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The Best ERP Vendor Experience

FORRESTER®



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The Best ERP Vendor Experience

ERP apps are a commodity. Who can tell one G/L from another? Users should assess ERP vendors based on how easy they are to work with. The best so far is MAPICS.

2 MARKET OVERVIEW

- ERP products and solutions portfolios are indistinguishable.
- PeopleSoft is no longer just about people.

4 ANALYSIS

- No major vendor serves large customers extremely well.
- MAPICS shines in the midmarket.
- The big guys, such as SAP, J.D. Edwards, and PeopleSoft, must adapt to midmarket demands.

8 ACTION

- Microsoft should add MAPICS to its shopping cart.

9 RELATED MATERIAL

- Online interactive spreadsheets for evaluating ERP vendors in different scenarios.

10 GRAPEVINE

11 ENDNOTES

MARKET OVERVIEW

BACK-OFFICE ERP APPS: YOU'VE SEEN ONE, YOU'VE SEEN 'EM ALL

Back-office enterprise apps, such as finance, human resources, and procurement, have evolved into mass-produced, unspecialized product offerings. The evidence?

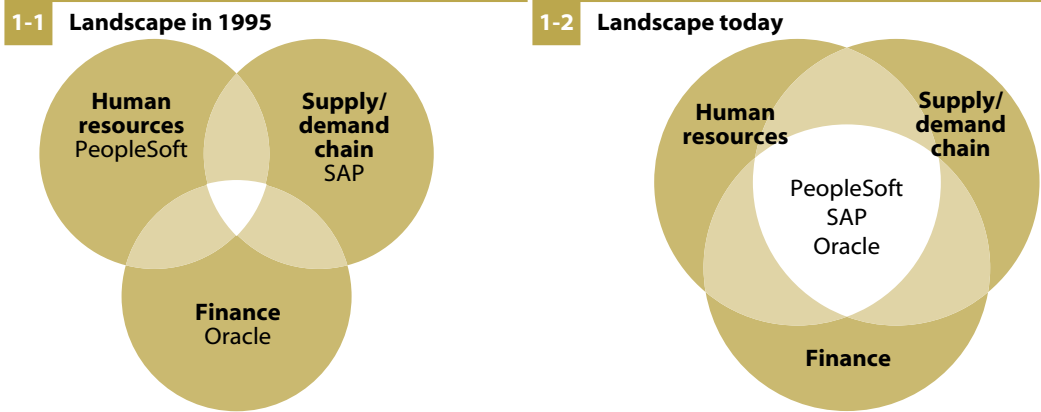
- **The depth of individual modules is indistinguishable.** Users don't waste time viewing demos of meat-and-potatoes modules like general ledger and payroll processing. Virtually every ERP vendor from MAPICS and Microsoft to SAP and SSA Global Technologies has this functionality down pat.
- **The breadth of product portfolios is very similar.** Virtually every vendor offers the same basic back-office product line -- with a suite of products spanning accounts payable, payroll, order entry, and inventory management. And while front-office apps like CRM may look unique today, they will eventually homogenize as well, following in the path of other once-hot spaces like eProcurement (see the November 2002 Forrester Report "Enterprise Service Apps Shootout").¹

Vendors Are Struggling To Maintain Differentiation

Today's ERP leaders weren't created in a day. They evolved over time, building on a primary area of expertise -- like QAD in discrete manufacturing or IFS in preventative maintenance. But as these companies grew, their product footprints expanded and now significantly overlap each other (see Figure 1).

