P A N O R A M A

CONSULTING GROUP

2008 ERP REPORT, PART II

Comparing Leading Tier I and Tier II ERP Solutions

CONTACT:

Panorama Consulting Group
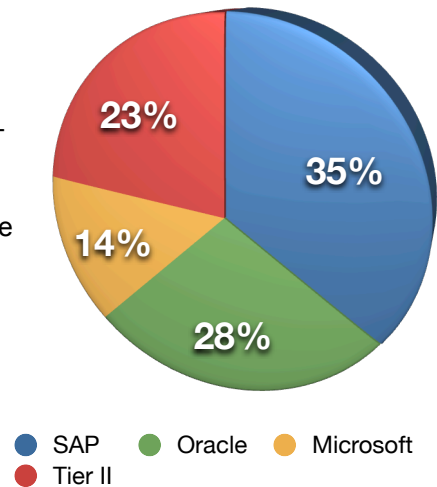
303.256.6253

info@panorama-consulting.com

Introduction

In Part II of our 2008 ERP Report, we compare the results of Tier I and Tier II ERP software implementations. The intent is to highlight the differences between leading ERP solutions.

Our study of ERP implementations across the globe consists of a wide variety of leading ERP solutions (Figure A). In addition to Tier I vendors such as SAP, Oracle and Microsoft, our study also includes Tier II solutions such as Baan, Epicor, Exact, IFS, Infor, Lawson, Netsuite, Sage, Syspro and others.

According to Gartner, the leading ERP brand in terms of market share is SAP, followed by Oracle and Microsoft. The sample size of our study indicates a similar distribution. There were 670 participants in this portion of our study and included data from organizations in the US, Europe, Australia and India. Over 70% of respondents in our survey revealed their companies adopted Tier I ERP software vendors, SAP, Oracle and Microsoft, while 23% of respondents chose Tier II vendors.

Figure A: Market Share

- ● SAP
- ● Oracle
- ● Microsoft
- ● Tier II

Tier I vs. Tier II Implementation Duration and Cost

The average ERP implementation duration ranges from 18 months to 20 months, with the averages of SAP, Oracle, Microsoft and Tier II vendors differing by less than 2 months (Figure B). Although the average durations of all solutions in the study are comparable, ERP solutions differ considerably in their level of variability (Figure B). For example, when assessing the distribution of implementation durations, Oracle has the most consistent results, while Microsoft varies the most.

Figure B: Implementation Duration

	SAP	ORACLE	MICRO-SOFT	TIER II	TOTAL AVERAGE
Average Duration (Months)	20.0	18.6	18.0	17.8	19.8
Quartile 1	13.4	12.0	11.5	10.5	12.0
Quartile 2 / Median	19.0	17.0	18.5	15.0	17.0
Quartile 3	26.3	23.5	24.8	23.0	24.0
Quartile Deviation	6.4	5.8	6.6	6.3	6.0

The above data excludes implementations of very large, multi-national organizations, which would have skewed the data. The average duration for these larger and more complex organizations is 37.2 months.

ERP implementation costs vary greatly based on solution implemented, level of customization, size, scope, complexity of business processes, and implementation strategy. As illustrated in Figure C, there is a significant cost differential between SAP and Oracle (the highest cost solutions in the study) and Tier II and Microsoft (the lowest). The total average cost is approximately $8.5 million, with a range of $10M separating average SAP, Oracle and Tier II solution costs. When adjusting implementation costs as a percentage of sales, SAP and Oracle are again more expensive than Microsoft and Tier II packages (18.6% and 10.6%, respectively). SAP has the highest variability in its total implementation cost, while Microsoft has the lowest.

Figure C: Implementation Cost

	SAP	ORACLE	MICROSOFT	TIER II	TOTAL AVERAGE
Total Cost	$16,821,832	$12,626,274	$2,602,380	$3,465,377	$8,470,707
Cost as % of Revenue	18.6%	10.6%	5.0%	6.7%	9.0%
Quartile 1	1,609,897	972,500	134,000	232,250	742,599
Quartile 2: Median	4,500,000	2,200,000	436,000	1,000,000	1,550,000
Quartile 3	11,910,000	9,270,250	1,080,000	1,962,500	5,308,150
Quartile Deviation	5,150,052	4,148,875	473,000	865,125	2,282,776

The above data excludes results from large, multi-national implementations. The average of these implementations is $34,272,270.

