The market for ERP suites for product-centric enterprises is shifting from on-premises deployments to cloud services. Application leaders in midsize enterprises should use this Magic Quadrant to identify viable vendors and solutions for moving ERP business processes to the cloud.

This Magic Quadrant is related to other research:

**View All Magic Quadrants and Critical Capabilities**

### Strategic Planning Assumptions

By 2021, 70% of all new midmarket cloud ERP application projects for product-centric enterprises will be public cloud implementations. Through 2021, 65% of system integrators and resellers will be unable to train their teams in product functionality fast enough to keep up with ERP vendors' product release cycles.

### Market Definition/Description

This is Gartner's first Magic Quadrant for cloud ERP suites for product-centric companies. At present, it covers midsize enterprises (those with annual revenue of between $50 million and $1 billion) across all regions of the world, because it is these organizations that have led adoption of public cloud ERP solutions. The market definition includes cloud ERP suites for product-centric midsize enterprises, but some organizations at the lower end of the large-enterprise category may also find it useful.

Large product-centric enterprises (those with revenue of more than $1 billion to $5 billion) have also begun to deploy operational cloud ERP solutions. We expect adoption rates for operational cloud ERP by large organizations to increase dramatically over the next several years.

Many global enterprises (those with revenue of more than $5 billion) use cloud human capital management (HCM), financial management and procure-to-pay systems as a shared service at corporate level to standardize business processes (see “Magic Quadrant for Cloud HCM Suites for Midmarket and Large Enterprises” and “Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises”).

However, at the time of writing, very few large or global enterprises are standardizing their supply chain and manufacturing on a single cloud ERP suite. This may change, but as the market is still nascent in this regard, large and global enterprises are not the intended audience of the present Magic Quadrant.

Gartner’s assessment of product-centric ERP solutions is likely to change year by year as the products and the market mature.

**Product-Centric Cloud ERP Solutions**
Product-centric enterprises physically manufacture, sell and/or distribute products. Some also sell services, such as for installation or maintenance, which are delivered by employees and contractors, but these services are not their primary focus. Product-centric enterprises are typically either manufacturing companies or distribution companies:

- **Manufacturing companies**: These focus on developing, manufacturing, assembling and selling products, as well as delivering related services. This activity covers discrete products, ranging from small and simple consumer products to large and complex products (such as airplanes, power plants and major subassemblies, such as jet engines). It also includes products that are generated by process manufacturing, such as most products in the food and beverage, chemical and pharmaceutical industries. Product-centric manufacturing companies are also active in in the utilities, aerospace and defense sectors, among others.

- **Distribution companies**: These focus on buying, storing, moving, repackaging, selling and delivering products and related services. Depending on the structure of their sales channels and customers, companies in wholesale and distribution, as well as those in retail, fall into this category (unlike professional services companies, for example).

As defined by Gartner, a product-centric cloud ERP suite provides some or all of the following:

- **Operational ERP functionality**. Supply chain- and manufacturing-related functionality, such as demand management (order management and material requirements planning [MRP]), inventory management, supply chain/direct procurement, manufacturing control capabilities (shop floor), and distribution/logistics.

- **Financial management functionality**.

- **Basic purchasing functionality**.

- **HCM functionality**.

- **Specialized industry-specific modules or applications**. These include modules such as enterprise asset management (EAM), configure-to-order (CTO), make-to-order (MTO), product life cycle management (PLM) and field service management (FSM).

Of these, a product-centric cloud ERP suite must provide, at minimum, operational ERP and financial management functionality. Optionally, the vendor may offer other administrative ERP capabilities (such as HCM and basic purchasing) either directly or through relationships with partners. Availability of specialized industry-specific modules is considered an advantage, rather than a requirement for inclusion in this Magic Quadrant. This report covers product-centric ERP products offered for deployment as cloud service applications. A full list of attributes to our definition of a “cloud service” appears in the Inclusion and Exclusion Criteria section below. In simple terms, the cloud service must confer the benefits of SaaS on its users. That is, the application software must be delivered and managed remotely, based on a single set of common code and data definitions, and consumed in such a way that all users use the same basic application from the service provider (in, for example, a one-to-many model). The cloud service must be purchased either on a pay-for-use basis or as a subscription based on usage metrics. It must be a public cloud service that uses shared resources to provide elasticity and support multiple consuming organizations. Our definition of a cloud service is not linked to a specific technical architecture, such as multitenancy at the application level. Consequently, four types of cloud service met the inclusion criteria:
• **“Born in the cloud” solutions.** Architected from the outset only as cloud services, these typically have a multitenant application architecture.

• **“New-generation” solutions.** These are architected for multiple deployment models, typically public cloud, private cloud and on-premises. These solutions often support multitenancy at the database or operating system level, though sometimes not at the application level. They may use virtualization techniques.

• **Existing solutions substantially rearchitected as cloud services.** These are similar to new-generation solutions in that they also support multiple deployment models (public cloud, private cloud and on-premises). But rather than being built from scratch, their vendors have made substantial changes to the underlying architecture of existing applications to support public cloud deployment.

• **Existing solutions delivered as public cloud SaaS.** These are existing solutions for which the underlying architecture has not changed significantly, but for which the vendor has developed an infrastructure-provisioning layer in order to deliver them in public clouds. These solutions are also offered in private cloud, hosted or on-premises environments.

Surveys conducted by Gartner show that end users value functionality and continuous functional innovation significantly more than technical architecture. However, we do recommend that application leaders include technical architecture as an evaluation criterion, because the various architectural styles have different strengths and weaknesses. These should be evaluated against each organization’s cloud standards.

**Postmodern Approaches to ERP**

Disparity between the maturity of cloud offerings in HCM, finance and operational ERP reflects the increasing prevalence of postmodern ERP strategies in which traditional ERP suites are being deconstructed into more loosely coupled applications. Some of these applications are domain suites (as with core financials or HCM, for example) or smaller-footprint applications that are integrated as needed. For more details, see “2018 Strategic Roadmap for Postmodern ERP.”

This new Magic Quadrant represents the current market reality. It focuses purely on cloud ERP suites that are sold, marketed and delivered as cloud services. It evaluates vendors on the capabilities of their cloud ERP suites, as well as their ability to market and sell these solutions to, and implement and support them for, product-centric organizations. Many vendors also offer additional capabilities beyond those of cloud ERP suites — in, for example, HCM, PLM and other applications often used by product-centric enterprises. These additional capabilities should be evaluated according to each organization’s specific business needs. They are not evaluated in this Magic Quadrant.

**Important notes:**

• The vendors’ positions on the Magic Quadrant (Figure 1) are based on Gartner’s Magic Quadrant methodology, which considers vendors as a whole and their cloud ERP suite offerings for product-centric midsize enterprises.

• This market is immature, so vendors’ positions are likely to shift year by year as cloud ERP suites improve, as product adoption, innovation and execution progress, and as the market expands to include more large and global enterprises. This will require recalibration of the Magic Quadrant evaluation criteria from one year to the next.

• Many vendors in this Magic Quadrant are not classed as Leaders because:
  o They focus on multiple markets (midsize, large and global) and therefore do not have as much focus on, or adoption by, product-centric midsize enterprises as vendors that focus exclusively on such organizations.
They take a postmodern approach to ERP, and, having developed and deployed components of administrative ERP, have only recently focused on deploying operational ERP offerings.

- They lack expertise for these newer cloud ERP products in their partner ecosystem.
- Or a combination of the above applies.

- A number of vendors in this market have a strong vision for the future of their products and technologies, but one that has not yet been widely proven. This will change as more of their products are adopted and their Ability to Execute improves.

- Pursuit of a postmodern approach to ERP means that many organizations will acquire capabilities from multiple vendors. This is significant for those selecting cloud ERP products. For more details, see “Technology Insight for Multicloud Computing.”

