Magic Quadrant for Cloud ERP for Product-Centric Enterprises

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ERP applications are required to orchestrate and automate core operational and administrative processes. This Magic Quadrant helps ERP leaders in product-centric organizations evaluate cloud ERP vendors as part of a composable strategy that emphasizes core process standardization with innovation.

Strategic Planning Assumption

By 2027, 60% of customers replacing ERP applications will select software for the platform and business process orchestration capabilities as critical requirements, along with transactional capabilities, in order to deliver more-tailored outcomes.

Market Definition/Description

Gartner defines cloud enterprise resource planning (ERP) for product-centric enterprises as a market for application technology that supports the automation of operational activities for the manufacturing, distribution, delivery and servicing of goods. Cloud ERP for product-centric enterprises is delivered under a SaaS license model (with frequent mandatory updates), where application support, infrastructure provisioning and management are the responsibility of the vendor.

Broadly speaking, ERP solutions enable a variety of enterprisewide business processes, primarily those associated with systems of record and systems of differentiation (see **Use Pace Layers to Align Your Application Strategy With Your Business Strategy**). ERP solutions form the core systems that allow an enterprise to conduct business. For product-centric ERP solutions, process enablement covers a wide range of enterprise processes, including:

- Supply chain planning

- Procurement of product inputs

- Production control

- Warehousing

- Distribution

- Transportation logistics

- Customer order intake and invoicing

- Vendor invoice management

- All elements of financial transaction processing and reporting

Mandatory Features

The must-have capabilities for this market include:

- Plan supply and demand and source and procure production inputs

- Manufacture products

- Manage customer fulfillment and logistics

Common Features

The standard capabilities for this market include processes such as:

- Plan supply and demand and source and procure production inputs

- Manufacture products

- Manage customer fulfillment and logistics

- General ledger, accounts payable, accounts receivable and fixed assets

- Cost accounting and project accounting

The 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.

- Financial planning and analysis (FP&A) or extended planning and analysis (xP&A).

- Specialized, industry-specific modules or adjacent applications — These include, but are not limited to, modules such as those used for configure-to-order, make-to-order and field service management. Also included are broader application solutions, such as those used for manufacturing execution (MES), enterprise asset management (EAM) and product life cycle management (PLM).

- Sustainability and ESG (environmental, social and governance) — Execution or analytic capabilities which allow organizations a line of sight on their progress against sustainability goals.

Magic Quadrant

Figure 1: Magic Quadrant for Cloud ERP for Product-Centric Enterprises
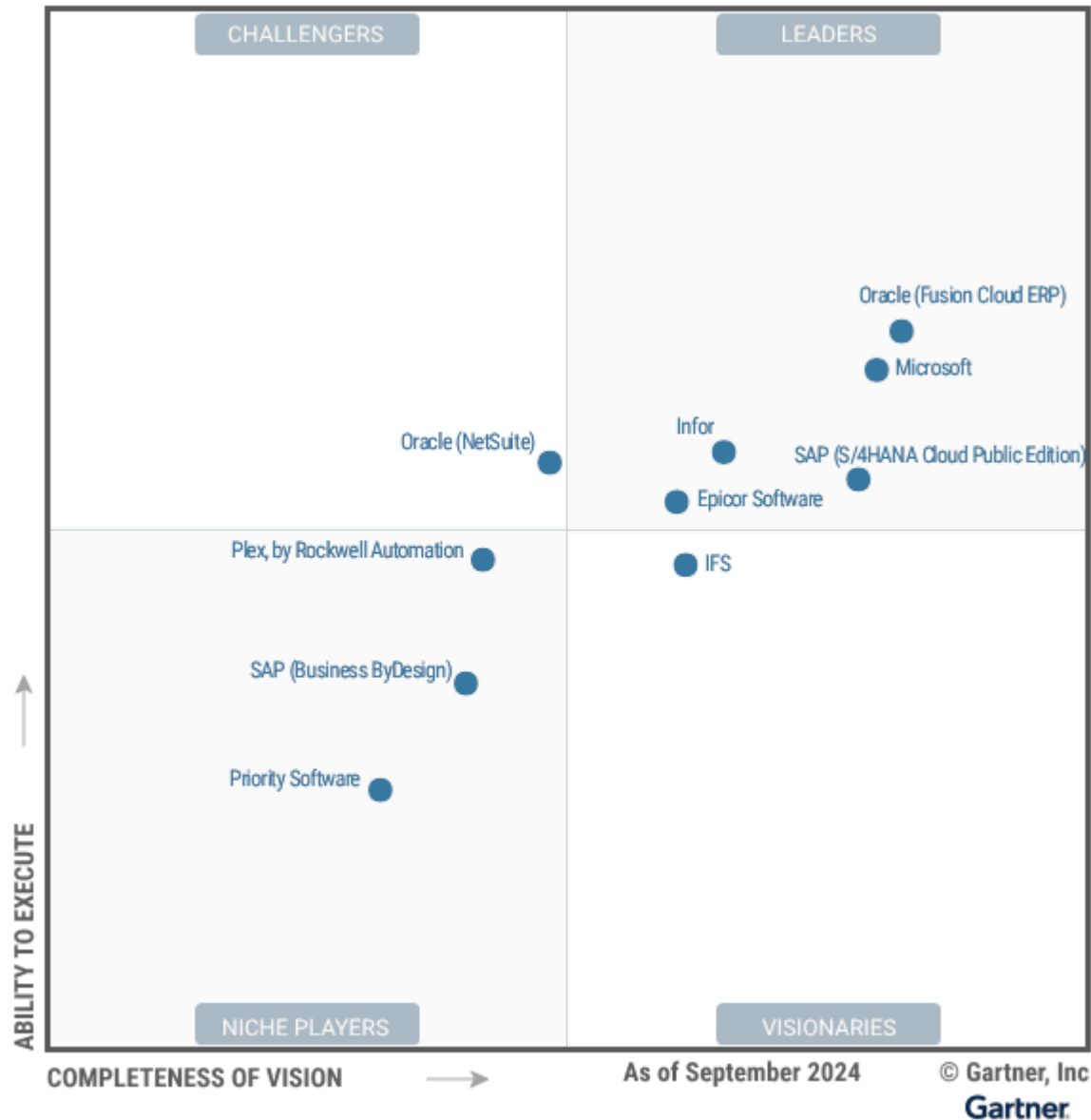
Vendor Strengths and Cautions