- **PeopleSoft is no longer just about people.** In the mid-1990s PeopleSoft was the vendor of choice for human resources functionality, including a large number of US-based SAP shops. Recent press releases from PeopleSoft, however, focus on supply chain management, CRM, and eProcurement.
- **SAP is no longer just about manufacturing.** Recent announcements about linking shop-floor operations to supply chain networks show SAP's strong manufacturing roots (see the May 2002 Forrester Report "The X Internet Makes Manufacturing Flexible").² But finance and HR apps now account for a whopping 40% of revenue -- almost twice the size of its next-largest bucket of license revenue, mySAP SCM -- and its splashy ad campaigns boast of CRM expertise.³
- **Oracle is no longer just about financials.** Oracle's legacy as a financial apps powerhouse is not in question, but SAP has crept into the boardroom while Oracle has sneaked into plants and distribution centers. Oracle consistently goes

Figure 1 ERP Vendors' Uniqueness Fades



Source: Forrester Research, Inc.

to market now with a suite message, pushing its all-in-one solution from database up through the entire application stack (see the January 31, 2002 Forrester Brief “Oracle Misses With Pricing And Support Offers”).⁴

Not All Vendors Can Serve Billion-Dollar Enterprises

Despite broad product portfolios, most ERP providers like MAPICS, Microsoft, Exact, IFS, Best Software, and Intentia rarely get RFPs from billion-dollar companies -- unless it's for an opportunity at a small division or specific site. Most midmarket-focused vendors don't seek out big customers, preferring to keep their focus on their core user base. Others just can't compete. What holds them back?

- **Product scalability.** Vendors in this category support more simplified organizational hierarchies and offer minimal security features. Example? To do true field-level security that would keep staff with accounting privileges from seeing payroll amounts, Microsoft customers must ante up several thousand dollars for a separate tool, while this feature is standard from vendors like PeopleSoft, J.D. Edwards, and Oracle.
- **Service scalability.** The majority of midmarket vendors like Exact Software rely heavily on third-party partners to offer services like hosting, consulting support, and industry-specific customization. When Nestlé decided to standardize on a single ERP platform, it didn't want to deal with a network of small VARs across the globe, so SAP got the contract. Smaller vendors play successfully at the local level but can't make it to the big time without sizable direct sales, consulting, and field support teams.

ANALYSIS

USERS NEED A NEW YARDSTICK FOR MEASURING ERP VENDORS

If back-office functionality is a commodity and front-office differentiation is only temporary, on what other factors should users base their ERP selection decision? Given the seven- to 10-year life span of an ERP implementation, Forrester believes that users must evaluate the *experience* they will have with their enterprise app vendor -- from contract negotiation through post-implementation support (see the December 2001 Forrester Report “Living With Your Enterprise App”).⁵ So set aside the features checklist and focus on:

- **Application management and support.** Responding quickly to major business changes like mergers and acquisitions is critical to a company’s success (see the December 17, 2001 Forrester Brief “Thriving In The Recession: CEMEX”).⁶ So instead of screen shots of management reports, users should insist on seeing a demo of modifying the org chart to simulate an acquisition or divestiture (see the January 8, 2003 Forrester Brief “App User Interfaces Still Need Work”).⁷ If vendors don’t offer easy-to-use tools for making this transition seamless, move on. Other application management hot buttons are Web services compliance and API publication, both of which minimize the pain of inevitable integration efforts.
- **Total cost of ownership.** While the initial license fee and implementation costs are nothing to scoff at, maintenance fees, upgrades, and support staff costs last as long as the app itself -- and with plain-vanilla upgrades running as much as 35% of the original implementation cost, these bills add up quickly.⁸
- **Contract friendliness.** Forrester fields calls all the time from users in a software selection situation with the basic theme of “Am I getting a good deal?” Forrester believes that the best vendors publish price lists, avoid gag clauses, and do not force artificial product name changes that result in contract renegotiations.
- **R&D investment.** R&D investment is a leading indicator for whether a vendor will create apps that drive future competitive advantage for its clients, however fleeting. Big budgets mean more capability to get new products to market with better features. Examples where customers have come out ahead? SAP continues to stay in front of the pack in product life cycle management, enabling customers like UBE Machinery to reduce production lead times by 18%.

The Forrester Wave™: ERP Vendor Manageability

To help make users' ERP investment decision easier, Forrester evaluated the ERP vendors on these criteria by conducting detailed vendor surveys and usability reviews of the applications. The results are categorized into the three major dimensions of the Forrester Wave (see the July 22, 2002 Forrester Brief "The Forrester Wave™ Explained"):⁹

- **Current offering.** This section includes details about application management, maintenance support, total cost of ownership, and contract friendliness.¹⁰
- **Strategy.** R&D investment, the strategy section's dominant component, indicates a vendor's ability to develop innovative, outward-facing apps and incorporate new technologies like business process management and Web services.
- **Market size.** More than a decade old, this mature market gives users a sizable field of stable vendors, minimizing the role of this section as a decision criterion.

