PANORAMA

CONSULTING GROUP

2011 GUIDE TO ERP SYSTEMS AND VENDORS

An Independent Research Report

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Introduction and Summary

The ***2011 Guide to ERP Systems and Vendors*** provides insight into ERP project statistics, segmented by major vendors or vendor tiers. The report is based on surveys of over 1,600 respondents that have either selected or implemented ERP solutions over the last five years, with a heavier weighting on projects completed in 2010. The results were collected on the Panorama Consulting Group website at **Panorama-Consulting.com**.

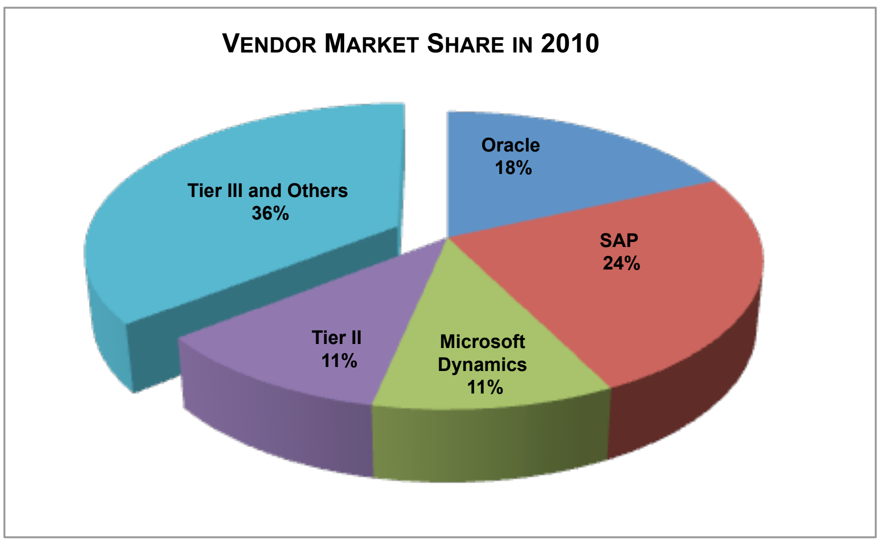
The ***2011 Guide to ERP Systems and Vendors*** includes findings on detailed project factors such as implementation costs, durations and payback periods summarized by vendor and vendor category. Metrics on selection trends, satisfaction and benefits realization are also included. The data focuses on information collected on ERP implementations of Tier I, Tier II and Tier III solutions.

Sample Vendors		
Tier I	**Tier II**	**Tier III**
SAP Oracle Oracle eBusiness Suite Oracle JD Edwards Oracle Peoplesoft Microsoft Dynamics	Epicor Sage Infor IFS QAD Lawson Ross	ABAS Activant Solutions Inc. Baan Bowen and Groves Compiere Exact Netsuite Visibility Blue Cherry Exact HansaWorld Intuitive Syspro

Analysis of Overall Market Share

As in previous years, Tier I and Tier II vendors still capture the lion's share of the market. Combined, Tier I and Tier II make up 64.0-percent of the implementations while Tier III and others garnered the remaining 36.0-percent of the market.

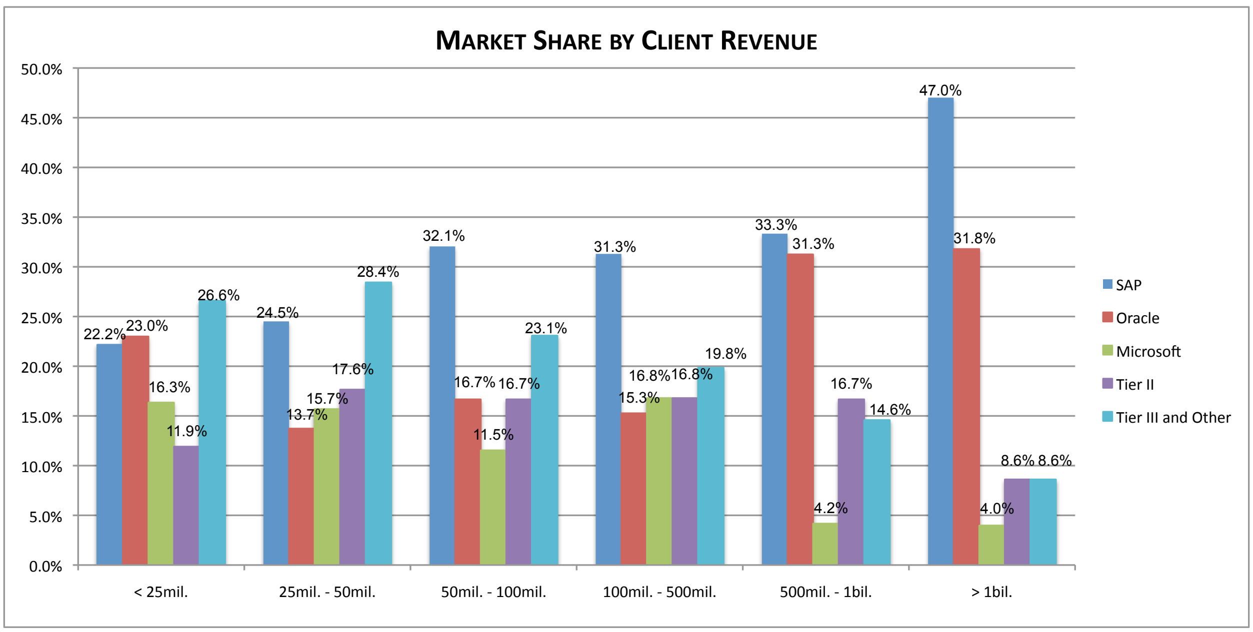
Rankings within Tier I implementations did not change substantially compared to the ***2010 ERP Vendor Analysis Report***, but each of the top three vendors showed a drop in market share. Although SAP continues to lead with 24.0-percent market share, its share is a decrease from 2010 when it had 31.0-percent of the market. Today, Oracle is at 18.0-percent whereas in 2010 it was at 25.0-percent. Microsoft Dynamics' share has decreased from 15.0-percent to 11.0-percent. Tier II implementations on a whole command 11.0-percent of the market whereas Tier III/others makes up 36.0 percent.