Epicor Software

Epicor is a Leader in this Magic Quadrant, offering Epicor Industry ERP Cloud, with packages like Kinetic for manufacturers and Prophet 21 for distributors. Primarily targeting midsize companies in North America and EMEA, and customers worldwide, it specializes in the automotive, building supply, distribution, manufacturing and retail sectors. Epicor has enhanced its FP&A capabilities and introduced new products, including Field Service Management for revenue diversification, and Predictive Inventory Assistant and Predictive Maintenance Assistant for automotive aftermarket

insights driven by AI. The future roadmap emphasizes AI innovation, focusing on the cognitive ERP concept of "data to action" and sustainability development.

Strengths

- **Robust midsize offering for discrete**: Epicor provides a comprehensive, single-vendor ERP solution tailored for midsize enterprises, integrating core operations into a cohesive system and effectively managing complex requirements specific to discrete manufacturing, engineering workbench and advanced subassembly operations.

- **Data-driven ERP approach**: Epicor's product strategy to deliver a cognitive ERP continues its evolution from traditional transactional ERP systems to a data-driven operational model, enabled by AI and business intelligence capabilities. Its "data as a service" (DaaS) approach is innovating data sharing within enterprises and their extended ecosystems to optimize supply chain processes and minimize disruptions.

- **Embedded integration platform as a service (iPaaS)**: Epicor's low-code integration workbench, Automation Studio, enables users to automate workflows and connect disparate systems without extensive coding, allowing users to streamline operations and integrate systems seamlessly.

Cautions

- **Geographic coverage**: Epicor continues global expansion, with plans to expand its Europe and Asia presence in the next three years. Customers entering new product lines or regions should evaluate their alignment with Epicor's multiregional support strategy, ensure completeness of country localizations, verify regional presence, and assess local partner capabilities and regulatory compliance.

- **Sustainability and ESG considerations**: Although Epicor has made innovations in governance, risk and compliance (GRC), energy monitoring, and ERP reporting for sustainability, it is lagging behind current market trends. The roadmap includes a patent-pending carbon cost roll-up. If ESG goals are critical, evaluate Epicor's offerings to ensure they meet your specific requirements.

- **Missing app store**: Epicor doesn't offer an app store, which means customers may face a more limited ecosystem of third-party applications and integration options specifically built on Epicor Industry ERP Cloud for enhancements. This environment may increase dependency on Epicor's own enhancement capabilities, potentially limiting flexibility and innovation. Epicor offers a library of packaged integrations with Automation Studio, as well as industry-certified integrated extensions for independent software vendors (ISVs).

IFS

IFS, a Visionary in this Magic Quadrant, targets midsize to large enterprises with its IFS Cloud solution, mainly in EMEA and North America. The ERP offering focuses on industries like industrial equipment manufacturing, aerospace, defense, construction engineering, energy and project-based manufacturing. Recent innovations include AI capabilities in cash flow simulations and

system-generated alternate shipping routing to avoid acute disturbances. Future innovation is centered around bringing further AI and sustainability features to customers.

Strengths

- **Strong industry focus**: Through granular licensing, IFS supports customers needs ranging from moderate to complex manufacturing, and markets a portfolio of integrated capabilities with manufacturing execution systems (MES), EAM and field service. The solution strategy offers a core set of capabilities that organizations can then augment with additional components according to their strategic needs.

- **Remanufacturing coverage**: IFS provides differentiating functionality for circular manufacturing to reduce waste, where organizations can use old parts — disassembling, repairing and reusing them in manufacturing new products.

- **Composability strategy**: IFS continues to provide depth of capabilities that give customers an opportunity to follow a composable strategy. IFS Cloud has built-in IFS Cloud Designers for UI configuration (i.e., Lobby pages, Workflows, and Queries), and the IFS Connect integration tool, along with a well-populated API library, delivering options that help users customize their solution inside-out or outside-in.

Cautions

- **AI and sustainability capabilities**: IFS is heavily invested in AI and sustainability functionality, but it is still behind some peers when comparing the maturity of AI scenarios or the scope of greenhouse gas emissions measurements covered. Current and prospective customers should evaluate IFS' roadmap in these areas when making investment decisions.

