ANOTHER GOOD BOUNCE: Top 20 supply chain management software suppliers

***Modern*'s annual look at the supply chain software market revealed that the industry grew significantly in 2011.**

By Bob Trebilcock, Editor at Large

If the supply chain management software industry was a mutual fund, it would have been a growth fund in 2011. And, if revenues reflected stock prices, it would have been a good investment.

The worldwide market for supply chain management (SCM) software applications, maintenance and services came in at $7.74 billion in 2011, including applications for procurement software. Without procurement, the market was nearly $5.2 billion, according to Chad Eschinger, vice president for supply chain with Gartner (www.gartner.com). That's an impressive 12.1% jump over 2010 revenues for the group of applications excluding procurement that are most relevant to *Modern*'s readers. "The industry built off of 2010's momentum," Eschinger says.

Looking forward, Gartner is predicting a compound annual growth rate (CAGR) for SCM software excluding procurement of 8.7%. At that rate, the market will double in less than 10 years.

The top five market leaders will look familiar to readers of last year's survey. SAP ($1.018 billion) and Oracle ($935.6 million) continue as the Hertz and Avis of the industry.

Those companies were followed by JDA Software ($368.5 million), Manhattan Associates ($141.5 million) and RedPrairie ($99.7 million), according to Gartner's analysis.

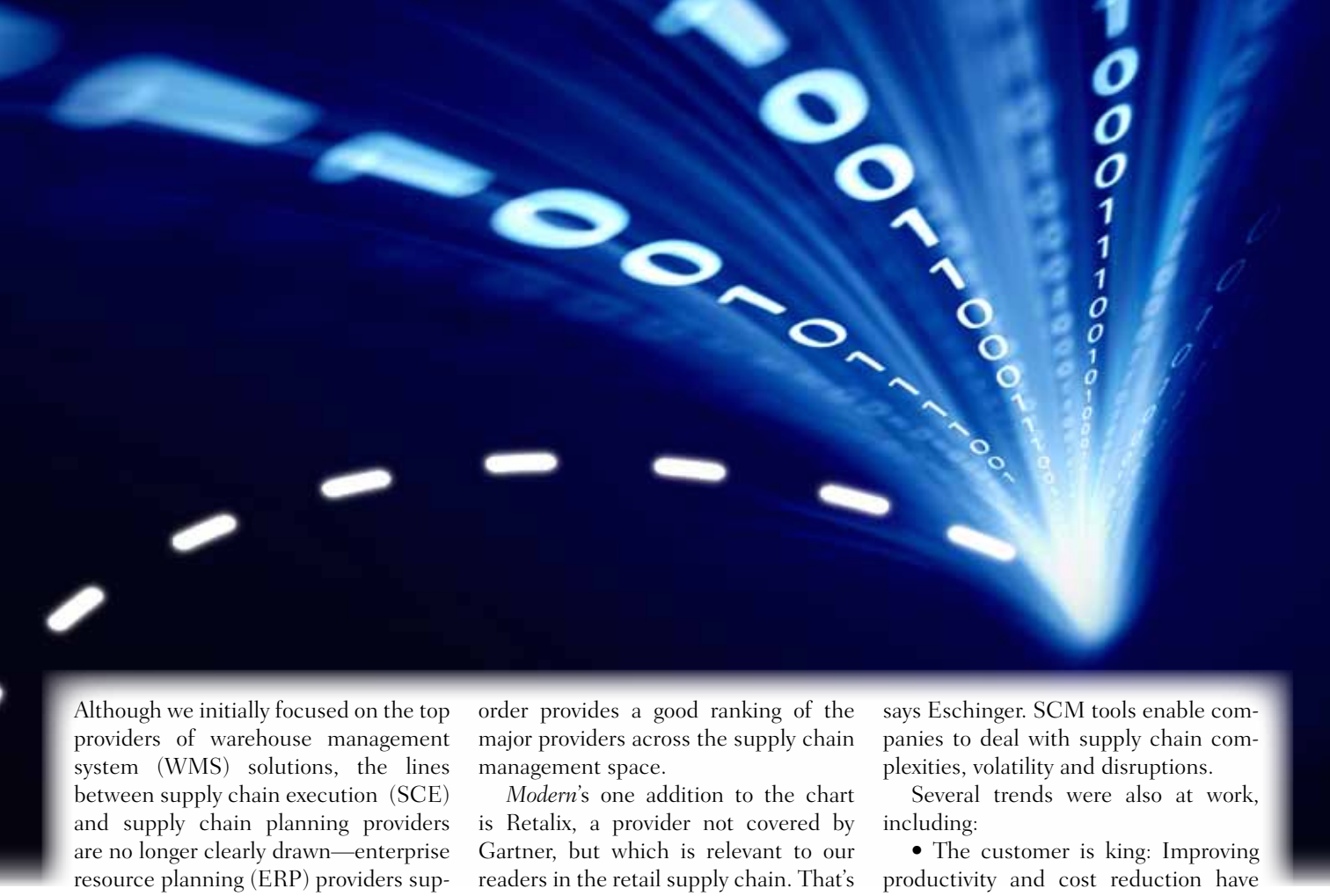
The most impressive move was that of Epicor, which jumped from No. 12 ($57 million) in 2010 to No. 6 ($92.9 million) thanks to the purchase of Activant. That was also the most noteworthy acquisition of the year.