### Magic Quadrant

Figure 1. Magic Quadrant for Cloud ERP for Product-Centric Midsize Enterprises

Source: Gartner (October 2018)

#### Vendor Strengths and Cautions

**Acumatica**

*Product evaluated: Acumatica 2018 R1*
Headquartered in Bellevue, Washington, U.S., Acumatica sells its solutions through value-added resellers (VARs) and private-label OEM partners, such as Visma and MYOB. Acumatica goes to market globally through its partner network. Acumatica operates in multiple geographies, but relies heavily on partners for localizations. It focuses on small and midsize organizations and has customers in many geographic regions with the majority in North America. Services-centric industries are its largest vertical segment, but product-centric customers are growing in number. Its resource-based licensing model is popular with customers.

Acumatica is a “born in the cloud” solution. The Acumatica ERP suite version 2018 R1 includes distribution and manufacturing capabilities, along with financials and CRM functionality. Recently, Acumatica has made progress in pursuing the construction vertical. The 2018 R1 solution is designed for midsize enterprise customers and deployed in the Acumatica public cloud, which runs on Amazon Web Services, or a private cloud of the customer’s choice (either on-premises or at a hosted facility). Acumatica provides a cloud development platform, the Acumatica Cloud xRP Platform, that offers many of the capabilities of a platform as a service.

Acumatica is a Niche Player in this Magic Quadrant, due to its good core functionality for midsize organizations and its flexibility to support extension of the functionality delivered by partners. Acumatica lacks some depth of capability for product-centric organizations, compared with other vendors in this Magic Quadrant. Extended capabilities are often provided through its partner network, and may be dependent on the partner selected. Acumatica is seeing significant expansion and certification of its partner network.

**Strengths**

- Acumatica received high scores from surveyed reference customers for its product’s ability to meet their needs. The wide range of APIs available, coupled with the flexibility of the Cloud xRP platform and the range of partner apps, means that Acumatica 2018 R1 is well-aligned with Gartner’s vision for postmodern ERP.
- Acumatica has a strong focus on midsize organizations and a partner strategy that is well-suited to that market segment, enabling it to serve multiple industries and geographies.
- Surveyed reference customers praised the product’s ease of use and the speed at which users were able to start using it with minimal training. They scored Acumatica highly for its support. Acumatica’s growing partner ecosystem is enhancing the availability and capability of product support.

**Cautions**

- Acumatica provides good core capabilities, but is still working to expand some of its industry capabilities, such as those for process manufacturing. Partners provide some of Acumatica’s industry capabilities, which means that its capabilities for certain vertical markets are limited by those of its partners.
- Although it offers broad coverage of several countries, Acumatica still has only partial coverage of many countries and relies on partners to complete localization-related requirements.
- Acumatica’s support is praised by its customers, but survey results show that its partners’ capabilities are often inconsistent from customer to customer. Acumatica is working to improve this.

**Epicor Software (Epicor ERP)**

Epicor Software is headquartered in Austin, Texas, U.S., and has offices in most regions of the world. Epicor is owned by KKR, a global investment firm. Several years ago, Epicor
began to rearchitect its product to enable public cloud deployment. Epicor provides a range of business applications for manufacturing, distribution, retail and services organizations. The solution evaluated in this Magic Quadrant is Epicor ERP, which is aimed at midsize organizations across a wide range of industries, but with most adoption being by manufacturing and project-centric organizations. The markets for Epicor products are strong in North America, U.K., and Australia, as well as other markets in EMEA and APAC. Epicor ERP is sold and implemented both directly and through partners.

Epicor ERP, first released in 2008, was designed for deployment on-premises and in private and public clouds. Initially, the public cloud offering was limited to specific industries and markets, but this limitation has relaxed in recent years, and availability was further extended in January 2018. At the time of evaluation, Epicor ERP was on version 10. Epicor ERP has a reputation for being a flexible and highly capable product for small and midsize manufacturing companies (those with employee numbers ranging from 20 to more than 1,000).

Epicor is a Visionary in this Magic Quadrant. It has a strong focus on cloud and midsize organizations, and a good vision for, and understanding of, cloud ERP. Overall, surveyed reference customers scored Epicor’s support and services as above average, but below those provided by the Leaders in this Magic Quadrant.

**Strengths**

- Epicor has solid operational ERP functionality for midsize organizations. Its partnership with Microsoft on the Azure platform will enable it to deliver better capabilities for analytics and mobility, and to expand its popular training-on-demand offerings.
- With a wide range of country localizations and languages, Epicor ERP can support global operations. Compared with the vendors in this Magic Quadrant that focus more on small and midsize businesses (SMBs), Epicor has more comprehensive localization capabilities and does not rely on partners to localize its product.
- Surveyed reference customers praised the flexibility of Epicor ERP. They like the ease with which the solution can be configured to meet their workflow and process needs.

**Cautions**

- Surveyed reference customers gave Epicor an average score for overall customer satisfaction, relative to other vendors in this Magic Quadrant. However, most Epicor ERP functionality uses a client user interface that lags behind the usability of some competitors’ offerings, appearing as something of a “legacy” client/server interface. On the plus side, in May 2018, Epicor announced the new Epicor Kinetic Design Framework, designed to provide the optimal user experience for each user role. Also, in its most recent release, Epicor introduced a completely redesigned Epicor ERP Active Home Page and new apps for mobile devices.
- Despite Epicor’s strengthened focus on the quality of product delivery, the availability of skilled implementation resources does not completely satisfy demand. This applies especially to customers outside North America who want to upgrade from older versions of Epicor ERP.
- Some reference customers identified performance and support issues with the Epicor ERP cloud service. Epicor has invested to improve its performance and support — by, for example, introducing the EpicCare global support initiative — but it still lags behind the leader in these areas.

**Infor (CloudSuite Industrial)**

Established in 2002, Infor is headquartered in New York, New York, U.S. It offers industry-specific ERP suites for a range of product-centric industries, including manufacturing, wholesale distribution and retail.
Infor CloudSuite Industrial uses the Infor SyteLine product as its core ERP engine. The SyteLine product is used largely in discrete manufacturing, but also has some customers in the distribution, process-centric and services-centric industries. Infor has a very strong vision for CloudSuite Industrial, which aligns with Gartner’s view of the likely future of ERP and technology.

Infor CloudSuite Industrial leverages the Infor OS platform, which includes integrated business intelligence, industry-specific analytics packs, advanced technology capabilities such as AI, advanced user experience and enhanced integration capabilities. These capabilities are delivered as part of the CloudSuite subscription service. With CloudSuite Industrial, Infor is a Visionary in this Magic Quadrant. Infor’s vision for the cloud ERP market is very strong, but its delivery and execution has been inconsistent in the past 12 months. Infor’s investment and executive focus on improving delivery and execution should help to improve its Ability to Execute through 2018 and 2019.

**Strengths**

- CloudSuite Industrial received above-average marks from reference customers for operational ERP capabilities for midsize enterprises. It has very good capabilities for midsize enterprises, especially in discrete manufacturing.
- Infor has succeeded in getting many on-premises (SyteLine) customers to migrate to CloudSuite Industrial. Recent marketing efforts have better delineated CloudSuite Industrial as a product focused on small and midsize enterprises.
- Customers scored Infor highly for the quality and timeliness of its technical support for CloudSuite Industrial, and average for its overall support for the same product.

**Cautions**

- SyteLine users’ rate of migration to CloudSuite Industrial is slightly behind that of other Infor on-premises customers to the other CloudSuites.
- Infor’s marketing and messaging has been inconsistent over the years. Its “No Two Clouds Should Be Alike” messaging was effective in 2015, but Infor has since struggled to raise awareness of its brand in the market. Its hiring of a new chief marketing officer and its new focus on brand awareness should help in 2018 and 2019.
- Infor performs much of the service delivery for CloudSuite Industrial, but customers reported some inconsistency in support and consulting resources across regions. Infor is, however, working to improve internal and partner-conducted delivery across its product lines. Infor also received low scores from reference customers for pricing of, and contract flexibility with, this product.