- **Modular licensing and lagging adoption rates**: Prospects and customers looking to implement or expand functionality within IFS need to pay close attention to licensing. IFS provides flexibility in terms of modules and functionality, which also makes it harder for clients to understand what they are buying. IFS is lagging in comparison with other vendors on adoption, which leads to relatively low visibility in service and pricing.

- **Partner network development**: IFS' rapid organic growth continues to pressure the partner network that will be responsible for customer implementations. That network will need to mature at an accelerated rate to keep pace with IFS' growth track record and trajectory. Prospective customers should thoroughly evaluate the experience, capabilities and customer references of the network implementation partners to gauge suitability.

Infor

Infor is a Leader in this Magic Quadrant, offering advanced, industry-specific ERP capabilities through CloudSuite (LN for discrete manufacturing, M3 for process manufacturing and distribution, and Syteline for midsize manufacturing) as separate cores. Serving diverse verticals like aerospace, automotive and food and beverage, Infor provides deep functionality within each. Recent enhancements include Infor's generative AI (GenAI) platform, ESG dashboarding, process mining and portal solutions. Future plans aim to strengthen automation by AI-enabled customer

order creation, AI purchase order creation and interactive conversation price recommendations, thus facilitating solution adoption and productivity.

Strengths

- **Deep industry vertical focus**: Infor is deeply committed to comprehensive, industry-specific functionality through its CloudSuite offering, which includes multiple ERP options tailored for specific industries. These solutions provide advanced core competencies, with minimal customization, through prebuilt industry best practice configurations.

- **Advanced Workspaces**: Infor delivers Advanced Workspaces, which focus on role-based predesigned visualizations, process flows and configurations. They are delivered with specific persona-based settings that can be easily tailored to further drive productivity.

- **Augmented technical services**: Infor enhances customers' ability to address mission-critical operational challenges through its Infor OS platform. This enterprise orchestration platform integrates AI, machine learning (ML), data fabric and other services to provide greater data-driven insights and process automation, thereby improving decision making and operational efficiency.

Cautions

- **ERP selection process**: Determining which core solution is best suited within the portfolio can be challenging when evaluating CloudSuite. When evaluating CloudSuite, customers must have clarity on the core capabilities required, versus capabilities that vary by industry, in order to make the best choice among the CloudSuite solutions.

- **Geographic coverage**: Multiple core ERP solutions in the portfolio can complicate securing global support, consulting and managed services, as most systems integrators (SIs) specialize in only one of the core ERP solutions. Customers should identify the support, education and user network for each CloudSuite component. Infor's geographic coverage should be evaluated at each ERP core level and not at CloudSuite as a whole.

- **Market strategy and adoption**: Infor supports large enterprise customers with complex and multiline operations; however, most of Infor's customers have less than $250 million in revenue. Prospective customers, especially large enterprises with multiple lines or highly customized processes, should evaluate their alignment with the Infor best practice flows and incorporate the change management required to adjust to vendor best practice recommendations.

Microsoft

Microsoft is a Leader in this Magic Quadrant, targeting upper-midsize to large enterprises with Dynamics 365 for supply chain management and finance. The solution is primarily distributed globally, with strong presences in North America and EMEA. Most customers are in manufacturing, retail, consumer goods and distribution. The solution leverages Azure services and integrates with Microsoft 365 productivity products, Teams, Power BI, Excel and Outlook. Innovations include domain-specific process mining with Copilot, as well as Copilot-driven

inventory visibility, procurement processes, demand planning and business performance planning. Microsoft aims to develop AI Copilot use cases to pursue autonomous actions.

Strengths

- **Vision of a modern ERP.** Dynamics 365 has a strong vision for a modern ERP. Microsoft has a broad set of horizontal capabilities and technologies that allow for extensibility and connectivity. Modern user experience examples include mixed-reality guides on the shop floor and Copilot for Finance, which organizations can use for finance-specific automation, even if not running Dynamics 365.

- **AI and GenAI differentiation:** Microsoft has differentiated itself by the scale of its AI and GenAI delivery to the market. Copilot in Dynamics 365 releases focused on creating content like Procurement Copilot, which generates vendor follow-up emails or similarly generated customer summaries for customer care teams.

- **Robust platform strategy:** Dynamics 365 provides a robust Power Platform strategy to support development. It provides specialized solution development tools, like embedded Power BI, low-code extensibility, workflow automation, UI development, robotic process automation (RPA), AI and its GenAI Copilot, and is supported by a broad network of ecosystem partners that build tailored capabilities. The Power Platform delivers prebuilt product-centric integration to support end-to-end manufacturing execution, automated material handling, Internet of Things (IoT) sensor data integration and label printing.

Cautions

- **End-to-end delivery complexity:** Dynamics 365's Vertical solutions are supported by a network of ISVs, OEMs and SIs. Customers must be aware of the complexity being introduced in solution life cycle management, as this may involve different partners for delivering end-to-end solutions.

- **Complex manufacturing environments:** There are still gaps in some product-centric capabilities required for complex manufacturing. Microsoft continues to release capabilities for traceability and product genealogy. Organizations should evaluate whether vendor capabilities are at a stage of development that meets their requirements.

- **Contract and pricing:** Microsoft has established a defined semiannual cadence for aligning Microsoft Cloud pricing globally to U.S. dollar levels, and may make adjustments in response to currency fluctuations. Organizations should pursue transparency of regional price adjustments to determine movement attributable to currency inflation, versus any other factors influencing price realignments.