One other important note on the numbers: The Big Three of SAP, Oracle and JDA accounted for 44.7% of the total supply chain management software market. Together, they picked up an additional 2% of market share from the prior year.

While it was a slow year for SCM news, the most impactful event was the continued roll out of EWM from SAP, a warehouse management system that includes automation control.

Making the list

Modern began tracking this space back in 2001, following the Internet boom.



Although we initially focused on the top providers of warehouse management system (WMS) solutions, the lines between supply chain execution (SCE) and supply chain planning providers are no longer clearly drawn—enterprise resource planning (ERP) providers supply WMS and supply chain execution providers supply planning and optimization solutions.

For that reason, *Modern* now partners with Gartner to create the list. It is a numbers game and not a value judgment. The rankings are based on Gartner's estimates of a provider's annual sales for 2011. Gartner's estimates are based on revenues related to supply chain management software excluding vendor-generated services and hardware and not a company's total revenues.

Admittedly, this is an imperfect science. Gartner, for instance, strips out hardware sales from its estimates. Those are the reasons, for example, that Gartner credits Manhattan Associates with $141.5 million when the company's overall revenues are more than double that amount. What's more, Gartner does not follow the warehouse control (WCS) or manufacturing execution (MES) spaces for the purposes of their chart. However, it is an apples to apples comparison. More importantly, whether you agree with all of the numbers, the order provides a good ranking of the major providers across the supply chain management space.

Modern's one addition to the chart is Retalix, a provider not covered by Gartner, but which is relevant to our readers in the retail supply chain. That's the reason our Top 20 has 21 vendors.

Notable trends

Several trends were at work last year in each of the four categories relevant to our readers: ERP and supply chain planning (SCP), WMS, transportation management (TMS) and MES systems.

ERP/SCP: Last year's growth may have been a continuation of 2010's momentum. But interest in supply chain management was also sparked by economic volatility. "The floods in Asia and the earthquakes put a spotlight on the complexity in today's networks," says Eschinger. SCM tools enable companies to deal with supply chain complexities, volatility and disruptions.

Several trends were also at work, including:

- The customer is king: Improving productivity and cost reduction have historically been the leading reasons why companies invest in supply chain software. Last year, meeting customer service demands rose to the top of the list. "Companies are looking for improvements in demand planning, supply chain visibility and the orchestration of their supply chain activities," says Eschinger. "They're asking how they can do a better job of meeting customer expectations."
- The supply chain as an engine of growth: The supply chain is increasingly looked at as a market differentiator and as an engine for business growth at forward looking companies. That was the second reason for investing in SCM tools.
- Innovation: Think of it as the Apple effect. Increasingly, companies are looking to innovation to separate them from the pack in the market. SCM is seen as a tool to enable innovation.
- Cloud computing and mobile devices continue to get traction: The market for subscription-based supply chain services is growing at about 20% a year, says Eschinger. He adds

Top 6 SCM drivers

With a focus on the supply chain, here are the key drivers behind those projects going forward.

1. Improve customer service
2. Target supply chain contributions to drive business growth
3. Innovation
4. Improve efficiency or productivity
5. Reduce costs
6. Improve business processes