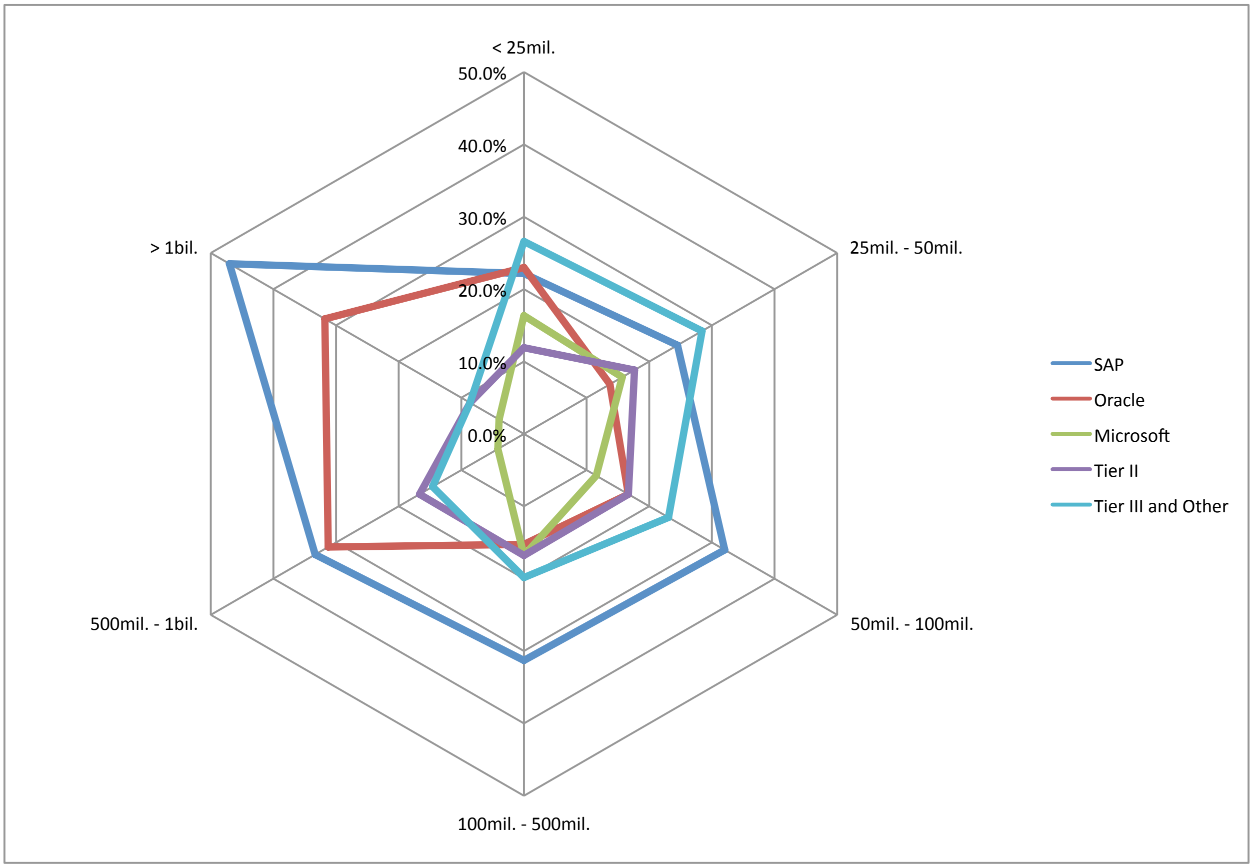
Vendors’ Market Share by Client Revenue

The following graphics provide data on the selection rate of major Tier I vendors, Tier II vendors, and Tier III vendors categorized by the revenue size of the companies they service. The analysis indicates that SAP and Oracle compete both for small companies (less than $25 million revenue) and large companies (more than $500 million revenue), but SAP clearly is more popular with companies with revenues between $25 million and $500 million.

The report finds that competition among all vendors depicted in our survey is especially intense for customers within the revenue classification of less than $50 million, although it is also fairly competitive in other segments as well. According to our sampling, SAP and Oracle are active in all segments, while Microsoft Dynamics has the most success with companies under under $50 million and between $100 and $500 million. Microsoft Dynamics is the least chosen option in the $500 million to $1 billion-plus market. Tier III vendors garner a larger share in the less than $100 million market but also continue to expand their reach into large corporations with annual revenues over $500 million.



The following radar chart provides a different perspective of market share distributions for the major players. SAP continues to attain the biggest share of the total market, regardless of customer size. Microsoft has a relatively small share of market, compared to other Tier I vendors. Oracle continues to be SAP’s strongest rival and competes head-to-head with SAP in the $500 million to $1 billion market. Tier II and Tier III vendors continue to expand their reach into all market segments and comprise a substantial portion of the activity reported from our respondents.


< 25mil.
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
25mil. - 50mil.
50mil. - 100mil.
100mil. - 500mil.
500mil. - 1bil.
> 1bil.
SAP
Oracle
Microsoft
Tier II
Tier III and Other

Vendor Sales by Industry

The following charts show the portion of each vendor's sales concentrated within four major industry segments, representing the highest proportions of solutions for each major vendor within those industries (manufacturing and distribution; transportation, communications, electric, gas and sanitary services; and services).

SAP and Microsoft Dynamics are virtually matched in manufacturing and distribution (28.1-percent and 28.3-percent, respectively). All three vendors have similar percentages of clients within transportation, communications, electric, gas and sanitary services. Microsoft Dynamics has the highest percentage of clients within the retail (10.5-percent) and services (14.9-percent) industries while Oracle has the lowest (6.2-percent and 11.9-percent, respectively).

