IDC MarketScape


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THIS IDC MARKETSCAPE EXCERPT FEATURES SAP

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide SaaS and Cloud-Enabled PSA ERP Applications Vendor Assessment

Source: IDC, 2020

Please see the Appendix for detailed methodology, market definition, and scoring criteria.
IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide SaaS and Cloud-Enabled PSA ERP Applications 2020 Vendor Assessment (Doc # US45971920). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

The Digital Economy Means the Rise of the Digital Enterprise

Growth in the digital economy is reshaping how business is done at a fundamental level. IDC believes that in 2020, businesses will spend $1.3 trillion on the technologies and services that enable the digital transformation (DX) of their business models, products, and services. This transformation is impacting the business at every level including business workflows, internal compliance processes, and software demands. In many ways, the enterprise is becoming a different species when compared with previous iterations. This digital enterprise uses modern software and its properties of automation, connectivity, and visibility to drive competitive advantage. As a result, the digital enterprise has different expectations for its software and, more importantly, its software vendors. This change can be seen starkly in the way digital enterprises buy software. A few of the key characteristics of the new digital enterprise buyer are:

- **Decision features more voices.** IDG's 2019 *Role and Influence of the Technology Decision-Maker Survey* reveals that on average there are more than 20 influencers driving the final software buying decision. This includes a mix of IT and line-of-business employees.

- **Line of business has greater influence.** Over the past decade, the line-of-business employee has gained a greater share of the overall software buying budget. The line-of-business user exerts greater influence within the buying process. In fact, in many companies, the demands of line-of-business users take priority.

- **CIO prioritizing innovation.** The role of IT and the CIO within the digital enterprise is not diminishing. In fact, the role of the CIO is more critical within the digital enterprise as the CIO is now considered a key driver of innovation within the company. As technology advancements are used to create competitive advantage, the CIO's new role is focused on driving the digital agenda for the digital enterprise.

- **Millennial workers becoming buyers.** Today, millennials represent a rapidly growing percentage of organizations. The millennial workers (the oldest of which is 40 this year) are becoming a greater percentage of corporate management teams and are exerting increasing influence in the buying process. The millennial workers are partial to consumer-like experiences in their software, use of mobile technologies for every transaction, and information gathering, and they are more collaborative than previous generations.

The PSA Difference

Businesses are managing increasing complexity, even in the services organizations. Today's enterprise businesses see a more complicated kaleidoscope of business challenges including the rising pace of business, the expanding volume of business data, the growing scope of global commerce, and a multitude of risk for customers, employees, suppliers, and in turn the business.
The digital economy finds more companies moving to providing services from consulting to engineering, legal, accounting, marketing, government contracting, construction, software, and nonprofit services. To do this, these organizations need an enterprise resource planning (ERP) solution that supports the delivery of a project with a services focus. Areas of focus for a project-based enterprise include a mix of accounting/financial planning and management, purchase/sales order processing, project and portfolio management, services-related supply chain, resource time and talent optimization, client issue management, knowledge management, and project/business analytics, and billing and opportunity management. These solutions are known as professional services automation (PSA) ERP software.

Visibility across the organization and business from pursuit to engagement close out is an absolute must in today's market. This is especially so within project-oriented markets where time and resources are precious. Our discussion with project managers in industries such as financial services, design firms, and engineering firms reveals top visibility challenges for project-oriented business models:

- **Resource management:** Companies often have limited resources to staff projects. As a result, many people are assigned to several tasks at once.
- **Decision management:** As resources are often spread over multiple projects and multiple teams, it can be difficult to get the right information in front of the decision makers at the right time. This results in siloed decisions.
- **Conflict management:** Projects are often related and even overlapping, forcing employees to share equipment and other resources. This can be an issue as any project delays may have a cascading effect on multiple related projects.
- **Accountability management:** Companies may have dozens even hundreds of projects happening at the same time, making it difficult to continuously monitor and manage project milestones and budgets. This means there is an opportunity for issues with project accountability and personal responsibility.

