" and "Market Guide for Core Financial Management Applications" provide an overview of these types of ERP applications. For a detailed vendor evaluation model, see "Select ERP Applications Using a Structured Evaluation Framework."

Many may mistakenly think that "midmarket" means "ERP lite," or that midmarket companies are "simpler" than their larger counterparts. 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-centric processes.

Product-centric companies vary significantly in size and complexity, ranging from less than 10 employees up to the largest global companies, 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 multientity midmarket companies seeking a single-instance ERP system.

In more detail, the end-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, typically with 100 to 999 employees (but potentially 3,000 employees or 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 business requirements and outcomes, but do not require a huge overhead. 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 they 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, discrete manufacturing, and/or mixed-mode manufacturing.

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.

Often operate multiple entities using one central instance of the ERP system. This offers midmarket firms distinct advantages of simpler operations, simpler change management and easier reporting.

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 included only systems that can support multiple organizational entities out of one single-instance system. A multientity company is characterized by one or more of the following criteria:

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

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

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

To coordinate the various units and entities, these companies have cross-entity functions and structures — for example, for areas such as basic financial planning and consolidation, and cross-entity material requirements 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 present in only large companies. Many clients in the midmarket definition have built an international presence, or divided their businesses into multiple organizational units. However, they still want to run these entities with a high level of commonality in processes and information at the lowest possible costs by using a single-instance deployment of their ERP systems.

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

Systems that can support only one entity per instance, 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; however, they do not provide the design advantages of single-instance ERP applications.

**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. (Note these documents have been archived, so some of their content may not reflect current conditions.) 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 that the product could scale to support multiple entities in a single instance. However, these are all still credible ERP systems, 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 present primarily in their home country; examples include Totvs in Brazil and Yonyou (formerly Ufida) in China. While they are very strong inside their respective home country, their presence outside of their country is very limited. Companies looking for alternatives in these countries should include these vendors in their selection process.

Other vendors, such as Workday, Acumatica, Kenandy and FinancialForce, which, while having a functional footprint appropriate for some organizations, do not provide the functional breadth and depth or the size of a global customer base that would justify their inclusion 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, hosting on public infrastructure as a service (IaaS) and many more (see "How to Select the Right Cloud ERP/Business Application" and "How to Determine the Characteristics of the Right Cloud ERP/Business Application"). Some systems, such as NetSuite, Plex Online and SAP
Business ByDesign, are exclusively available in a multitenant SaaS mode. Others, such as Epicor and QAD, offer more choice by being available on-premises or as a hosted system. Yet others are available on an IaaS environment, such as IFS Applications on Microsoft Azure or Infor CloudSuite on Amazon Web Services. Microsoft Dynamics AX is undergoing a fundamental transformation and will be based on Microsoft Azure as a platform as a service (PaaS). 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

![Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies](image)

*Source: Gartner (December 2015)*

**Vendor Strengths and Cautions**

**Epicor ERP**
Epicor ERP, at the time of evaluation, was on version 10. Epicor ERP has gained a reputation among its customers as a flexible and very capable product for manufacturing companies in the small-to-midmarket range (20 employees to more than 1,000 employees). The total Epicor ERP (versions 9 and 10) base at the time of evaluation was nearing 5,000 customers, with more than 300 live on the version 10 release (general availability [GA] in April 2014). The move to these latest releases has largely been the result of Epicor optimizing code and components to improve scalability, response time and performance CPU-intensive tasks.

Since our evaluation in 2014, Epicor has released a number of updates that remove and fix some of the bugs in the initial 10 release, but fundamentally, no new functional components were added. It is now based completely on the Microsoft technology stack (Epicor no longer supports new implementations on the Progress database). On the ecosystem side, further skill maturation has occurred from implementation partners, with the overall number of implementation consultants growing slightly. The release cycle also will change in 2016 to a quarterly cadence from the current annual release cadence (on-premises customers will be able to defer upgrades and "catch up," when ready). Epicor also has "unrestricted" the cloud version of the product.

Epicor's efforts to drive efficiency and performance from the Epicor ERP platform are bearing fruit. Epicor’s recent development efforts have been more focused on performance, scalability and technology, rather than on new capabilities. As a result of this realignment of internal resources, there has been less coming out in terms of new functionality or leveraging other Epicor products in an "out of the box" manner in the latest release. However, the overall solution and Epicor's direction mean it remains in the Visionaries quadrant.

**STRENGTHS**

Standardization of the technology infrastructure has made the application easier to test for Epicor, which has improved product quality, and there is an overall lower cost/effort level needed by system administrators to maintain the application.

Customers upgrading from previous versions of Epicor ERP to version 10 have reported increased performance, especially in heavy CPU usage areas, such as reporting, while the optional "Windows 10"-style user interface, alongside the extensive training provided by Epicor University, has received positive feedback in helping to onboard new users.

With the most recent release, Epicor has unrestricted the cloud version of the product. Previously, even though the application was the same code line as the on-premises product, Epicor had restricted the functionality available in the cloud version (Epicor Express ERP). But Epicor is now able to offer complete choice of deployment (on-premises, privately hosted or public cloud) of Epicor ERP.