**Infor (CloudSuites (LN))**

Established in 2002, Infor is headquartered in New York, New York, U.S. It offers industry-specific ERP suites for a range of product-centric industries, including manufacturing, wholesale distribution and retail.

Infor CloudSuites (LN) offers cloud ERP industry-specific capabilities to customers in the aerospace and defense, automotive and industrial manufacturing sectors. Infor is investing significantly in LN, which benefits all customers running LN-based CloudSuites. In this Magic Quadrant, CloudSuites (LN) is assessed for use by midsize enterprises, although several large enterprises also use it.

Infor CloudSuites leverage the Infor OS platform, which includes integrated business intelligence, industry-specific analytics packs, advanced technology capabilities such as AI, an advanced user experience and enhanced integration capabilities. Infor has roadmaps for enhanced vertical capabilities, but extensibility tooling available in CloudSuites (LN) allows
customers to add business logic not inherent in the basic offering, so reducing the need to rely on vendor roadmaps. These capabilities are delivered as part of the CloudSuite subscription service.

With CloudSuites (LN), Infor is a Visionary in this Magic Quadrant. Infor’s vision for both cloud ERP and the industries it serves is very strong, but its delivery of services, execution, and flexibility in terms of contracts and pricing have been inconsistent over the past 12 months. Infor’s investment and executive focus on improving delivery and execution should help to improve its Ability to Execute through 2018 and 2019.

**Strengths**

- Infor CloudSuites (LN) is a robust product for customers with complex global manufacturing requirements, especially those in the automotive, aerospace and defense, and industrial manufacturing sectors.
- Infor’s strategy for CloudSuites (LN) is very good. It combines market-driven enhancements for specific industries with customer-requested enhancements.
- Customers scored Infor well above average for the quality and timeliness of its technical support for CloudSuites (LN), and average for its overall support of this offering.

**Cautions**

- Although Infor’s CloudSuites (LN) roadmaps feature solid industry-specific functionality, existing and prospective customers need to understand and learn how to manage the extensibility tooling available to personalize the solution offered by Infor and even incorporate new business logic.
- Infor’s marketing and messaging has been inconsistent over the years. Its “No Two Clouds Should Be Alike” messaging was effective in 2015, but Infor has since struggled to raise awareness of its brand in the market. Its hiring of a new chief marketing officer and its new focus on brand awareness should help in 2018 and 2019.
- Some customers have reported a lack of consistently high-quality consulting and support resources for CloudSuites (LN) across regions and industries. Infor has recognized this deficiency and teamed up with global system integrators like Accenture for large, complex, multinational implementations, and with various smaller integration firms, such as PCG, in North America. In addition, Infor received below-average scores for CloudSuites (LN)’s pricing and contract flexibility.

**Infor (CloudSuites (M3))**

Established in 2002, Infor is headquartered in New York, New York, U.S. It offers industry-specific ERP suites for a range of product-centric industries, including manufacturing, wholesale distribution and retail.

Infor CloudSuites (M3) has industry-specific cloud ERP capabilities for customers in the food and beverage, equipment rental, fashion and distribution sectors. Infor has invested significantly in the M3 product in recent years, enhancing its capabilities for industries that it already serves. Infor has recently developed and deployed capabilities for the chemical industry, utilizing CloudSuites (M3) as the core ERP engine. This reflects Infor’s ability to deliver new industry-focused products with solid core ERP capabilities relatively quickly. For this Magic Quadrant, CloudSuites (M3) is evaluated for use by midsize enterprises, although several large enterprise also use this product.

Infor CloudSuites leverage the Infor OS platform, which includes integrated business intelligence, industry-specific analytics packs, advanced technology capabilities such as artificial intelligence (AI), advanced user experience and enhanced integration capabilities. These capabilities are delivered as part of the CloudSuite subscription service.
With CloudSuites (M3), Infor is a Visionary in this Magic Quadrant. Infor’s vision for both cloud ERP and the industries it serves is very strong, but its delivery of services, execution, and flexibility in terms of contracts and pricing have been inconsistent over the past 12 months. Infor’s investment and executive focus on improving delivery and execution should help to improve its Ability to Execute through 2018 and 2019.

**Strengths**

- Infor CloudSuites (M3) has proven capabilities for the food and beverage, equipment rental, enterprise distribution and fashion sectors. Infor’s new CloudSuites (M3)-based product for the chemical industry reflects the company’s ability to use its solid core ERP capabilities to deliver new industry-focused products relatively quickly.

- Infor’s strategy for CloudSuites (M3) in the food and beverage, equipment rental, retail and fashion sectors has been successful, having won many new customers in the past few years. Its capabilities for the chemical vertical presents opportunities for growth.

- Reference customers scored Infor highly for the quality and timeliness of its technical support for CloudSuites (M3). They assessed its overall support for the product as average.

**Cautions**

- CloudSuites (M3)’s functionality for chemical manufacturers is good, but not yet as strong as what it offers the food and beverage, distribution (enterprise), equipment rental and fashion sectors.

- Infor’s marketing and messaging has been inconsistent over the years. Its “No Two Clouds Should Be Alike” messaging was effective in 2015, but Infor has since struggled to raise awareness of its brand in the market. Its hiring of a new chief marketing officer and its new focus on brand awareness should help in 2018 and 2019.

- Some customers report a lack of consistently high-quality consulting and support resources for CloudSuites (M3) across regions. Infor has made considerable progress recently through focused training and the acquisition of CloudSuites (M3) resources; it now reports that there are over 1,400 CloudSuites (M3) consultants across Infor and its partners. Infor received below-average scores for CloudSuites (M3)’s pricing and contract flexibility.

**IQMS**

**Product evaluated: EnterpriseIQ**

IQMS, founded in 1989 and based in Paso Robles, California, U.S., started out by offering a shop floor solution, and then grew to offer a broader ERP solution. IQMS provides good operational ERP capabilities, as well as modules for CRM, maintenance, repair and operations, quality management, warehouse management systems and document management. IQMS offers manufacturing execution system (MES) capabilities both as an integrated part of its manufacturing ERP offering and on a stand-alone basis. IQMS has reported continuing interest and success in cloud deployments of EnterpriseIQ. IQMS offers modules tailored for multiple industries and has a strong following in the automotive, consumer packaged goods, discrete repetitive manufacturing, plastics and medical device sectors.

The company’s customer base is predominantly in midsize manufacturing, with most of its installations in North America. EnterpriseIQ is a solid product for midsize discrete manufacturing organizations in that region.

IQMS is a Niche Player in this Magic Quadrant. Although some of its customers are in the midsize-enterprise category, as defined by Gartner, many are small businesses, and most of IQMS’s customers are still on-premises. Most of IQMS’s implementations are performed by
its own personnel; only a minority are supported by partners. Although this approach serves the company’s core customer base well, it also limits IQMS’s growth.

Strengths

- IQMS has good functionality for many midsize organizations in several manufacturing industries. Its capabilities for discrete manufacturing received high scores from surveyed reference customers.
- IQMS has a strong presence in midsize manufacturing in North America. It has provided software for that market for years.
- Reference customers scored IQMS’s overall service and support and the quality of its technical support above average. They scored its sales execution and pricing slightly above average.

Cautions

- Some of IQMS’s capabilities outside the field of discrete manufacturing — such as in process manufacturing and distribution — have limited deployments and receive limited support. Although IQMS’s basic manufacturing capabilities were scored highly by reference customers, its scores for vision and innovation were lower than for other products assessed in this Magic Quadrant.
- IQMS has a limited market for its operational cloud ERP offering, compared with other products assessed in this Magic Quadrant. Three-quarters of its customers are small businesses — only one-quarter are midsize enterprises. Furthermore, most of its customers are still running on-premises versions.
- IQMS has very few partners for implementation and support. Reference customers scored it below the average in this regard.