All of these issues negatively impact project visibility and add an unwanted layer of difficulty in the delivery on customer expectations regarding project outcomes/deliverables. PSA ERP systems enable the ability to quickly know what types of engagements are profitable, help identify the type of business the organization should pursue, determine the margin required for each engagement, establish a backlog view, and establish the resources that are needed for the next six months.

In IDC's 2020 SaaSPath Survey, 65% of organizations plan to increase their spend for PSA solutions. With this level of spend happening within the industry, the market is becoming increasingly competitive. As a result, it has become important that PSA ERP applications find ways to differentiate themselves within the intensely competitive landscape. While the war over features and functionality rages on, end users are becoming somewhat numb to incremental functionality changes, unless it brings out more of their competitive advantage.

Our research suggests that professional services firms are increasingly making user experience one of their key vendor selection criteria. A few of the unwanted consequences for a lackluster user experience are:

- **Wasted time.** Time is a precious commodity within professional services firms. A clunky or outdated user interface (UI) can lead to wasted time, which otherwise could be spent toward billable activity or growing new business opportunities.
- **Lack of user engagement.** Organizations cannot gather insights from data that is not in the system. An ERP system that is cumbersome or frustrating from a user experience perspective can lead to billable hours being tracked outside the system or not being tracked at all. This avoidance behavior can wreak havoc on the budgeting and forecasting process, not to mention profitability.

- **Lack of flexibility.** Outdated user interfaces, especially in terms of mobile experience, lead to a lack of flexibility for firms. An updated user interface makes it easier for professional services firms to put the right people on the right projects even when their people are on the move.

But at the heart of it all are PSA ERP systems, the core internal system of record of enterprises. Finance, procurement, and inventory and/or asset management remain at the foundation of ERP. These backbone systems are quickly advancing in the digital economy to become the digital core for enterprises. The rapidly increasing pace of global business, the impact of digital transformation, the expanding volume of business data, and advancement of the 3rd Platform and innovation accelerators have added more to PSA ERP, requiring it to be deployed differently to realize benefits faster. Cloud-deployed PSA ERP applications are answering the call of this complexity and have become the new de facto option for deploying ERP systems for many enterprises. Artificial intelligence (AI), machine learning, natural language processing, assistive user interfaces, and advanced analytics coupled with curated data sets are advancing cloud PSA ERP to become intelligent ERP (I-ERP). These intelligent applications are the new asset enterprises want because they enable more employee insights by automating transactions that were previously stalled and even bringing more data into the equation so organizations can make better decisions immediately. This evolution is driving enterprise users to choose technology solutions with the following characteristics:

- **Greater intelligence:** Intelligence within PSA ERP software comes in many forms, some of which are already generally available, including workflow automation, conversational user interfaces, chatbots, and intelligent analytics, coupled with curated data sets. When taken together, intelligent workflows save time, increase operational efficiency and, more importantly, add a layer of big data analysis that human beings simply cannot duplicate.

- **More predictive features:** Organizations need to look at history and historical markers within the business, from customers and services and employees that are in demand to project timelines and project financial analysis. However, history isn't always the same, so when you add in predictive analytics to these data sets and a multitude of other data sets from news to weather to project employee illness, the modeling and predicting of the business scenarios enable an organization to make more accurate and timely decisions. Predictive aspects allow an organization to be more agile and react to changing business demands.

- **Better data visualization:** Every function within an organization often must sift through a tremendous amount of data to find key insights. Visualization tools help employees analyze data more efficiently. Visualization tools are essential for employees to quickly see the "story" behind the data. However, the volume and the number of sources of relevant business data continue to grow as does the demand from PSA ERP software end users to have better data visualization tools.