Oracle (Fusion Cloud ERP)

Oracle is a Leader in this Magic Quadrant and targets upper-midsize and large enterprises with its Fusion Cloud ERP. A broad set of capabilities support multiple industries, including industrial and wholesale manufacturing, high tech, consumer packaged goods (CPG), energy and pharmaceuticals. Oracle's iPaaS offers API management, AI/ML and analytics services. Recent

innovations include various GenAI use cases for supplier and quality inspection recommendations, maintenance work order summaries, an ESG ledger and a Smart Operations workbench targeting shop floor productivity. Future plans focus on new domain-specific user experiences, additional prebuilt and extensible GenAI use cases, and sustainability-driven transportation planning and execution.

Strengths

- **Breadth of capabilities**: Oracle supports customers' needs, including manufacturing, supply chain, finance, procurement, HCM, warehouse management system, transportation management system and enterprise performance management, in organizations with moderate to complex operating models. These capabilities are augmented with AI/ML features (e.g., more-intelligent guided "put-away" support in warehouse management).

- **Complex corporate capabilities coverage**: Oracle Fusion Cloud ERP's robust data model enables adoption across organizations with complex corporate operating models that have requirements like planning across oceans, multitiered shipping, or transfer orders sourced from overseas vendors. These scenarios are supported with deep granularity, which distinguishes them among vendors.

- **Sustainability offering**: Oracle Fusion Cloud ERP delivers comprehensive embedded sustainability. Its sustainability control tower brings together key measurement data and manages supplier compliance by way of GenAI-created questionnaires. Users can select the type of emissions to track and analyze.

Cautions

- **Last-mile capabilities**: Large, complex manufacturing enterprises will need to identify vertical gaps between requirements and configuration when using Oracle Fusion Cloud ERP. Although the offering will satisfy a wide breadth of horizontal solutions, users needing last-mile vertical capabilities will probably have to rely on Oracle's iPaaS capabilities for extensibility or integrate with partner ecosystem solutions.

- **Single-vendor presence (manufacturing)**: Oracle Fusion Cloud ERP is seldom used as a single vendor in complex manufacturing environments. In these cases, users typically see it as part of a tiered strategy to cover corporate requirements. Prospective customers with complex manufacturing requirements will need to seek peer connections to benchmark suitability.

- **Continued service and support improvements**: Customer feedback reveals scores for service and support as lagging compared to other vendors in our analysis. Customers must pay attention to how SLAs are written in terms of client issues. These findings indicate an opportunity for Oracle to improve how it manages client problems and provide resolutions in a timely manner.

Oracle (NetSuite)

Oracle NetSuite is a Challenger in this Magic Quadrant and primarily targets midmarket enterprises, with most customers in North America, and has a global footprint. NetSuite targets a

diverse range of discrete and process manufacturers, focusing on food and beverage, health and beauty, and distributors. It delivers capabilities for HCM, supply chain, order management, production management and financial management. High-volume manufacturing scenarios are covered by ecosystem partners. Recent innovations include embedded configure, price and quote (CPQ) and field service management coverage. NetSuite plans enhancements with AI, including natural language processing to autonomously generate proposals or quotes using its CPQ functionality.

Strengths

- **Infrastructure and services**: NetSuite offers operational resources suitable for midsize enterprises. It incorporates Oracle's iPaaS resources, including a global data center presence, database services, integration capabilities and AI/ML capabilities. This integration enhances NetSuite's functionality and provides midsize enterprises with additional resources for creating tailored solutions.

- **ESG capabilities**: NetSuite offers comprehensive functionality to cover sustainability by providing organizations with a robust tool to benchmark their ESG goals and gain insights through ML pattern recognition in incoming energy data, enabling the identification of anomalies to drive sustainability initiatives.

- **360 dashboards**: NetSuite continues investments in various 360 dashboards, making reporting and insights available for customers, vendors and cash flow on consolidated levels, with the functionality to drill down to various product components or subsidiary levels.

Cautions

- **Manufacturing functionality**: Organizations should ensure they understand the scope of NetSuite's manufacturing offering, as it may not fully align with more-complex manufacturing organization needs. Examples on the roadmap of developing capabilities include material returns and material staging.

- **Product delivery schedules**: Despite continuous development, NetSuite has lagged in areas such as GenAI. Although it has announced plans for an aggressive rollout aimed at addressing this in the future, prospective buyers evaluating the solution should scrutinize delivery schedules for innovative capabilities that align with their modernization strategies.

- **Contracting and cost**: In comparison to its market competitors, NetSuite's pricing structure often leans toward the higher end, especially for its target of midsize organizations. NetSuite offers pricing that ranges by users, data volume, infrastructure and support levels, providing some flexibility to customers as business needs grow.

Plex, by Rockwell Automation

Plex, by Rockwell Automation is a Niche Player in this Magic Quadrant. The Plex Smart Manufacturing Platform targets midsize enterprises seeking to optimize plant operations. Most customers are in the Americas, with an expanding presence in EMEA and Asia/Pacific. Plex focuses on discrete and process manufacturing verticals like automotive, food and beverage, and

aerospace. Recent innovations include no-code process flow development tooling and specific enhancements, such as yield modeling, transfer orders and bulk handling. Future plans include embedded Microsoft Teams chat and interactive work instructions; extensions of IoT capabilities for devices, assets, and sensors to drive productivity; and quality, further reporting and visualization for proactive analytics.