Microsoft (Dynamics 365)

Product evaluated: Microsoft Dynamics 365 for Finance and Operations

Established in 1975, Microsoft is a global ERP vendor with headquarters in Redmond, Washington, U.S. Microsoft Dynamics 365 for Finance and Operations (Dynamics 365 F&O) contains a full suite of operational ERP applications aimed at midsize and large enterprises. It is appropriate for a wide range of industries, but its primary product-centric target sectors are retail, manufacturing and distribution. Dynamics 365 F&O is sold primarily through partners. In addition to operational ERP, Microsoft provides supply chain, warehouse management, transportation and sales management capabilities as optional modules in Dynamics 365 F&O. Dynamics 365 F&O leverages Azure platform offerings that include analytics tools, machine learning, intelligent analytics, AI and cognitive services, and capabilities and data from the Internet of Things (IoT). As such, Microsoft exhibits strong vision and technological capabilities for the cloud ERP market.

Microsoft is a Visionary in this Magic Quadrant, due to its broad operational ERP functionality, native integration with the Azure platform and technology stack, and solid marketing. It supports many countries and languages. Its Ability to Execute is slightly above average, but constrained by lower-than-expected adoption of Dynamics 365 F&O in this market during its first year. Visibility and adoption have improved in the past 12 months, however.

Strengths

- Dynamics 365 F&O received one of the highest overall scores from reference customers for overall midsize operational ERP and discrete manufacturing capabilities. The product also
makes innovative use of analytics, with embedded Power BI and real-time, in-memory multidimensional analytical capabilities.

- In addition to its core capabilities, Dynamics 365 F&O provides a wide portfolio of integrated capabilities, enabled by developments elsewhere within Microsoft. These include IoT, AI, mixed reality and many other capabilities built on Azure. Native integration with PowerApps facilitates citizen app development capabilities that may result in replacements for manual or spreadsheet-based processes.

- Microsoft has recently enhanced its relationships with large system integrators to increase its ability to provide a large, global network of partners. Reference customers’ scores put Microsoft in the above-average category for overall service and support and for the timeliness of its responses.

**Cautions**

- Although Dynamics 365 F&O has been available for over 18 months, adoption is less than might be expected. Some reference customers noted that the system has very good and broad capabilities, but can be complex to enhance. Additionally, some performance issues have been reported, which Microsoft is addressing.

- Microsoft encountered difficulties with the initial rollout and positioning of Dynamics 365 F&O, especially with regard to its positioning relative to Dynamics AX.

- Microsoft ecosystem skills, implementation knowledge and digital business transformation skills are scarce among Microsoft’s partners (even the larger ones). Some customers report that partners claim to have Dynamics 365 F&O skills, but really only have Dynamics AX experience. As sales have increased, this issue has become more challenging. To assist customers, Microsoft has implemented the FastTrack customer success program and is rolling out a comprehensive partner-training program to build skills and increase the number of well-trained solution architects. Reference customers indicated that the Microsoft Dynamics team’s responses are above average when it is called on to help its partners.

**Oracle (NetSuite ERP)**

NetSuite was founded in 1998 to provide cloud ERP applications. It was one of the first vendors to develop multitenant SaaS business applications exclusively in the cloud. In November 2016, it was acquired by Oracle. Oracle operates NetSuite as an independent global business unit, but with some sharing of research and development (R&D) efforts. NetSuite ERP is a comprehensive enterprise resource management suite that includes financial management and planning, order management, production management, warehouse and fulfillment management, HCM and supply chain management capabilities. These capabilities are delivered on the NetSuite SuiteCloud Platform, which enables users and third parties to extend, customize and integrate applications. NetSuite has customers in a wide range of industries, but the professional services, high technology, retail and wholesale sectors are its largest. It supports nearly 17,000 customers across over 190 countries and territories, in over 20 languages — all on the same version of the product.

With NetSuite ERP, Oracle is a Visionary in this Magic Quadrant because it has a strong cloud service record, good financial functionality, and a cloud service platform that is open and extensible. Its operational ERP capabilities are good for midsize enterprises, but certain capabilities are not as strong as in other products on the market.

**Strengths**

- NetSuite is a proven provider of cloud services, with a broad partner ecosystem focused on midsize enterprises. Partner network and SuiteCloud platform combine to provide a strong capability to extend the product and to integrate in order to fill functionality gaps.
Oracle is investing to expand NetSuite’s international capabilities and marketing, which creates potential for NetSuite’s customer base to expand in EMEA and Asia/Pacific. Recently, NetSuite announced plans to expand into China, Germany, Brazil, France, India, Mexico and Japan.

Reference customers’ feedback was well above average for customer satisfaction. They especially praised NetSuite ERP’s ease of use and flexibility. They also praised the maturity of the cloud platform and the robust capabilities of the cloud services.

Cautions

NetSuite ERP has a broad range of capabilities for general administrative cloud ERP, but, compared with other products assessed in this Magic Quadrant, gaps in terms of manufacturing functionality, such as for asset-intensive and process manufacturing.

Since NetSuite’s acquisition by Oracle in 2016, Gartner has identified some confusion in the Oracle sales channel, especially in the U.S., with regard to NetSuite’s place in the sales strategy. Gartner has heard of a few cases where NetSuite was excluded by Oracle sales representatives from midsize enterprise deals in cases where NetSuite may have been more suitable than Oracle Cloud Applications. However, Oracle has implemented a new sales process to accommodate any potential conflicts, so we expect to see less of this confusion.

Surveyed reference customers noted that certain partner implementers lacked the necessary skills to implement NetSuite ERP according to NetSuite’s methodology. As with many of the other vendors’ system integrator partners, it appears that some of NetSuite’s partners have not kept up with recent releases.

Oracle (Oracle ERP Cloud)
Headquartered in Redwood City, California, U.S., Oracle offers a very good operational cloud ERP solution for midsize enterprises. It includes financial, purchasing, project portfolio management, planning and budgeting, supply chain management and manufacturing capabilities, as well as industry-specific cloud applications. These combine to form a leading cloud ERP solution for midsize enterprises.

Oracle’s applications have strong technological underpinnings. Oracle has always had very good database technology. It also has leading technology initiatives, such as the Adaptive Intelligent Apps and IoT programs to support business transformation. Oracle is also integrating AI and machine learning functionality in its data-as-a-service offering to improve personalization and data-driven business outcomes. Additionally, Oracle is developing and deploying Oracle Soar — an automated enterprise cloud application upgrade designed to help customers accelerate and streamline the move from on-premises applications to cloud applications.

Oracle ERP Cloud is suitable and scalable for larger midsize enterprises. Although most of its customers are midsize enterprises, the number of large and global enterprise customers is growing. The product is suitable for a wide range of industries and has customers in all major regions.

With Oracle ERP Cloud, Oracle is a Leader in this Magic Quadrant, due primarily to its robust functional capabilities, strong cloud platform and technology, high customer satisfaction scores, and established partner ecosystem for deploying and supporting these applications. Oracle also has very good international capabilities and a strategic focus on selling and marketing the solution in many global regions. It supports many countries and languages.

Strengths
Oracle ERP Cloud received one of the highest overall scores for midsize operational ERP and discrete manufacturing capabilities. Oracle utilizes a consistent data architecture across all segments of its cloud applications, so facilitating seamless integration of HCM, finance and operational ERP capabilities.

Oracle has a clear corporate strategy to provide leading operational cloud ERP applications. Its SaaS applications remain a key global strategic focus as the company moves to become a cloud service company.

Reference customers gave Oracle ERP Cloud some of the highest scores in this Magic Quadrant. They expressed well-above-average satisfaction with both the product and the vendor. Oracle continues to benefit from a strong partner ecosystem.