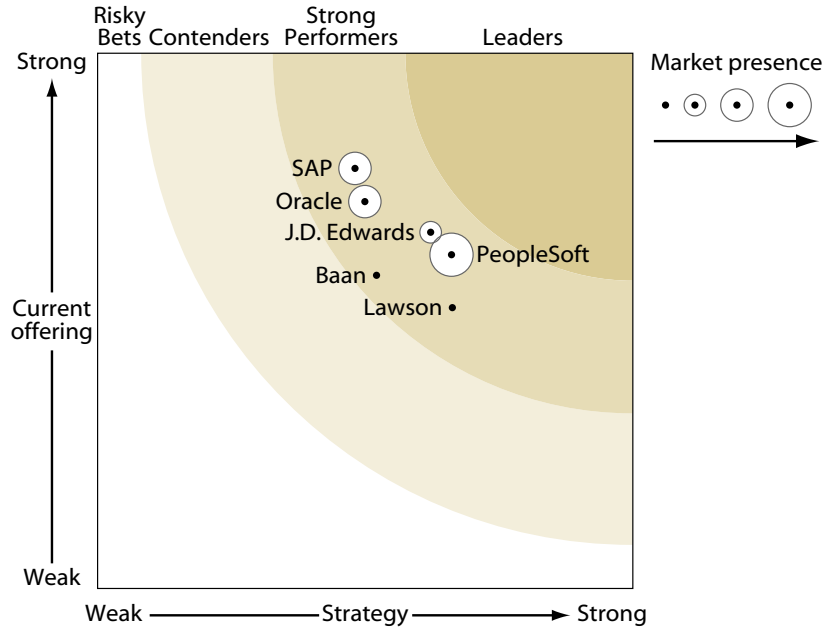
BILLION-DOLLAR COMPANIES GET ONLY "GOOD ENOUGH" SERVICE

Large, global companies demand a higher level of service than their midmarket counterparts do. What services in particular? Super-fast response times for business-critical software failures, multilanguage customer support for their global operations, dedicated account management for personalized attention, and big R&D budgets to generate future competitive advantages. Emphasizing these criteria, Forrester assessed the six big-name ERP vendors that serve billion-dollar firms (see Figure 2).

- **No large vendor performs at a leadership level.** Large vendors take their large customers for granted. Quick fixes for vendors abound: eliminate gag clauses from standard contracts, provide more upgrade tools and freebie consulting, and beef up user group funding. For example, SAP offers free upgrade consulting to all its maintenance and support customers.
- **The Strong Performers category is crowded.** PeopleSoft heads the Strong Performers with Baan, J.D. Edwards, Lawson, Oracle, and SAP nipping at its heels. Supporting PeopleSoft's score was the vendor's easy-to-use security and organizational hierarchy maintenance tools. PeopleSoft is also tight with its user groups, and it spends heavily on R&D at 18% of revenues. Honorable mentions should go to J.D. Edwards for its complimentary Web training courses and inexpensive support offerings and Lawson's quick telephone response time, averaging less than 48 seconds.

Figure 2 Forrester Wave™: ERP Vendor Experience For Large Firms, Q1 '03

View the data supporting this graphic by clicking the online "Get Data" button above the figure.



Source: Forrester Research, Inc.