SAP Share by Industry	
Manufacturing and Distribution	28.3%
Transportation, Communications, Electric, Gas, and Sanitary Services	26.7%
Services	12.8%
Retail	6.6%

Microsoft Share by Industry	
Manufacturing and Distribution	28.1%
Transportation, Communications, Electric, Gas, and Sanitary Services	25.4%
Services	14.9%
Retail	10.5%

Oracle Share by Industry	
Manufacturing and Distribution	21.2%
Transportation, Communications, Electric, Gas, and Sanitary Services	23.8%
Services	11.9%
Retail	6.2%

Note: The above tables represent industry shares within each company's own sales, <u>not</u> shares of the total market.

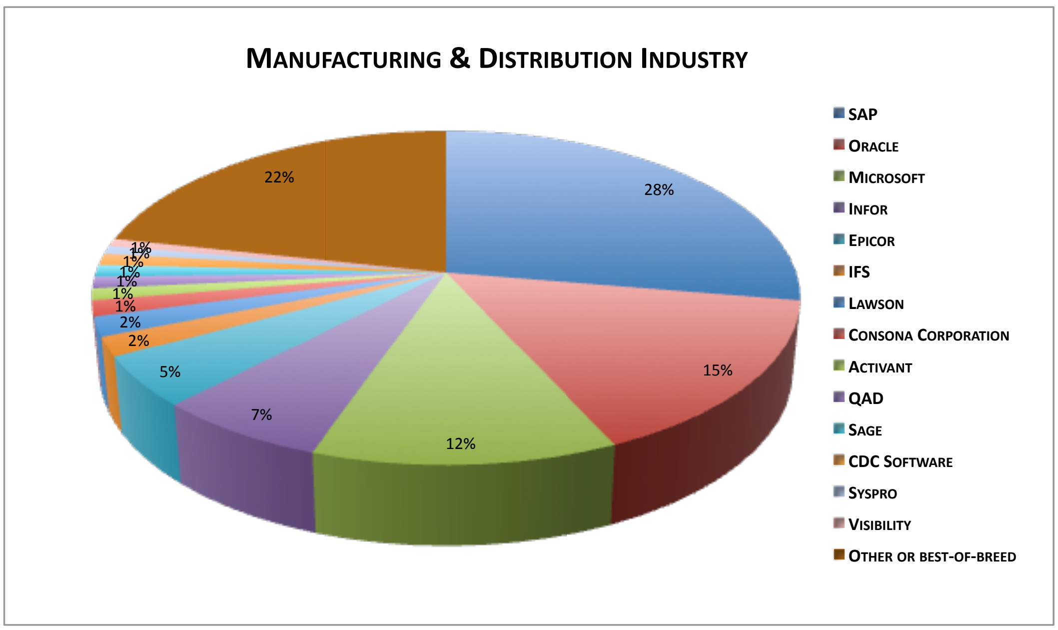
Total Market Shares by Industry

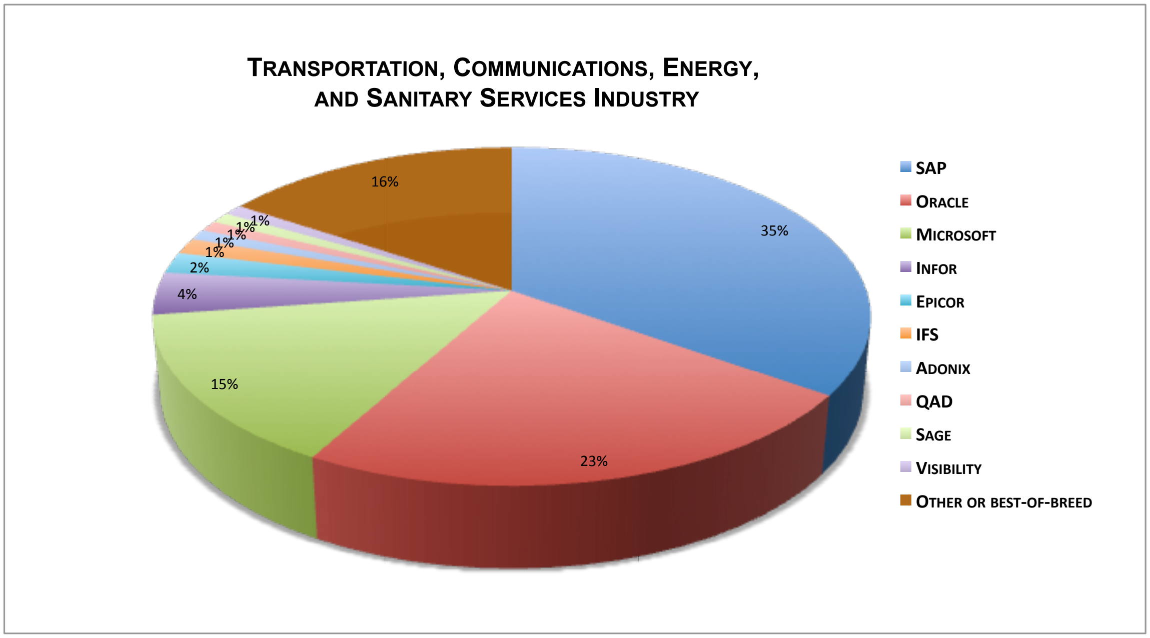
The following four charts represent vendor shares in each of the four major industries represented in the survey (manufacturing and distribution; transportation, communications, energy and sanitary; service and retail).

