

Magic Quadrant for Cloud ERP for Product-Centric Enterprises

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The ERP for product-centric enterprises market is accelerating its transition to cloud deployment models. ERP application leaders should use this Magic Quadrant to evaluate cloud ERP application suites as part of a composable ERP strategy.

Strategic Planning Assumptions

By 2023, organizations that have successfully renovated their ERP platforms will achieve at least 40% improvement in IT agility to deliver business outcomes.

By 2023, 60% of product-centric enterprises will utilize standardized ERP capabilities on a composable ERP platform.

By 2024, 60% of enterprise SaaS applications will be composed from packaged business capabilities that provide data, analytical insight and operational application services.

Market Definition/Description

Gartner defines the market for cloud enterprise resource planning (ERP) for product-centric enterprises as a market for application technology that supports the automation of operational and financial activities for the manufacturing, distribution, delivery and servicing of goods. Gartner considers ERP to be a foundational technology for operating enterprises. Cloud ERP is offered via a cloud service application deployment (see Note 1). A full list of attributes for our definition of a "cloud service" appears in the Inclusion and Exclusion Criteria section.

The core capabilities of product-centric cloud ERP suites include:

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

- **Financial management functionality:** Financial accounting, subledger accounting, consolidation, financial reporting. (Note, however, that vendors that provide only financial management capabilities as a suite are evaluated in the separate [Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises](#).)

Optional capabilities of product-centric cloud ERP suites include:

- **Procurement:** Requisition and purchase order management for indirect goods, services and capital equipment.
- **Human capital management (HCM):** For cost management, as well as staffing, for operational resources.
- **Specialized, industry-specific modules or applications:** These include, but are not limited to, modules such as those used for configure-to-order, make-to-order and field service management; and broader application solutions, such as those used for enterprise asset management (EAM) and product life cycle management (PLM).

Magic Quadrant

Figure 1: Magic Quadrant for Cloud ERP for Product-Centric Enterprises





Source: Gartner (August 2021)

Vendor Strengths and Cautions

Acumatica

Acumatica is a Niche Player in this Magic Quadrant. The product evaluated is the Acumatica Cloud ERP suite. Acumatica targets midsize organizations globally through a network of partners. It provides financial management and operational ERP capabilities for midsize organizations. Consider Acumatica if you represent a midsize enterprise in North America or EMEA that is looking for a cloud-native ERP solution.

Strengths

- **Built specifically for midsize enterprises:** Acumatica's strategy is to provide operational ERP capabilities in the cloud for midsize manufacturing organizations. Acumatica engages its

customer base of midsize and small enterprises through value-added resellers. Although Acumatica is readily available throughout North America, it is white-labeled in other world regions by OEMs such as MYOB, Cegid and Lexware.

- **Discrete manufacturing and distribution:** For midsize enterprises, Acumatica provides well-regarded operational ERP capabilities to manage the manufacturing of discrete goods and the distribution of those goods to customers.
- **Customer satisfaction:** Gartner's interactions with Acumatica customers have shown high levels of satisfaction with regard to Acumatica as a vendor, its product quality, and its pricing for operational ERP capabilities.

Cautions

- **Limited scope for operational ERP:** Acumatica does not yet provide the more complex or process-oriented manufacturing capabilities, and requires integration with partner solutions for PLM.
- **Global scalability for large enterprises:** Customers adding product lines or growing beyond medium size may find Acumatica's limits in terms of multiregion, multicurrency and complex-manufacturing support to be challenging.
- **Lack of more innovative technology options out of the box:** Customers looking for advanced on-demand predictive analytics, Internet of Things or complex integration with Acumatica's product suite may have to supplement it with complementary solutions from other vendors to achieve their business goals.



Epicor

Epicor is a Visionary in this Magic Quadrant. The solution evaluated is Epicor Kinetic, which provides general-purpose operational ERP capabilities. Epicor Kinetic is sold and implemented both directly and through partners. Epicor has a strong focus on delivering midmarket operational ERP in its cloud and a good vision for using the Microsoft Azure platform. Epicor Kinetic supports five major industries: automotive, retail, distribution, building supply and discrete manufacturing. Midsize enterprises in these sectors should consider Epicor.