Cautions

Oracle’s transformation from on-premises vendor to cloud service provider is ongoing. Some survey respondents and Gartner clients have reported issues with performance and the complexity of support processes (such as for quarterly updates). Support and continual performance improvement are, however, major areas of investment for Oracle in 2018 and 2019.

Oracle is using several means to get new and existing customers onto Oracle Cloud Applications rapidly. However, some of its migration strategies may be less ready than others for widespread adoption.

The rapid adoption of Oracle ERP Cloud by customers means that implementation resources can be scarce in some countries. These resources may command premium prices as the volume of implementations continues to increase. However, Oracle continues to invest heavily in training its partners, and the number of trained consultants is growing in response to demand.

Plex

Product evaluated: Plex Manufacturing Cloud

Plex, which has headquarters in Troy, Michigan, U.S., was established in 1995. It was one of the earliest providers of ERP SaaS for manufacturing companies. It does not use version numbers as it uses a continuous-update model for its cloud ERP suite. Plex originated as a provider of shop floor control systems and expanded to offer discrete manufacturing capabilities as well. As such, the Plex Manufacturing Cloud product includes core operational ERP and MES capabilities, as well as a platform to permit extensions to, and interfaces with, the rest of the suite. Connectivity capabilities are addressed through a diverse set of APIs and connectors to enable partner (electronic data interchange [EDI]-based) and third-party system data exchange. In 2016, Plex extended its capabilities to include supply chain planning with the acquisition of DemandCaster, a cloud-based supply chain planning provider.

Plex claims to provide solutions for more than 500 enterprises across discrete and some process manufacturing industries. Plex reports that there were over 100,000 unique logins to the Plex Manufacturing Cloud every month over the past year. It operates in over 20 countries, but some localizations are limited.

Plex is a Niche Player in this Magic Quadrant, as it has solid operational ERP capabilities for some discrete manufacturing industries. However, the Plex Manufacturing Cloud has limited capabilities in comparison with other vendors in this Magic Quadrant. In addition, while Plex has a strong presence in North America and customers operating over 150 facilities outside North America, data centers outside North America are limited in number.

Strengths
• Plex offers solid operational ERP capabilities for midsize enterprises. The Plex Manufacturing Cloud is designed for discrete and process manufacturers in the automotive, aerospace and defense sectors, some food and beverage sectors, and several other industries.
• Plex has been very successful in North America with its cloud-based, multitenant ERP and MES application. It is especially successful in the automotive industry, where the company originated.
• Plex does much of its own service delivery and has a strong presence in North America.

Cautions

• Industry-specific capabilities beyond discrete manufacturing are available in the Plex Manufacturing Cloud, but some gaps remain and adoption is limited in certain industries. For example, whereas basic operational ERP capabilities are solid, financial consolidation and cost and profit analysis are not strengths of this offering.
• Global localization capabilities are less available than is the case with other products evaluated in this Magic Quadrant. This is largely due to Plex marketing and selling primarily in North America. For example, a value-added tax feature was not available until recently.
• Some customers scored Plex below the average for the capabilities of new features delivered in updates. This is partly due to Plex’s phasing out solely customer funded development in 2015, so some features delivered are not prioritized by customer requests. Plex has acquired new funding over the past few years, which has permitted the delivery of market driven features.

QAD

Product evaluated: QAD Cloud ERP

Established in 1979 and headquartered in Santa Barbara, California, U.S., QAD specializes in manufacturing ERP and supply chain solutions. It claims to provide cloud ERP solutions to more than 420 enterprises (as of 31 January 2018). The QAD Cloud ERP offering was first released in 2007. QAD targets six manufacturing sectors: automotive, consumer products, food and beverage, high tech, industrial and life sciences. It also offers related cloud applications to support other manufacturing-related requirements, such as quality management, transportation management, demand and supply chain planning, EDI and a supplier portal.

QAD recently announced new platform as a service (PaaS) capabilities called QAD Enterprise Platform. It is designed to provide more agile and less-intrusive extensibility capabilities to QAD Cloud ERP and other applications, as well as enable a RESTful API- and microservice-enabled architecture. It includes services like embedded analytics, personalization and security, and supports the development of related apps by customers and partners. Although these technological improvements are significant, Gartner has not spoken to customers that are utilizing all of them.

QAD is a Visionary in this Magic Quadrant. It has invested heavily in a modern technology platform and advanced capabilities throughout the product. However, findings from our survey of reference customers indicate that many of its newer capabilities and technological enhancements have limited adoption. This has influenced QAD’s Ability to Execute.

Strengths

• QAD has a strong offering for operational ERP for midsize enterprises. It also has some customers that qualify as large enterprises. Its modular technology architecture and roadmap position it well for the future.
• QAD has extensive experience in the manufacturing, automotive and life sciences sectors. It has a strong presence in North America and many customers in EMEA and Asia/Pacific.
QAD has spent significant sums enhancing QAD Cloud ERP’s user experience, and it received an above-average score from customers for usability and value for money. QAD has an extremely loyal customer base. Its reference customers scored it very highly in terms of their overall satisfaction with its support and its responses to reported issues.

Cautions

- Although QAD has a strong track record in the sectors it serves with on-premises products, only a few of its surveyed reference customers were using many of the latest QAD technologies.
- QAD Cloud ERP adoption has been balanced across all six of its verticals, but many of QAD Cloud ERP’s largest customers are in the automotive sector. Some reference customers for QAD stated that they believed QAD gave the automotive sector preference over other sectors, such as life sciences, in terms of development and support.
- QAD’s lack of native HCM functionality may be a shortcoming for organizations needing to manage a contingent and temporary workforce.

Ramco Systems
Product evaluated: Ramco ERP
Established in 1999, Ramco Systems is a software vendor with headquarters in Chennai, India. It serves more than 1,000 clients, of which slightly less than half use its cloud solution (as of January 2018). Its cloud suite has been available since 2008. Ramco has good overall operational ERP capabilities. It is a smaller company than others in this Magic Quadrant, but it serves its limited market in Asia/Pacific well. Ramco has significant enterprise asset management capability, which several large airlines use. It also has HCM capability that provides good workforce management and compensation capabilities. Additional cloud ERP suite capabilities include EAM, project management, warehouse management, transportation management, facilities management, and some advanced planning and optimization. Ramco has also invested in enabling cognitive and robotic ERP features, such as chatbots, voice UI, facial APIs and augmented reality. Ramco is a Niche Player in this Magic Quadrant, as it has strong capabilities in some functional areas, but limited capabilities in others. Ramco is a well-known vendor in Asia/Pacific and some eastern EMEA countries, but has limited recognition elsewhere.

Strengths

- Ramco has good basic operational ERP capabilities and a better-than-average maintenance, repair and operations offering. Its vision for next-generation ERP products that include AI and augmented reality aligns with those of larger global ERP vendors.
- Ramco has a solid offering for midsize organizations in Asia/Pacific. The company has started to gain some brand recognition in EMEA, especially in Eastern Europe, and limited recognition in North America and Latin America.
- Reference customers gave Ramco high scores for support and account management.

Cautions

- Over 60% of Ramco’s customers are companies with annual revenue of less than $50 million. Ramco may be less well-suited to organizations at the higher end of the midsize-enterprise revenue scale ($500 million to $1 billion), particularly those outside Asia/Pacific.
- Only 15% of Ramco’s customers are outside Asia/Pacific, but the company plans significant expansion in the Americas over the next three years. Ramco’s lack of brand awareness in the Americas poses a challenge to this growth.
• Although Ramco’s product vision is good, Gartner has not seen evidence of successful execution of its strategy.

