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EXCERPT

Worldwide Financial Performance and Strategy Management Software 2006 Vendor Shares: Impact of Market Consolidation Frenzy (Excerpt from IDC #209241)

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IN THIS EXCERPT

This IDC excerpt is taken from the Worldwide Financial Performance and Strategy Management Software 2006 Vendor Shares: Impact of Market Consolidation Frenzy (IDC #209241, October 2007), by Kathleen Wilhide. All or part of the following sections are included in this excerpt: IDC Opinion, Market Consolidation, Performance of Leading Vendors, Vendor Profiles, and Future Outlook. Also included are Table 1, Figure 1, and Figure 4.

IDC OPINION

Market consolidation is shrinking the number of vendors in the financial performance and strategy management (FPSM) market, and the top vendors all have a more complete and robust suite of products. FPSM applications are foundational to codifying and automating financial business processes but require the analytic reporting capabilities that broader BI offerings include — hence the consolidation in this space. Strong demand for FPSM applications continues, but acquisitions have changed the landscape of top vendors. More than 65% of the market was formerly represented by 23 vendors; that number has been condensed to five. This new landscape will change the game and redefine the role of ERP and FPSM vendors alike. As end users determine the impact of consolidation, there has been a subtle dampening of the performance of the overall FPSM market, which grew less than IDC expectations in 2006 despite the healthy growth rates of the top vendors. Highlights of FPSM market performance are as follows:

- The FPSM market grew 10.1% in 2006, less than the forecast growth of 12%, with a total market value of $1.76 billion.
- Market consolidation has been a disruptive force in 2006 and into 2007, which has slowed market growth, but the market should rebound as consolidation strategies take shape.
- For the largest vendors, Oracle and SAP, moves into the FPSM space are driven not only by market share but by commitments to deliver best-in-class analytic applications. The number of large vendors is shrinking: The current top 5 represented 23 companies only four years ago.

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- While FPSM is still a strong market, the ties to BI and more comprehensive performance management needs are becoming increasingly important, spearheading the current wave of consolidation. Finance will continue to look to have its requirements met, and will be a key influencer in the larger scheme of performance management solution selection processes, which include BI reporting and analysis needs as well.

Market Consolidation — From Niche Players to Behemoths

Some acquisitions serve to round out the FPSM suites, but the bigger impact of recent acquisitions has been the convergence of applications and BI in support of a broader performance management strategy. FPSM market consolidation started in earnest several years ago, and began to peak in 2006. However, 2007 has proven to be game changing, beginning with Oracle's acquisition of FPSM giant Hyperion, multiple acquisitions by Cognos and Business Objects, and the (latest, but certainly not the least) pending acquisition of Business Objects by SAP.

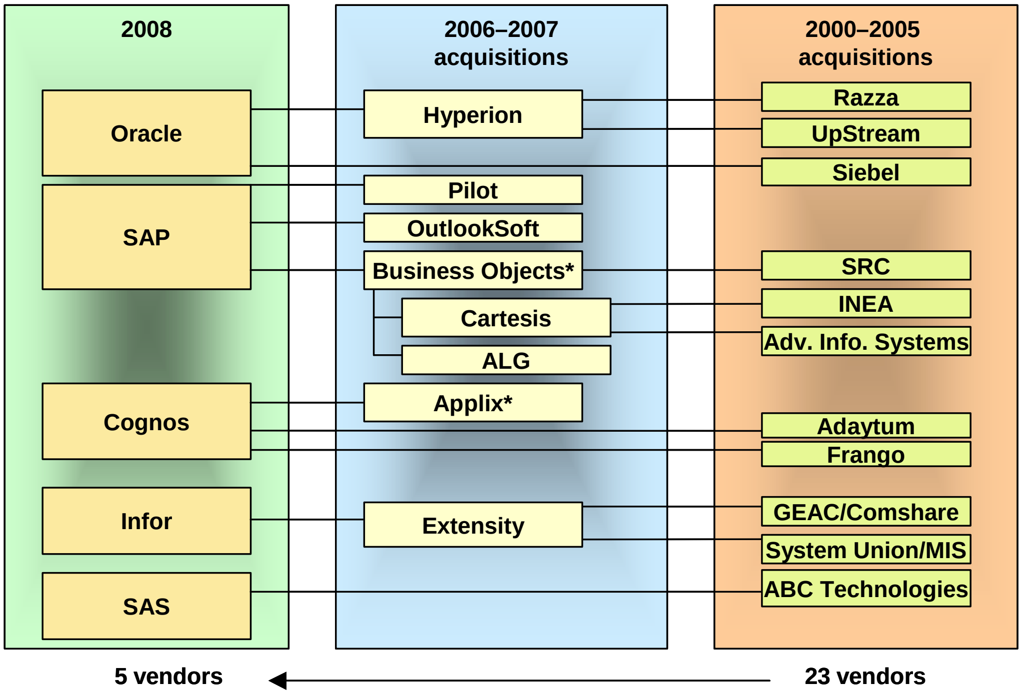
While the integration mantra is still prevalent, vendors are smartly focusing on the capabilities of their platform and the promise of service-oriented architecture (SOA) to respond to the question of integration — in a sense there is now less integration pressure because currently the top vendors have all made acquisitions and therefore no one has a completely baked integration strategy and offering. The exception is SAS, which has been quiet on the integration front.

