

QUICK TAKE

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Acquisition Of SSA Moves Infor To Number Three In ERP

The Vendor Aggregates iSeries And Client-Server Applications For Critical Mass

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EXECUTIVE SUMMARY

Infor’s acquisition of SSA Global Technologies unites over 30 legacy, iSeries, and client-server ERP vendors such as Baan, BPCS, BRAIN, Infinium Software, Lilly Software Associates, MAPICS, and System21 under one roof. Similar customer strategies, improved economies of scale, and increased reliance and influence on IBM offer a significant alternative to SAP or Oracle for midmarket customers looking for process manufacturing, discrete manufacturing, distribution, and supply chain solutions. Long-term convergence, interoperability, and the lack of corporate-level finance and HR applications remain significant challenges. However, taking SSA Global from public to private provides the breathing room needed to succeed.

TARGET AUDIENCE

Business process executive, IT operations executive, chief information officer

THE INFOR-SSA GLOBAL MERGER BENEFITS CUSTOMERS

The recently announced acquisition of SSA Global Technologies for \$1.36 billion by Infor continues the vendor consolidation trend in enterprise applications. The deal is expected to close in the third quarter of 2006. Infor and SSA Global have grown rapidly by acquisition, focusing on the process manufacturing, discrete manufacturing, and the distribution verticals, and expanding into customer relationship management (CRM), supply chain, and enterprise asset management (see Figure 1).¹

When it consummates the acquisition, Infor will emerge as a \$1.6 billion ERP powerhouse and earn third place, behind SAP and Oracle, in overall enterprise applications revenue. As a result, Forrester expects the following from Infor:

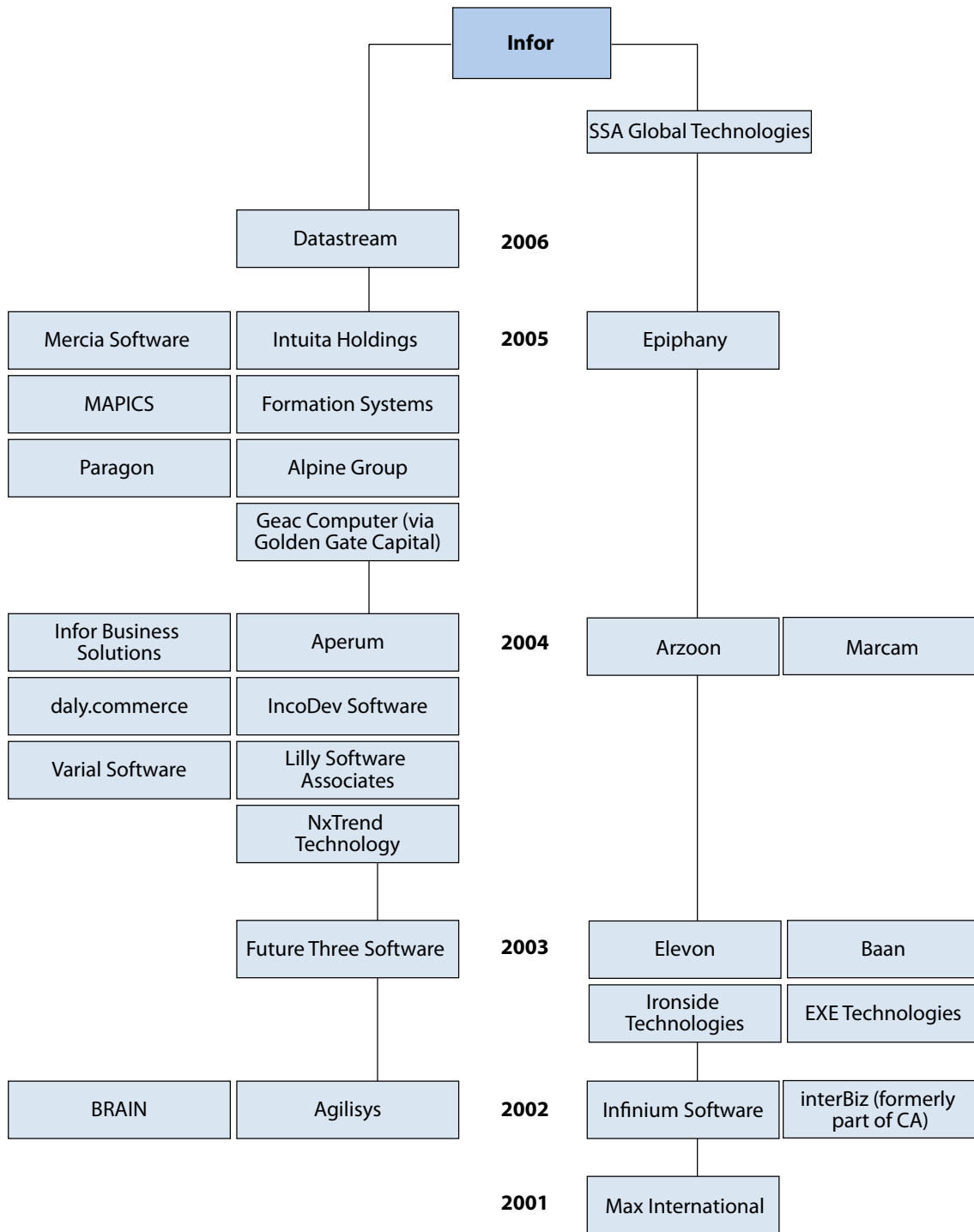
- **Shared approach to customers.** Both SSA Global and Infor adopted “customer for life” policies, pioneering a support and enhancement policy now embraced by Oracle.² Forrester expects the combined company to maintain these customer retention policies and continue iSeries innovation, while focused on selling extended ERP modules to the current customer base. In addition, we expect that Infor will honor existing SSA Global contracts for the legacy Baan, BPCS, BRAIN, Infinium, Lilly, and MAPICS customers, as maintenance revenue remains a significant component of the business model.