Strengths

- **Understanding of midmarket operational ERP customers' needs:** Epicor delivers a solid operational ERP solution for midmarket manufacturing and distribution companies, along with adjacent capabilities for demand planning, inventory and warehouse management.
- **Support for major industries:** Midsize manufacturers can select from a broad range of vertical categories as a result of Epicor's focus on the manufacturing, distribution, retail, consumer packaged goods and construction sectors. They will benefit from the company's industry

expertise, accelerators for built-in functionality, discrete manufacturing coverage and consistent UI across the product set.

- **Use of Microsoft Azure platform for scalability:** Epicor's partnership with Azure confers the ability to scale fit-for-use solutions for customers and supports its global expansion strategy.

Cautions

- **Support for administrative ERP (financials):** While strong in operational ERP, Epicor has demonstrated only moderate ability to support financial, transactional and reporting processes.
- **Integration with other enterprise applications:** Epicor's operational ERP offering has shortcomings in terms of its ability to integrate with customers' other enterprise applications, such as those used for financial planning and analysis and HCM.
- **Geographic coverage:** Although Epicor has sales and support presence around the globe, a significant percentage of Epicor Kinetic customers are based in North America. There is a smaller percentage of customers in EMEA and Asia/Pacific.

Infor

Infor is a Leader in this Magic Quadrant. The product evaluated is Infor CloudSuites. Infor initially focused on single-tenant, license-based cloud solutions, but has since expanded into multitenant cloud solutions. It concentrates on the upper midmarket, and large and global enterprises. It should be considered by organizations that require a robust operational ERP solution that integrates well with other enterprise applications, such as those used for financial planning and analysis.



Strengths

- **Ability to extend and integrate CloudSuites through Infor OS:** Although not an independently sold integration platform as a service (iPaaS), the Infor OS enterprise application platform provides low-code capability to extend and integrate with multiple Infor products, as well as with external cloud applications and on-premises solutions.
- **Support for multiple and highly complex manufacturing scenarios:** Infor CloudSuites provides strong ability to support process, project, "X-to-order" and asset-intensive manufacturing styles within a single ERP suite.
- **Industry-specific capabilities:** Infor has demonstrated the ability to provide functionality to support complex industries, such as the industrial equipment, automotive, aerospace and defense, food and beverage, fashion, and wholesale distribution sectors.

Cautions

- **Inconsistent technical product support:** Gartner's interactions with Infor customers show that, though improved, product support is not consistently at the high level expected of a cloud SaaS provider.
- **Application services partnerships:** Compared with other Leaders in this Magic Quadrant, Infor has relatively few application services partners to support its global growth. Infor has, however, developed relationships with several global system integrators.
- **Contracting and licensing flexibility:** Because of the number of acquired ERP products that come under the umbrella of Infor CloudSuites, contracting for the ERP suite can occasionally be difficult for organizations with multiple lines of business.

Microsoft

Microsoft is a Leader in this Magic Quadrant. It offers Microsoft Dynamics 365 Finance and Microsoft Dynamics 365 Supply Chain Management, two individual solutions that are tightly connected. They are aimed primarily at midsize and large enterprises, but are also suitable for global enterprises that need highly specific regional and industry capabilities. Midsize and larger manufacturing, consumer packaged goods and retail organizations that require industry specialization should consider Microsoft, along with its large ecosystem of partners and independent software vendor solutions.



Strengths

- **Consistent cloud and platform approach:** Microsoft Dynamics 365 Finance and Dynamics 365 Supply Chain Management run on the Microsoft Azure cloud, which enables clients to use the Microsoft Power Platform for analytics through Power BI, low-code extensions through Power Apps, and hyperautomation through Power Automate. These technologies can be used to augment a broader ERP strategy, and are available to professional developers and business technologists.
- **Integration capabilities:** Microsoft has invested in robust integration capabilities that enable data sharing across Microsoft applications. Additionally, elements like Dataverse ease work to integrate Dynamics 365 and non-Microsoft applications through a common data model framework with inherited security attributes.
- **Increased adoption by large, product-centric enterprises:** Gartner estimates that implementation rates for the full suite of Microsoft Dynamics 365 Finance and Dynamics 365 Supply Chain Management have grown by more than industry rates, year over year, within the company's target market of large enterprises.