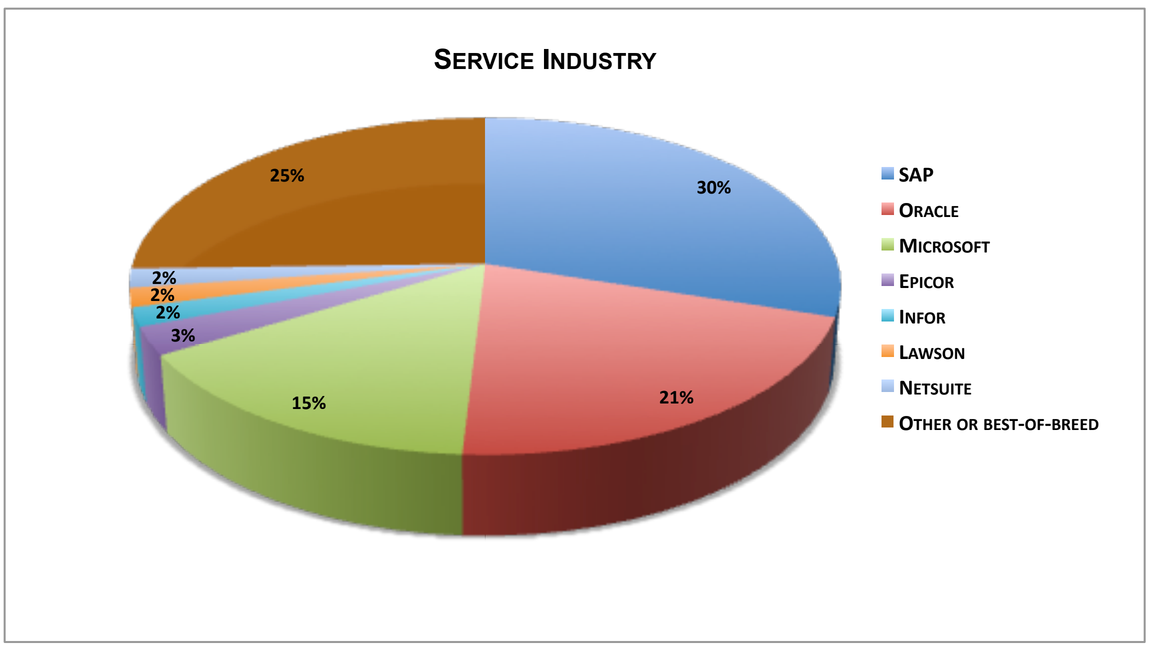
SAP is the top vendor in each of the four industries, with shares ranging from 25.0-percent to 35.0-percent. Oracle also plays a significant part in all four industries, with shares ranging from a 15.0-percent low in manufacturing to a high of 23.0-percent in transportation.

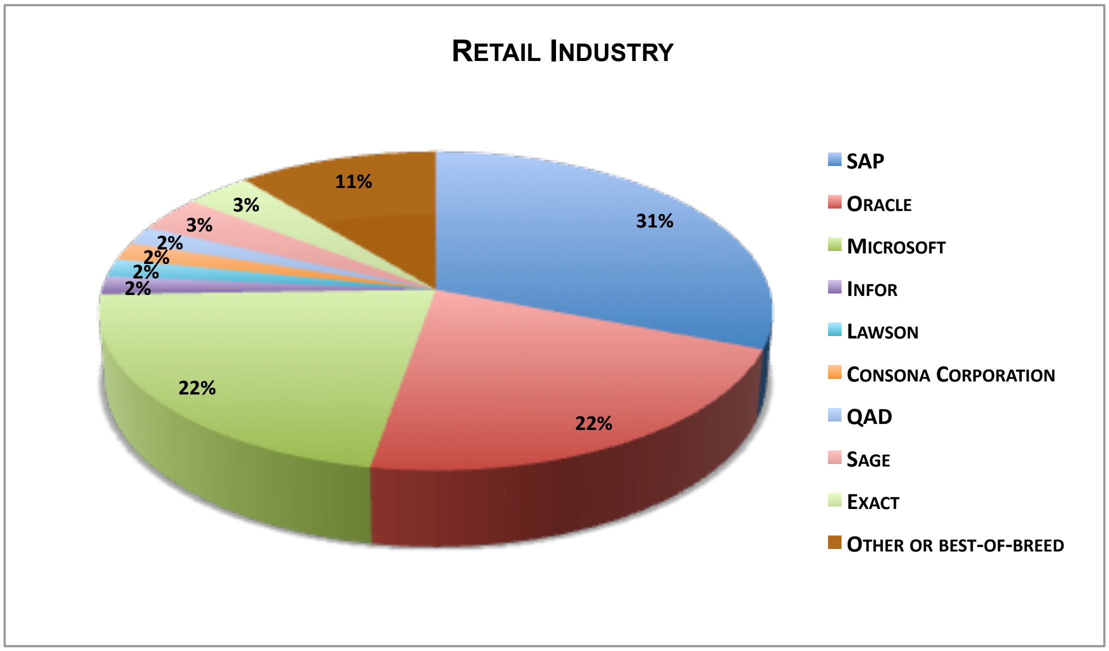
Microsoft's presence in the manufacturing segment (12.0-percent) is close to Oracle (15.0-percent) and equal to Oracle in the retail industry (22.0-percent). Microsoft is not as strong within either the service sector (where it has 6.0-percent less market share than Oracle) or the transportation industry (where it has 8.0-percent less than Oracle).

With the exception of best of breed, a highly specialized group of vendors that have been combined, the balance of the vendors have less than a 10.0-percent share in all of the industries surveyed.