Satisfaction and Benefits Realization

According to the 2008 ERP Report, 64% of respondents are satisfied with their selected vendor and 63% feel that their implementations were successful.

The study reveals varying levels of satisfaction among the different solutions (Figure D). The study's satisfaction composite consists of two components: executive satisfaction and employee satisfaction. This metric reveals that SAP implementations have the highest level of satisfaction and benefits realized, while Oracle has the lowest. SAP also has the lowest business risk factor, which measures the proportion of companies that suffered from operational interruptions following go-live.

The summary of this data reveals that although SAP takes longer and costs more to implement than other solutions, companies realize high benefits realization and satisfaction when the software is finally in operation.

Figure D: ERP Solution Satisfaction

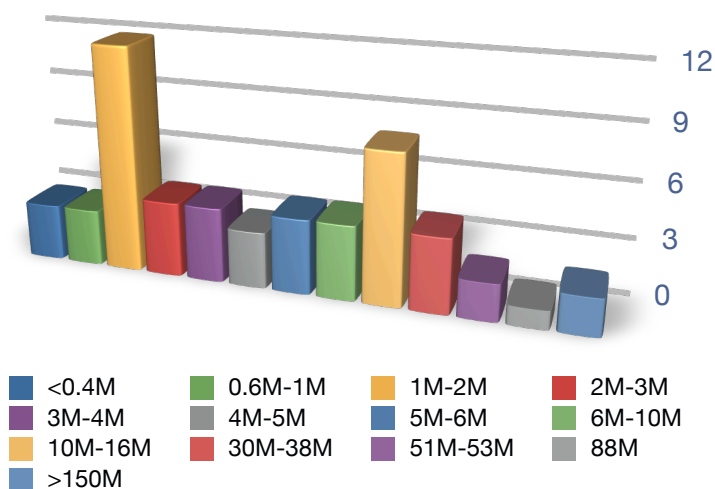|	SAP	ORACLE	MICROSOFT	TIER II	TOTAL AVERAGE
Benefits Factor	72.2%	58.0%	68.0%	68.6%	65.3%
Executive Satisfaction	76.4%	75.9%	65.4%	67.7%	70.7%
Employee Satisfaction	73.6%	60.3%	76.9%	76.5%	67.4%
Satisfaction Composite	*73.0%*	*62.0%*	*69.0%*	*70.0%*	*67.0%*
Business Risk Factor	50.0%	56.9%	57.7%	61.8%	54.0%

Results by ERP Solution

SAP

On July 30, 2008, SAP announced that it has been the worldwide market share leader based on total software revenue for business solutions in the CRM, ERP and SCM markets. According to Panorama's ERP Report, SAP has 35% of market share in the ERP market, the largest of the vendors in our survey.

SAP has the longest average duration - 20 months - compared to the other solutions in the study (Figure B). SAP also has a higher median of 19 months, which is longer than the medians of Oracle and Tier II vendors. SAP implementation durations vary greatly by project, more so than all solutions except Microsoft.

SAP costs more and takes longer to implement than any other solution in the study, but it also has the highest level of satisfaction and benefits realization. The average cost of implementing SAP is $16,821,832, which is more than the costs of implementing Oracle, Microsoft, and Tier II vendors (Figure C). SAP costs companies an average 18.6% of their annual revenue, which is higher than all other vendors.

Figure E: SAP Cost Distribution

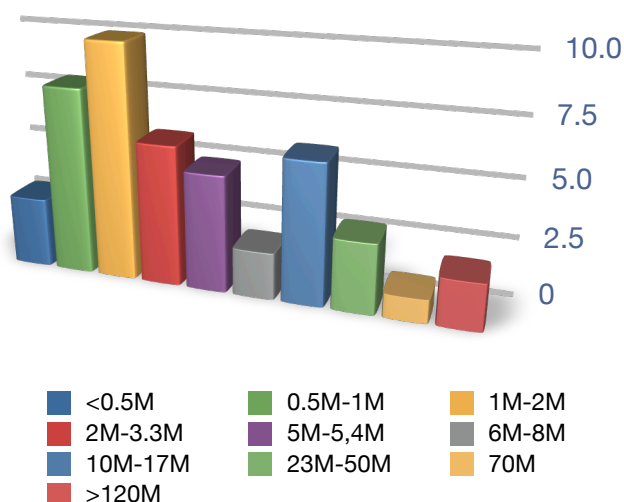|			
<0.4M	0.6M-1M	1M-2M	2M-3M
3M-4M	4M-5M	5M-6M	6M-10M
10M-16M	30M-38M	51M-53M	88M
>150M			