Cautions

- **Market recognition as an enterprise application player:** While Gartner estimates that Microsoft Dynamics 365 Finance and Dynamics 365 Supply Chain Management have had consistent year-over-year adoption growth, global enterprise customers are still not as numerous as midsize and large enterprises. The perception remains that Microsoft is a good fit for midsize and larger organizations, rather than a direct competitor to the global ERP vendors.
- **Inconsistent execution when partners support complex cloud deployments:** Customer reports show that there is still considerable inconsistency in the quality of delivery for partner-led engagements. Microsoft's FastTrack program promotes best practices for cloud deployments, but its global partners do not always present a consistent set of methodologies and capabilities to support complex deployments.
- **Partner-led industry vision:** Some existing and prospective Microsoft customers struggle to understand Microsoft's vision for industry best practices, which is often led by partners. Its partners do not always position Microsoft Dynamics 365 as an enterprise-grade industry suite, but instead position it as a secondary ERP option in a two-tier scenario.

Oracle (Fusion Cloud ERP)

Oracle is a Leader in this Magic Quadrant with Oracle Fusion Cloud ERP, a suite of administrative and logistics operational ERP capabilities suitable for upper midsize, large and global enterprises. Nearly half its customers are large and global enterprises, which span a range of industries and geographies. Oracle's Fusion Cloud ERP should be considered by organizations seeking a comprehensive, globally supported, large-enterprise solution capable of addressing many complex operational workstreams.



Strengths

- **Breadth of suite:** Oracle Fusion Cloud ERP scores highly for many capabilities, such as those relating to discrete and complex manufacturing, distribution, finance, procurement and HCM. These capabilities also score well when evaluated as independent solutions.
- **Global scale and reach:** Oracle Fusion Cloud ERP is targeted at, and very capable for, large and global organizations. Oracle has a wide network of implementation partners in many regions. Oracle Fusion Cloud ERP is available with local language, currency and regulatory support in most countries.
- **Integration capabilities:** Oracle's broad range of ERP products is tightly integrated. Integration between Oracle Fusion Cloud ERP, Oracle Fusion Cloud Supply Chain Management (SCM) and Oracle Fusion Cloud Human Capital Management (HCM) is especially solid. Oracle also offers capable integration tools for connections beyond its platform.

Cautions

- **Complexity of implementation and support:** Although Oracle Fusion Cloud ERP has deep capabilities, in some cases configuring them takes time and can lead to implementation periods longer than those of some other solutions evaluated in this Magic Quadrant. Deployments can require deeper expertise and entail higher costs, with challenges in terms of support and training, given the depth of features. Customers should ensure they have a robust change management program in place during implementation and after go-live.
- **Licensing and releases:** Oracle Fusion Cloud ERP customers have reported lower levels of contract negotiation flexibility than is the case with other vendors, with customers struggling to understand the terms and conditions of contracting and pricing. Oracle's quarterly release cadence requires that customers remain current on the latest update, although version updates can be applied at different times within a three-month window of release. Some customers have reported that it can be difficult to keep pace with changes, activate new features and execute internal regression tests. Customers should review new features with every update and evaluate whether these will support their business.
- **Regulated industries and process manufacturing:** Adoption rates in the life science sector and other regulated industries are relatively low, due to functionality having been made available only recently. In industries with regulatory requirements, it can prove very challenging to keep validating the version updates. Oracle does, however, have a program that gives regulated customers six weeks to test product updates, as opposed to the standard two weeks.



Oracle (NetSuite)

Oracle is a Visionary in this Magic Quadrant with NetSuite. NetSuite is sold primarily to midmarket enterprises, but has a wide global footprint. Its ERP functions are applicable to a wide range of geographies and industries, including field services, manufacturing, high tech, retail and wholesale distribution. Oracle NetSuite's offering should be considered by midsize product-centric organizations that are seeking a single-vendor solution.