TRANSPORTATION, COMMUNICATIONS, ENERGY, AND SANITARY SERVICES INDUSTRY
35%
23%
15%
4%
2%
1%
1%
1%
1%
1%
16%
SAP
ORACLE
MICROSOFT
INFOR
EPICOR
IFS
ADONIX
QAD
SAGE
VISIBILITY
OTHER OR BEST-OF-BREED


SERVICE INDUSTRY
30%
21%
15%
3%
2%
2%
2%
25%
SAP
ORACLE
MICROSOFT
EPICOR
INFOR
LAWSON
NETSUITE
OTHER OR BEST-OF-BREED

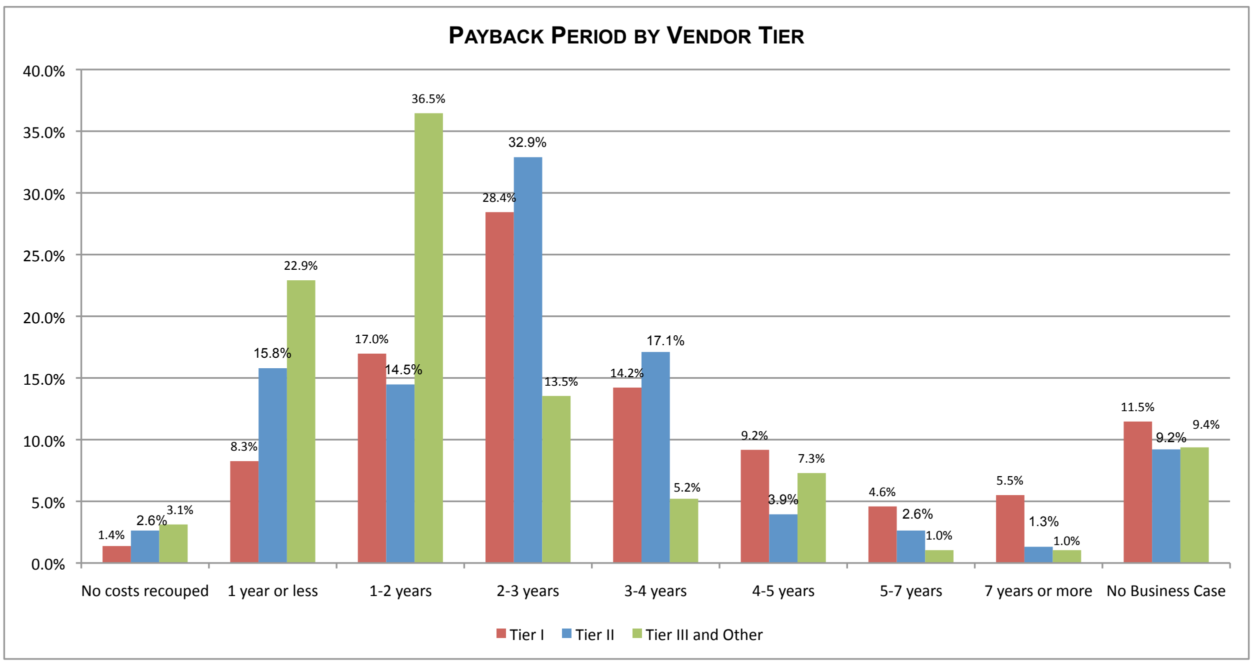

RETAIL INDUSTRY
31%
22%
22%
11%
3%
3%
2%
2%
2%
2%
SAP
ORACLE
MICROSOFT
INFOR
LAWSON
CONSONA CORPORATION
QAD
SAGE
EXACT
OTHER OR BEST-OF-BREED

Payback Period by Vendor Tier

Panorama's 2011 research indicates that the average payback period of ERP investments varies by tier, but the majority of implementations "pay back" in less than three years:

- Tier I payback periods average less than three years 55-percent of the time
- Tier II payback periods are less than three years 66-percent of the time
- Tier III vendors typically obtain a payback period of less than three years 76-percent of the time

There are a number of valid hypotheses behind these findings. With Tier I implementations, the investment is greater and the stakes are higher - both of which may indicate that the companies who choose Tier I are better able (or more prone) to track their business benefits. The Tier II results reflect both the lower investment and the lower total cost of ownership of these solutions. The quick payback period of Tier III vendors may be due to the fact that many companies choose these systems as their first ERP systems. The benefit realization can be understandably substantial over manual systems and also reflects the lower investment and total cost of ownership of Tier III solutions.

