UNLOCKING **ERP VALUE**

As resellers look to increase the value they can offer to clients and move up the value stack, they are looking more and more towards ERP software, Piers Ford reports.

As a microcosm of the global ERP market, the Middle East is an interesting place to be right now – for vendors and software resellers.

While there is clearly consolidation at the top end, with the continued dominance of SAP and Oracle a foregone conclusion, mid-field players and particularly the new breed of cloud-based vendors have everything to play for as SMEs consider the benefits of a comprehensive approach to enterprise software buying.

This is partly due to the perception that SAP and Oracle still come with hefty cost-of-ownership price tags, despite considerably reduced licence fees and flexible packages designed to appeal to smaller companies. Respectively, they command 25% and 13% of a worldwide market worth $24.5bn (according to analyst Gartner). But despite their advantage among large enterprises and multinationals, they continue to find it difficult to achieve the same degree of dominance in the SME sector.

Here, other vendors with a comfortable market share (Sage and Infor have 6% each; Microsoft has 5%) increasingly find themselves jostling for position with the new kids on the block – the "others", as defined by Gartner, which constitute a hefty 37% of the ERP market. With another analyst, IDC, expecting cloud software spending in the Middle East to rise by 40% through 2016, there is everything to play for.

"ERP continues to be a strong focus area for CIOs in the Middle East, and is considered the third top priority of CIOs," said Sunil Padmanabh, research director at Gartner. "Unlocking ERP value is also a

major focus area. Larger ERP vendors like SAP, Ramco and Epicor are creating Middle East-specific localisation capabilities embedded in their ERP offerings. SMEs who have been sitting on the fence to implement an ERP are rapidly adopting the cloud model. These include automobile dealers, retailers and traders."

"With the advent of cloud-based ERP offerings and changes in technology, ERP is being adopted by companies large and small," said Harsh Vardhan, executive vice president global marketing & channels at cloud ERP vendor Ramco Systems.

"The extent of adoption might differ but most companies realise that as they grow, they need a solid technology backend to support their growth plans. Earlier, the focus was on the technicalities and functionalities of the solution, but now it has moved to usability and customer experience. With flexible pricing and usage models evolving, there is a natural surge in demand for enterprise-class solutions from even medium and small enterprises.

"The Middle East market has been developing and maturing and as an ERP solution provider, Ramco is gathering momentum and building the brand in the region. Organisations here are expanding and looking for applications that can manage their IT infrastructure and align it with their business strategies."

At another vendor, Focus Softnet, CEO Ali Hyder agreed that the ERP market has been making good progress in the SME sector.

"Players like Focus Softnet, who started their product initially as SME accounting solutions, have been forced to upgrade their platforms to ERP status due to this shift from SMEs," he said. "The major criteria that push the ERP buying decision are the change in technology and increasing demands from the users. As users see the ease-of-use of mobile apps, they expect a similar experience from ERP applications."

Hyder cited a recent example of a customer who insisted on being able to search for a selection of accounts and applications within the system by typing anything that matched the string – not just the initial typed letters of the search term. He had become used to that on his mobile and expected Focus Softnet to match the experience, which they proceeded to do.

According to Hyder, the main benefit of ERP software is its ability to integrate data

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for reporting and decision making. "With Business Intelligence [BI] becoming a major requirement across all segments, a single application for all departments and processes provides powerful and easy access to BI reports," he said.

"Individual best-of-breed solutions for managing finance, sales or HR cannot help an organisation get a comprehensive picture of how its business is performing," said Ramco's Vardhan.

"As businesses grow, CEOs grapple with a lack of data that impacts on their ability to make the right decisions. For any productive business organisations, ERP plays a vital role. Unlike the individual applications, ERP integrates and streamlines the various business operations and provides better insights into the business strategies. Our über-cool user interface, accessibility on mobile devices, social and context-aware features combine with the cloud benefits of

THE ROLE OF THE CHANNEL IN THE NEW WORLD OF ERP

The perception of ERP as a saturated market is clearly inaccurate. As more businesses look to the cloud for their ERP solutions, the enterprise software channel must face up to the challenge of generating revenues from the new delivering model.

According to Harsh Vardham, executive vice president at vendor Ramco Systems, there are new opportunities on the horizon, with green-field enterprises and previously cash-strapped businesses embracing the cloud. Another driver is the need for connected enterprise, where the parent company wants a common platform for linking its suppliers, dealers and subsidiaries.

"Most organisations will initially have adopted financial modules, but as they grow in size they want to adopt more strategic modules such as Human Capital Management (HCM) and even niche modules such as Reliability Management," he said. "There are innumerable opportunities for enterprise apps.