Strengths

- **Broad functional capabilities:** NetSuite offers a wide range of back-office capabilities that are well integrated with each other in a suite-centric approach. Midsize retail, wholesale distribution and discrete manufacturing organizations have found that NetSuite can meet a range of business requirements.
- **Global reach and growth:** NetSuite has a solid presence around the globe, with localizations and language support for many countries. It has been able to utilize its parent company's international sales operations, marketing and cloud infrastructure.
- **User community and partner support ecosystem:** NetSuite has a vibrant online community of clients who share their expertise and experience with the product. NetSuite has a sizable and

broad partner ecosystem that can support or enhance the solution, although partners perform only about one-third of implementations.

Cautions

- **Complex and process manufacturing:** Although NetSuite provides some (limited) capabilities for more complex and/or process-oriented manufacturing, its product-centric customers come primarily from the distribution or retail sectors, and a smaller number come from the discrete manufacturing sector. Slightly over half of NetSuite's customers are in service-centric industries.
- **Midmarket focus:** NetSuite is aimed at small and midsize organizations (for larger organizations, Oracle offers Fusion Cloud ERP). This product therefore has less focus on capabilities unique to large-scale global enterprises, such as those used for layered organizational structures and complex operations.
- **Pricing:** NetSuite customers have stated that subscription costs were higher than those of other solutions focused on the small and midsize market. They identified renewal increases as a particular concern. At the same time, midmarket customers have acknowledged that NetSuite is a capable and quality offering with some features that are not usually seen in this market segment.

Plex

Plex is a Niche Player in this Magic Quadrant. It offers operational ERP capabilities through the Plex Smart Manufacturing Platform. Plex has historically targeted midsize manufacturing organizations. It offers manufacturing execution systems, along with its HCM, finance and supply chain capabilities, in a multitenant cloud delivery model. Plex should be considered by midsize enterprises that focus on discrete and batch process manufacturing, as well as by large enterprises looking to optimize plant operations.

Strengths

- **Cloud delivery:** Plex has a long history of providing operational ERP in a multitenant cloud delivery model. Gartner's interactions with Plex customers indicate a high degree of satisfaction with its ability to support cloud ERP.
- **Manufacturing capabilities:** Plex offers manufacturing execution system capabilities as part of its integrated ERP suite. Manufacturing customers benefit from this single-instance approach.
- **Product life cycle management:** Plex has demonstrated strength in PLM natively in its ERP suite. Plex's platform also provides integration with other leading product life cycle applications.

Cautions

- **Limited footprint outside North America:** Although Plex has grown recently in Asia/Pacific, the largest segment of its customer base is in North America.



- **Highly regulated manufacturing:** Plex has not achieved significant adoption in highly regulated manufacturing organizations.
- **Large-enterprise adoption:** Large enterprises represent a very small percentage of Plex's customer base when it comes to using Plex as the primary enterprise ERP suite. The vast majority of Plex's customers are small or midsize organizations. Larger ERP customers typically use the product's operational capabilities for second-tier ERP solutions.

Priority Software

Priority Software is a Niche Player in this Magic Quadrant. The product evaluated is Priority Cloud ERP. Priority offers operational ERP capabilities complemented by administrative ERP capabilities, mainly for discrete and process manufacturing. Priority has traditionally focused on EMEA (its home region), but has recently expanded its customer base in North America. Midsize manufacturing customers should consider Priority when looking for a cloud ERP provider for light operational capabilities in EMEA and North America.

Strengths

- **Administrative ERP:** Priority has demonstrated adequate administrative ERP capabilities to complement its operational capabilities in a multitenant cloud solution.
- **Growth in EMEA and North America:** Priority has had success in providing cloud ERP for midsize customers in EMEA. It has also grown its customer base in North America.
- **General-purpose operational capabilities for a range of manufacturing styles:** Priority's offering has basic capabilities for managing discrete and complex manufacturing within a single cloud tenant.

Cautions

- **Limited vision for discrete manufacturing in multiple regions:** Although it has strong administrative capabilities, Priority offers only moderate support for clients with discrete manufacturing operations in regions other than EMEA.
- **Few global or regional localizations:** Priority's ERP offering has significantly fewer localizations than those of other vendors in this Magic Quadrant. This has slowed its expansion outside EMEA.
- **Comparatively small implementation partner community:** Priority has fewer system implementation partners than other vendors in this Magic Quadrant. However, as a channel-driven company, Priority has a network of business partners, many of which develop industry-specific operational functions.