Rootstock Software
Product evaluated: Rootstock ERP
Established in 2008 and with headquarters in San Ramon, California, U.S., Rootstock focuses on cloud ERP solutions for manufacturing, distribution and supply sectors. Rootstock claims to provide solutions for more than 160 enterprises across process and discrete manufacturing industries, with operations in multiple countries. Rootstock’s executive management has well-established credentials in the ERP market.

Built on the Force.com platform, Rootstock ERP is able to leverage some of the products and capabilities of the Salesforce network. This gives Rootstock the advantage of a mature and robust cloud platform, which includes tools for extending Rootstock ERP and deploying mobile apps. In addition to its core cloud ERP functionality, Rootstock’s solution supports project control and costing, recurring billing, capacity planning, configure, price and quote (CPQ) and financials. Some enhanced capabilities and best-of-breed extensions — even for capabilities native to the suite, such as CPQ — are also available through partners on the Force.com platform (including Salesforce itself) for applications such as compliance and field service. Rootstock recently entered into partnership with Workday for HCM, but at the time of writing there have been very few adoptions.

Rootstock is a Niche Player in this Magic Quadrant. It has a strong presence in North America and good functionality for discrete manufacturing. However, some functionality within its suite is less robust than that of other products assessed in this Magic Quadrant. Access to capabilities beyond operational ERP is often accomplished via interfaces to other applications, which means those capabilities are beyond Rootstock’s control.

Strengths

• Rootstock has good functionality for operational ERP, especially in the discrete and process manufacturing sectors. Customers are able to leverage a wide array of products built on the Force.com platform to adopt best-of-breed capabilities. The Force.com platform also gives Rootstock’s customers access to a well-established cloud platform for extending the suite.
• Rootstock has a strong presence in midsize manufacturing in North America and plans to grow globally. Rootstock also has the advantage of a relationship with Salesforce, which means Salesforce will bring Rootstock into deals (Salesforce reps receive quota credit for platform licenses when Rootstock software is sold).
• Reference customers gave Rootstock above-average scores for its overall service and support and the quality of its technical support. They gave average scores for its sales execution and pricing.

Cautions

• Rootstock has limited midsize-enterprise ERP capabilities in comparison with vendors of other products assessed in this Magic Quadrant. Functionality beyond operational ERP is enabled by integration with external applications using a best-of-breed approach. Despite the architecture of the Force.com platform, ease of integration and deployment received below-average scores from reference customers.
• According to Rootstock, its solution supports only five languages. It enlists partners and local offices to provide country-specific functionality for localization and legal requirements.
• Rootstock’s reference customers gave it below-average scores for availability of third-party resources and for overall service and support.
SAP (Business ByDesign)

Headquartered in Walldorf, Germany, SAP offers a wide range of business applications. SAP Business ByDesign runs on the SAP HANA in-memory DBMS. SAP has stated that it is more committed than in previous years to its development and support and marketing. SAP Business ByDesign is a broad cloud-only “suite in a box” that covers core business processes, including CRM and supply chain management. It has customers in a wide range of industries, but, although Business ByDesign does have product-centric customers, most of its customers are in service- and people-centric industries. The solution is aimed at midsize enterprises with annual revenue of less than €250 million. However, it can technically scale to support upper-midsize and large enterprises, and Gartner knows of enterprises with revenue in excess of $1 billion that use it.

Business ByDesign has comparatively good global coverage: SAP delivers it in 12 languages and 19 countries directly. There are also capabilities built-in for many more countries that enable partners to provide additional localizations. SAP Business ByDesign is deployed in over 140 countries. It is sold both directly and through resellers.

SAP is a Niche Player in this Magic Quadrant. It can support light manufacturing and assembly, but is less good at meeting complex discrete or process manufacturing requirements.

Strengths

- SAP Business ByDesign is an established cloud solution with a wide range of operational ERP functions for a variety of industries and acceptable international capabilities.
- SAP has reinforced its sales and go-to-market activities and aligned Business ByDesign better with SAP’s other SMB ERP solution, Business One. This is likely to reduce confusion among prospective customers.
- SAP offers a flexible and extensible platform on which a growing partner network of resellers and independent software vendors can build extensions and add-ons. The platform also integrates with other SAP products, such as Concur for travel and expenses and SuccessFactors for HCM.

Cautions

- SAP Business ByDesign is used primarily by people- and service-centric companies. Its support for more complex product-centric use cases is limited, and surveyed reference customers gave Business ByDesign a below-average score for operational ERP functionality. Customers with more demanding requirements should check whether the available functionality and planned enhancements are sufficient for their needs.
- The market’s awareness of the Business ByDesign brand is limited. Many midsize enterprises evaluating product-centric ERP solutions are unaware that Business ByDesign might be a viable contender.
- Some customers identified issues with SAP’s partners, especially when local partners were used for global implementations. Surveyed reference customers also gave SAP significantly below-average scores for value for money and negotiation flexibility. They also gave below-average scores for support and services.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor’s appearance in a Magic Quadrant one year and not the next does not necessarily
indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**
Not applicable, as this is the first Magic Quadrant on this topic.

**Dropped**
Not applicable, as this is the first Magic Quadrant on this topic.

## Inclusion and Exclusion Criteria

### Inclusion Criteria
The following criteria contain the attributes that each vendor had to have in order to qualify for inclusion in this Magic Quadrant.

### Product Capabilities
Each vendor had to deliver a suite of cloud-based product-centric ERP applications that includes some or all of the following functionality:

- **Operational ERP.** Supply chain- and manufacturing-related functionality, such as demand management (order management and material requirements planning [MRP]), inventory management, supply chain/direct procurement, manufacturing control capabilities (shop floor), and distribution/logistics.

- **Financial management.** This normally includes at least general ledger, accounts payable, accounts receivable, fixed asset and budgeting capabilities.

- **Basic purchasing.**

- **HCM.**

- **Optionally, specialized industry-specific modules or applications.** These may include modules such as enterprise asset management (EAM), configure-to-order (CTO), make-to-order (MTO), product life cycle management (PLM) and field service management (FSM).

Of these, a product-centric cloud ERP suite must provide, at minimum, operational ERP and financial management functionality. Optionally, the vendor may offer other administrative ERP capabilities (such as HCM and basic purchasing) either directly or through relationships with partners. Availability of specialized industry-specific modules is considered an advantage, rather than a requirement for inclusion in this Magic Quadrant.

Additionally, each vendor had to:

- Deploy its ERP suite as a cloud service (see the cloud service attribute definitions below). The ERP suite may also be deployed in other ways (for example, on-premises or as a managed cloud service); this Magic Quadrant is not restricted to purely cloud-only solutions.

- Actively market and sell the product-centric cloud ERP suite to midsize enterprises.

### Market Presence
The vendor must:

- Have at least 100 customers that each have annual revenue, expenditure or funding in excess of $50 million in production environments using the cloud service. Each of these organizations must be actively running at least three of the operational ERP components and the general ledger, accounts payable and accounts receivable capabilities.

- Note that each user organization must be managing at least $50 million annually through the ERP suite. This is not intended to represent the annual revenue of a parent organization in cases where a smaller subsidiary uses the cloud service. Vendors had to be prepared to provide evidence of sufficient in-production customers. If a vendor chose not to disclose this
information, Gartner was at liberty to use its own market research, as well as insights from public sources, to judge that vendor’s eligibility for inclusion and viability.

- Have had at least $15 million of booked subscription and support revenue for the ERP suite cloud service only (that is, excluding revenue from on-premises, hosted, managed cloud service and other deployment models) from 31 January 2017 through 31 January 2018 (or whichever 12-month accounting period aligned most closely with that period). Unrealized recurring revenue was not included. If a vendor chose not to disclose revenue information, Gartner was at liberty to use its own market research, as well as insights from public sources, to judge that vendor’s eligibility for inclusion and viability.
- Actively sell and market the cloud service (and have live users of the cloud service in the qualifying revenue ranges) outside the vendor’s home region in at least one of the following regions: Americas, EMEA, Asia/Pacific.