Strengths

- **Midsize offering:** Most Plex customers are lower-midsize, and the offering has a strong solution set to handle complex requirements for discrete and process manufacturing. These capabilities include native PLM, advanced engineer to order, a built-in electronic data interface and other capabilities supported by an implementation methodology for rapid adoption. Additionally, Plex provides a benchmarking service to provide customers with data on specific areas for process improvement.

- **MES expertise:** Plex has historically delivered strong MES capabilities. It has native integrations and capabilities from the ERP solution with its MES solution, which is appreciated with its small and midsize business (SMB) segment of customers looking for a one-stop shop for manufacturing capabilities.

- **Contracting and pricing:** Customer feedback indicates Plex is a highly rated vendor with regard to contracting. Plex's "elastic packaging" licensing gives customers the opportunity to license capabilities as needed. This approach is attractive to midsize organizations that can use revenue generated by specific plants as a price basis for specific process improvement components.

Cautions

- **Geographically dispersed adoption:** With a strong focus on manufacturing capabilities for primarily small to midsize organizations, Plex has a limited footprint across other industries, compared to peers. Adoption is primarily in North America, with global partners supporting international needs. Clients should evaluate its coverage of local, geographic-specific needs that are outside of the target market.

- **Artificial intelligence:** Plex has deployed AI solutions in its supply chain planning functionality. It has acknowledged the importance and impact of AI, but has less-mature AI capability coverage when compared to its peers.

- **Customer support:** Feedback from some existing clients, indicates support response times may be long. Prospective clients are advised to assess the adequacy of Plex's support model.

Priority Software

Priority Software is a Niche Player in this Magic Quadrant. Priority Cloud ERP offers general administrative and mixed-model operational ERP capabilities. Priority Software targets SMB organizations in EMEA and North America. Midsize manufacturing customers seeking a single-suite approach should consider Priority Software when seeking to balance operational and administrative capabilities. Recent innovations have focused on automating business rules, AI-

based personalizations, mobile flexibility, a refreshed UI, web generation and the expansion of predefined application connectors. Future innovation is planned in AI, analytics, predictive models and various supply chain capabilities.

Strengths

- **Performance for small and midsize enterprises in EMEA**: Priority Software has executed well in winning cost-conscious SMB manufacturing customers in EMEA, the region in which it is headquartered. Customers surveyed report high levels of satisfaction with the value for money delivered by its SaaS suite.

- **Implementation lead time**: In comparison with peers, Priority Software is reported to have a short implementation project timeline, which is an advantage for SMBs looking to get onto an ERP in a short period of time.

- **Loading and unloading control**: Priority Software has embedded capabilities for loading and unloading control for warehouse management, including digital signature, which appeals to target customers in the midsize enterprise (MSE) segment that don't want to spend time developing functionality for loading and unloading control.

Cautions

- **Support**: Users of Gartner's client inquiry service indicate that Priority Software's documentation updates and customer support, particularly with respect to resolution times when addressing new features and technical issues, can be inconsistent. Priority Software has stated plans to enhance and grow the function to address the issues.

- **AI and sustainability:** Compared to peers, Priority Software has no clear roadmap on embedding AI and sustainability functionality in the product. Prospects looking for innovative solutions would need to work closely with Priority Software to better understand their roadmap.

- **User Interface**: According to Gartner customer feedback, Priority Software's UI is behind the competition in terms of intuitive user experiences. Although Priority has recently refreshed its UI, there is opportunity to provide capabilities with embedded collaboration features, advanced visualizations or assistant-driven navigation, for example.

SAP (Business ByDesign)

SAP Business ByDesign is a Niche Player in this Magic Quadrant aimed at lower-midsize organizations, but has attracted some larger organizations. It is predominantly sold via value-added resellers and has customers in the Americas, EMEA (its largest market) and Asia/Pacific. Discrete manufacturers and/or distributors seeking a fully managed midmarket cloud ERP solution with basic capabilities for production, supply chain, financial management and procurement should consider SAP Business ByDesign. The solution is considered to be running in "complete" mode, based on the core ERP capabilities. SAP's future roadmap for this offering is focused on maintaining a full set of capabilities for target MSE customers.

Strengths

- **Target MSE adoption:** SAP Business ByDesign has high adoption among its MSE client base, suggesting that it is well-suited to target customers. The solution provides sufficient breadth of capabilities and has several industry-specific solutions to better accommodate customers.

- **Horizontal ERP suite for MSEs:** SAP's focus is on providing a comprehensive horizontal suite approach. This is attractive for customers in the MSE space looking for simplicity and a solution that may be able to cover administrative ERP functions, like finance and HR, as well as simpler, product-centric supply chain management capabilities.

- **Market understanding:** The pricing model is straightforward, which is a known need of this offering's target market. Clients perceive this pricing strategy as beneficial when compared to the more complex pricing and licensing models of other solutions, such as SAP S/4HANA.

Cautions

- **Portfolio position and future roadmap:** SAP Business ByDesign; SAP S/4HANA Cloud Public Edition (GROW with SAP); and SAP Business One all target the same MSE customers. Gartner has received feedback from customers and partners who are concerned about the future of SAP Business ByDesign as a product. Prospective customers should assess whether this uncertainty about the product's longevity is a risk to consider in their decision to shortlist SAP Business ByDesign.

