

EXCERPT

Arab Middle East and Egypt North Africa Software Solutions 2007-2011 Forecast and 2006 Vendor Shares (Excerpt from IDC #ZR01P)

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IN THIS EXCERPT

This IDC excerpt is taken from the Arab Middle East and Egypt North Africa Software Solutions 2007-2011 Forecast and 2006 Vendor Shares (IDC #ZR01P, November 2007), by Dhiraj Daryani and Vinay Nair. All or part of the following sections are included in this excerpt: IDC Opinion, Market Summary, Situation Overview, CRM, SCM, and Vendor Profiles. Also included are Tables 1, 2, 3, and 27.

IDC OPINION

The Enterprise Application Suite (EAS) market in the Middle East and North Africa region grew 39.2% year-on-year in 2006 to total \$286.80 million. Market growth last year can be attributed to the strong performance of the top five players – Oracle, SAP, 3i-Infotech, Microsoft, and Sage.

- ☒ The UAE overtook Saudi Arabia in 2006 as the largest market in the MENA region, and the latter country slipped to second place. The OGCC (Bahrain, Kuwait, Oman, and Qatar) followed in third position, North Africa (Algeria, Morocco, and Tunisia) in fourth, and Egypt in fifth place. The Levant (Jordan, Lebanon, and Syria) was the smallest EAS market in the MENA region last year.
- ☒ In the MENA region, demand from local enterprises in the midmarket rose due to intensified competition from multinational firms. Local enterprises recognized the need to streamline operations, increase revenue opportunities, and enhance customer relationships through the use of enterprise applications.
- ☒ The MENA EAS market expanded strongly thanks to buoyant oil prices and the inflow of foreign direct investment. Expansion is highest in the Gulf States, while the markets of Egypt, North Africa, and Levant grew only modestly year-on-year in 2006.
- ☒ Vendors often make the mistake of creating regional go-to-market strategies, which they roll out in each country. But the MENA region consists of countries at different levels of market maturity and thus a region-wide marketing message may not be relevant in all countries. Vendors need to look at each country individually, understand the EAS maturity of the key segments they are targeting, and map out the evolution of their ERP adoption accordingly.

Overview of Enterprise Application Software in MENA

The software solution market in the MENA region expanded significantly in 2006, as solution spending by enterprises and governments soared. Several countries, particularly the Gulf States, are investing heavily in modernizing and strategically diversifying their economies – spurring tremendous growth in the EAS market as a result. In key verticals like retail, banking, and manufacturing, firms are adopting progressive IT strategies and thus investing more in EAS.

Enterprise Application Software

Oracle was number one in the EAS market in the MENA region last year based on L&M revenue of \$92.88 million and 32.4% share. The OGCC countries and the UAE are now the largest markets for Oracle in the region. It is important to note that Oracle released a correction to its 2005 EAS revenue, as the latter did not include its maintenance revenue for that year. As a result, IDC resized the market for 2005. The vendor's 2006 revenue figures now include both license and maintenance revenue.

SAP moved to second place in the MENA EAS market in 2006 with 29.3% of the market and L&M revenue of \$84.00 million (up 35.5% year-on-year). Saudi Arabia remains the vendor's largest market, with 42.9% of its total L&M revenue coming from this country alone.

3i-Infotech took third position on the MENA market last year with a continued focus on the banking, insurance and financial services sectors. The vendor achieved year-on-year growth of 41.3% in revenue to \$19.42 million in 2006. In addition to its core ERP offering, 3i-Infotech has achieved considerable success with its highly specialized custom applications (e.g., anti-money laundering applications) that are not covered in this study but boosted the vendor's overall performance in the region.

Microsoft placed fourth with the launch of its re-branded Microsoft Dynamics offering (formerly Microsoft Business Solutions). Capitalizing on its large installed base on the desktop, as well as Dynamics' enhanced integration with front-office applications such as Office and Outlook, Microsoft enjoyed growth in the small and medium-sized business (SMB) market. In 2006, Microsoft Dynamics made efforts to gain share in the upper mid-market segment, which it believes will be the most profitable segment in the coming years.