**CAUTIONS**

Despite the additional focus on quality of product delivery, the availability of skilled implementation resources does not completely satisfy demand — especially for customers outside of North America who are looking to upgrade from older versions of ERP.
Epicor ERP 10 is a significant technical improvement over the prior release; but aside from a small number of functional improvements, it does not represent a major increase in functionality for customers using a stable version of Epicor ERP 9.

Epicor has a large portfolio of applications. While it has made progress to make it easier for Epicor ERP customers to leverage other specialist products in the portfolio (such as Epicor Mattec manufacturing execution system [MES]) with prebuilt integration, it is less advanced than other ERP providers with a similarly large portfolio of products.

IFS Applications

During the past 10 years, IFS has grown from a specialized Swedish ERP vendor to a global provider of a broad ERP suite for a variety of industries, spanning asset-intensive ones (such as aerospace and defense to oil and gas) to volume-based ones (such as automotive and retail), but also process manufacturing and professional services. In December 2015, EQT, the private equity company, announced plans to acquire IFS and take it private. These acquisition plans did not form part of the formal evaluation, but Gartner does not believe that this will result in any material change in daily operations for IFS in the next year.

IFS is one of the few vendors in this Magic Quadrant that is entirely built around one ERP system. The modular solution is globally available and supported through a combination of direct resources and a growing channel of third-party service providers. IFS Applications 9 was made generally available in May 2015. Major enhancements include role-based enhancements and a transformation of the system's architecture into a "layered architecture," in which partner-built extensions and customer-specific customizations are more clearly separated. IFS offers Applications 9, based on Microsoft Azure, as IFS Managed Cloud with a perpetual license model. The solution is now available in 22 languages for 62 countries. In July 2015, IFS acquired the long-term partner VisionWaves, offering a fully embedded business process management (BPM) and corporate performance management (CPM) "operational intelligence" solution.

The company's visibility and global delivery capabilities are improving, and IFS shows a solid growth trajectory. The roadmap 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. IFS continues to offer an innovative global ERP system with solid product support. The direct professional services resources are frequently described as very strong, but IFS needs to continue its work to educate its growing channel to not lose its delivery quality. 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 comprehensive, flexible and user-friendly ERP system for upper-midmarket enterprises and lower large-enterprise customers with global presence. IFS targets a variety of product-centric industries across a wide spectrum.

IFS continues to build out its global presence through service provider partners and some global system integrators (SIs), supported by IFS Academy.
IFS Managed Cloud represents a sensible cloud strategy, with global delivery based on Microsoft Azure.

**CAUTIONS**

Some of IFS's country organizations are not as coordinated as they should be — they treat the growing partner ecosystems inconsistently, which can make the support of solutions built in a different country challenging.

Despite targeted marketing activities, IFS remains a comparably less-well-known ERP vendor, which can negatively affect IFS's ability to participate in some deals.

IFS's collaboration with delivery partners and global SIs is a work in progress. IFS has recently implemented a global training and certification program through IFS Academy and a tiered partner program. Customers and prospects should use this to assess their partners' competence levels and diligently check the quality of partners and their relationship to IFS, both globally and locally.

**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, as well as industries with maintenance and repair operations and/or with a distribution industry focus. Infor's ERP business grew just over 3% in the past year.

Infor continues to provide customer-driven product enhancements, but since the last Magic Quadrant, it has also instituted a concerted effort to promote the UpgradeX program to enhance UIs and provide a path to the cloud. LN is utilized as the core ERP engine for several Infor CloudSuites: Industrial, Automotive, and Aerospace & Defense. Infor's "Last Mile Functionality" perpetuates its deep investments in industry functionality that will be available for both the on-premises and cloud-deployed versions of the product.

Infor is continuing investment in product extensions, such as the Product Life Cycle Management (PLM) Discrete solution, Product Configuration Management (PCM) solution, Infor e-Commerce and Infor Ming.le, as well as in-context analytics — particularly related to its quality module. Infor has reorganized internally to better support realignment with the CloudSuite offerings, and facilitate the development and deployment of features across all its product offerings.

Consulting support for Infor LN is spread across North America, EMEA and Asia/Pacific, although substantial development, particularly for customer configurations, is undertaken from India. However, customers continue to report inconsistent quality and availability of professional services resources, although Infor is making efforts to improve this. Infor LN's functional roadmap is based largely on customer requests. For existing customers, this is positive, as it often reduces issues with the product. Infor's continued focus on specific industries, together with the factors above, confirm LN's position as a Niche Player in this Magic Quadrant.

**STRENGTHS**
Infor LN continues to be a robust product for the customers with complex global manufacturing requirements, and it is tailored for the need of the verticals it was designed for, especially aerospace and defense.

Infor’s strategy for the product line is firm — market-driven enhancements, as determined by the needs of each focused industry for LN. Customers are offered the choice of moving to a CloudSuite through the UpgradeX program. As LN is used as the ERP engine for several CloudSuites, development of features/functionalities will be available to both on-premises and CloudSuite customers.