- **Future innovation:** Data points, including various communications from SAP, suggest that Business ByDesign is a "complete" product, which means that strategic new innovation is not concentrated to be delivered to the core of the product. While SAP pitches its business technology platform as a way to drive this innovation, this approach may require additional licensing and technical capabilities that go against the simplicity that favored most SAP Business ByDesign choices in the past.

- **Lower availability of resources:** As a result of the higher emphasis on SAP S/4HANA, partner customer references mention challenges with motivating consultants to continue focusing on SAP Business ByDesign skills, especially new consultants. While still not a major issue, the long-term implications of this effect are starting to concern existing customers and potential prospects.

SAP (S/4HANA Cloud Public Edition)

SAP is a Leader in this Magic Quadrant. It offers SAP S/4HANA Cloud Public Edition, primarily targeting midmarket and large enterprises. It caters to essential manufacturing and light assembly in various industries, including wholesale distribution, consumer products and high tech, across the Americas, EMEA and Asia/Pacific. Recent innovations include sustainability and carbon accounting, as well as wave management, an efficiency play to manage warehouse tasks. Future developments include the Joule AI assistant, currently in early adoption, for conversational navigation and innovations in AI, ML, RPA and predictive analytics.

Strengths

- **Comprehensive capabilities:** SAP S/4HANA Cloud Public Edition provides a comprehensive set of ERP operational capabilities for product-centric customer needs. The solution delivers PLM, supply chain planning, manufacturing planning, warehouse and transportation management (including SAP Sustainability Control Tower), and embedded AI/ML within the cloud instance.

- **Product-centric innovation roadmap:** SAP's innovation roadmap includes advanced product-centric key capabilities, like predictive replenishment in retail and automated trade claims processing in consumer products, as some of the innovations are aimed at specific industries. It will also target specific AI capabilities in back-order processing, production order handling and quality management.

- **Partner ecosystem diversity:** SAP's partner network is critical to reselling and delivery of programs, like GROW With SAP, which delivers SAP S/4HANA Cloud Public Edition. It promotes a strong global ecosystem of partners that consists of consulting services, development and integration services, business transformation services, implementation partners, technical migration partners, and ISVs.

Cautions

- **Complexity in portfolio selection:** In addition to SAP S/4HANA Cloud Public Edition, the current solution being evaluated, users can also choose the S/4HANA Cloud Private Edition and On-Premise Edition. SAP S/4HANA Cloud Public Edition currently has less breadth and depth of capabilities than SAP S/4HANA Cloud Private Edition. Organizations struggle to understand which application is most suitable based on capability, degree of control or variability with user experiences.

- **Completion by line-of-business (LOB) solutions:** SAP's strategy is to deliver S/4HANA as core operational and finance capabilities while delivering additional LOB solutions, like SAP SuccessFactors, SAP CX and SAP Analytics Cloud, as add-ons, which are not embedded as part of the GROW With SAP offering.

- **Pricing:** Our client interactions reveal that SAP contract negotiation is complex. SAP often provides summarized proposals, with products listed in sections and a single price for each section. This strategy makes it difficult for prospective users to compare pricing for competitiveness and business cases.

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

No vendors were added to this Magic Quadrant.

Dropped

QAD did not meet all of the inclusion criteria outlined in the Inclusion Criteria for the current year's Magic Quadrant for Cloud ERP for Product-Centric Enterprises. It is currently focused on the next milestone release of its ERP software for manufacturers and supply chain organizations, which did not occur within appropriate time frames for our analysis.

Inclusion and Exclusion Criteria

For Gartner clients, Magic Quadrants and their associated Critical Capabilities reports identify and analyze the most relevant vendors and products in a market. By default, Gartner sets an upper limit of 20 providers in order to focus our analysis. On specific occasions, this 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, vendors had to fulfill the following criteria.

Market Presence

- Each vendor had to have at least 200 customer organizations with annual revenue (for commercial organizations), expenditure (for nonprofit organizations) or funding of more than $50 million (for startup organizations). Additionally, each vendor had to use its ERP cloud service in production environments (see Note 2). Each of these organizations had to be live with at least three of the vendor's operational ERP components (modules) 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 used its own market research, as well as insights from public sources, to judge that vendor's viability and eligibility for inclusion.

- The 200 organizations had to be managing at least $50 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.

- Each vendor had to actively sell and market its cloud service (and have live users of this service in the qualifying revenue ranges) outside its home region. Gartner defined regions as the following: Americas, EMEA and Asia/Pacific. At least 25% of the cloud service revenue had to come from outside the vendor's home region.

- Each vendor had to have at least $35 million in booked subscription and support revenue for its ERP suite cloud service only. This excluded any revenue from on-premises, hosted, managed cloud service or other deployment models, The time period to meet this criterion was from January 2023 through December 2023 (or whichever 12-month accounting period most closely aligned with this period). Unrealized recurring revenue could not be included. If a vendor chose not to disclose revenue information, Gartner used its own market research, as well as insights from public sources, to judge that vendor's viability and eligibility for inclusion.

Cloud Service Attributes

Each vendor's ERP suite had to be deployed as a cloud service (see Note 1) 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, and 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 the 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 enable 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 had to be operating on the current updated version before the release of the next updated 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.