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Figure 1 Infor And SSA Acquisition History



- **Enhanced influence and reliance on IBM.** As the largest independent software vendor to support the AS/400, iSeries, and, now, System i5 platforms, Infor gains significant clout with IBM. Forrester expects both IBM and Infor to continue significant cross-investments in enhancing the iSeries platform to support next-generation applications from Infor. On the professional services and WebSphere fronts, Infor now has the critical mass required to capture IBM's attention.
- **Continued challenges to achieve an SOA strategy.** Although SSA Global's technology architecture was considerably ahead of Infor's services-oriented architecture (SOA) strategy, the combined entity faces long-term convergence and interoperability challenges. Today, both companies lack single shared common components for areas like workflow engines, configurators, business process management, identity management, and master data models. Infor's long-term challenge depends on how adoption of IBM WebSphere as the application platform of choice by SSA Global reconciles with Infor's open approach to application platform support. Moreover, this acquisition and Lawson Software's acquisition of Intentia may result in IBM's software group increasing its joint development of key middleware technologies with these vendors.
- **Increased investment in core ERP.** Lack of enterprise-level, globally supported human capital management (HCM) and financial management solutions hampered both Infor and SSA Global from standing as tier one players. Forrester anticipates that the legacy financials application from Baan (SSA Global's ERP_{LN}) and the legacy HR application from Infinium present a foundation for addressing this gap in the product road map. Forrester expects both financial management and HCM to become future investment areas for Infor as customers seek consolidated solutions from a single vendor, especially in the midmarket.
- **Augmented product capabilities.** Besides ERP_{LN} being the crown jewel of this acquisition, Infor gains deeper capabilities in supply chain execution (transportation management systems [TMS] and warehouse management systems [WMS]), process life-cycle management (PLM) for discrete manufacturing, and HCM. SSA gains enterprise asset management capabilities through Datastream, PLM for process manufacturing and supply chain planning. Recently acquired Epiphany provides the combined entities with another opportunity to leverage top-tier CRM in the manufacturing environment, especially sales order management, field service, and marketing. Combined with Infor's daly.commerce, Mercia Software, and NxTrend Technology offerings, Infor gains not only complementary but also competing and overlapping product portfolios that lead to a richer product road map.
- **Improved economies of scale.** With \$1.6 billion in revenues, 37,000 customers, and 7,000 employees, the combined entity should benefit from reduced back office costs, improved global sales coverage, and consolidation of redundant functions in marketing and sales management.³ It remains to be seen if Infor will maintain or increase research and development expenditures to enable product convergence or progress toward a long-term SOA strategy.