Infor’s industry CloudSuite offerings, with robust cloud functionality for multiple manufacturing industries, add depth to its vertical strategy.

CAUTIONS

Although LN roadmaps continue to provide industry-specific functionality, customers are encouraged to review roadmaps for the timing of specific enhancements. Customers considering CloudSuite should be aware that the releases may not be as frequent as they expect because the schedule for on-premises LN will drive CloudSuite updates.

Certain new extended features/functionalities will be deployed only through Infor Cloud. For on-premises customers, this means some extended functionalities (such as analytics) will need to be acquired through Infor’s cloud offerings and integrated to on-premises deployments of LN.

Although Infor states it is addressing the lack of professional services resources across regions, some clients continue to report this as an issue. Resource availability, quality and cost are inconsistent across regions, and some professional services are available for on-premises technology and for new technology (cloud offerings), but there are few resources for both.

Infor M3

M3 is Infor’s main ERP system for industries such as fashion and textile, food and beverage, chemicals and consumer product goods, and distribution, as well as companies dealing with renting and servicing equipment. Although Infor has recently won some deals in distribution and equipment, Gartner has seen more new business interest in food and fashion.

M3 version 13.3 (GA in May 2015) offers a range of incremental enhancements throughout the system, and new modules, such as quality management, laboratory control and a fresh food planner. Infor plans to upgrade the M3 business engine on an annual basis. Infor also launched Fashion PLM — a new product developed on new technology with early adopters. Further developments are planned to enhance capabilities during the next 12 to 24 months. There is new food and beverage contract management capability designed for cooperatives and companies that contract with farmers and growers.

Infor has been encouraging customers to upgrade to the "10x" product releases. This includes further improvements of the HTML5-based client UI, configurable start pages, a new menu navigation and more. M3 is used as the core engine for several of Infor's CloudSuite offerings for industries: food and beverage, fashion, equipment, and distribution. The UpgradeX
program aims to help customers that seek to move their existing M3 environment into Infor's cloud. Although some customers have chosen this option, Gartner has not seen wide-scale interest from customers in selecting this upgrade.

Despite Infor's investments, the professional services situation around M3 is still described by customers as a serious issue, with 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.

Uptake of Infor's 10x technology offerings, such as Intelligent Open Network (ION), Infor Ming.le, Mongoose and CloudSuite, is still 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's new M3 business strategy in food and fashion seems to be successful with new license sales and product improvements. Infor also reports new M3 business in equipment and rental.

Infor has a clear product strategy for M3 target verticals.

Infor's CloudSuite options continue to provide robust functionality for the food and beverage and fashion industries.

**CAUTIONS**

Infor M3 has good functionality for chemical manufacturers, equipment dealers, and service and rental companies, but M3 is not yet as strong in those industries as in food and beverage, and fashion.

If an M3 on-premises client wants to remain on-premises, some extended functionalities, such as Expenses Management (XM) and Infor CRM, will need to be acquired in the cloud, requiring integration through ION or some other integration tool.

Lack of deep resources across regions continues to be reported by some clients. Infor is working on this issue, but it still hasn't built out its industry teams by region. Some clients report that service providers are difficult to find and are expensive.

**Microsoft Dynamics AX**

Dynamics AX is Microsoft's flagship ERP solution for the midmarket and lower-end large-enterprise organizations (nominally up to $3 billion to $5 billion). The majority of live deployments comprise 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. AX incorporates financials, human resources and operations management, as well as capabilities for industries such as retail, manufacturing, services and public sector. Partners extend the products' applicability to other industries, including financial services.

Microsoft Dynamics AX has undergone significant improvement during the past four years, culminating in the current release of AX 2012 R3. It is available on-premises, or hosted by partners on their own infrastructure or on Azure. The next release, previously code-named
within Microsoft as "AX7," will be officially named "Dynamics AX" and is due for release in the first quarter of 2016. Dynamics AX has a consistent data model and business logic with previous releases.

During the last year, Microsoft decoupled the Dynamics business unit into its constituent parts, reassigning its core R&D and go-to-market groups, and making Dynamics part of the normal Microsoft structure rather than a separate business system group. This should deliver major benefits for Dynamics AX customers and prospects because it exposes all of Dynamics' solutions to the rest of the business, when beforehand, only its CRM solutions were really visible and championed in other divisions. These facts combined confirm Microsoft Dynamics AX's position as a Visionary in this Magic Quadrant.

**STRENGTHS**

Microsoft Dynamics AX is a strong solution for midmarket and lower-end large-enterprise organizations in its target industries. AX for Retail is a full-function vertical solution for the industry, while partners extend the core AX solution for other industry microverticals.

Dynamics continues to build out its Lifecycle Services (LCS), incorporating its Sure Step implementation methodology. Customers say it adds significant value to their control from a support and system management perspective. LCS, which will be a mandatory inclusion for the cloud deployment of Dynamics AX also provides the visibility that will likely enable Microsoft to offer very competitive licensing granularity.

Microsoft's internal reorganization has had a positive effect on AX. The product is now natively integrated to, and positively augmented by, the rest of Microsoft's vast array of offerings, including Office and Office 365, Microsoft Dynamics CRM, SharePoint and Power BI.