The above inclusion criteria relate to a cloud service based on a single code line with a unique UI and data model. For vendors offering multiple cloud ERP suites, each with its own code line, each suite had to meet the inclusion criteria above. For example, each cloud ERP suite had to have at least 150 organizations using the suite in a production environment.

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 technology.

Consequently, if a vendor's cloud ERP suite consists of capabilities drawn 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 that the vendor has users of the full solution in production environments.

Honorable Mentions

The following vendors did not qualify for inclusion in this Magic Quadrant, but offer notable, specialized value for certain industries or regions:

- **Acumatica**: The vendor offers the Acumatica Cloud ERP suite to target midsize organizations globally through a network of partners and ISVs, as well as white-label OEMs in certain locations. Acumatica did not have enough cloud ERP customers with annual revenue of at least $50 million that use product-centric capabilities to qualify for inclusion in this Magic Quadrant.

- **Dassault Systèmes**: Although strong in the manufacturing ERP market for SMBs, Dassault Systèmes did not meet the inclusion criteria for this Magic Quadrant because most of its customers operate its DELMIAWorks (formerly IQMS) by offering it on-premises or as a managed cloud solution. DELMIAWorks is part of Dassault Systèmes' 3DEXPERIENCE Works portfolio.

- **Jakob Hatteland Computer**: This vendor offers product-centric ERP capabilities through its RamBase Cloud ERP, which is aimed primarily at SMBs in EMEA. Jakob Hatteland Computer had neither enough cloud ERP customers with annual revenue of at least $50 million, nor the global reach required for inclusion in this Magic Quadrant.

- **Microsoft (Dynamics 365 Business Central)**: Microsoft offers Dynamics 365 Business Central as an option for lower-midsize enterprises. Microsoft Dynamics 365 Business Central did not

meet all of the product-centric capabilities to qualify for inclusion in this Magic Quadrant.

- **QAD:** This vendor offers manufacturing and operational ERP capabilities globally, with customers concentrated in the Americas and EMEA that are typically midsize or large. During the current analysis period, it focused on its next milestone, QAD ERP O [3], and therefore did not meet the current inclusion criteria.

- **Ramco Systems:** This vendor offers Ramco ERP on Cloud for U.S., EMEA and Asia/Pacific customers. It did not have enough cloud ERP customers with annual revenue of at least $50 million to qualify for inclusion in this Magic Quadrant.

- **Rootstock Software:** This vendor offers Rootstock Manufacturing Cloud ERP, built on the Salesforce platform. Its manufacturing ERP suite is aimed at midsize to large enterprises. Rootstock did not have enough cloud ERP customers with annual revenue of at least $50 million to qualify for inclusion in this Magic Quadrant.

- **Sage Group:** This vendor offers product-centric ERP capabilities through its Sage Distribution and Manufacturing Operations and its Sage X3 solutions. These solutions are primarily aimed at SMBs. Sage opted not to participate in the detailed vendor review portion of this Magic Quadrant.

- **SYSPRO:** This vendor offers a product-centric ERP aimed at midmarket and SMB companies in manufacturing and wholesale distribution, with a choice of either traditional on-premises or cloud SaaS. SYSPRO has a global customer footprint in 62 countries, serviced from its North America, EMEA and Asia/Pacific operations. At the time of writing, SYSPRO did not have the number of cloud ERP customers required for inclusion in this Magic Quadrant.

- **TOTVS:** This vendor is a leading provider of cloud ERP capabilities in the Latin American market. The TOTVS ERP suite had neither the adoption rates nor the global reach 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

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

Source: Gartner (November 2024)

Completeness of Vision

Gartner assesses vendors' Completeness of Vision by evaluating their ability to articulate 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.

<p style="text-align:center">Table 2: Completeness of Vision Evaluation Criteria</p>

Evaluation Criteria ↓	Weighting ↓
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium

Evaluation Criteria ↓	Weighting ↓
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Medium
Innovation	High
Geographic Strategy	Medium

Source: Gartner (November 2024)

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 systems integrator partners frequently use their offerings to support business transformation initiatives.

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.

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 strengthen 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

In the 2023 Gartner ERP, Procurement, HCM and Finance Apps Survey, 70% of respondents preferred a single-vendor approach for ERP applications. Of that 70%, nearly 60% said that they had no plans to change from the single-vendor approach.[1] Additionally, through our client interactions, we observed incentives to migrate ERPs, including commercially driven changes,

customers moving in line with end-of-maintenance support and selection of ERP capabilities that aligned more closely with business objectives or operating models.

We see higher cloud adoption from lower midsize organizations than large or global enterprises. Product-centric enterprises' migrations to the cloud have been slower than service-centric organizations' migrations to cloud ERP. Domains like HCM and finance are more likely to migrate to cloud ahead of the more-complex core manufacturing operations. Further, many of the product-centric organizations that adopt cloud are smaller and operate in less-complex manufacturing settings. Some organizations adopt a two-tier strategy for the cloud, alongside other solutions. In fiscal year 2022, 2% of product-centric organizations migrated manufacturing and operations ERP components to the cloud, compared to 10.5% in fiscal year 2023, according to our Market Share Analysis: ERP Software, Worldwide, 2023.

Another key incentive was the increased maturity and use of traditional AI and ML capabilities. AI and GenAI are at the forefront of the more significant innovation in ERP. These capabilities are changing the way organizations will consume applications. The embedded intelligence found in packaged ERPs are evolving to the point where the solutions can act with autonomy. The embedded intelligence will become more pervasive to augment or automate work and create more intuitive user experiences.