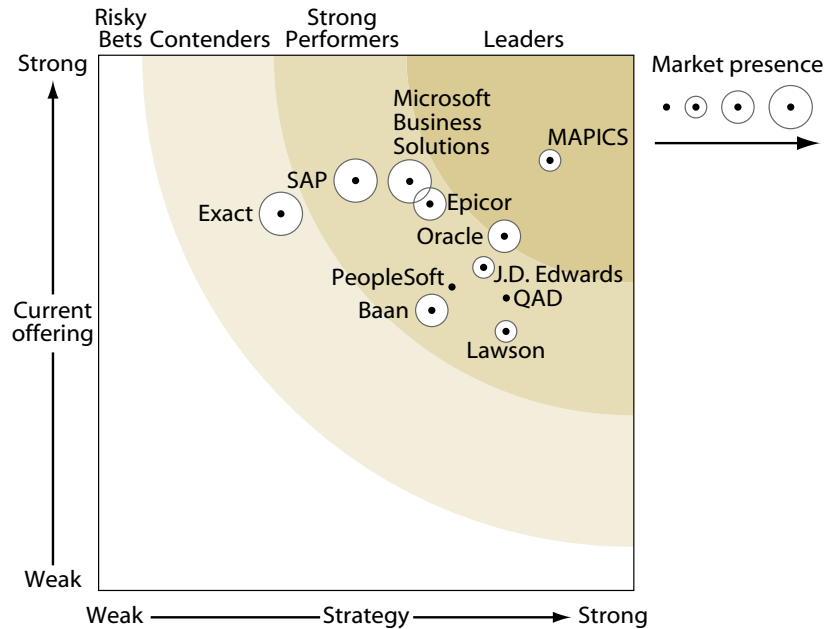
COMPETITION CREATES BETTER SERVICE IN THE MIDMARKET

Cost-conscious midmarket firms require a lower cost of ownership -- to get it, they give up extras like multilingual support and lightening-fast response time for bug fixes. But these small firms don't have internal IT resources to fix problems themselves, and they depend on pricing visibility because they lack clout to negotiate huge discounts with vendors that are much larger than they are. When we run the numbers for 11 ERP vendors, giving weight to these midmarket requirements, we find that (see Figure 3):

- **MAPICS wins hands down.** It was hard to find a chink in MAPICS' armor when it comes to providing good customer service. However, to remain a leader, MAPICS should provide more than one tier of maintenance support, so sophisticated clients can dial down their maintenance fees in nonupgrade years, and offer price lock-in for all customers when they negotiate contracts. Also, some free upgrade consulting would get more users off old versions, giving them a better platform and simplifying MAPICS' own support efforts.

Figure 3 Forrester Wave™: ERP Vendor Experience For Midsize Firms, Q1 '03

View the data supporting this graphic by clicking the online “Get Data” button above the figure.



Source: Forrester Research, Inc.

- **Big-name vendors crowd the middle of the pack.** None of the vendors that serve \$1 billion-plus companies stood out one way or the other in the midmarket evaluation. They could all improve by building a reasonable channel to help service small accounts better and providing better implementation tools to help small clients get up and running with minimal consulting.

ACTION



Microsoft should buy MAPICS.

Microsoft is trying to build a powerhouse ERP solution in the midmarket through acquisition, but it has yet to attract US-based manufacturers (see the September 23, 2002 Forrester Brief “With Business Solutions, Microsoft Money Talks”).¹¹ MAPICS not only has a substantial midmarket US manufacturing user base with 3,400 users, but it already has .NET compatibility. So Microsoft should scoop up MAPICS before MAPICS’ own acquisition spree makes the company too big to swallow easily (see the November 26, 2002 Forrester Brief “Users Lose Another Midmarket ERP Choice”).¹²



Vendors must take knowledge management seriously.

MAPICS’ support site is the most user-friendly of all the sites evaluated for this report. With “Interview Me,” “How Do I,” “Top Solutions,” and “Quick Search” options on the site’s main page, users can quickly navigate through the related documents. Baan, another vendor with a good support site, ranks its search results. The result of Baan’s easy-to-use interfaces is that 80% of its customer support is now handled online, reducing costs for the vendor and improving the customer experience for users. Expect vendors like SAP and Baan to hook up with knowledge management expert Verity as they play catch-up.



Vendors must verticalize products while staying partner-friendly.

When midmarket vendors that are channel-dependent roll out verticalized software, they risk alienating their virtual sales force, which, in turn, relies on consulting revenues for survival. Vendors like Exact should follow the Microsoft model and broadly verticalize manufacturing, distribution, and services-oriented products and then declare further industry-specific configuration to be the domain of its partners. VARs will then know where to focus their efforts, and customers will get slightly lower implementation fees.