**CAUTIONS**

In the last year, Microsoft Dynamics AX 2012 R3 has increased the number of deployments, and feedback for the product is generally good. The growth in the demand has not been matched by adequately increased numbers and/or experience of available resources — either within Microsoft or its partners — resulting in challenges in certain regions.

Microsoft's licensing rules do not take into account that Microsoft systems integrating to AX may require read-only access. Under these conditions, any users of an ancillary Microsoft system, such as CRM, must also have a full AX license. This is a major issue for organizations with large numbers of employees, particularly remote users, as customers can easily become noncompliant. According to Microsoft, this issue will be addressed with the pricing and licensing for the next release of Dynamics AX — expected to be available in the first quarter of 2016.

Customers implementing or upgrading to AX 2012 R3 as a steppingstone to the next release, as well as considering tailoring user portals, should first consult Microsoft, as any money spent on customizing portals will be redundant upon implementation of Dynamics AX, which will sport a new Windows 10-style UI.

Oracle E-Business Suite
Oracle E-Business Suite (EBS) remains one of the largest, most functionally complete products on the market. It is a global, multiorganization, scalable solution with strong functionality for product-centric industries, including high tech, industrial manufacturing, automotive, life sciences, consumer packaged goods, chemical, communications, utilities, engineering and construction, aerospace and defense, and natural resources.

Oracle had flat ERP performance overall, with 0.2% growth in the ERP market, which grew 6.4% overall. Although Oracle does not provide specific numbers for individual product lines, we believe that its operational ERP (manufacturing and operations, and Enterprise Asset Management [EAM]) didn't meet the global market growth. Gartner believes the better growth areas were financial applications and human capital management (HCM). The latter are firm focus areas for sales and development efforts in its Oracle Cloud Applications strategy, which we believe has had an impact on sales of operational ERP, but the operational ERP business remains healthy. Because Oracle did not make any significant acquisitions from an ERP perspective last year, ERP revenue growth should be seen as organic.

Release 12.3 and the future roadmaps include mainly customer-driven enhancements. EBS customers benefit from some investments in new technology across multiple product lines, including Endeca, Mobile Applications, and UI enhancements, but some of these extensions are expensive. Major functional enhancements in new functional areas aimed at new clients are more likely to be delivered in the new Oracle Cloud Applications. This is a corporate strategy and is not limited to any one of Oracle’s on-premises product lines. Oracle has an aggressive program to get on-premises customers to adopt the Cloud Applications.

Oracle has a robust global system of SIs and is very scalable for organizations with plans that would take them to the higher end of the midmarket or to a large enterprise. As an organization, Oracle remains financially stable, but some clients continue to report Oracle is a difficult organization to work with. While Oracle EBS is one of the most robust products offered in the Magic Quadrant, the product size, complexity and maintenance requirements are often too expensive for midmarket companies. Together, these facts position Oracle E-Business Suite in the Challengers quadrant of this Magic Quadrant.

**STRENGTHS**

EBS is global and offers proven support for global single instance (GSI) deployments, and it is well-suited for companies with complex manufacturing requirements or for those needing support for fast international growth and scalability.

Oracle provides a huge portfolio of strong add-on solutions (for example, Taleo, Agile, Hyperion, Siebel, Demantra, Oracle CPQ Cloud, Oracle HCM Cloud and ATG).

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

**CAUTIONS**

EBS has broad and deep functionality, but the product complexity and implementation cost are beyond the means for many midmarket customers.
Although some functional and usability enhancements are being delivered, major investment in new functionality will come in the Cloud Applications.

Although Oracle is financially stable, some clients consistently rate Oracle as difficult to deal with in the areas of contracts, sales and support.

Oracle JD Edwards EnterpriseOne

Oracle JD Edwards (JDE) EnterpriseOne remains a robust and global solution targeted at companies in various industries, including manufacturing and distribution, projects and services, and consumer goods, as well as asset-intensive industries, such as oil and gas. Oracle stated 0.2% ERP growth overall in 2014, but Oracle does not provide specific numbers for individual product lines. We believe that operational ERP (manufacturing and operations, and EAM) had stable growth in 2014, while the better growth areas were financial applications and HCM. The latter are primary focus areas for sales efforts, which have had an impact on the growth of on-premises operational ERP, a business that remains solid.

Oracle has a roadmap for JDE 9.2 (October 2015 GA) and beyond. The roadmap continues to show steady improvements, with new releases containing mainly client-driven functional enhancements, coupled with fundamental modernization to JDE's user experience and technology. Version 9.2 will include Outbound Inventory Management, Advanced Job Forecasting, the Internet of Things (IoT) Orchestrator and a new module for Rental Management. Further enhancements will likely include better support for Oracle's in-memory database features, a simplified upgrade process, support for Android-based devices, and mobile One View reports. Oracle continues to enhance the product; customer-requested enhancements, UI and mobility improvements, and analytics are major areas of enhancement.