The most important aspect of a successful acquisition has been to allow the acquired solution to continue as a "unit" of the business, and to strongly leverage the expertise of development and sales employees within the acquired company. Early solution strategies do not need to have integration fully baked, and the focus should be on the points of integration that organizations can leverage quickly and use to demonstrate increased capabilities that are greater than the sum of the parts. In many acquisition scenarios, vendors are building their direction with the input of joint customers of their products.

Figure 1 shows the impact of consolidation through the publication date of this study. With this new market landscape, it is clear that evaluation criteria will probably change.

FIGURE 1

Impact of FPSM Market Consolidation



* pending

Source: IDC, 2007

A unique opportunity to capitalize on the belief that a performance management platform should be independent exists for both Cognos and SAS, the two remaining specialty vendors, which both have solid FPSM applications as well as BI solutions. The market does reward focus and specialization, and the ability to convince prospects of the value of focus will be key for these vendors.

Performance of Leading Vendors in 2006

Table 1 displays 2005 and 2006 worldwide revenue and 2006 growth and market share for FPSM vendors. Revenue dollars reflect only acquisitions as of December 31, 2006.

TABLE 1

Worldwide Financial Performance and Strategy Management Analytic Applications Revenue by Vendor, 2005 and 2006 ($M)

	2005	2006	2006 Share (%)	2005–2006 Growth (%)
Hyperion Solutions (acquired by Oracle)	306.9	345.1	19.7	12.4
Cognos Inc.	127.6	136.7	7.8	7.1
SAP AG	119.4	134.5	7.7	12.6
Oracle Corp.	115.0	123.0	7.0	7.0
Infor	97.5	108.5	6.2	11.3
SAS Institute	81.8	98.7	5.6	20.7
Cartesis (acquired by Business Objects)	57.7	65.8	3.7	14.1
Business Objects	47.9	56.8	3.2	18.6
OutlookSoft Corp. (acquired by SAP)	33.9	44.8	2.6	32.3
Applix Inc. (pending acquisition by Cognos)	21.1	28.3	1.6	34.2
Unit 4 Agresso	23.4	25.3	1.4	8.2
Lawson Software	13.6	17.7	1.0	30.8
Microsoft Corp.	14.6	17.2	1.0	17.9
Longview Solutions Inc. (pending acquisition by Exact Software)	12.0	12.4	0.7	3.1
Other	521.5	540.7	30.8	3.7
Total	1,593.9	1,755.7	100.0	10.1

Source: IDC, October 2007

Vendor Profiles

The following profiles address key areas of momentum as well as the current market landscape resulting from the wave of acquisitions in 2006 and 2007.

Hyperion — Acquired by Oracle

Hyperion, as the CFO's "solution of choice" over time, reenergized its strategy in 2006, focusing on the integration of its many tools and applications into the System 9 platform.

Hyperion had in place strong plans to capitalize on the evolving opportunity for broader performance management strategies with release 9 of its applications, which provides a more consistent platform based on System 9 BI. This vision was rewarded, as the company reported FPSM growth ahead of the market average. In addition, Hyperion has been expanding the range of performance management applications to include workforce planning, capital expenditure planning, and an upcoming profitability management application.

Hyperion had been a key driver of category consolidation in its own right and has the most complete and widely adopted financial performance management software suite, making the acquisition by Oracle a smart one.

Oracle

Oracle's strategy in 2006 involved merging the best of Oracle and former PeopleSoft performance management applications. Traction of these solutions was lower than expected, however, due to a lack of understanding of which applications would survive Fusion and because customers selecting Oracle FPSM products tended to be those with predominantly Oracle or former PeopleSoft ERP installations. With the acquisition of Hyperion in 2007, Oracle changed and made a significant step forward in its FPSM strategy.

Oracle plans to integrate the Hyperion offerings with its own BI platform and analytic applications to deliver an end-to-end performance management system, and it appears that Hyperion applications will be central to Oracle's FPSM vision. The acquisition of Hyperion strengthens Oracle's relationship with the office of the CFO. Hyperion applications complement the core financial/transactional ERP systems of more than 12,000 companies and have a proven track record of coexisting with almost all ERP platforms.

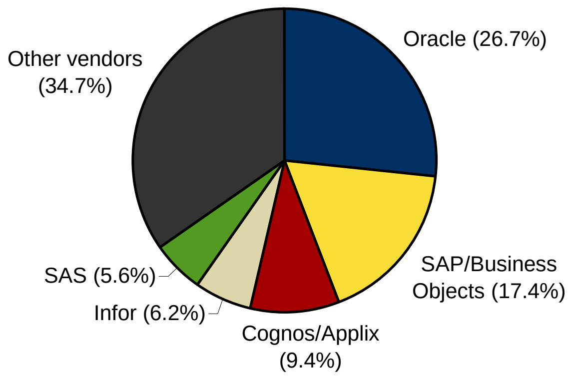
All in all, the Hyperion acquisition was an obvious move for Oracle to attain current FPSM market leadership — and as the number of choices decreases for standalone BI/FPSM suites, the Oracle FPSM solution, powered by Hyperion, is well positioned to continue its market leadership.

FUTURE OUTLOOK

Market consolidation has solidified the standard FPSM offering as part of a broader suite that includes analytic applications and BI reporting/analysis tools. The top 5 vendors are now the short list, and all can position comprehensive suites as well as point solutions within the suites to meet user needs. End users may now have to rethink points of differentiation during the selection process. Smaller vendors will still have a role in this market, albeit a smaller one, and will cater to either industry or market subsegments.

FIGURE 4

Worldwide Financial Performance and Strategy Management Applications Pro Forma Revenue Share by Top 5 Vendor, 2006



Total = $1.756B

Source: IDC, October 2007

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