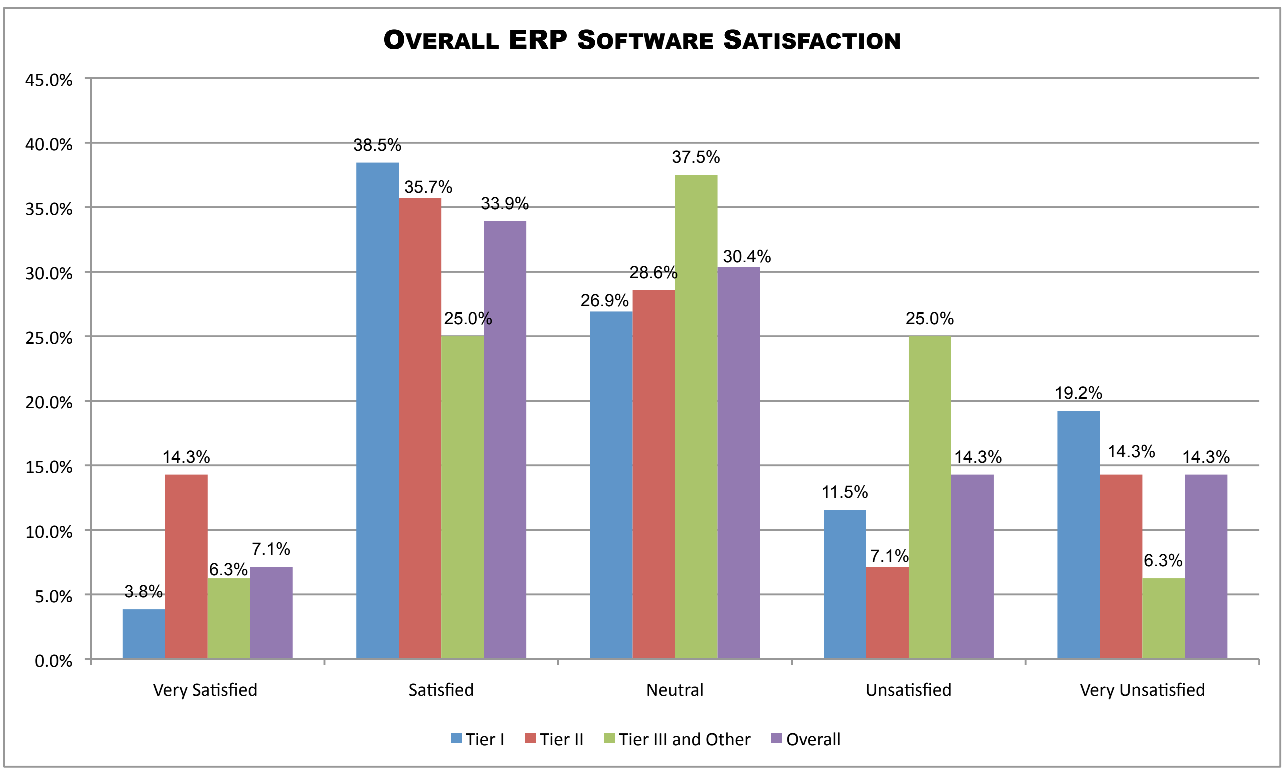


ERP Satisfaction by Major Vendor

The selection and implementation of the best-fit ERP software for any business can be risky and overall satisfaction with ERP software ranges drastically. When reviewing specific metrics, there are indications that customer dissatisfaction often stems from unrealistic expectations. These expectations can be flamed by ERP vendors who promise the moon in order to close a sale and organizations that don't adequately define their business requirements before embarking on implementations.

The central tendency of the satisfaction chart below indicates that, in general, companies are neutral regarding the ERP system they have acquired. Tier I clients tend to be more satisfied (38.5-percent), though 29.7-percent report they were either "unsatisfied" or "very unsatisfied." Tier II clients have the lowest level of "unsatisfied" (7.1-percent) and the second highest level of satisfaction (35.7-percent). Of note, however, is that Tier II vendors have a relatively high percentage (14.3-percent) of clients responding they were "very unsatisfied" - second only to Tier I (19.2-percent).

Tier III client responses display a normal distribution, with 37.5-percent neutral to the ERP system, 25.0-percent unsatisfied, and 25.0-percent satisfied with the results of their purchase. This vendor type also had the lowest percentage of clients who are "very unsatisfied" (6.3-percent).



Note: The results are dependent upon a multitude of factors and are not purely reflective of the choice of ERP software.

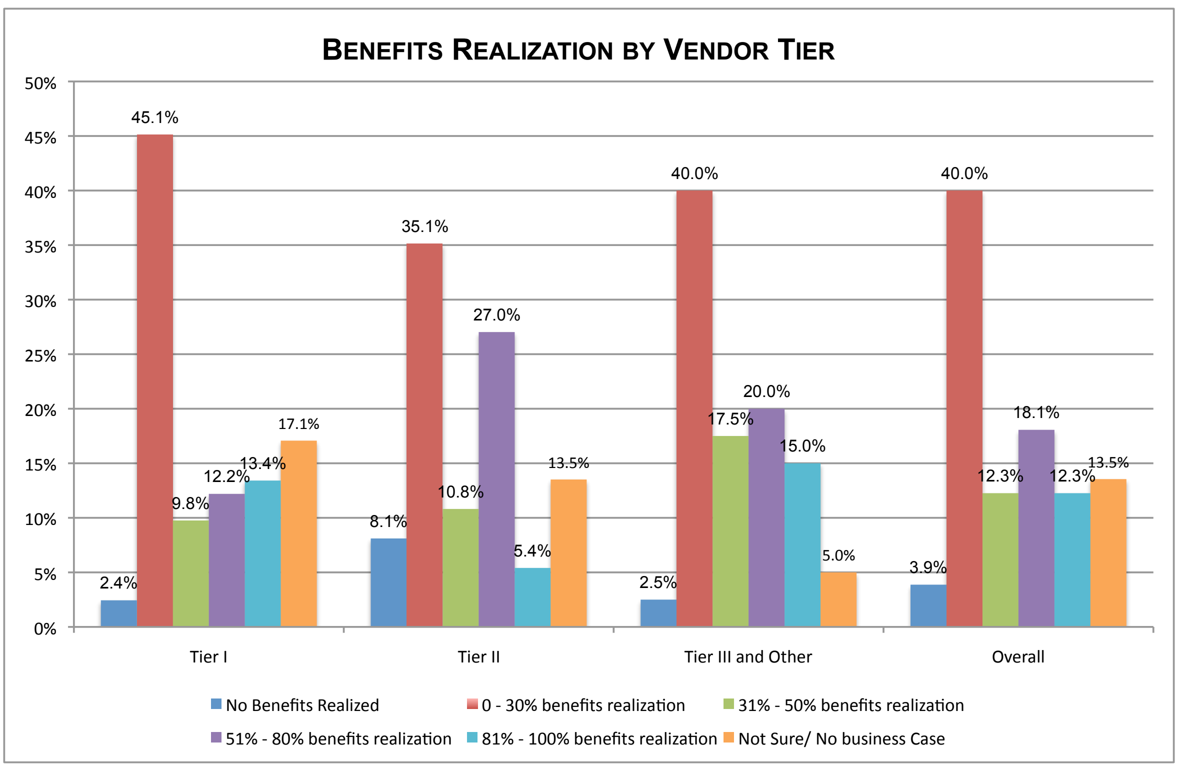
Analysis of Benefits Realization

Benefits realization is dependent upon a number of factors, including the availability of data prior to implementation. Without clear data to compare against, implementing companies are hampered in their efforts to achieve qualitative analyses. Training and change management also are important factors; when the user community does not possess the skills or willingness to use all of the functionality that the new system provides, it can have dreadful ramifications on benefits realization.

Companies implementing with Tier I vendors report zero to 50-percent benefits realized 54.9-percent of the time, though it is worth noting that 45.1-percent of those reporting are in the zero to 30-percent range. Another 25.6-percent of the companies who implemented Tier I software realized between 51- and 100-percent of benefits.