While Oracle continues to support and enhance JDE EnterpriseOne, major functional enhancements in new functional areas aimed at new clients are more likely to be delivered in the new Oracle Cloud Applications. This is a corporate strategy and is not limited to any one product line.

In support of postmodern ERP requirements for integration, Oracle continues to deliver both innovation on its Fusion Middleware and enhancements to the native JDE EnterpriseOne technical architecture.

Oracle is financially stable, but some clients continue to report that Oracle remains a difficult vendor to work with. Oracle has a solid roadmap for the future 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. However, the majority of Oracle's visionary efforts are focused on the Cloud Applications. The facts combined secure JD Edwards EnterpriseOne's position as a Challenger in this Magic Quadrant.

**STRENGTHS**

JDE EnterpriseOne provides global, scalable, strong functional ERP for manufacturing companies with complex requirements, including manufacturing and distribution, projects and services, and consumer goods, as well as asset-intensive industries, such as oil and.
gas. It is a simpler and less complex application than EBS, with a cleaner architecture, which facilitates simpler deployment of a new UI and other enhancements.

JDE EnterpriseOne customers benefit from the large portfolio of Oracle's add-on products and customer-driven enhancements across the entire suite. Oracle continues to invest in technology innovation and acquisition of products that are available to JDE EnterpriseOne customers.

There is a stable base of JDE EnterpriseOne partners around the globe — more so than several other vendors/products in the Magic Quadrant.

**CAUTIONS**

Oracle has a published roadmap for JDE EnterpriseOne and continues to deliver new functionality for existing clients. However, Oracle has an established long-term strategy to deliver most major functionality for new clients in new markets through the Cloud Applications suite. Clients and prospects should examine Oracle JDE EnterpriseOne roadmaps carefully.

Clients report a deteriorating quality of account management and support services.

Oracle is aggressively selling the Cloud Applications far beyond efforts to sell on-premises products. Gartner has heard from several SI partners that they are beginning to retool their service capabilities to plan for a shift in business to Cloud Applications from on-premises products.

**QAD Enterprise Applications**

QAD's ERP strategy centers on two key products: QAD Enterprise Applications and QAD Cloud ERP. Key industries targeted include automotive, high tech, industrial equipment, life sciences, consumer products, and food and beverage. To add further industry and functional depth to the core ERP suite offering, QAD also offers a number of modules for transportation, quality management, supply chain and cloud EDI. At the time of evaluation, QAD Enterprise Applications 2015 was available in the market, which offered enhancements to the user experience, product configuration, enterprise asset management and product genealogy. Further enhancement to QAD Cloud ERP and QAD Enterprise Applications 2015 was made available in September 2015, but this evaluation was performed on the release generally available in August 2015.

QAD is making progress on its initiative to improve the user experience (UX) of the application; the first efforts of this are in the current release, but more will be available in upcoming releases. The user experience work will ultimately transition the applications to a 100% Web application that can also be natively run on mobile devices. From the data perspective, QAD is investing in improving the analytics visualization and data exploration capabilities through internal rearchitecture and the use of new technology partners. From the cloud perspective, QAD made a number of improvements at the infrastructure layer, which improved the economics of delivering the service for QAD, increased uptime performance and reduced the time to deploy for new customers.
QAD's commitment to product-centric industries remains strong, and we are encouraged by recent efforts and investments QAD is making with regard to the underlying technology foundation. However, only early adopters and some net new clients are taking full advantage of these improvements. Also, QAD remains on the Progress database platform and has not shared any plans for replacement with Gartner. Should QAD remain solely on the Progress database, this will become more of an issue in the future, as Progress resources are increasingly difficult to find. Additionally, other databases (for example, SQL Server 2014) are beginning to incorporate technology advancements, such as in-memory and high-speed embedded analytic capabilities. Furthermore, clients are beginning to express concerns about the medium- to long-term implications of remaining on the Progress platform. This keeps QAD Enterprise Applications from moving further along the visionary axis and results in its position in the Niche Players quadrant.

**STRENGTHS**

QAD has a strong connection to a number of industry associations, which allow QAD to develop rich functionality for its targeted industries.

Gartner reference checks have again shown a high degree of intimacy between QAD upper management and customers of all sizes; customers appreciate the easy access they have to executives and decision makers at QAD. This is admirable because this is normally reserved for all but the most important customers at many other vendors.

QAD has a mature and extensive (for a company of its size) presence globally in sales, support and professional services. More importantly, most implementations are led by or exclusively undertaken by QAD, which leads to a high level of implementation consistency and quality.

**CAUTIONS**

While a number of customers Gartner spoke with commented that QAD's code quality is fine, some cited difficulty in obtaining access to qualified post go-live resources in the areas of professional services and customer support.

The UX rearchitecture is a work in progress, and customers should look carefully at the associated UX choices in order to maintain or enhance productivity.

While QAD has made several improvements with regard to the underlying technology foundation, QAD has not announced plans to offer alternatives to, or move off, the Progress database.