QAD



QAD is a Visionary in this Magic Quadrant. It has developed a modern technology product called the QAD Enterprise Platform and built operational ERP capabilities throughout the QAD Adaptive ERP product suite. QAD primarily targets six manufacturing sectors: automotive, consumer products, food and beverage, high tech, industrial, and life sciences. Midsize manufacturing organizations should consider using QAD to support administrative capabilities and meet product-centric requirements, such as for quality management, global trade and transportation execution, and demand and supply chain planning.

Strengths

- **Industry-specific manufacturing capabilities:** QAD has improved its already strong capabilities for automotive and life science industry manufacturing. The product suite supports both planning and management within these vertical sectors.
- **Value for money:** Gartner's inquiry interactions with QAD customers indicate that they derive good value from their investment in QAD Adaptive ERP.
- **Embedded automation:** QAD has used its redeveloped technology platform to embed valuable process and supply planning automation into the application suite.

Cautions

- **Lack of HCM capabilities:** QAD lacks some administrative ERP capabilities, particularly for HCM. Customers wanting an all-in-one ERP suite will have to integrate third-party HCM software to gain full workforce management capabilities.
- **Less embedded contextualized or predictive analytics throughout suite:** QAD does not have the same degree of predictive or other analytic reporting capability embedded into the business processes of its ERP application suite as is present in the offerings of some other vendors in this Magic Quadrant.
- **Revenue growth outside North America and EMEA:** Although QAD has been successful in terms of sales and implementations globally and in terms of cloud revenue growth in the Americas and EMEA, its revenue growth has been slower in Asia/Pacific.

SAP

SAP is a Visionary in this Magic Quadrant. The cloud operational ERP solution evaluated is SAP S/4HANA Public Cloud Edition (other SAP S/4HANA deployment options, including SAP S/4HANA Private Cloud Edition, are outside the scope of this evaluation). SAP launched the RISE with SAP offering in January 2021 to help customers move to the cloud. Customers have access to a wide range of industry-specific add-on capability packs in SAP S/4HANA Public Cloud Edition. SAP offers SAP S/4HANA Public Cloud Edition globally. Consider SAP S/4HANA Public Cloud Edition if you are



seeking a configurable, industry-specific enterprise and global cloud operational ERP solution capable of addressing moderately complex workstreams.

Strengths

- **Enterprise and industry expertise:** SAP is a well-known ERP vendor in the enterprise sector and has a wide range of industry-specific solutions. In SAP's focus industries (automotive, consumer products, engineering and construction operations, industrial machinery and components, professional services, retail, and utilities), S/4HANA Public Cloud Edition can provide comprehensive operational ERP capabilities with increased process standardization.
- **Broad and diverse partner network:** SAP's partner network for ERP is one of the most diverse and sophisticated. It offers customers options that suit complex business transformation initiatives, niche requirements and staff augmentation needs.
- **Focus on improved user experience and automation:** SAP S/4HANA Public Cloud Edition utilizes SAP Fiori, which is praised by Gartner clients for its improved user experience. Additionally, embedded predictive capabilities enable customers to experience out-of-the-box intelligence delivered natively in the applications.

Cautions

- **Comparatively limited cloud-only adoption rates:** Adoption of SAP S/4HANA Public Cloud Edition by product-centric enterprises is limited. Both existing and prospective customers have reported that it is difficult to find relevant success stories and reference cases. Most SAP customers are implementing SAP S/4HANA via hybrid private and public cloud deployment options.
- **Cloud marketing:** Although SAP's cloud portfolio is broad, customers struggle to see SAP as a cloud ERP player. Few of the SAP partners that Gartner has spoken to promote SAP S/4HANA Public Cloud Edition as an option for their customers, which limits adoption.
- **Complex vendor relationship and high-price-tag perception:** SAP is still seen as an expensive vendor that requires complex management and oversight by clients. This perception discourages organizations looking for cloud simplicity from even considering SAP.

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

- **SAP:** SAP achieved enough live ERP customers operating in its public cloud model to meet the qualifying criteria for inclusion this year.
- **Priority Software:** Priority won enough cloud customers in multiple regions outside its “home” region to meet the inclusion criteria this year.