Users should ask for price lock-ins when negotiating contracts.

Users should take advantage of vendors’ never-ending quest to close a deal by asking for price lock-in at *today’s* price for *future* software purchases. That way, users don’t feel obligated to buy software that won’t be implemented for one to two years and can get the software when they need it at the lower price point without reopening lengthy negotiations. Vendors at the leading edge of this trend? Exact Software regularly offers this option to customers.

RELATED MATERIAL

Methodology And Online Resources

For this report, Forrester combined data from packaged application demonstrations with vendor research. The ranking criteria were developed with vendor and analyst feedback. Vendors were invited to review their scores and substantiate factual changes. The underlying, online spreadsheets for Figures 2 and 3 have more details about methodology. They are also interactive tools that enable users to change criteria weighting and thus re-evaluate vendors to find their best fit. Forrester will update evaluations at least once per year as product features and company strategies evolve.

Companies Interviewed For This Report

Baan
www.baan.com

Epicor Software
www.epicor.com

Exact Software
www.exactsoftware.com

J.D. Edwards
www.jdedwards.com

Lawson Software
www.lawson.com

MAPICS
www.mapics.com

Microsoft Business Solutions
www.microsoft.com/businesssolutions

Oracle
www.oracle.com

PeopleSoft
www.peoplesoft.com

QAD
www.qad.com

SAP
www.sap.com

Related Research

September 23, 2002 Forrester Brief “With Business Solutions, Microsoft Money Talks”

January 31, 2002 Forrester Brief “Oracle Misses With Pricing And Support Offers”

December 2001 Forrester Report “Living With Your Enterprise App”

June 2001 Forrester Report “Making ERP Work”

GRAPEVINE

Memo to Baan: Online customer service requires a 24x7 Web site.

Several times during the research phase of this report, Forrester attempted to access www.baan.com directly and by winding our way through the Invensys home page -- only to have a “site not found” error message. This is bad news for Baan users attempting to reach technical support -- and even worse for Baan itself when potential customers flip to www.jdedwards.com instead.

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Wasn't taking a bite out of the apple a *bad* idea?

J.D. Edwards' customer support site is known as the Knowledge Garden, a name which we immediately connected with the biblical reference to the Garden of Eden. And if we remember the story correctly, it wasn't a great idea for Eve to eat that apple from the tree of knowledge. At least with J.D. Edwards' easy-to-use shopping cart functionality for software downloads, the vendor doesn't force its clients to wade through the weeds.

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You want good service? I'll give you good service -- on the way to the hospital.

We felt like we were at the dentist having teeth pulled for most of this report -- getting data from the vendors about contract negotiations and price lists was difficult to say the least. However, Joe Marino from midmarket standout MAPICS demonstrated why the vendor came out on top. He actually scheduled a usability demo with Forrester in the morning -- despite a scheduled surgery in the afternoon. We wish him a quick recovery and thank him for his above and beyond effort.

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BearingPoint fills Oracle's gaps.

BearingPoint believes that its job is to establish a relationship for life by doing whatever it takes to deliver on its promises. Proof? It has 100% retention of its top 50 clients and 93% of its customers rate it as trustworthy. Customers considering Oracle's enterprise apps should sign up BearingPoint as their implementation partner and take advantage of the systems integrator's industry templates, implementation methodology, and solution centers. A plus is that many of the integrator's execs are Oracle alums.