**Sage X3**

Sage X3 is the flagship ERP offering from Sage. In the company's recent rebrand of its international products, Sage X3 has seen renewed emphasis as being the product at the top of Sage's ERP product portfolio for midsize organizations in a service- or product-centric environment. At the time of evaluation, Sage X3 had 5,100 customers and a partner base of 290 globally. From a product-centric perspective, Sage X3 is targeted at industries such as discrete manufacturing in high tech, automotive and tools, distribution, and services industries. Sage also provides functionality for more process-oriented manufacturing in
pharmaceuticals, cosmetics, chemicals, and food and beverage, through a partner approach. The version 7 release in 2014 represented a significant change from an architecture perspective, as well as from a go-to-market perspective. Architecturally, the changes included becoming a full Web application, simplifying the technical stack to prepare for cloud deployment and enabling the application to surface in a mobile environment. From a go-to-market perspective, the major change was the move to one version — rather than the standard versus premium versioning — with a significant messaging push around a better user experience.

At the time of evaluation, version 8 was just about to be launched; the key differences to this version are further enhancements to the architecture, allowing Sage to make the application generally available on Amazon's cloud infrastructure, and allowing the application to be managed by Sage. Version 8 also marks the beginning of a new release cadence for Sage toward a biannual release cycle. From a go-to-market perspective, Sage is also increasingly pushing implementations to its ecosystem as the preferred option, rather than implementing with Sage Professional Services. Sage also has expanded support for the Middle East and added localization support for a number of countries in Eastern Europe, as well as Brazil, Russia, Angola and Turkey.

Sage X3 is a capable product, and with the latest release, it conforms to what is expected from a modern ERP system. Typical customer profiles observed by Gartner are mainly from small customers and those customers at the lower end of the midmarket that use Sage in a more administrative capability. This, in combination with Sage's current industry strategy for product-centric business, places Sage in the Niche Players quadrant.

**STRENGTHS**

While Sage is increasingly pushing new implementations to partners, it still takes an active role in the presales process to ensure expectations are set appropriately for the implementation process. Customers can still insist on contracting directly and implementing with Sage's professional services team.

Customer feedback on the application's ease of use and the upgrade experience from older versions to version 7 have been positive, with many customizations porting over easily.

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 so that they can move to Sage X3. It also has native CRM capabilities for organizations looking for simple yet effective customer management features.

**CAUTIONS**

While Sage sells to product-centric organizations, our customer reference checks this year and in previous years have indicated that X3 is a stronger solution for organizations looking for a capable and scalable administrative ERP solution (financials and inventory), rather than a product with deep support for product-centric organizations involving manufacturing and complex distribution.
Sage is a global organization with many complementary products (such as HR and Payroll) in many of its core markets, such as Western Europe, the U.S. and South Africa. However, customers interested in using these need to check which products are "ready" to integrate versus those that may require more professional services work.

Gartner's interactions with clients using Sage X3 is most often found in companies at the lower end of the midmarket — only a minority of customers have deployed the product using a single global instance. Customers looking to use Sage in a larger, more complex environment should check references carefully — especially in product-centric organizations, where more than financial management and inventory are required.

**SAP Business All-in-One**

SAP Business All-in-One is the brand name for approximately 700 industry-specific solutions built by SAP partners preconfiguring the baseline ERP Central Control (ECC) product. As such, All-in-One inherits the investment that SAP makes on its core offerings, including ERP and parts of CRM and supplier relationship management (SRM), although with a certain delay. The preconfigured solutions include best practices for certain business processes, as well as integrations and extensions that will help in the initial stages of an implementation; however, because they are not reduced versions of the core system, they are still complex and expensive versus a full-fledged SAP instance.

The proposed SAP S/4HANA edition for SAP Business All-in-One offers the full ERP scope, including S/4HANA Finance and the in-app extensibility, but access to development tools is granted only when deployed on-premises. The newly redesigned UI with SAP Fiori can be used where available. The Hana Cloud Platform can be used as a platform as a service (PaaS) for product extensions and IoT services. Predefined integration with other SAP offerings, such as SuccessFactors, Ariba, Concur and hybris, are available, but many midmarket customers don't use them much.

SAP Business All-in-One continues to be a set of visionary solutions with strong execution, mainly for upper-midmarket and lower-end large-enterprise companies through its direct derivation from S/4HANA. With its strengths in global availability, comprehensiveness and modern in-memory technology. However, SAP's strategic focus on S/4HANA has recently overshadowed SAP Business All-in-One's visibility in the midmarket.

**STRENGTHS**

SAP Business All-in-One solutions provide complete ERP solutions for many different industries and geographies, harnessing many of SAP's investments in its core offerings. SAP's development of S/4HANA is available to midmarket customers through S/4HANA edition for SAP Business All-In-One.

As SAP develops S/4HANA, it will become available to midmarket customers through Business All-in-One.

The large ecosystem of service partners for SAP solutions can offer many choices, but only a few of them may be familiar with a specific S/4HANA SAP Business All-In-One solution.

**CAUTIONS**
While SAP's code baseline is global, most partners supporting one specific Business All-in-One solution are not global, and it can be challenging to find support for it in a different geography.

The S/4HANA foundation is still early in its life cycle because the "simplification" strategy is evolving, and there are not a large number of organizations "live" with the simplified architecture in S/4HANA yet. A number of strategy changes makes it difficult for companies to build consistent long-term roadmaps for their SAP environment.