Dropped

- **IFS:** IFS was previously a Visionary in this Magic Quadrant for its strong vision for operational ERP capabilities and EAM capabilities. IFS recently introduced IFS Cloud (March 2021), which is its next-generation ERP application suite. Given the recency of this product’s introduction, IFS Cloud did not have enough live customers to qualify for inclusion. IFS’s previous generation of ERP applications did not fulfill the inclusion criteria for number of live customers operating on the single code line model where customers are updated on the latest version before the next version is released.

Inclusion and Exclusion Criteria

For Gartner clients, Magic Quadrant and Critical Capabilities research identifies and analyzes the most relevant providers and products in a market. By default, Gartner sets an upper limit of 20 providers in order to focus on those providers. On specific occasions, the upper limit may be raised, when the intended research’s value to clients would otherwise be diminished. The inclusion criteria represent the specific attributes that Gartner analysts considered necessary for inclusion in this research.

To qualify for inclusion, providers had to fulfill the following criteria.

Product Capabilities

Each had to deliver a suite of cloud-based, product-centric ERP applications that included the following capabilities:

- **Operational ERP:** Supply chain and manufacturing-related functionality, such as demand management, order management, material requirements planning, inventory management, supply chain/direct procurement, manufacturing control capabilities (shop floor) and distribution/logistics.
- **Financial management:** General ledger, accounts payable, accounts receivable and fixed assets.

Optional capabilities were:

- Indirect procurement.
- Project accounting.

- Human capital management (HCM).
- Specialized, industry-specific modules or applications, including, but not limited to, modules such as those used for enterprise asset management (EAM), configure-to-order (CTO), make-to-order, product life cycle management (PLM) and field service management.

Market Presence

- Each vendor had to have at least 150 organizations with annual revenue/expenditure/funding of more than \$150 million in production using the cloud service. *Each organization had to be live with at least three of the components (modules) of operational ERP and at least the general ledger, accounts payable and accounts receivable capabilities.* Each vendor had to be prepared to provide evidence of sufficient in-production customers. If a vendor chose not to disclose this information, Gartner may have used its own market research, as well as insights from public sources, to judge that vendor's eligibility for inclusion and viability.
- These 150 organizations had to be managing at least \$150 million annually through the ERP suite. The annual revenue of a parent organization could not be used when only a smaller subsidiary used the cloud service as a lower-tier ERP solution.
- The vendor had to actively sell and market the cloud service (and have live users of the cloud service in the qualifying revenue ranges) outside its home region. Gartner defined regions as the following: Americas, EMEA and Asia/Pacific. At least 10% of the cloud service revenue had to come from outside the vendor's home region.
- The vendor must have at least \$15 million in booked subscription and support revenue for the ERP suite cloud service only (that is, excluding any revenue from on-premises, hosted, managed cloud service or other deployment models) from January 2020 through December 2020 (or whichever 12 months accounting period most closely aligned with that period). Unrealized recurring revenue could not be included. If a vendor chose not to disclose revenue information, Gartner may have used its own market research, as well as insights from public sources, to judge that vendor's eligibility for inclusion and viability.



Cloud Service Attributes

The ERP suite had to be deployed as a cloud service, in accordance with the following attribute definitions:

- **Responsibility:**
 - The vendor had to manage all technology infrastructure either in its own data centers or in third-party data centers.

- The vendor itself had to implement upgrades as part of the cloud service, not use a third party or managed service provider for this purpose.
- **Licensing and technology:**
 - The cloud service had to be licensed on a subscription or metered pay-for-use basis.
 - Users could not have a contract specific only to them (except for minor adjustments), nor could they be provided with a version different from that offered to other cloud customers.
 - The cloud service had to use internet technologies. Use of internet files, formats and identifiers is necessary for delivery of cloud service interfaces.
 - The computing resources used to support the cloud service had to be scalable and elastic in near real time, rather than based on dedicated hardware/infrastructure.
- **Customization:**
 - Modification of source code should not be possible. Configuration via citizen developer tools and extension via a platform as a service (PaaS) — by partner, vendor or user — was allowed
- **Pace of change:**
 - A single code line had to be used for all customers of the cloud service to allow rapid deployment of new functionality by the vendor.
 - The vendor had to deliver at least two upgrades containing new functionality per annum to all users of the cloud service, and control the pace of the update cycle. *All customers must be operating on the current updated version before the release of the next update version.*
 - The vendor had to offer self-provisioning capabilities for the service (at least for development and test instances) without involvement of its own staff.
 - The technology used to deliver the service had to be shared by multiple customers in order to create a pool of resources from which elasticity could be delivered.