Tier II findings show the lowest percentages of realized benefits, with only 35.1-percent of the companies reporting an improvement of at least 30-percent, and 8.1-percent reporting absolutely no benefits realized. Twenty-seven percent of respondents in this category fall into the range of 51- to 80-percent benefits realization.

Tier III vendors are rather average when compared to the overall measurements. Forty-percent of Tier III customers realized zero to 30-percent benefits and another 35.0-percent realized benefits between 51- and 100-percent.



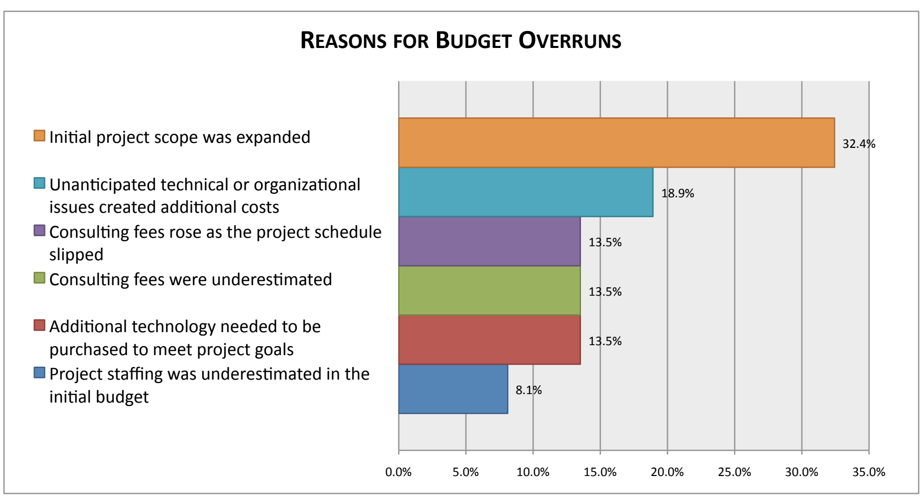
It is notable that 13.5-percent of respondents overall are unable to determine benefits because they had no business case to work from.

Costs and Budgets

The metrics below indicate average costs for top Tier I vendors and consolidated Tier II and Tier III vendors. SAP has the highest project costs ($6.7 million), which is more than double the average cost of Tier II software implementations ($3.1 million). As Tier I clients are often $1 billion-plus companies, the enormous scope of their ERP projects contribute to the high total costs of ownership. Tier II projects cost significantly more ($3.1 million) than Microsoft Dynamics projects ($1.8 million), which is likely due to the fact that although Microsoft Dynamics is generally considered a Tier I vendor, the majority of its clients are not large corporations. Indeed, as shown on page three, nearly two-thirds (60.3-percent) of its clients are companies with $500 million or less in annual revenue.

VENDOR	AVERAGE PROJECT COST
Oracle	$5.0 million
SAP	$6.7 million
MS Dynamics	$1.8 million
Tier II	$3.1 million
Tier III/Other	$1.1 million

Our research shows that implementations across all tiers tend cost 40- to 45-percent more than the original budgeted projections. In the commentary collected in the survey, many customers admitted that their original budgets were unrealistic. They failed to include costly items (e.g., back-fill, training and business process documentation) in their total cost of ownership analysis.



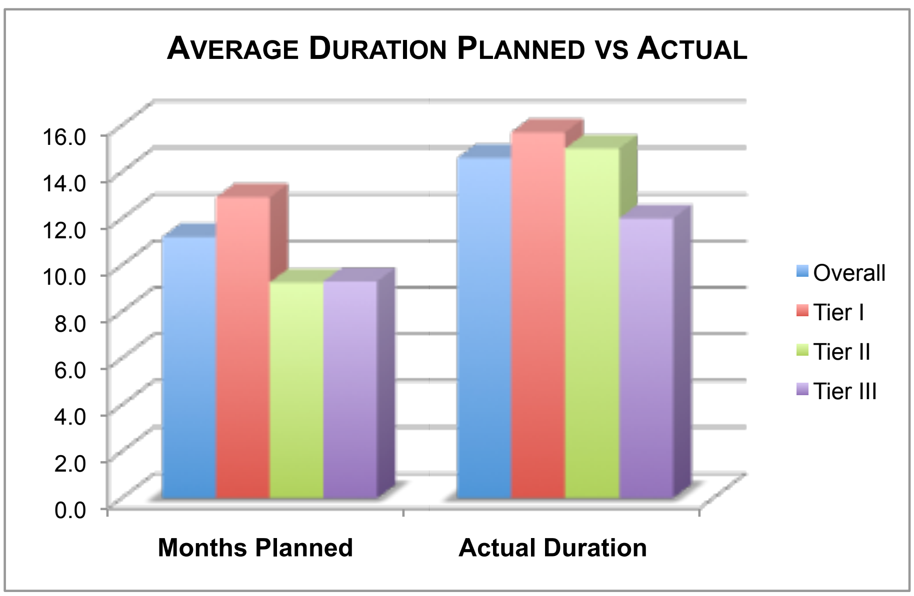
Realistically, most budget overruns are due to unanticipated or underestimated fees, staffing needs and/or technical issues - all of which can be addressed during a thorough evaluation process prior to software selection. Companies can minimize costs and durations by defining realistic business and technical goals, business processes, workflows and places for improvements, specific requirements, performance targets and the like prior to selecting or implementing ERP software.