Rounding out the top five vendors in the MENA EAS market in 2006 was Sage with L&M revenue of \$14.06 million (up 73.4% year-on-year). The vendor focused on the upper mid-market segment and on building on its channel partner network last year.

TABLE 1

Vendor Market Share of Enterprise Application Suite L&M Revenue (US\$M) in MENA, 2006

	Value	Share (%)
Oracle	92.88	32.4
SAP	84.00	29.3
3i Infotech	19.42	6.8
Microsoft	17.99	6.3
Sage	14.06	4.9
Others	58.45	20.3
Grand Total	286.80	100.0

Source: IDC, 2007

Customer Relationship Management

Spending on CRM applications in the MENA region totaled \$52.01 million in 2006, an increase of 47.2% over 2005. This number is the total CRM spend in the region by EAS suite vendors as well as Pure Play CRM application vendors. On the other hand, CRM applications grew 97.5% to a value to \$38.47 million in 2006 when looking at EAS suite vendors only.

The CRM market is still considered to be in its early stages in the MENA region. Growth in 2006 was fueled by major investments by firms in the banking, government, and retail sectors across the region.

Oracle increased its CRM revenue by 92.9% year-on-year in 2006 to \$17.47 million and ranked first in this segment with 33.6%. In second place was SAP with 17.4% of the market based on CRM revenue of \$9.07 million in the MENA region last year. Avaya was the third largest vendor in the CRM market with 11.7% share of the market. CRM specialists Altitude and Vertscape ranked fourth and fifth, respectively, with shares of 6.3% and 6.2% shares on the MENA CRM market in 2006.

IDC believes that the CRM market will remain on a path of strong growth in the coming years as the consumer market in the region reaches critical mass and enterprises are forced to invest in CRM to build and maintain their customer base. Furthermore, the North African, Levant and Egyptian regions are beginning to develop their call center industries, targeting the high-cost consumer markets in the Gulf States with Arabic language outsourcing solutions. This, coupled with multinational firms using these regions for their own call center and support operations, will boost demand for CRM in the MENA region across the forecast period.

TABLE 2

Vendor Market Share of CRM L&M Revenue (US\$M) in MENA, 2006

	Value	Share (%)
Oracle	17.47	33.6
SAP	9.07	17.4
Avaya CRM	6.09	11.7
Altitude	3.30	6.3
Vertscape	3.21	6.2
Others	12.87	24.8
Total	52.01	100.0

Source: IDC, 2007

Supply Chain Management

In 2006, the SCM market in the MENA region grew 38.7% year-on-year to \$33.80 million, driven in large part by Oracle and SAP's strong performance. SAP achieved annual growth of 16.9% to report revenue of \$18.45 million and 54.6% share of the MENA SCM market in 2006. Oracle's SCM revenue was up 48.2% year-on-year at \$6.73 million, having enjoyed particular success in the transportation and retail verticals.

IDC believes the regional SCM market will continue to expand, fueled by demand from the wholesale and retail verticals; particularly in the Gulf States, which are regional logistics, trade, and procurement hubs. The growth in trade between the MENA countries and the rest of the world will also foster demand for SCM solutions in the region. In addition, the tourism industry is growing rapidly in the region, spurring demand for SCM solutions among firms in this industry that want to capitalize on targeting new opportunities.

TABLE 3

Vendor Market Share of SCM License and Maintenance Revenue (US\$M) in MENA, 2006

	Value	Share (%)
SAP	18.45	54.6
Oracle	6.73	19.9
Sage	2.25	6.7
SSA Global	1.10	3.2
Epicor Scala	0.91	2.7
Others	4.36	12.9
Total	33.80	100.0

Source: IDC, 2007

Vendor Profiles

Oracle

Oracle Middle East covers the entire MENA region through four Oracle clusters: 1) Oracle Middle East, which includes the Gulf States and Levant; 2) Oracle Saudi Arabia; 3) Oracle Egypt; and 4) Oracle North Africa, which covers Morocco, Tunisia, and Algeria. Regional field offices are located in Abu Dhabi, Dubai, Bahrain, Beirut, Jordan, Kuwait, Oman, Kenya, Nigeria, Morocco, and Ghana, and cover approximately 70 countries. Founded in 1988, Oracle Middle East employs over 700 people and is a wholly owned subsidiary of Oracle Corporation, USA.

