

A changing landscape

ERP companies are becoming fewer and larger, as a flurry of acquisition activity has hit the market in recent years. Philip Keet of **Millennium Business Technology Ltd** explains how key vendors are fighting off the threat of Microsoft.

2007 will be remembered as the year of the great 'BI/PM Software Vendor Grab', when three of the largest independent companies were themselves acquired following a series of acquisitions made in recent years.

Overshadowing these acquisitions was the looming presence of Microsoft, which had announced its entry into the Enterprise Business Software market with the purchase of Great Plains (owners of Solomon) in 2000, followed by Navision (owners of Damgaard) in 2002 and then Proclarity in 2006. With Microsoft bearing down upon the Enterprise Software market and developing BI capabilities of its own, the giants of the ERP sector, SAP and Oracle could see the emerging threat and realised it was time to act.

The ERP vendor market had itself been through a period of consolidation. Mature industries have a tendency to consolidate and following the path of the ERP vendors it was the Business Intelligence/Performance Management vendors that were next in line.

In 2003, BI company Cognos entered the performance management market with the acquisition of Adaytum. In 2005, the French company Cartesis acquired INEA, the planning, forecasting and reporting vendor. During 2006 the Enterprise Software conglomerate Infor stepped into the BI space by adding MIS to its software portfolio. Next to fall was ALG, bought by Business Objects.

A competitive market

2007 marked a departure from the frenetic acquisition activity taking place within the BI/PM markets. However, it was to be the year when the three biggest independent publicly listed vendors, Hyperion, Business Objects and Cognos would be taken over by Oracle, SAP and IBM respectively. This has been interpreted as a response to the threat posed by Microsoft, as the company had begun rebranding its four ERP software

lines as Microsoft Dynamics. Future versions of the Dynamics products are expected to incorporate new search technology and will integrate data analysis and report-writing functions as well as BI functionality.

With this in mind, leading ERP vendors SAP and Oracle alongside IBM decided the time had come to act. In May, Hyperion was acquired by Oracle Corp in a deal worth \$3.3bn. This continued Oracle's acquisition spree, the firm having spent \$25m buying 25 software companies since 2004. The link up of two US-based companies with a substantial overlapping client base was a force to be reckoned with.

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Not to be outdone, SAP purchased OutlookSoft in a deal worth \$375m. Having tested the waters, SAP then followed up this purchase with the acquisition of Business Objects. This resulted in the accumulation of a number of competing products within SAP's portfolio.

With both Hyperion and Business Objects gone, it left only Cognos amongst the large pure play independent BI/PM vendors and it was subsequently acquired for \$5bn by IBM. IBM had been late getting in on the act following abortive attempts to purchase both Hyperion and Business Objects and was determined to make a significant acquisition before the likes of Microsoft, Hewlett Packard and Informatica could act.



Investment and integration

So what does the future hold? Many of the remaining BI pure play vendors welcomed the series of acquisitions, claiming that a smaller number of BI vendors would simplify customer choice for a non ERP-aligned solution. Vendors such as Information Builders, MicroStrategy and SAS Institute believe they will be able to progress with product development, while Oracle and SAP will be forced to focus on integration issues for overlapping technologies.

In the longer term the considerable financial resources at the disposal of Oracle, SAP and IBM will enable them to invest in further product development. However, this could take years as a number of competing products have been inherited, requiring a cohesive long-term product road map with the integration that entails.

The conflict between best-of-breed vendors and the one-stop offering provided by Oracle and SAP will continue, although ultimately further market consolidation seems likely. With open warfare amongst the main BI/BPM vendors the probable casualty will be the customer, obliged to adopt a wait-and-see policy to find out what the future holds for products they have invested in. At the same time, Microsoft continues to strengthen its position, offering customers a radically reduced cost structure for its broad range of integrated applications. ■

Further information

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