Duration

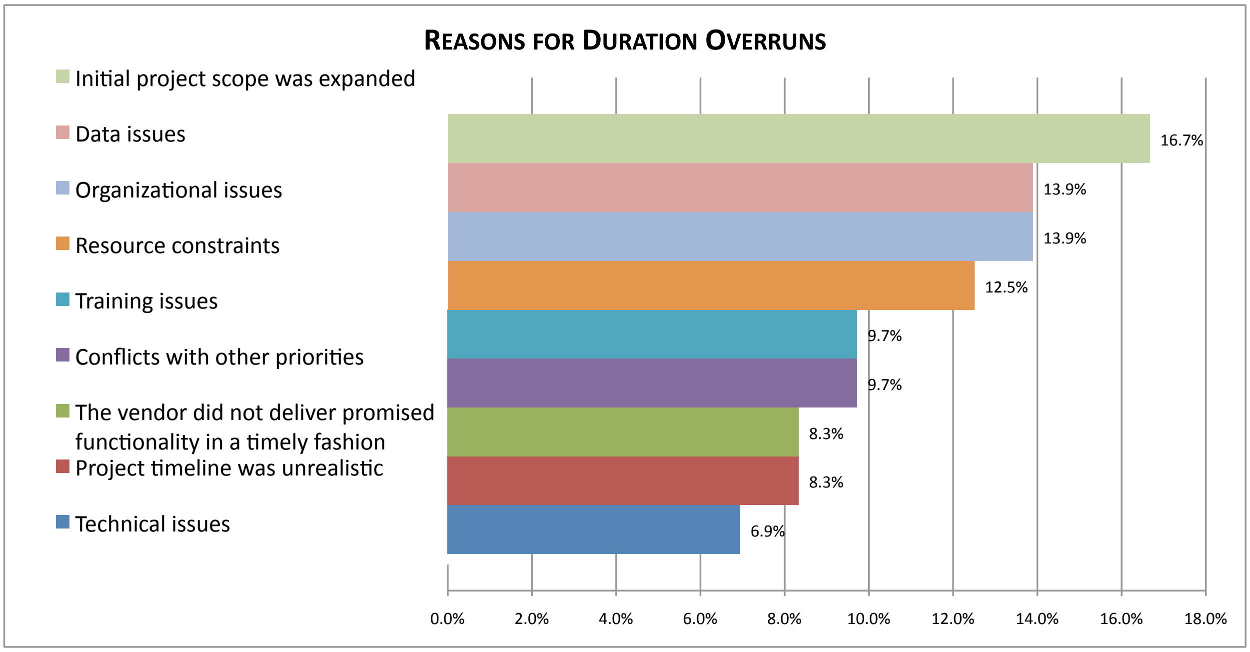
The analysis of project durations below indicates that the average implementation, regardless of tier, takes longer than planned:

Average Duration	Overall	Tier I	Tier II	Tier III/ Other
Months Planned	11.2	12.9	9.25	9.3
Actual Duration	14.6	15.7	15	12
Percentage Overrun	30.4%	21.7%	62.2%	29.0%

Tier I solutions are generally more comprehensive and flexible, which can result in longer implementations. Tier II vendors often use third-party modules to supplement their own basic product, and integration of these modules can extend the project past the anticipated duration. Alternatively, Tier III vendors typically are highly specialized and require fewer changes, which at least partially explains why those implementations take the least amount of time (12 months on average).



The reasons behind duration overruns are as varied as ERP software packages available on the market. As is evident by the graph below, many of the reasons listed by survey participants are internal in nature, from organizational issues to resource allocation to end-user training.



It is important to note that the number one reason behind duration overruns, the expansion of the initial project scope, is often affected by the customer's own ability to understand and document its processes prior to the software selection or implementation. Other issues behind duration overflows, including unrealistic timelines, frequently can be chalked up to companies failing to provide enough personnel to assist during an implementation, failing to implement organizational change management techniques, and/or failing to ensure user acceptance via training and business process definitions.

Twenty Must-Know Tips Before ERP Implementation

Based on Panorama Consulting Group's experience with hundreds of ERP implementations, there are 20 things companies should understand before embarking on an ERP implementation:

1	*ERP is about your business, not the technology.*
2	*ERP initiatives are very challenging.*
3	*Selecting the right software is the first step in a successful ERP implementation.*
4	*No ERP software is perfect. All have their strengths, weaknesses and tradeoffs.*
5	*A business blueprint is the second step to an effective ERP implementation.*
6	*Business process re-engineering should happen before - not after - you implement your ERP software.*
7	*ERP software best practices and pre-configured solutions do not solve all of the challenges of ERP.*
8	*SaaS ERP won't eliminate all of your risks either.*
9	*Your project will fail without adequate organizational change management.*
10	*Executive buy-in and support is critical to ERP success.*
11	*The "A-Team" is critical to ERP success.*
12	*There is no "one size fits all" ERP strategy.*
13	*If your operations and your ERP system are misaligned, it's probably not the software's fault.*
14	*Expectations are high, but most ERP implementations don't properly define the "finish line."*
15	*Organizations that strive for "no customization" often end up doing it anyway.*
16	*You don't have to implement ERP all at once.*
17	*In addition to planning, implementation is also about execution.*
18	*If you don't measure it, you won't achieve it.*
19	*It is important to recognize the "canary in the coal mine" or signs that your implementation may be in trouble.*
20	*ERP success and benefits realization is largely determined before the implementation starts.*

Conclusion

When making a critical decision that will affect every aspect of your business, it is important to be informed of all of the relevant factors and to have realistic expectations of both your company's needs and its capabilities. Despite an ERP vendor's smooth talk or brilliant promises, it is important to realize that without proper back-up (and buy-in) in your own organization, durations will run over, budgets will be blown and benefits realization will be delayed . . . or missed all together.

The issues identified in Panorama's ***2011 Guide to ERP Systems and Vendors*** are drawn from a multitude of businesses, small to large, local to global. Understanding what solutions are available - and how they might fit your specific business requirements - is critical to the establishment of a successful partnership with an ERP vendor and, more importantly, with the firm you engage to help implement your ERP solutions.

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 across the globe. 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.

Panorama's expertise focuses on the following service offerings:

- ERP software selection
- ERP implementation
- ERP organizational change management
- Auxiliary services including planning, training, business blueprinting, project recovery, custom ERP workshops, etc.

More information can be found at **Panorama-Consulting.com**. Contact Panorama at (303) 974-7171 or **info@Panorama-Consulting.com**. Follow us on Twitter at **Twitter.com/PanoramaERP**.