This Magic Quadrant reflects Gartner's definition of "composable ERP." We define composable ERP as an adaptive technology strategy that enables the foundational administrative and operational digital capabilities required for an enterprise to keep up with the pace of business change. This strategy delivers a core of composable applications and, as a service, software platforms that are highly configurable, interoperable, and flexible, in order to adapt to future modern technology.

Consequently, if a vendor's cloud ERP suite consists of capabilities from different code lines, that vendor would be included in the Magic Quadrant, provided its solution:

- Has predefined workflow integrations
- Uses vendor-supported integration technologies
- Is positioned as a component of a broader "solution," rather than as a stand-alone product in the vendor's portfolio, and the vendor has users of the full solution in production.

Honorable Mentions

Some vendors did not qualify for inclusion in this Magic Quadrant but nevertheless offer notable, specialized value for certain industries or regions. They include:

- **Comarch:** Comarch ERP Enterprise is available in a range of tenanted and hosted environments. Comarch's focus on the European market means it does not meet this Magic Quadrant's requirements for large or multinational/global scale.
- **Dassault Systèmes (DELMIAworks):** While strong in the manufacturing ERP market for small and midsize businesses, DELMIAworks did not meet the inclusion criteria for this Magic Quadrant because most of its customers operate DELMIAworks ERP on-premises or as hosted software. DELMIAworks is part of the 3DEXPERIENCE WORKS portfolio from Dassault Systèmes. 
- **Hatteland:** Hatteland is a Europe-based company specializing in manufacturing ERP in the cloud. The size of its customer base for the RamBase Cloud ERP solution did not meet the inclusion criteria for this Magic Quadrant.
- **Ramco Systems:** Ramco Systems offers administrative and operational ERP for U.S., EMEA and Asia/Pacific customers. It did not have enough cloud customers with annual revenue of \$150 million using its cloud ERP product to qualify for inclusion in this Magic Quadrant.
- **Rootstock Software:** Rootstock Software offers ERP on the Salesforce technology platform. Its ERP suite is targeted at midsize enterprises. This vendor did not have enough customers with annual revenue of \$150 million using its cloud ERP product to qualify for inclusion in this Magic Quadrant.
- **SAP (Business ByDesign):** SAP's Business ByDesign offering with product-centric capabilities is mainly aimed at midsize enterprises and not typically sold to larger enterprises.
- **TOTVS:** TOTVS is a leading provider of ERP in the cloud for the Latin American market. This vendor's cloud ERP product suite did not have the adoption rates or global reach required for inclusion in this Magic Quadrant.

- **Workday:** Workday is a leading provider of HCM, financial management, planning and sourcing applications in the cloud. This vendor’s enterprise cloud ERP product suite did not have the product-centric supply chain and manufacturing capabilities required for inclusion in this Magic Quadrant.

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 criteria in Table 1.

Table 1: Ability to Execute Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Product or Service	High
Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	Medium
Marketing Execution	Low
Customer Experience	High
Operations	Medium

Source: Gartner (August 2021)

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 Completeness of Vision by vendors' understanding and articulation of how they exploit market forces to create new opportunities for themselves and their clients. We use the criteria in Table 2.

Table 2: Completeness of Vision Evaluation Criteria

<i>Evaluation Criteria</i> ↓	<i>Weighting</i> ↓
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	Medium

Source: Gartner (August 2021)

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 their vision through products, services and go-to-market strategies. They have a strong presence in the market, and are growing their revenue and market shares. In the cloud ERP suite market, Leaders show a consistent ability to win deals with organizations of different sizes. They have a good depth of functionality across all areas of operational and administrative ERP. They have proof of multiple, successful deployments by customers. Their system integrator partners frequently use their offerings to support business transformation initiatives.