Cloud Service Attributes

Responsibility
The vendor must:

- Manage all technology infrastructure either in its own data centers or in third-party data centers.
- Implement upgrades as part of the cloud service, not through a third party or managed service provider.

Licensing and technology
The vendor must:

- License the cloud service on a subscription or metered pay-for-use basis.
- Not tailor contracts to specific user organizations (except for minor adjustments), nor provide them with a version different to that offered to other cloud customers.
- Have a cloud service that uses internet technologies: use of internet files, formats and identifiers is necessary for delivery of cloud service interfaces.
- Use computing resources to support the cloud service that are scalable and elastic in near real time, rather than based on dedicated hardware/infrastructure.

Customization
The vendor must:

- Not allow modification of source code. Configuration via citizen developer tools and extension via PaaS (partner, vendor or user) is allowed.

Pace of change
The vendor must:

- Use a single code base for all customers of the cloud service, to enable rapid deployment of new functionality by the vendor.
- Deliver at least two upgrades containing new functionality per annum to all users of the cloud service, and control the pace of the upgrade cycle.
- Offer self-provisioning capabilities for the service (at least for development and test instances) without involvement of the vendor’s staff.
Use technology to deliver the service that is shared by multiple customers, in order to create a pool of resources from which elasticity can be delivered.

These cloud service attributes were defined to enable the inclusion of cloud services that confer the benefits of a SaaS solution without specifying a particular technical architecture (such as multitenancy at the application level). Where vendors offer multiple cloud ERP suites with separate code bases, each code base is represented by a separate dot in the Magic Quadrant graphic.

Honorable Mentions
The shift to the cloud has disrupted what had been a static market for on-premises ERP for product-centric enterprises. New vendors have emerged. In addition, many established vendors now offer cloud-deployable solutions that are maturing.

Some notable vendors are not formally assessed in this Magic Quadrant because they did not meet one or more of the inclusion criteria (above). For example, some did not have enough clients live on their public cloud version as of 31 January 2018. However, they still have viable ERP systems, some of which may be more suitable to certain organizations’ requirements.

Gartner expects the following vendors and products to increase their market presence through 2018 and into 2019:

- IFS (IFS Public Cloud)
- Sage (Enterprise Management [formerly X3])
- SAP (S/4HANA Cloud)

The following vendors have either a niche product or a presence in only one regional market (this is not a comprehensive list of such vendors):

- Aptean
- HansaWorld
- Kingdee
- Priority Software
- Pronto Software
- SYSPRO
- TOTVS

Evaluation Criteria

Ability to Execute
Gartner assesses vendors’ Ability to Execute by evaluating the products, technologies, services and operations that enable them to be competitive, efficient and effective in the market, and that positively impact their revenue, client satisfaction, client retention and general market reputation. A vendor’s Ability to Execute is judged by its success in delivering on its promises, using the following criteria:

Product/service: Products can be offered natively or through OEM agreements and partnerships. This Magic Quadrant evaluates functional capabilities in all the areas defined in the Market Definition/Description section. It also assesses the ability to support the needs of midsize organizations, and the ease with which the cloud service can be integrated with other cloud and on-premises applications.
• **Overall viability**: This criterion includes an assessment of the vendor’s overall financial health, as well as the financial and practical success of the business unit. It assesses the likelihood of the vendor continuing to offer and invest in the product, as well as the product’s position in the current portfolio.

• **Sales execution/pricing**: This criterion assesses a vendor’s capabilities in all presales activities and the structures that support them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

• **Market responsiveness and track record**: This criterion assesses a vendor’s ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. The market for cloud ERP suites is dynamic, so vendors are analyzed on their ability to respond to user needs and demands in this changing market. This includes their responses to the demands of delivering product-centric ERP applications in the cloud, which creates new challenges for both vendors and users.

• **Marketing execution**: This criterion assesses the clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message in order to influence the market, promote the brand, increase awareness of products and establish a positive identification in customers’ minds. This “mind share” can be driven by a combination of publicity, promotions, thought leadership, social media, referrals and sales activities.

• **Customer experience**: This criterion assesses products, services and programs that enable customers to achieve anticipated results with the products evaluated. Specifically, it looks for quality supplier-buyer interactions, technical support and account support. It also considers the ability of vendors to make their marketing vision a reality and help enterprises make the transition from on-premises deployments to cloud services.

• **Operations**: This criterion assesses the vendor’s ability to meet its goals and commitments. Factors include the quality of the organizational structure, skills, experiences, programs, systems and other means that enable an organization to operate effectively and efficiently. In particular, it analyzes a vendor’s ability to deliver a robust and reliable cloud service, and the associated support and service capabilities (whether delivered directly or through partners).

### Table 1: Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>High</td>
</tr>
<tr>
<td>Market Responsiveness/Record</td>
<td>Medium</td>
</tr>
</tbody>
</table>
Evaluation Criteria | Weighting
--- | ---
Marketing Execution | Low
Customer Experience | High
Operations | Medium

Source: Gartner (October 2018)

**Completeness of Vision**

Gartner assesses vendors’ Completeness of Vision by evaluating their ability to articulate their perspectives on the market’s current and future direction, to anticipate customers’ needs and cloud technology trends, and to address competitive forces. We also judge it by vendors’ understanding and articulation of how market forces can be exploited to create new opportunities for themselves and their clients, using the following criteria:

- **Market understanding**: This criterion assesses a vendor’s ability to understand customers’ needs and translate them into products and services. Vendors with a clear vision of their market listen to and understand customer demands, and can shape or enhance the market’s changes. We analyzed vendors’ understanding of how the market for product-centric ERP suites is switching to cloud services.

- **Marketing strategy**: This criterion looks for clear, differentiated messaging that is consistently communicated internally and externalized through social media, advertising, customer programs and positioning statements. We analyzed how effective a vendor’s marketing strategy has been in creating market awareness in what is a new and evolving market.

- **Sales strategy**: This criterion looks for a sound strategy for selling that uses appropriate networks, including direct and indirect sales, marketing, service and communication channels. Partners can extend the scope and depth of a vendor’s market reach, expertise, technologies, services and customer base.

- **Offering (product) strategy**: This criterion looks for an approach to product development and delivery that emphasizes market differentiation, functionality, methodology and features as they relate to current and future requirements.

- **Business model**: This criterion assesses how suitable the design, logic and execution of the vendor’s business proposition are for achieving continued success.

- **Vertical/industry strategy**: This criterion assesses the strategy for directing resources (sales, product and development), skills and products to meet the specific needs of individual market segments, including industries. Vendors were assessed on their strategy for product-centric industries, where ERP suites represent the foundation of an ERP strategy.

- **Innovation**: This criterion assesses direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes. In particular, it analyzes vendors’ strategies for using cloud delivery as a means of bringing innovation to operational ERP functions and business processes.

- **Geographic strategy**: This criterion assesses a vendor’s strategy for directing resources, skills and offerings to meet the specific needs of geographies outside its home region, either directly or through partners, channels and subsidiaries, as appropriate. Vendors are evaluated
by their strategy for providing the localizations and translations required to support multinational and global organizations, and by their global go-to-market approach.

**Table 2: Completeness of Vision Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
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</tr>
<tr>
<td>Marketing Strategy</td>
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</tr>
<tr>
<td>Sales Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Low</td>
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<tr>
<td>Vertical/Industry Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Innovation</td>
<td>Medium</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (October 2018)

**Quadrant Descriptions**

**Leaders**

Leaders demonstrate a market-defining vision of how ERP product-centric systems and processes can be supported and improved by moving them to the cloud. They couple this with a clear ability to execute this vision through products, services and go-to-market strategies. They have a strong presence in the market and are growing their revenues and market shares. In the cloud ERP suite market, Leaders show a consistent ability to win deals with organizations of different sizes, and have a good depth of functionality across all areas of operational and administrative ERP. They have multiple proofs of successful deployments by customers based in their home region and elsewhere. Their offerings are frequently used by system integrator partners to support business transformation initiatives.

