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BI Applications Experience Increased Adoption, Slowly

Packaged business intelligence applications are becoming viable and important options that many enterprises are considering. Making the right choice is not easy, because the market is not transparent.

Core Topics
Business Intelligence and Data Warehousing: Business Intelligence Applications and Deployment Methodologies; Business Intelligence Markets, Technologies and Techniques

Key Issue
How should BI applications be deployed as part of a BI strategy?

Strategic Planning Assumption
By 2006, only 10 percent of best-of-breed vendors will have escaped their niche positions; the enterprise resource planning and business intelligence vendors combined will have the dominant "mind share" and market share (0.8 probability).

The intended adoption of business intelligence (BI) applications is increasing (see "Introducing Packaged Business Intelligence Applications"). In a recent Gartner BI study, 60 percent of respondents in Europe and 30 percent of respondents in the United States said they have a "buy" strategy, rather than a "build" strategy, for BI applications. Historically, U.S. enterprises have preferred buying technology and building applications themselves. Furthermore, they tend to be more flexible, by making BI decisions on a case-by-case basis. Enterprises that have a buy strategy like the idea of packaged BI applications, because they provide a "jump start" to their BI efforts and add best practices, as opposed to using homegrown BI applications.

Sales results show that vendors have been unable to turn packaged BI applications into a sizable and profitable business. Market adoption has been limited. For the enterprise resource planning (ERP) vendors (such as PeopleSoft and SAP) and most BI vendors (such as Cognos and SAS Institute), the revenue is a fraction of their overall license revenue. An exception has to be made for vendors such as Hyperion that historically have an application business. Selling applications requires a different skill set than selling technology.

Different Domains

BI applications in the market support different domains.

Domains mentioned most often in the United States are:

- Profitability analysis
- Corporate performance management (CPM)
- Supply chain management (SCM) and ERP

- Activity-based costing
- Customer relationship management (CRM) analytics
- Supplier analytics

The most-often mentioned domains in Europe are not vastly different:

- Profitability analysis
- CRM analytics
- SCM and ERP
- CPM
- Activity-based costing
- Supplier analytics

CPM is well under way to top the hype around CRM analytics. Many enterprises have found that their planning and control processes are at the end of their life cycles. As a result, there is significant interest in software suites that are composed of BI applications for planning, budgeting, forecasting and performance management, such as the balanced scorecard. The need for corporate transparency drives the interest for CPM even further (see "Introducing the CPM Suites Magic Quadrant"). There is renewed interest in activity-based costing. Although many enterprises dismissed activity-based costing in the 1980s and 1990s as too complicated, many enterprises see themselves as needing it now to better understand planning and to support profitability analysis.

What the Vendors Do

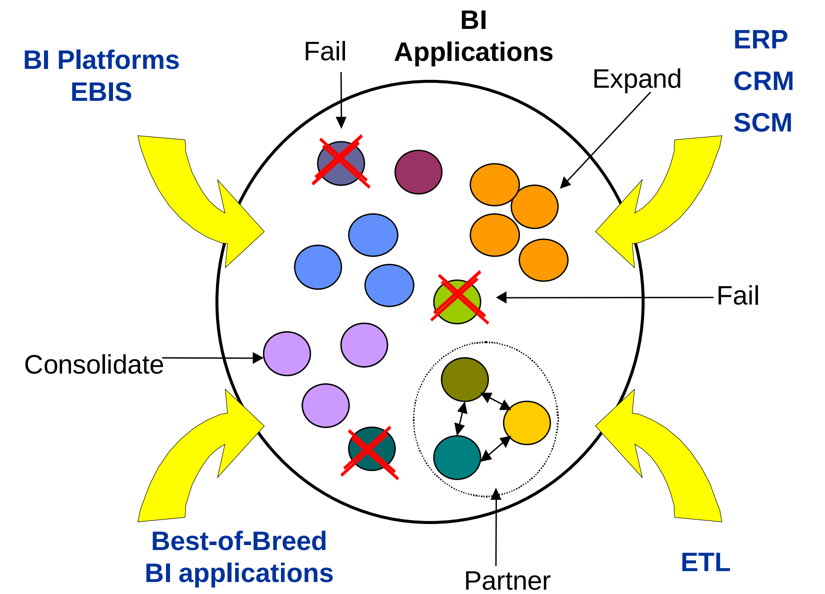
Most of the ERP vendors have launched a BI strategy. SAP and PeopleSoft show that sales of the BI applications leave much to be desired, but their BI infrastructures are quite popular. We expect the CRM and SCM vendors to follow. BI vendors such as Cognos, SAS and Business Objects have entered the applications space, while vendors, such as Hyperion, have rediscovered their position in the market. Even some "hardcore technology" vendors, such as Informatica, in the extraction, transformation and loading (ETL) market have launched BI applications.