Our classification of certain vendors as Leaders does not mean that their solutions are 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 3Q21, so readers can assess vendors' solutions against a number of use cases. This will enable them 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 applications and processes as they move to the cloud. They have viable and proven cloud services, but focus on a specific size of organization or a specific 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, ERP provider companies may move between the Challengers and Leaders quadrants as their product cycles progress and the market's needs shift.

There are no Challengers in the present Magic Quadrant.

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 and geographical presence outside their home region. Organizations evaluating Visionaries should therefore closely evaluate these vendors' market presence in their industry and region.

Visionaries may become Challengers or Leaders, depending on how they build up their go-to-market capabilities and whether they can develop partnerships that complement their strengths.

Niche Players

Casual users of Magic Quadrants often assume that Niche Players are less-capable vendors or associate them with less-capable products. This is a misconception that can lead to these vendors' capabilities being overlooked.

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. For example, Niche Players 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 that lack the usability of more cloud-native solutions. Alternatively, Niche Players may have very strong cloud capabilities, but adoption of their cloud solutions may be very limited.

Niche Players may have significant overall ERP market share from a large base of customers running on-premises solutions. Their public cloud ERP suites may therefore be relatively new. This may reflect a deliberate strategy to balance the needs of a large and loyal customer base against emerging demand for public cloud options. Readers should therefore consider all Niche Players in this Magic Quadrant as viable candidates for cloud ERP suite evaluation. However, it is important to understand a Niche Player's 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 it is with the market's direction and your business objectives.

Context

All the vendors in this Magic Quadrant sell and support cloud-delivered ERP suites for product-centric enterprises. All market and sell their solutions outside their home region, so they all operate internationally, although in a limited fashion in some cases. 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. 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 UIs, 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 issues with regard to the following when moving to the cloud:

- Pace of updates
- Lack of ability to "customize" (cloud delivery models usually allow "extension" through a PaaS)
- Change in the technology skills required for support
- Change in governance and funding models

Market Overview



ERP represents the single-largest category of enterprise software spending. In 2020, even with a pandemic, ERP software revenue grew by 4% overall, to a global total of \$40.3 billion, according to Gartner's [Market Share: ERP Software, Worldwide, 2020](#). Gartner forecasts that this figure will grow by 7% on a constant currency basis from 2021 through 2022, to reach \$44 billion.

Product-centric ERP revenue makes up roughly half the overall ERP market's revenue. Cloud ERP revenue growth was impacted by the pandemic, with ERP applications for manufacturing showing a 2% decline in revenue overall, although revenue from administrative and service-centric ERP applications grew. We expect growth in ERP applications for manufacturing to pick up in 2021.

Significantly, 2020 clearly demonstrated the benefits of cloud ERP, with the pandemic creating more urgency for end-user adoption. The cloud ERP market for product-centric enterprises is primarily driven by midsize enterprises, but larger enterprises have increased the pace of their adoption. HCM and financial management cloud solutions lead the way in terms of cloud ERP adoption. Additionally, adoption rates for supply chain, manufacturing and operations, and enterprise asset management cloud solutions are growing faster than in previous years.

Evidence

Gartner used several sources of information for the inclusion criteria, market definition and evaluations in this Magic Quadrant. The primary sources were:

- Interactions with over 1,400 end-user clients about their ERP strategy from January 2020 through April 2021.
- Over 5,200 customer inquiries from January 2020 through April 2021 on the subject of ERP applications.
- Peer Insights survey data received through April 2021, blended with insights from demonstrations.

Note 1: Types of Cloud Service

We identified four types of cloud service that met the inclusion criteria for this Magic Quadrant:

- **“Born in the cloud” solutions:** Architected from the outset only as cloud services, these typically have a multitenant application architecture.
- **New-generation solutions:** 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 also make use of virtualization techniques to enforce a single code line, while keeping data secured.
- **Existing solutions rearchitected as cloud services:** These are similar to the new-generation solutions as they also support multiple deployment models (public cloud, private cloud and on-premises), but, rather than start from scratch, vendors have invested in substantial changes to the underlying architecture of existing applications to support public cloud deployment.
- **Existing solutions delivered as public cloud SaaS:** The underlying architecture of these solutions has not changed significantly, but the vendor has developed an infrastructure provisioning layer to deliver them in public clouds.



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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