Oracle eBusiness Suite (EBS)

Oracle has an estimated 28% ERP market share, second only to SAP. The average Oracle implementation costs $12.6 million, compared to $8.5 million for the average of all ERP vendors (Figure C). In addition, Oracle costs customers an average of 10.6% of their annual revenue, which is higher than all vendors except SAP. Oracle also has the highest implementation cost variation of all vendors except SAP.

The average Oracle implementation takes 18.6 months, with the highest level of predictability among individual implementation durations of all solutions in the study. Figure F highlights the relatively consistent distribution of Oracle implementation durations.

Oracle has the highest level of executive satisfaction (76%) of all vendors except SAP, although the difference between SAP and Oracle is statistically insignificant. However, Oracle has the lowest employee satisfaction of all vendors (60%). In addition, Oracle has the lowest level of benefits realization of all solutions in the study.
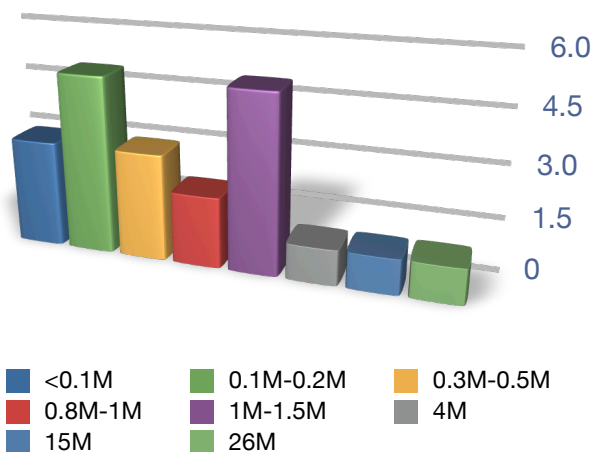
Figure F: Oracle Cost Distribution

■ <0.5M	■ 0.5M-1M	■ 1M-2M
■ 2M-3.3M	■ 5M-5,4M	■ 6M-8M
■ 10M-17M	■ 23M-50M	■ 70M
■ >120M		

Microsoft Dynamics

According to the report, Microsoft has a 14% ERP market share, which is approximately equivalent to the combined market share of Baan, Epicor, IFS, Infor, Sage, and all other Tier II vendors (Figure A).

Microsoft's software is gaining popularity because its relatively low software license price-point appeals to many small- to mid-size enterprises (SMEs). Microsoft's average total cost of ownership is $2,602,380, compared to $8,470,707 for all solutions and $3,465,377 for Tier II solutions (Figure D). Microsoft also benefits from having the most predictable and consistent implementation costs of all vendors in the study.

Companies take an average of 18 months to implement Microsoft, which is lower than the overall average of nearly 20 months. The down-

Figure G: Microsoft Cost Distribution

■ <0.1M	■ 0.1M-0.2M	■ 0.3M-0.5M
■ 0.8M-1M	■ 1M-1.5M	■ 4M
■ 15M	■ 26M	

side is that Microsoft also has the highest level of variability in implementation duration. In other words, there is less predictability in the amount of time it takes companies to implement the solution (Figure G).

Overall, Microsoft customers realize a 68% benefits factor, compared to 65% for all solutions in the study (Figure D). This benefit factor is also higher than that of Oracle. Microsoft has the highest employee satisfaction rate of all vendors (77%), but a slightly below average executive satisfaction (65%). Finally, Microsoft has a higher than average business risk factor (58%), which is also higher than that of Oracle.
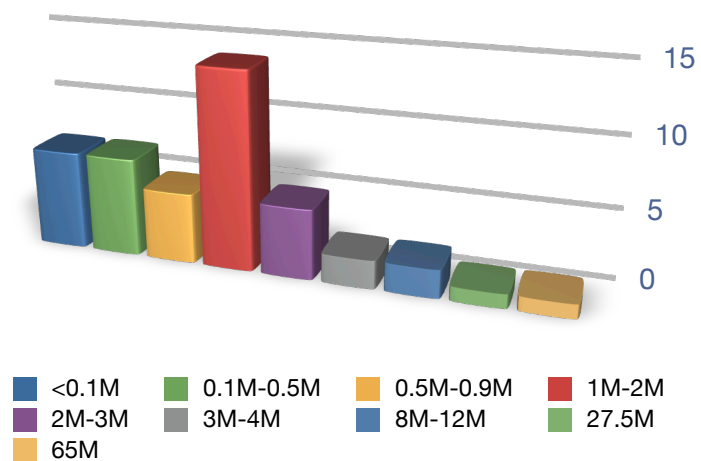
Tier II Solutions