Lastly, a countless number of best-of-breed vendors have a pure-play BI application strategy, without any BI or ERP foundation. Almost all of these vendors concentrate on a single functional domain. By 2006, only 10 percent of best-of-breed vendors will have escaped their niche positions; the ERP and BI vendors combined will have the dominant "mind share" and market share (0.8 probability). One thing is certain: there are no leaders, yet.

Figure 1 shows how the various vendor types position their applications and that there is an additional source of market in transparency: partnerships, consolidation and acquisition, expansion and failure.

Figure 1

Various Types of Vendors Entering the BI Application Space



Source: Gartner Research

How to Treat Market Turmoil

Market Partnerships: Partnerships range from joint marketing to joint sales, original equipment manufacturing (OEM) or technology. For example, Coda offers Cognos applications for planning and reporting purposes. Microsoft and Comshare offer a suite of technology and applications together. Many of the partnerships are called "strategic." In reality, most of them are opportunistic to qualify for request for proposals, to have access to each other's customer base or simply to offer something to the market until the vendor has its own set of BI applications.

What Users Should Do: Partnerships go as fast as they come. The more a partnership is based on creating joint technology, the safer it is to bet on it. Users should ignore most joint-marketing partnerships.

Market Consolidation: There is growing consolidation by acquisition. SAS recently acquired ABC Technologies. Cognos acquired Lex2000, which is now offered as Cognos Finance. Hyperion acquired Sapling, to provide balanced scorecard and business modeling capabilities.

What Users Should Do: Users should be aware of integration issues that usually come out of these acquisitions. Typically, it takes at least a year before some level of integration is achieved; in some cases, it takes much longer or is never achieved.

Market Expansion: Vendors are expanding their portfolios. Cognos, PeopleSoft, SAP, Informatica and Business Objects are a few examples. Users should keep in mind that the technology vendor often does not have a deep understanding of the business issues. The ERP vendors sometimes undervalue the needed underlying BI robustness.

What Users Should Do: In assessing operational and strategic BI applications, users should concentrate on how data, metadata and user experience are shared and integrated. While assessing analytic BI applications, users should simply compare the efficiency of leveraging the standard metrics with building customized reports themselves.

Market Failure: There is already failure in the market. Microstrategy and Hyperion each tried to offer CRM analytics, but withdrew due to lack of sales. The products were immature and most enterprises were not ready for them.

What Users Should Do: Enterprises should create and deploy a data warehouse strategy to centralize data and metadata. They will be able to leverage this strategy throughout the complete set of BI applications. If an application needs to be replaced, the data acquisition and integration — being the majority of the effort — is largely preserved.

BI applications by themselves do not serve users. The applications should be part of an overall BI strategy. Enterprises should carefully construct a BI applications framework to make sure the portfolio matches and leverages all the applications, instead of overlapping and creating more integration effort (see "BI Application Spaghetti: Tasty Meal or Sauce on Shirt?"). When there is an ERP or BI strategy, enterprises should keep these central for assessing BI applications. Furthermore, enterprises should overcome political barriers and standardize across the various lines of business to create a closed loop in their planning and control cycles. Lastly, they should invest in the right BI skills, not only so that the tools can be used correctly, but also to ensure there is some intelligence in correctly interpreting the analytical outcomes.

Bottom Line: Enterprises should investigate business intelligence (BI) applications, preferably in combination with a BI application framework. When this is not the case, BI applications should be treated purely as tactical, on a case-by-case basis and

Acronym Key

BI	Business intelligence
ERP	Enterprise resource planning
ETL	Extraction, transformation and loading
CPM	Corporate performance management
CRM	Customer relationship management
OEM	Original equipment manufacturing
SCM	Supply chain management

without significant interplay. Vendors that are also active in enterprise resource planning (ERP) and the core BI market have the highest chances of success.