- **Highly flexible reporting:** Many end users still struggle with reporting. Timely reporting and accurate analysis are essential to maintain business visibility and an agile business. However, too many organizations are stuck with limited functionality and little flexibility related to reporting and analysis. Bringing in more services workflows and artificial intelligence capabilities allows employees to save valuable time and to dive deeper into the data to reveal value-added insights that make reporting much easier.
Want a trusted brand: IDC’s most recent SaaSPath Survey of over 2,000 survey respondents reveals organizations purchasing PSA ERP applications find that the most important attribute when evaluating ERP technology vendors is a trusted brand. Every ERP technology vendor has different products, functionality, deployment models, and innovation. While some are more innovative, others are focused on a subset of industries and still others are better in terms of services functionality versus manufacturing and supply chain specialties. Regardless the trust comes from transparency, building out new innovative solutions together, providing exceptional value beyond the sales cycle, and helping the business navigate the challenges that arise.

Product innovation: IDC’s SaaSPath Survey of over 2,000 survey respondents reveals that for organizations focused on PSA, the second-most important attribute when evaluating these technology vendors is product innovation. Services organizations want more from their technology such that IoT, mobile, and innovations from robotic process automation; machine learning; predictive analytics; conversational UIs; natural language processing; and virtual assistant chatbots are areas that make the product more innovative and brings a great customer experience.

Superior features and functionality: In addition to a trusted brand, our recent IDC’s SaaSPath Survey of over 2,000 survey respondents reveals organizations purchasing ERP applications find the second-most important attribute when evaluating ERP technology vendors is superior features and functionality. Organizations need to know they have exceptional business processes that have intelligence embedded into them to reduce lower-level tasks. Predictive analytics aid the organization as it models business outcomes so the best action can be selected. And organizations want to know whether IoT, drones, robotics, AR/VR, and other innovative solutions can be integrated quickly and easily into their solution.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor inclusion list for this document was selected to accurately depict the vendors that are most representative of any given PSA ERP applications buyer’s selection list based on the following:

- Vendors were investigated to ensure that their offerings were qualified as "SaaS" or "cloud enabled" and that the vendor had won recent deals within the relevant customer segment.
- PSA ERP software must meet the IDC definition of ERP.
- Vendors had either a services-specific ERP focus or a combination of both product and service. Services are the main focus in this IDC MarketScape document.
- Incoming IDC inquiries are related to PSA ERP solutions, with specific questions focused on capabilities of vendors, innovation and future trends of ERP vendors, and customer interviews.
- Vendors were asked to name which other vendors they most often compete against in deals.

ADVICE FOR TECHNOLOGY BUYERS

As a services organization, choosing a PSA ERP system that can grow with your business can be a daunting task. There is a stunning amount of variety and hundreds of options among software packages specifically targeting services business. Following are a few key steps in the journey to select the right fit among the myriad of software vendors:
**Understand your needs:** Before you choose your PSA ERP vendor and product, you should first take the opportunity to do some self-reflection. A few key questions to ask regarding the internal factors involved in choosing software are:

- What is my plan for growing my business?
- How has the COVID-19 pandemic changed or restructured my business?
- What features do I consider essential for my business now and in the future?
- Are there industry-specific service considerations for my software selection?
- Are there new innovations that will make my employees work life easier and more balanced?
- How many users will interact with the software within the business?
- Will we use IT to support the business?
- How much am I willing to spend on the software?
- How defined are my processes, or am I looking to improve them by leveraging best practice processes?
- Can I track projects? Budgets to actuals? Time and expenses?
- Are we planning on any mergers and acquisitions in the next few years, and how will this impact our ERP needs?
- What are the deployment models we are using now and are we planning on shifting?
- What providers offer the deployment models we need?
- Will we be doing a new installation (greenfield) or migrating (brownfield) from an existing version to a new one?
- Are there any tools to help as we move from one ERP system to another?

**Do your research:** With so many options, organizations must take a systematic approach researching and vetting these software packages. Organizations should consider tapping into the vast web of software evaluation options including market research firms, online review sites, and industry associations. A few key questions to ask when researching the software are:

- Does the software come with a free trial?
- How do I buy the software? Whom do I buy it from?
- Whom can I consult with on this matter? My team? Other business owners? Investors?
- How long does it take to implement the software? How quickly can I start using the product?
- Does the software have positive reviews?
- What level of customer service are offered?
- Do I need an outside consultant to help me install the software and bring it to use? Is there self-training available for our team?
- What type of in-house IT resources do I need to have available, if any? Or am I reducing my internal resources and datacenter by moving to the cloud?
- How are companies moving to the cloud, and what workloads are they repatriating?