SAP Business All-in-One continues to have a complex technology footprint, despite SAP's simplification strategy. Fiori eases only isolated portions of the complexity pains.

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 since the 2012 version of this Magic Quadrant remain basically unchanged for incumbent offerings. An ERP suite must fulfill all these criteria to be included:

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

**Single Instance:** The vendor must have the ability to support multiple organizational entities (such as country units) out of one single instance of its ERP system.

### 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. 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. 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 reduce only some parts of the overall costs (see "Don't Believe the Hype: Implementing SaaS ERP/Business Applications Is Not Fast and Easy").

**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, 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, supply chain management [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. The Product or Service criterion has one of the highest weightings in this Magic Quadrant.

**Overall Viability:** 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. While their total revenue may not be in line with large megavendors, their overall persistence in successfully serving their target markets throughout 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. The Overall Viability has a medium weighting in this Magic Quadrant.

**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 commit complete teams for the selection and negotiation process. Most of the vendors in this research do a large 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 products are mature: 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 marketing execution is important to market visibility, many 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. Vendors with a long track record in the midmarket have designed and built their systems and implementation tools to overcome their customers' resource constraints, and their consultants and professional services are well-acquainted with this limitation. The lower level of specialization that is typically prevalent in midmarket IT organizations requires support organizations on the vendor side that can deliver technical and business support efficiently, and flexibly fill gaps in skills and resources for their customers. For international deployments, it is important that this level of quality and ability is equally present in all regions where the systems are available, either directly or through the partner channel. For these reasons, the Customer Experience criterion has a high weighting.

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

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

*Source: Gartner (December 2015)*

**Completeness of Vision**

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

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

**Sales Strategy:** A good vision for the sales strategy will remain an important success factor in the future. Midmarket companies have some specific buying behaviors (see "Forecast Analysis: Small-and-Midsize-Business External IT Spending, Worldwide, 4Q14 Update" and "Predicts 2012: Midsize Businesses Seek Technologies to Simplify Their IT Environments" [Note: This document has been archived; some of its content may not reflect current conditions]), and vendors that want to be successful in this market have to build strategies and organizational structures to comply with these behaviors. A concise and transparent mix of indirect versus direct channels is important, because customers expect similar structures and consistent conditions in all regions where they need to deploy the solution. Examples of innovation in the sales process include self-service capabilities to guide prospects (such as Web-based solution configurators and pricing engines). Therefore, the Sales Strategy criterion has a high weighting.

**Offering (Product) Strategy:** Product strategy is critical; it refers to a technology provider's approach to development and delivery, which emphasizes differentiation, functionality, technology, methodology and feature set as the provider maps to current and future midmarket ERP requirements. It also refers to technology evolution, which includes important topics such as support for postmodern ERP, including integration technologies native to the application, user centricity, cloud, mobility, embedded analytics, service-oriented architecture (SOA), model-driven packaged application awareness, master data management, social software, and the emergence of business process platforms (BPPs) and multienterprise BPPs. For the purposes of this evaluation, Gartner measures vendor strategies for building end-to-end processes that span functional areas across the enterprise. The vendors' understanding of market changes, and their product strategies for successfully navigating these changes, significantly influences their Completeness of Vision, which is why this criterion has a high weighting.
**Business Model:** Vendors' business models (that is, the soundness and logic of providers' underlying business propositions) are not critical, except as they apply to delivering overall midmarket customer satisfaction; therefore, the Business Model criterion has a low weighting.

**Vertical/Industry Strategy:** Industry-specific functionality is an important differentiating factor among midmarket ERP systems. Some vendors have selected a number of industries on which to focus, while others offer more horizontal functionality and rely on their partner channels to complement and complete the solution. 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, a roadmap 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 quickly adopted by the smaller vendors as well. ERP-specific innovations to support new trends in the markets and industries targeted by the systems are rated under the Offering (Product) Strategy criterion. Therefore, the Innovation criterion has a low weighting.

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

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
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</table>
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 midmarket 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. Leaders have compelling strategies for addressing the ongoing market changes related to emerging technologies, such as SOA and postmodern ERP capabilities, including simpler integration to external cloud-based applications, embedded analytics and tools to account for the IoT and digital business at a reasonable cost for midmarket enterprises.

Leaders also have built structures to extend their systems with industry-specific solutions, often in cooperation with their partners, which deliver the best support for the specific processes in vertical markets, while offering good-enough support for the less differentiating processes. They 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).

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. 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 and support for postmodern ERP), having a full SOA/model-driven packaged application strategy, and offering high ease of use, implementation and operation; however, they lack certain characteristics in their Ability to Execute.

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

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

The first category comprises solutions that are often functionally adequate, and in some cases, are the best choices for the specific requirements of an individual customer within a specific vertical or enterprise profile. However, they lack the full depth, breadth or robustness of functionality demanded by the most complex and sophisticated users, and they often do not have a vision for attaining — or the level of persistence required to attain — the Leader status as described above. 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
deploy to only a few countries, or companies with limited complexity or sophistication, or that are in a few very specific target vertical markets — a vendor's solution in the Niche Player quadrant could be the best choice.