ENDNOTES

- 1 Forrester continually evaluates front-office feature/function differentiation in today's hot spaces like CRM through our TechRankings™ research as well as in reports using the Forrester Wave methodology, such as "Enterprise Service Apps Shootout."
- 2 SAP is embracing Forrester's vision of flexible manufacturing. It announced that it is investing in applications to link the shop floor with the enterprise.
- 3 Source: SAP's second-quarter results for 2002.
- 4 Oracle introduced a pricing strategy in early 2002 that penalized users for buying individual modules rather than a suite license -- to the tune of \$12,000 versus \$4,000.
- 5 Forrester surveyed user firms of Siebel, SAP, Oracle, and PeopleSoft that were live on the application for at least six months. These users told us that the most important issues when deciding whether they would repurchase the app were maintenance cost, technical support, and upgrades.
- 6 CEMEX has acquisitions down to a science from an IT perspective. It has not only standardized its due diligence process, but it has developed an IT initiative called the "CEMEX Way" to quickly integrate companies like Southdown into its apps portfolio. CEMEX is now more profitable -- and nimble -- than its larger competitors Lafarge and Holcim.
- 7 Forrester recommends that vendors revisit usability issues around their applications as well as their customer support sites. Vendors should seek outside help from accredited reviewers with a strong methodology and then prioritize fixes based on high-impact, low-cost modifications.
- 8 Vendors tend to release major upgrades every 18 to 24 months -- and stop supporting previous apps.
- 9 When Forrester evaluates and ranks the major players in a market, we create a Forrester Wave. It is a research graphic built on an open methodology and a straightforward algorithm that exposes vendor scores, key attributes, and weightings in an interactive spreadsheet.
- 10 TCO is a very complex area. For the purpose of this study, we surveyed vendors to examine maintenance fees, outsourcing costs, implementation methodology, and staffing costs. Individual implementation costs can vary widely depending on the complexity of the project, amount of customization desired, integration efforts, and change management considerations.
- 11 Microsoft completed its \$1 billion acquisition of Great Plains in April 2001. Great Plains brought with it revenues of \$195 million and more than 140,000 clients. Microsoft went on another shopping spree in 2002 with a \$1.5 billion acquisition of European software player Navision, which had revenues of \$174 million and 130,000 customers.
- 12 MAPICS recently announced the acquisition of Frontstep, another midmarket, manufacturing-focused ERP vendor.

Forrester's WholeView™ Research provides clients with unified guidance on customer trends, business strategy, and technology investments through Technographics®, TechStrategy™, and TechRankings™. WholeView Research drills down into the most important details of an issue while maintaining a holistic perspective of the impact of technology change on business.

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Broadband, Consumer Electronics, Devices, PCs, Mobile Devices, PCs & Peripherals

Consumer Packaged Goods

Merchandising, Distributors, Logistics, Retail

Content Management

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Customer Relationship Management

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Enterprise Applications

ERP, Enterprise Services Automation, B2B Sell-Side, MRP

Financial Services

Banking, Insurance, Investment, Credit

Healthcare

Health Plans, Pharmaceuticals, Healthcare Providers, Biotechnology

Infrastructure

Portals, Servers, Corporate Wireless, Storage, Tools

Integration & Web Services

Middleware, EAI/B2B Integration Tools

Manufacturing & B2B

Collaboration, Trade Forecasts, Energy, Chemicals, New Business Models

Marketing

Branding, Promotion, Cross-Media Marketing, Advertising

Media & Entertainment

Publishing, Television, Music, Content Syndication

Networks & Security

Enterprise Network Management, Equipment, Services

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Purchasing, Supplier Management, Marketplaces, Direct/Indirect Purchasing

Retail

Manufacturers, Retailers, Channels, Operations

Services

ASPs, Hosting, Outsourcing, Systems Integrators

Site Technology & Design

Site Design, Commerce Platforms, Measurement, User Experience

Supply Chain

Planning & Execution, Logistics, Product Design, Distribution

Technology Leadership

Budgeting, Organization, Staffing, Partnerships

Telecom

Telecom Services, Mobile Services, Carrier Strategy, Communications Infrastructure

Travel

Airlines, Hotels, Business & Leisure Travel, Travel Agencies, Rental Cars

Forrester Events

Automotive Summit 2003
Between Push And Pull: The New Demand-Driven Auto Industry

Los Angeles, Calif.
February 18-19, 2003

Technology Leadership Forum 2003
Organic IT: The Next Computing Revolution

Scottsdale, Ariz.
February 23-25, 2003

Web Site Review Boot Camp
How To Evaluate And Fix Your Web Site
Cambridge, Mass.
March 5-6, 2003