The ERP Report includes results from Tier II solutions, including Baan, Epicor, Exact, IFS, Infor, Lawson, Netsuite, Sage, Syspro, and others. According to our findings, the market share of all Tier II vendors combined is 22.7% (Figure A), with the largest Tier II vendors being Infor (2.9%), Baan (2.3%), Epicor (1.7%), IFS (1.7%) and Sage (1.3%).

The average implementation cost of Tier II solutions is $3,465,377 (Figure C). While this is far less than the costs of SAP and Oracle, it is higher than the average for Microsoft. The range of Tier II implementation cost varies from less than

Figure I: Tier II Cost Distribution

■ <0.1M	■ 0.1M-0.5M	■ 0.5M-0.9M	■ 1M-2M
■ 2M-3M	■ 3M-4M	■ 8M-12M	■ 27.5M
■ 65M			

$0.1 million to $65 million, and some of the higher implementation costs are the result of heavy customization. The average cost relative to annual sales is 6.7%, which is much lower than SAP (18.6%) and Oracle (10.6%), but is slightly higher than Microsoft (5.0%). The costs of Tier II vendors are less dispersed than SAP and Microsoft, but not Oracle (Figure I).

Tier II applications have the shortest average implementation duration (18 months), with a median of 15 months (Figure B). The quartile deviation of Tier II durations is 6.25, which is less than that of SAP and Microsoft, but larger than that of Oracle. In addition, Tier II solutions have a higher than average satisfaction level, but a higher than average business risk factor as well.

Summary

The above data demonstrates the differences between leading ERP solutions. However, this analysis is intended to be simply a starting point. It is important to find the ERP solution that is a good fit for your specific organization. Successful companies with a positive return on their ERP investments have a thorough understanding of their ERP objectives, choose the right ERP software, and best leverage their inter-

nal and external resources. Companies such as Panorama Consulting Group offer independent ERP expertise and tools that can help find the right ERP solution, reduce your total cost of ownership, and optimize measurable business benefits.

Below is a summary of the report's findings from the various ERP solutions in the scope of our study. Future installments of Panorama's 2008 ERP Report will include more detail behind Tier II solutions, as well as differences between various industries and company sizes.

	SAP	Oracle	Microsoft	Tier II	Average
Duration (Months)	20.0	18.6	18.0	17.8	19.8
Cost of Implementation	$16.8 M	$12.6 M	$2.6 M	$3.5M	$8.50
Overall Satisfaction	73.0%	62.0%	69.0%	70.0%	67.0%
Business Risk Factor	50.0%	56.9%	57.7%	61.8%	54.0%

Microsoft	**SAP**	**Oracle**	**Tier II**
• No. 3 Market Share	• No. 1 Market share	• No. 2 Market Share	• T23% of Market
• Shorter Duration	• Longest Duration	• Duration below Average	• Shortest Duration
• Lowest Cost	• Cost 2X Average	• Above Average Cost	• Below Average Cost
• Medium Satisfaction	• Highest Satisfaction	• Lowest Satisfaction	• Higher Satisfaction
• Medium Business Risk	• Lowest Business Risk	• Medium Business Risk	• Higher Business Risk

About Panorama Consulting Group

Founded in 2005, Panorama Consulting Group is a niche consulting firm specializing in the enterprise resource planning (ERP) market for mid-sized companies in North America and Europe. Independent of affiliation, Panorama helps firms evaluate and select ERP software, manages the implementation of the software, and facilitates all related organizational changes to assure that each of its clients realizes the full business benefits of its ERP implementation. More information can be found on its web site, www.panorama-consulting.com. Contact Panorama Consulting at 303-256-6253 or info@panorama-consulting.com.