Technology Strategy

Through all its acquisitions, Oracle has created a portfolio of different applications for its customers, allowing them to choose from best-of-breed in terms of functionality. The vendor continues to support all of the applications it has acquired in the past few years, and is also developing them further.

As Oracle releases new versions of existing ERP products, it will begin to embed the best functionality from other Oracle brands so that there will ultimately be very little difference between the applications themselves. This long-term vision is their much coveted Fusion Applications strategy, and is what Oracle feels will be the single contributor to its long-term success in the applications market.

Marketing Strategy

In 2006, Oracle focused on addressing the new customers it has acquired in the region, pushing Oracle eBusiness Suite offerings. The vendor offered several loyalty programs to its client base (both existing clients and those gained through acquisitions) to promote more strategic functions that are more relevant to its clients' core business process than simple financials. Many of these loyalty programs are targeted at existing database clients; Oracle is the leader in the database market and has little competition in the region for most of its technology products. Capitalizing on its large installed base of database software in the enterprise segments is key to Oracle's application business growth strategy. Applications are often bundled with database investments at tremendous cost-savings for the customer – especially when compared to the cost of acquiring a new license from another vendor.

Oracle's sales activity is driven by a telesales organization (located in low-cost countries in the region such as Egypt), which continually generate and develop leads for Oracle's channel partners. The telesales team passes off new leads to partners or account managers on a daily basis, and provides a number of solution and vertical market experts that work closely with partners and account managers to develop solutions. Oracle addresses several specific accounts through a direct sales method (dedicated account managers).

Channel Strategy

Oracle's channel partners carry out a large portion of its ERP sales and implementations, but Oracle Consulting still performs some installations directly (particularly for large strategic clients). Oracle's channel in the region consists of several resellers, systems integrators, ISVs (independent software vendors), Oracle Application Implementers, online businesses, and management consultants.

Oracle's channel strategy has not yet been a top priority in the region, as its telesales team approach toward existing customers has been successful to date. To identify and address new opportunities outside the existing customer base, however, Oracle is starting to train and support partners to start selling Oracle's solutions.

Key Deals in 2006

- ☒ Oasis Investment Company, (OIC) LLC, the holding company of the Al Shirawi Group, purchased the Oracle E-Business Suite for 30 different companies.
- ☒ Balubaid purchased Oracle E-Business suite and DMS solutions. Oracle will provide complete E-Business suite and DMS solutions including consultancy, implementation, training, and support.
- ☒ The Central Bank of Egypt selected Oracle E-Business Suite Human Resource Management System. The system will provide the bank with an integrated data model to present an updated view of human resources-related activities, including recruiting, performance management, learning, compensation, benefits, payroll, and time management. The implementation includes Oracle Payroll, Time and Labor, Oracle Human Resources, Oracle HR Intelligence, Oracle HR Self Service, and Oracle HR Learning Management.
- ☒ Bahrain Maritime and Mercantile International has made Oracle its technology partner and will purchase the Oracle e-Business suite in a deal valued at over \$500,000.

TABLE 27**SWOT Analysis – Oracle**

Strengths	Weaknesses
<ul style="list-style-type: none"> • Largest installed base of database applications in region • Direct sales force, particularly effective in government and finance sectors • Excellent brand image • Effective channel partner network 	<ul style="list-style-type: none"> • Focused mostly on large and very large enterprises • Still viewed by many as database vendor, not complete solutions provider • Recent acquisitions causing concern about future of acquired brands
Opportunities	Threats
<ul style="list-style-type: none"> • Capitalize on growing Oracle DBMS client base for referral sales • Further penetrate extensive installed base of database customers with business intelligence tools and applications • Increase focus on application sales to SME segment • Take advantage of growing use of Linux-based servers • Penetrate competitors' installed bases with Fusion integration middleware 	<ul style="list-style-type: none"> • Competition from Microsoft SQL Server in Windows-based DBMS market, especially in SME sector • IBM's broad portfolio in hardware and software solutions, and close relationship with UAE government

Source: IDC, 2007

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