- **Reduced financial pressures during post-merger integration.** Taking SSA Global private not only reduces the quarter-to-quarter short-term profit and compliance focus characteristic of publicly traded entities, but it also enables Infor to make the strategic investments required for a successful combination. Forrester expects Infor to continue to make acquisitions as it bulks up in this rapidly consolidating market, building its reliable stream of recurring revenues from maintenance.

RECOMMENDATIONS

KEEP INFOR IN SHORTLISTS FOR MANUFACTURING AND DISTRIBUTION SOFTWARE

Recommendations vary by customer scenario, based on product use:

- **Infor customers.** If currently evaluating supply chain execution, warehouse management, transportation management, and CRM applications, include SSA's portfolio of products in shortlists. However, proceed with caution until Infor announces its future R&D road map for these products.
- **SSA Global customers.** SSA ERP_{LX} and SSA ERP_{LN} customers should press for continued support of convergent product lines and cross-application integration. Customers of other SSA products — including Elevon, Infinium, interBiz, and Marcam — should seek reassurance on support and enhancement life cycles.
- **All Infor and SSA Global customers.** Continue to seek clarity around compatible core financials and human resources management plans to enable enterprisewide deployment of these applications. Consolidate these applications for enterprisewide financial reporting, compliance, and process efficiency. If Infor is unable to provide suitable multinational/multicompany solutions in these areas, consider SAP and Oracle.
- **Prospects.** Continue to consider Infor and SSA Global for shortlists in process manufacturing, discrete manufacturing, and distribution. To date, Infor's acquisition strategy and overall strategy both build on these three market areas.

WHAT IT MEANS

THE MERGER DOES NOT PUT INFOR INTO TIER ONE ERP

SAP and Oracle still stand alone as the top tier, global ERP vendors, with large leads in revenues and large enterprise account ownership. For Infor to ascend to the top tier, it must do more than just grow larger and expand on its position in supply chain execution and planning capabilities. It must also develop a next-generation SOA strategy combined with a comprehensive, integrated solution spanning finance, HR, operations, and customers. In terms of revenue size, The Sage Group, with five million customers and strong growth in the lower end of the market, will likely

surpass Infor by the end of 2006 — unless Infor continues to grow by acquisition or achieves synergies in cross-selling. In the long term, the most likely candidate to move up to tier one is Microsoft Dynamics (formerly Microsoft Business Solutions), with its aggressive next-generation applications strategy and massive marketing campaign around its new product line.

ENDNOTES

- ¹ Forrester has published a report with more information about how the midmarket ERP vendors are competing. See the April 7, 2005, Market Overview “[Midsize ERP Vendors Fend Off Newcomers](#).”
- ² With its acquisitions of PeopleSoft and Siebel Systems, Oracle has adopted a long-term support and enhancement model to promote customer retention. Oracle’s “lifetime” support includes standard (five years), extended (three years), and sustaining (indefinite) support. In addition, Oracle’s Applications Unlimited program, announced in April 2006, promises enhancements to JD Edwards, Oracle, PeopleSoft, and Siebel applications on an ongoing basis, beyond the release of its Fusion Applications.
- ³ The \$1.6 billion revenue figure is Infor’s estimate based on the combined revenues of the two companies plus other recent acquisitions, including the transfer of Geac Computer’s ERP assets to Infor following Golden Gate Capital’s recent \$1 billion acquisition of Geac. Acquisitions in the enterprise applications market often result in some short-term declines in license revenues as the resulting company re-aligns sales forces and rationalizes product overlaps.