Source: Chad Eschinger, Gartner

Top 20* supply chain management software suppliers

No.	Supplier	2011 Revenue	URL	SCP	WMS	MES/MRP	TMS
1	SAP	$1.018 billion	www.sap.com	x	x	x	x
2	Oracle	$935.6 million	www.oracle.com	x	x	x	x
3	JDA Software	$368.5 million	www.jda.com	x			x
4	Manhattan Associates	$141.5 million	www.manh.com	x	x		x
5	RedPrairie	$99.7 million	www.redprairie.com		x	x	x
6	Epicor	$92.9 million	www.epicor.com	x	x		x
7	Descartes Systems Group	$87.7 million	www.descartes.com				x
8	Servigistics	$64 million	www.servigistics.com	x	x		x
9	Kewill Systems	$63.7 million	www.kewill.com				x
10	IBS	$58 million	www.ibsus.com	x	x	x	x
11	Totvs	$57.8 million	www.totvs.com	x	x		x
12	Logility	$52.3 million	www.logility.com	x	x		x
13	Lawson Software	$51 million	www.lawson.com	x	x	x	x
14	Retalix	$50.9 million	www.retalix.com	x	x		x
15	IBM	$50.8 million	www.ibm.com	x			
16	Infor	$50.5 million	www.infor.com	x	x	x	x
17	GTNexus	$46.2 million	www.gtnexus.com	x			x
18	HighJump Software	$45.8 million	www.highjumpsoftware.com		x		x
19	Quintiq	$39.5 million	www.quintiq.com	x		x	x
20	Accellos	$35 million	www.accellos.com		x		x
21	Kinaxis	$34.6 million	www.kinaxis.com	x		x	

* Source: Revenue estimates provided by Gartner (www.gartner.com) with the exception of Retalix, which was provided by the company.

that the most aggressive companies are implementing 40% to 45% of their supply chain software on premise and outsourcing the rest. A company may have a core product like advanced planning and scheduling from SAP on premises but add a specialized cloud-based sales and operation planning tool for integrated business planning activities. "Going forward, we think about 70% of those specialized applications will be in the cloud," Eschinger says. Similarly, there has been a steady adoption of mobile technologies, especially for field personnel. "The cloud, mobility and even social networking are forcing businesses to rethink some of their processes," Eschinger says.

WMS: Like supply chain planning, the market for warehouse management software grew about 15%, and once again topped $1 billion, according to Gartner.

While there were no significant mergers or acquisitions in 2011, Gartner's Dwight Klappich, vice president of research, noted some significant market drivers.

One is that core WMS, which manages the basic processes of a warehouse, is a mature technology. "We're approaching parity across WMS suppliers," Klappich says. "That doesn't mean that all WMS providers are the same. Like buying a car, there are differences in quality. But, also like a car, any WMS should cover the basics."

Instead, the most important differences are the applications that extend the value of the core product, such as labor, yard management and performance management. "To a large extent, the market is being driven by upgrades and replacements because the 10-year-old WMS that was installed to pick cases can't handle piece picking," says Klappich. "And in nine out of 10 replacement deals, it's those add-on

Top 5 SCE software suppliers
(by Revenue – 2011)

Suppliers	2011 Revenue	Share (%) of market 2011
Oracle	$ 405 million	17.4%
SAP	$ 231 million	10%
Manhattan Associates	$ 133 million	5.7%
RedPrairie	$ 100 million	4.3%
Descartes	$ 88 million	3.8%

Source: Chad Eschinger, Gartner

components that are driving the deal."

Considerable growth is also coming out of emerging economies like Latin America. In those areas, the focus is still on core WMS. "A retailer in Mexico City may not care about labor management because labor is cheap," says Klappich. "But they can't afford to ship the wrong product or send an order that is short three items."

TMS: Once again, the market for transportation management software clocked in at just under $1 billion. The market grew at a 15% rate, driven by tight capacity and high fuel costs. "We're back to 2007 and 2008 levels," Klappich says.

While major shippers have been using TMS applications for years, growth is now coming from mid-size shippers spending $25 million to $100 million a year on freight. "Maybe 10% to 15% of those companies have a TMS, so there's a lot of growth potential," says Klappich. Those companies are typically implementing transportation sourcing and benchmarking modules rather than optimization engines. "A company running five loads a day doesn't need optimization," Klappich says. "But they do want a platform to manage their freight."

Meanwhile, more sophisticated companies are looking at supply chain execution convergence—technologies such as the supply chain execution platforms from Manhattan and RedPrairie that can integrate data from a TMS into a WMS to synchronize an end-to-end process.

MES: The market for manufacturing execution software solutions, or MES, for discrete manufacturers reached an estimated $1.5 billion for licensing and revenues in 2011, according to Simon Jacobson, a vice president who covers the MES space for Gartner.

While the benefits of WMS and TMS are now widely accepted in the board room, Jacobson says it is still a challenge to sell the benefits of an MES systems to a C-level executive who thinks the bases are covered by their ERP system. That has inhibited the growth of the space. "The benefits from MES are clear," says Jacobson. "There are also real efficiencies to be gained by standardizing on an MES platform on a global scale. But there's still a need to educate executives to understand that MES can add value to an ERP system."

Looking forward, Jacobson expects to see a wave of consolidation in the industry as large MES players buy up point solution providers to add functionality to their offerings. ☐