**Look to the future:** Many organizations may find themselves growing rapidly. In these cases, the software must be able to grow with your business. And in the case of a pandemic, a business may need to slow down too, so organizational agility is critical when purchasing software. A few key questions to ask when considering the growth aspect of choosing a software package are:
▪ What factors will speed up or slow down my growth plans?
▪ How fast will the business likely grow?
▪ What if my business slows or stalls – how do I curtail my usage costs?
▪ Will the business be selling to/interacting with businesses/customers in other regions or countries?
▪ What kinds of reporting and insights will I need to manage the business as I grow? Can the software provide it?
▪ Does the software vendor have innovation aspects that will make my business run smoother?
▪ What does the software vendors road map look like for this product?
▪ What is the software vendor's financial viability for the long haul?
▪ Will I add subordinate business units/divisions/franchises?

This IDC MarketScape vendor assessment assists in answering the aforementioned questions and others. The goal of this document is to provide potential software customers with a list of PSA ERP software companies that have taken great strides to incorporate the previously listed capabilities. We have profiled and assessed their capabilities to support the complicated area of PSA ERP software.

VENDOR SUMMARY PROFILE

This section briefly explains IDC’s key observations resulting in a vendor’s position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of the vendor’s strengths and challenges.

**SAP S/4HANA**

After a thorough evaluation of SAP S/4HANA’s strategies and capabilities, IDC has positioned the company in the Leader’s category in this 2020 IDC MarketScape for the worldwide SaaS and cloud-enabled PSA ERP applications market.

SAP S/4HANA is an intelligent ERP that enables business processes including idea to design, procure to pay, plan to production, order to cash, offer to project, and core finance.

Quick facts about SAP and SAP S/4HANA:

▪ **Employees:** 101,150+ for all of SAP
▪ **Total number of clients:** 413,000 customers in more than 180 countries globally
▪ **Total number of SAP S/4HANA customers:** 14,000+
▪ **Globalization:** Customer support in 34 languages in 64 country localizations
▪ **Industry focus:** All verticals
▪ **SaaS:** Offered in multitenant deployment at the application, database, and infrastructure layers
▪ **Pricing model:** Subscription based by module and user type
▪ **Partner ecosystem:** Over 18,000 partner companies are in the SAP ecosystem.

**Strengths**

▪ **Investment in technology:** S/4HANA Cloud includes innovations such as machine learning for continuous close, predictive accounting, image-based buying, demand-driven replenishment,
intelligent auditing, invoice processing, and automation via robotics processing for repetitive tasks.

- **Globalization**: S/4HANA Cloud is adept at supporting even the most complex globalization demands as it supports 64 countries locally. This includes support for all local legal guidelines and reporting standards. These global capabilities are highly attractive for large multinational, multi-entity organizations for whom localization can be a cumbersome and costly process.

- **Product road map**: SAP S/4HANA Cloud references noted SAP is exceptional in the way it evolves the road map continuously and updates the clients prior to the quarterly updates.

**Challenges**

- **Transition to cloud**: While SAP has a long history within ERP software, much of that history has been in selling on-premises solutions. SAP must contend with some reluctance to transition to cloud within certain sectors of the company’s vast install base. SAP is currently building and augmenting current tools to streamline the transition for its legacy application users.

- **Integration expertise**: Several references noted the end-to-end business processes across the SAP portfolio is a huge initiative, but until then, moving to other SAP solutions from S/4HANA has some issue. One reference noted the end-to-end aspect is not understandable, so there are some duplications and gaps in processes.

- **Quarterly update testing**: While references love the quarterly updates, they are concerned about the regular ongoing testing and immediate impact to the organization. One reference noted if a table was changed, it isn't always understood how it might impact any customizations such as queries and report views.