The second category comprises solutions that were designed originally 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 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 2015 iteration of this Magic Quadrant addresses the needs of product-centric companies with between 100 and 999 employees, and with annual revenue between $200 million and $2 billion. In actual cases, the number of employees could be up to 3,000 or 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, meaning the systems must minimize TCO and complexity. The inclusion criteria for this Magic Quadrant were not changed from 2014. 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, multientity, 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 it 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 "Select ERP Applications Using a Structured Evaluation Framework"), and to use the Magic Quadrant in conjunction with inquiries with Gartner analysts.

Magic Quadrants are snapshots in time. To be fair and complete in the analysis, Gartner stops data collection at a specific time. The cutoff date for this Magic Quadrant was July 2015.

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, 2015." 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, three trends have become more evident since the last publication of this Magic Quadrant in 2014: postmodern ERP; cloud ERP; and in-memory computing/embedded analytics to support digital business.

**Postmodern ERP**

Largely driven by a 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 suites to surrounding satellite solutions. See "2015 Strategic Roadmap for Postmodern ERP." Examples of this include the acquisition of SaaS applications, such as Salesforce, Taleo and Concur. A hybrid landscape of loosely coupled systems on-premises and in the cloud can lack the integration and support of end-to-end business processes that product-centric organizations expect from an ERP solution. Consequently, the core ERP functionality required by product-centric midmarket organizations is still sourced usually from a single vendor, while SaaS deployments tend to focus on administrative capabilities (such as indirect procurement and HCM) that do not need such tight integration with the core. Midmarket organizations are more likely to look to existing ERP vendors to move these capabilities to the cloud rather than source them from a range of SaaS specialist solutions.

**Cloud ERP**

Consequently, many ERP vendors are providing a transition of operational ERP systems into the cloud. The different flavors of cloud offerings are described in (see "How to Select the Right Cloud ERP/Business Application" and "How to Determine the Characteristics of the Right Cloud ERP/Business Application"). The impact of cloud computing varies by business domain. In domains such as sales force automation, HCM, 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" [note that this document has been archived, so some of its content may not reflect current conditions]). 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 considerations 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 and 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" [note that this document has been archived, so some of its content may not reflect current conditions] and "Define Your Customization Strategy for SaaS/Cloud Business Applications").

No cloud or SaaS ERP vendors offer 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 most 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 regard to cloud deployment, ideally by using Gartner's 12 dimensions that define cloud-delivered ERP (see "How to Select the Right Cloud ERP/Business Application"), and then map these requirements against the types of cloud offered by vendors.

Embedded Analytics/In-Memory Computing to Support Digital Business

Most systems in this Magic Quadrant have improved their embedded analytics capabilities. Almost all systems let users and system administrators embed dashboards and data visualizations into transactional screens. Oracle JDE EnterpriseOne's One View Reporting and the increasing number of Oracle E-Business Suite Extensions for Oracle Endeca are 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. See "Invisible Advanced Analytics: Coming to a Business Application Near You." 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, although other vendors, such as Oracle, are delivering embedded in-memory analytics in a hybrid model (for example, Oracle In-Memory Cost Management). Vendors that are using Microsoft’s SQL Server DBMS are well-equipped to follow, but have yet to incorporate this into their product roadmaps. 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, recognized the need for UI improvements sooner than others, and have executed multiyear projects to rework the UIs of their entire ERP systems. Others have since engaged in UI improvements through alternative approaches, such as Infor’s Ming.le., Oracle’s UX program for both JDE and E-Business Suite, SAP’s Fiori and Screen Personas, and QAD’s UX and Channel Islands initiatives. 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.

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

- **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.

- **Dedicated apps for special purposes** (for example, approval of certain transactions in certain workflows), but also for certain tasks such as travel and expense management, field service activities and the like.

- **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.

- **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.
Mobile analytics functionality, for the growing number of users (often managers or casual business users) focused on consuming analytics and reports. Most vendors started to offer dashboards and data visualization, although these offerings were often limited to certain business areas and only for certain mobile operating systems.

Application managers and business analysts need to identify innovating or differentiating business processes in which mobile applications and technologies could add business value and should incorporate ERP mobility into the organization's ERP strategy. They should assess their ERP vendors' roadmaps to see how these can support their mobile ERP strategy and should redesign those processes in which mobile applications and technologies 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 BPM tools, had to be used in addition to ERP systems.

Some ERP vendors have positioned their social collaboration capabilities as contextual collaboration solutions designed around work patterns. They are used for employee communication, process/project collaboration, and context-sensitive communications within specific business activities. This is nascent technology and not widely adopted among customers yet.

Some vendors in this Magic Quadrant have embraced social collaboration concepts more than others. Infor Ming.le 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.

A number of customers interviewed for this Magic Quadrant stated that some companies have already embedded social computing into their application portfolio, but are often using non-ERP platforms, such as Microsoft's Yammer or Salesforce'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, 2015").

**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
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, 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.