Our classification of certain vendors as Leaders does not mean that their solutions are necessarily the best from a functional and technical perspective for all use cases (see “How Markets and Vendors Are Evaluated in Gartner Magic Quadrants”). All the vendors featured
in this Magic Quadrant deliver viable cloud ERP suites and are equally worthy of evaluation. Gartner plans to produce a Critical Capabilities report as a companion to this Magic Quadrant in 4Q18 to assess vendors against a number of use cases. This will enable application leaders to identify which solution may be the best fit for their use case. Leaders typically respond to a wide market audience by supporting broad market requirements. However, they may fail to meet the specific needs of vertical markets or other, more specialized segments, which may be better addressed by Niche Players.

**Challengers**

Challengers have greater market presence than Niche Players and Visionaries. They may have developed a substantial presence in one area of the market, but they do not have a broad-enough vision to execute consistently across the wider market. They understand the evolving needs of ERP product-centric systems and processes as they move to the cloud. They have viable and proven cloud services, but are focused on a specific size of organization or part of an industry. They may be more focused on specific vertical capabilities or organization sizes than on developing deeper, broader functionality that is acknowledged as market-leading. Challengers can become Leaders if their vision and focus develop in this market. Over time, large companies may move between the Challengers and Leaders quadrants as their product cycles and the market’s needs shift.

**Visionaries**

Visionaries understand how ERP is changing as applications move to the cloud. They have a good technology and functionality vision, but are limited in terms of execution or track record (or both). Their solutions are attractive to organizations wanting to move ERP product-centric systems and processes aggressively to the cloud, and they may have some areas of differentiating functional capability. They are typically limited in terms of market presence, geographical presence outside their home region, and the market’s awareness of their company and products. Organizations evaluating Visionaries should therefore closely evaluate these vendors’ market presence in their industry and region. Whether Visionaries become Challengers or Leaders depends on how they build their go-to-market capabilities and whether they can develop partnerships that complement their strengths. Visionaries are sometimes attractive acquisition targets for Leaders and Challengers.

**Niche Players**

It is a common for casual users of Magic Quadrants to associate Niche Players with less capable products or vendors. This is a mistake. Niche Players may target specific industry segments or company sizes with deeper functionality than other competitors do. For example, a Niche Player may focus on project-centric, asset-intensive or process manufacturing, and may not provide broad capabilities across manufacturing types. As such, a Niche Player may actually have the best solution for your organization, if there is a good functional match. Niche Players offer cloud ERP capabilities but are limited in both their Completeness of Vision and Ability to Execute. Some may not have a strong cloud technology vision. Instead, they may have cloud-enabled existing applications that they now deliver as a cloud service, but which lack the usability of more cloud-native solutions. They may have very strong cloud capabilities, but adoption of their cloud solutions may be very limited. Niche Players may also be more focused on existing customers running on-premises solutions and therefore offer relatively new cloud ERP suites. This reflects a deliberate strategy, pursued by some of these organizations, to balance the needs of a large and loyal customer base against emerging trends.

All the Niche Players in this Magic Quadrant should be considered viable contenders for a cloud ERP suite evaluation. However, it is important to understand their focus and to check
whether it suits your business requirements. If you like what a Niche Player offers, your evaluation should assess how well-aligned that Niche Player is with the market’s direction and your business objectives.

**Context**

All the vendors in this Magic Quadrant sell and support cloud ERP suites for product-centric enterprises. All market and sell their solutions outside their home region, which means that they all operate internationally. However, the extent of their support for country-specific localizations (such as tax processing) varies, as does the availability of their solutions in multiple languages. Application leaders should therefore ensure that they gather a clear list of required languages and localizations at the start of any evaluation of cloud ERP suites. This will help eliminate vendors that cannot meet their needs early in the evaluation process.

Gartner’s client inquiry data shows that interest in cloud ERP suites is increasing significantly. However, we also often see clients who are looking to move to a cloud ERP suite falling victim to the myths that surround SaaS (see “The Top 10 SaaS ERP Myths”). Many feel that moving to the cloud will enable them to quickly and easily resolve the challenges they face with on-premises ERP suites, such as cumbersome user interfaces, too much customization, and expensive, hard-to-manage upgrades. Although all the solutions assessed in this Magic Quadrant offer the potential to address some or all of these challenges, CIOs and application leaders nevertheless need to be prepared for the following issues when moving to the cloud:

- Getting users, who are frequently change-averse, to move from heavily customized systems to standardized processes in SaaS solutions with much more frequent updates requires strong change management capabilities.
- Realizing cost savings by reducing internal IT costs means that users must take a greater role in application configuration, management and testing. Most functional teams are not equipped to do this.
- Integrating cloud ERP applications with on-premises feeder systems and other cloud services requires different integration strategies, as well as the use of integration tools and techniques that IT staff may not be familiar with.

Cloud ERP suites should be deployed as part of a broad postmodern ERP strategy for aligning ERP with business objectives such as digital transformation. Many organizations evaluating ERP suites in the cloud are tempted to adopt the old-style, vendor-centric approach they used for on-premises evaluations. They assume they should source all ERP capabilities (such as HCM and CRM) from the same vendor as their ERP capabilities. Although this approach can be appropriate in some situations, it is definitely not the default approach to take in a postmodern ERP environment of more federated and loosely coupled cloud services.

**Market Overview**

ERP represents the single largest category of enterprise software spending, at $37.3 billion in 2018. Gartner forecasts that this figure will grow at an annual rate of 6.8% through 2022 on a constant currency basis.

For market-sizing purposes, Gartner’s definition of ERP includes the categories of administrative ERP (financial management software [FMS] and HCM software) and operational ERP (manufacturing and operations software, and EAM software).

The ERP market is undergoing a generational technology shift, driven by the advent of cloud computing. Four cloud-native providers were among the top 10 in ERP market share in 2015, and, over the past five years, SaaS ERP revenue growth has exceeded 25% per annum. We expect this growth trend to continue.
SaaS adoption has varied across the different segments of ERP. The HCM segment has been the fastest-growing adopter of SaaS, and is forecast to have over $9.4 billion of SaaS revenue in 2018 (around 68% of total HCM revenue). FMS lags behind HCM, with around $3.4 billion of SaaS revenue forecast in 2018 (around 23% of total FMS revenue). So far, SaaS adoption in the operational ERP segments has lagged behind that of the HCM and FMS segments, but this situation is changing rapidly.

Public cloud SaaS solutions that support operational ERP capabilities are maturing fast and are now viable for midsize enterprises and some large enterprises. At the time of writing, most product-centric enterprises adopting operational cloud ERP are in the midsize category. Fewer large enterprises ($1 billion to $5 billion) have adopted operational cloud ERP solutions, but we expect adoption in this segment to increase in the next two years.

Gartner also predicts the following market developments:

- By 2020, nearly 60% of large enterprises with systems up for replacement will switch from traditional on-premises licenses to cloud deployments.
- By 2025, demand for operational ERP deployments delivered as cloud services will account for more than 65% of total market spending.

The market for operational cloud ERP is shifting to cloud deployment. In the next 12 months, this shift will become significant enough for Gartner to include large enterprises in the next Magic Quadrant for product-centric cloud ERP.

**Evidence**

Gartner used several sources of information when creating the inclusion criteria, market definition and vendor evaluations for this Magic Quadrant. Primary sources of data included:

- The authors’ discussions with over 600 end-user clients about their ERP application strategies in 2017 and 2018.
- Online survey responses from vendor-identified reference customers in May 2018.

**Evaluation Criteria Definitions**

**Ability to Execute**

**Product/Service:** Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability:** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

**Market Responsiveness/Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the
product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

**Completeness of Vision**

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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