Enterprise Application Software: European Market Shares and Forecast, 2001 (Executive Summary)
Overview

In 2001, the European enterprise application software (EAS) market (new license revenue only) was $4.3 billion, down from $4.8 billion in 2000 (see Figure 1). The combination of fewer buyers, longer sales cycles and smaller deal sizes led to this 10 percent fall in 2001. In 2002, the market will shrink further, albeit to a lesser extent (minus 6 percent), before stabilizing in 2003.

The market will resume positive growth toward the end of our forecast period. However, its growth rate (up from 3 percent in 2004 to 8 percent in 2006) will remain behind the worldwide growth rate (up from 7 percent in 2004 to 10 percent in 2006). The days of hypergrowth are history and will not be repeated.

Figure 1
EAS New License Revenue by Segment: Europe, 1997-2006

The overall EAS market in Europe will only grow by 1.9 percent compound annual growth rate (CAGR) from 2001 to 2006. Its three main segments will evolve quite differently, as follows.

- **Enterprise resource planning (ERP)**
  - ERP will recover during the forecast period, but not enough to reach positive growth. We forecast a minus 2.1 percent CAGR for ERP between 2001 and 2006.
  - Its share of the European EAS market will decline from 55 percent in 2001 to 45 percent in 2006.
  - The European ERP market is consolidating, but at a very slow pace.
The top 20 ERP vendors generated 72 percent of revenue in 2001, slightly up from about 68 percent in 1997.

The market share of the top three vendors increased slightly from 38.8 percent in 1997 to 42.6 percent in 2001.

Supply chain management (SCM)

SCM will experience moderate growth of 3 percent CAGR and will grow slightly from 16 percent of the European EAS market in 2001 to 17 percent in 2006.

The e-commerce buy side segment of SCM registered a steep fall (28 percent) in 2001, but will grow by 2.4 percent CAGR between 2001 and 2006 against a drop of 4.5 percent worldwide.

The European SCM market is consolidating at a steady pace. The top 20 SCM vendors generated 78 percent of revenue in 2001, up from about 68 percent in 1997. The market share of the top three vendors increased significantly, though, up from 11.9 percent in 1997 to 36.4 percent in 2001.

Customer relationship management

CRM will be the best performer of the three segments, with a 7.8 percent CAGR. Consequently, its share of the European EAS market will jump from 29 percent in 2001 to 38 percent in 2006.

Of the five segments of CRM, the only one to drop in 2001 was sell side e-commerce, down by 27 percent. It will shrink by 16 percent in 2002, by 3 percent in 2003 and then bounce back — but not enough to reach a positive CAGR over our forecast period.

Unlike ERP and SCM, the European CRM market is consolidating rapidly. The top 20 CRM vendors generated 76 percent of revenue in 2001, up from about 46 percent in 1997. The market share of the top three vendors increased from 20.5 percent in 1997 to 51.1 percent in 2001.

There will be no change in the relative importance of the various European country markets during our forecast period. The top three country markets are the United Kingdom and Germany, with about 20 percent market shares each in 2001, followed by France, with about 12 percent. Their share of the market will shrink slightly as a percentage of the total European EAS market, from 55 percent to 52 percent between 2001 and 2006. The largest country market, Germany, will experience a flat 0.1 percent CAGR during our forecast period. The United Kingdom and France, as well as Switzerland and the Netherlands, will not perform much better.

Italy and Spain have traditionally lagged behind the United Kingdom, Germany and France, and have much to catch up. They will growth by 5 percent and 8 percent CAGR between 2001 and 2006. Eastern Europe has been relatively insulated from the worldwide slowdown, although brand new customers are more difficult to find. It will grow by 7 percent CAGR between 2001 and 2006.

SAP was the winning vendor in 2001 as a result of its strong European roots and its successful metamorphosis into an EAS player from a pure ERP player in 2000. Its revenue structure changed dramatically, combining not only ERP, but also SCM, CRM, business intelligence, product life cycle management and portal revenue. SAP's customers of mySAP.com have an option to check any of these areas to indicate their intention to use it at the time of purchase or at an unspecified date. This has led SAP to book a lot of revenue for SCM or CRM from customers that want to take advantage of this option later. However, in many instances, the primary driver for licensing SAP's software is ERP, while part of the revenue is booked for other areas.
SAP maintained its leadership position in the European ERP market league, even though its market share declined from 38 percent in 2000 to 30 percent in 2001. It overtook best-of-breed vendors in 2001 to become the largest SCM vendor with 17 percent market share. Its success in CRM was even more spectacular, with CRM revenue up by 423 percent in 2001, making it the second-largest CRM vendor in Europe.

Links

The main Gartner Dataquest report "Enterprise Application Software: European Market Shares and Forecast, 2001" is published to Gartner Dataquest's Software Europe and Software Application Worldwide Clusters:

- SWSF-EU-MS-0115
- SWSA-WW-MS-0116