As companies migrate to cloud ERP solutions, they should keep the following in mind:

- Do not assume that simply because a solution is a cloud ERP, it will create magical business outcomes. Understand the context of your ERP through the lens of your business strategy. Engage key business stakeholders from the early stages to plot your critical business capabilities. Remain curious at this stage, so you clearly understand the value of your ERP capabilities.

- Prepare for the change management that goes along with migration to the cloud. The scope of responsibilities and potential team size and expertise will require change. As you adopt the vendor's version of best practices, there must be clear mitigation where there are gaps in people, process or software extensions.

- Quality assurance: One of the key benefits of cloud ERP solutions is rapid innovation and release cadence. Vendors will normally release new capabilities at least twice per year, and sometimes even weekly or monthly. Customers need to be ready to review, test and integrate new capabilities to take full advantage of the cloud strategy of their ERP. This will require assessment of the organization's quality assurance processes and teams.

- Anticipate and plan for changes in governance, support and funding models.

Market Overview

ERP is one of the largest categories in the enterprise software market. The 2023 ERP software market grew 13% to $51 billion (from $45 billion in fiscal year 2022) in total revenue, driven by cloud ERP adoption, price increases, AI and industry cloud (see Market Share: Enterprise Resource Planning, Worldwide, 2023). Gartner estimates that of the components measured, more

than 80% came from cloud offerings and 20% from on-premises offerings, and we forecast the split to continue in the direction of cloud adoption.

Although components of ERP applications have been the top categories to move to the cloud (i.e., HCM or CRM), product-centric organizations have lagged cloud adoption, because their operating models are more complex than service-centric organizations. For instance, revenue in the subcategory of manufacturing and operations ERP components grew by 10.5% in 2023 versus only 2% growth in 2022. Still, this was lagging other areas like HCM, which experienced 14% growth in 2023.

It is important to note that some vendors have announced end-of-life support for the legacy on-premises ERP solutions, whereas customers have had full control in the past. This reality will continue to drive organizations to migrate to cloud ERP, as it will be more attractive to vendors to pursue subscription-based revenue streams from cloud solutions.

Cloud ERP solutions encompass technologies that support operational and financial business capabilities. Buyers of cloud ERP solutions are focused on replacing legacy capabilities while acquiring innovative capabilities that will contribute to delivery of their mission-critical priorities. Some of the primary concerns of ERP leaders circle around decisions whether to upgrade or replace ERP solutions, the delivery model for selected solutions, how much customization to allow as part of their strategy, and the consequential value proposition and costs.

Cloud ERP providers recognize the importance of composable application architectures, and are providing features and functions to enable greater flexibility with their solutions (i.e., application platform as a service [aPaaS] with data integration, process orchestration and user journey creation). It is giving organizations the ability to manage their composable application landscapes with vendor-platform-provided APIs and extensibility, with low-code application development and/or full pro-code capabilities.

Additionally, vendors continue to expand their breadth of capabilities. This includes expansion of highly automated business processes using AI/ML, increased maturity and count of traditional AI use cases, ML capabilities, conversational AI experiences, greater self-serve analytics and early-stage GenAI assistants. As GenAI matures, there will be more intuitive user experiences. Vendors have responded to customer demands to meet their sustainability reporting objectives. ESG capabilities are being embedded into solutions at different stages across vendors. Embedded sustainability will allow organizations to make preemptive decisions to influence ESG outcomes. Organizations will have more intelligent operations, as these innovations vendors promised years ago are finally coming to pass.

This Magic Quadrant focuses on cloud ERP vendors who met our inclusion criteria (see Inclusion Criteria section). The providers were evaluated on their vision of the capabilities that will be required as customer demand and market direction changes, and their ability to execute as an effective technology provider.

Evidence

[1] **2023 Gartner ERP, Procurement, HCM and Finance Apps Survey:** This study was conducted to obtain data that confirms that initiatives for ERP, finance, HCM and procurement apps are still a high priority for organizations, even though recession and constrained resources call for limited investment in complex projects. It further aims to understand the ERP strategy, plans to adopt flexible and agile ERP architecture, ERP vendor strategy, and modernization plans for ERP applications. The research was conducted online from October through December 2023 among 253 respondents from North America (n = 122), Western Europe (n = 97) and Latin America (n = 34). Respondents were screened to be managers and above who are responsible for ERP decision making at organizations of at least $50 million in worldwide revenue across organizations from all industries (except the IT industry). Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

In addition, 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 3,000 end-user clients from January 2023 through June 2024 about their ERP strategies

- Over 5,000 customer inquiries from January 2023 through June 2024 on the subject of ERP applications.

- Peer Insights survey data received through June 2024, blended with insights from vendor product demonstrations.

Note 1: About Cloud ERP

Cloud ERP is offered via a cloud service application deployment. A full list of attributes for our definition of a "cloud service" appears in the Inclusion and Exclusion Criteria section.

This market is separate and different from the market for cloud ERP for service-centric enterprises. Service-centric organizations do not physically manufacture and sell products. Instead, they deliver and sell financial, consulting, or a range of other business or consumer services.

Note 2: 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 new-generation solutions, as they also support multiple deployment models (public cloud, private cloud and on-premises). However, 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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