"We have worked towards staying ahead and building a Generation Y ERP system with features like mobility, gamification, social integration, role-based WorkSpace and linguistic capabilities. There are very few full-suite ERP vendors globally and we have built a good, referenceable customer base across the region. This, coupled with the strong marketing focus we have placed in the region, will give our partners a competitive edge in winning deals. With all this, our partners and resellers can leverage our offerings and propagate them across their networks."

At Focus Softnet, CEO Ali Hyder said the strength of the channel when it comes to enterprise software sales is its reach and understanding of customer pain areas. The weakness, however, is its inability to increase trained resources that can help grow the market faster. The skills gap remains a key issue – and channel players who can move quickly to fill it will be in the best position to exploit new models of ERP delivery.

"We see maturity coming in the channels through emergence of partner ecosystems and third-party solution providers," said Sunil Padmanabh, research director at Gartner. "ERP Vendors are actively enabling channel partners in pre-sales scenarios, implementation, training and support. Weaknesses continue to be around the partners not having a good understanding of the business needs of the clients for ERP investments."

zero CAPEX, no upgrade, refresh costs or IT costs, to make it a preferred option."

Put like that, ERP has certainly left its mid-1990s reputation as a chunky, expensive back-office platform whose appeal was limited to hardcore enterprise users a long

KEY MARKETS FOR ERP IN THE REGION

way behind. But the underlying technology is still an important consideration for customers who have yet to embrace the cloud.

ERP vendor IFS, which specialises in the manufacturing, engineering and construction sectors, balances standard tools with easily customised features in its systems.

"IFS understands the integrated ERP solution as the consistent technology and architecture throughout the system," said Ian Fleming, managing director, Middle East, Africa and South Asia.

"It provides easier development and reduced maintenance. Components can use common services, thus simplifying the

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business logic. ERP delivers easier implementation and adjustments as companies can make minor, yet critical, modifications that sharpen their competitive edge, and use standard functionality for non-critical processes. The lifetime cost of the solution can be kept lower thanks to its homogeneity."

According to Fleming, the components of an ERP system have a business value at every stage of the enterprise application lifecycle.

"Components provide flexibility, efficiency and quality," he said. "With components you have fewer standardised parts, which can be combined to make specific solutions for different industries. Many components are shared, resulting in improved quality and reliability. ERP components are easier to integrate with other systems existing or future, and facilitate offshore development. They are easier to upgrade. For example, the technology behind IFS Applications never
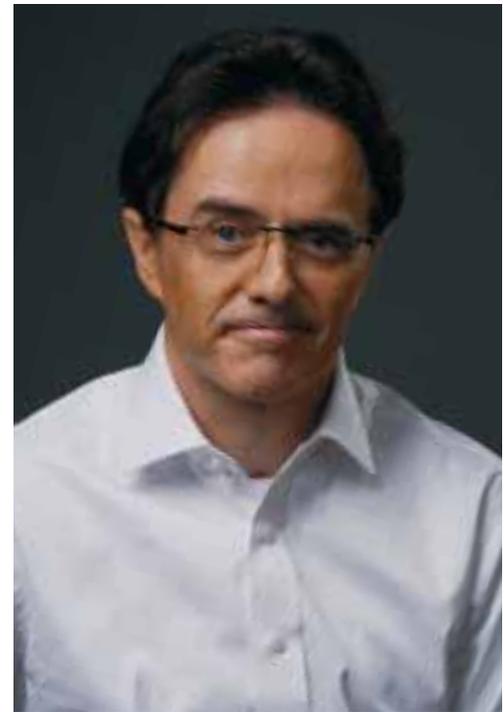
> *There is a growing need for solutions that cover not only the back office functional areas, the traditional ground for ERPs, but also operational aspects of the business such as project management and maintenance management.*
> **IAN FLEMING, MANAGING DIRECTOR, IFS MEA.**

gets outmoded. Service pack updates and newer versions give continuous access to new concepts and opportunities."

For SMEs, purchasing ERP systems as cloud or SaaS offerings will also remove a lot of the technology overheads that have historically been associated with big-ticket purchases. At Focus Softnet, Ali Hyder expects the cloud to service 50% of the ERP market in the Middle East region within the next couple of years. And Ramco's Vardhan said most customers acquired in the Middle East region during the past year have been cloud-oriented.

"Most enterprises today are exploring the cloud as a delivery model, as it offers better commercial terms and low overhead costs and initial investment," he said. "It has opened up a hitherto underserved market segment that could earlier not afford a full-suite ERP system. Organisations reap the benefits of switching to the cloud as it is a huge value-add for their business." ∎