

PeopleSoft's New Strategy Depends on Cross-Selling, Service Goals

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After acquiring J.D. Edwards (JDE), PeopleSoft announced a product road map and customer-oriented strategy. The plan relies heavily on selling more to JDE customers and on follow-on services.

NEWS ANALYSIS

Event

On 4 September 2003, PeopleSoft unveiled its road map for a product set that has grown with the recent acquisition of JDE. PeopleSoft said it will expand two of its three product lines by filling functional gaps in each. PeopleSoft emphasized that the acquisition would lead to growth, not consolidation. In the short term, PeopleSoft plans to improve profit margins via a small amount of consolidation and the use of its service unit to sell more products into the JDE installed base.

Analysis

Products: PeopleSoft has renamed its three product families: JDE's i Series-based World and JDE 5 (that is, OneWorld) products have become PeopleSoft World and PeopleSoft EnterpriseOne, respectively. PeopleSoft 8 has become PeopleSoft Enterprise. PeopleSoft Enterprise One and Enterprise will experience the greatest application convergence as PeopleSoft intends to broaden the capabilities of both product sets. Accomplishing this will better enable PeopleSoft to up-sell and cross-sell into its own client base. To succeed, PeopleSoft must deliver the integrated modules it has promised for 4Q03 and 1Q04.

Services: PeopleSoft has set an aggressive target of cross-selling products to 36 percent of customers, with a particular focus on services. PeopleSoft projects service revenue of \$975 million to \$990 million in 2004. Therefore, customers should watch to see whether PeopleSoft reaches certain milestones as success indicators:

- The ability to up-sell and cross-sell — and the rate at which these sales accelerate
- Services' growth and other metrics
- Product expansion plans

PeopleSoft's customer-centric approach to services focuses on fundamentals, including utilization rates, attrition and gaining efficiencies in the management span of control. As with any product-centric vendor, achieving its revenue goal for services depends on achieving its targets for growth in license sales as well as newly identified cross-selling opportunities.

Gartner expects that PeopleSoft will provide more details about its product road map at the PeopleSoft Connects User Conference (15-18 September 2003 in the United States, 20-22 November in Europe).

Recommendations:

- PeopleSoft customers in the service industries, JDE manufacturing customers and World customers should continue with their current investments.
- PeopleSoft manufacturing customers and JDE customers in service industries should assess the vendor's product plans and see how they align with their investments. Customers in certain sectors may benefit if PeopleSoft shares functions between product sets.
- PeopleSoft midmarket customers should seek more details from the product road map as it implies that the PeopleSoft EnterpriseOne product (based on JDE) would be its lead offering in most vertical industries.

- Enterprises with a mix of PeopleSoft and JDE products should assess the vendor's integration plans.

Analytical Sources: Lee Geishecker, Frances Karamouzis, Chad Eschinger, Jeff Comport and Joel Wecksell, Gartner Research

Recommended Reading and Related Research

- "Contractual Protections for PeopleSoft Customers" — PeopleSoft customers and prospects should *immediately* audit contracts and seek specialized legal advice to ensure they have sufficient protection if the company is acquired. **By Alexa Bona and Jane Disbrow**
- "Short-Term Advice for PeopleSoft Customers and Prospects" — Gartner provides a framework to help clients make decisions. **By Brian Zrimsek and Jeff Comport**

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