**Consider SAP S/4HANA When**

Consider SAP S/4HANA when you are looking for a solution with leading-edge technology, machine learning, big data, and analytics. Consider S/4HANA Cloud when you are likely already using SAP for other aspects of your business such as supply chain, procurement, and HCM and when you want to remain within the SAP family.
APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor’s current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor’s future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor’s characteristics, behavior, and capability.

Market Definition

This IDC MarketScape evaluation focuses on SaaS and cloud-enabled PSA ERP solutions. ERP is a packaged integrated suite of technology business applications with common data and process models that digitally support the administrative, financial, and operational business processes across different industries. These processes manage resources including some or all of the following: people, finances, capital, materials, suppliers, manufacturing, supply chains, customers, products, projects, contracts, orders, and facilities.

This IDC MarketScape evaluates ERP technology with a medium/midmarket business slant. The IDC small business ERP definition includes product-centric or services-centric organizations. These organizations’ ERP systems incorporate financial, procurement, inventory, and/or asset-oriented aspects, along with other areas that may include product and service resource planning, human capital management, customer management, and student management.

Typically, ERP solutions are architectured with an integrated set of business rules and metadata, accessing a common data set (logical or physical) from a single, consistent user interface. PSA ERP solutions are available as on premises, hybrid and, increasingly, cloud SaaS deployments.
Professional services automation applications are application solutions used by businesses that are in the professional services vertical industry. In particular, these applications serve businesses that sell their employees’ services and are typically project based (deliver a project as the core component of the business model), instead of product based. In essence, PSA applications are a mirror of the applications that form an ERP goods application suite but with modified functionality to facilitate the delivery of services projects. Solutions in the professional services vertical are used by the following microverticals:

- Accounting
- Legal services
- Management and IT consulting
- Advertising/PR/marketing
- Architecture
- Engineering services
- Construction
- Government contracting
- Nonprofit/not for profit

A PSA ERP suite of applications can automate essential business processes of an entire professional services enterprise and include at least a mix of accounting/financial planning and management, purchase/sales order processing, project and portfolio management, services-related supply chain, resource time and talent optimization, client issue management, knowledge management, and project/business analytics and opportunity management. PSA applications meet the needs of professional services firms because the applications provide a special variant of enterprise software to meet key business requirements. PSA applications are architected with an integrated set of business rules and metadata, accessing a single data set (logical or physical) from a single, consistent user interface. In IDC’s view, PSA ERP suites can automate the process of both internal or embedded services organizations and standalone services businesses.

The PSA applications market is derived from the following functional areas: enterprise asset management, financial accounting, financial performance and strategy management, human capital management, order management, other back office, payroll accounting, procurement, project and portfolio management, collaboration, and services operations management. The percentages of revenue that the PSA market draws from the previously mentioned functional areas fluctuate every year, depending on vendors’ capabilities and successes in meeting customer and industry-specific requirements by packaging and implementing appropriate solutions to optimize the biggest business value. PSA solutions also require deep integration capabilities to CRM and HCM solutions.
Related Research

- Enterprise Applications Help Businesses Traverse the Decline (IDC #US46467920, June 2020)
- The Novel Coronavirus Is Reshaping Software Purchases and Accelerating the Move to SaaS (IDC #US46253520, May 2020)
- Pandemics Are a Wake-Up Call for Technology Vendors to Offer Better Products (IDC #US46149920, March 2020)

Synopsis

This IDC study provides an assessment of prominent SaaS and cloud-enabled PSA ERP software solutions and discusses what criteria are most important for companies to consider when selecting a system.

"Services organizations are rationalizing, modernizing, and transforming their enterprise application portfolio, and ERP is a prime concern. SaaS and cloud-enabled PSA ERP systems are the answer as they are modern and innovative with mobile and intelligent processes, are focused on the customer experience, and deliver timely information for organizations," says Mickey North Rizza, program vice president, Enterprise Applications and Digital Commerce at IDC.
About IDC

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