BI Magic Quadrants: Excitement in a Flat Market

License revenue for the business intelligence market will be flat for 2003. For the next two to three quarters, sales cycles will continue to be longer and deals will be smaller. This will have an especially negative effect on smaller suppliers.

Core Topic
Business Intelligence and Data Warehousing: Business Intelligence Markets, Technologies and Techniques

Key Issue
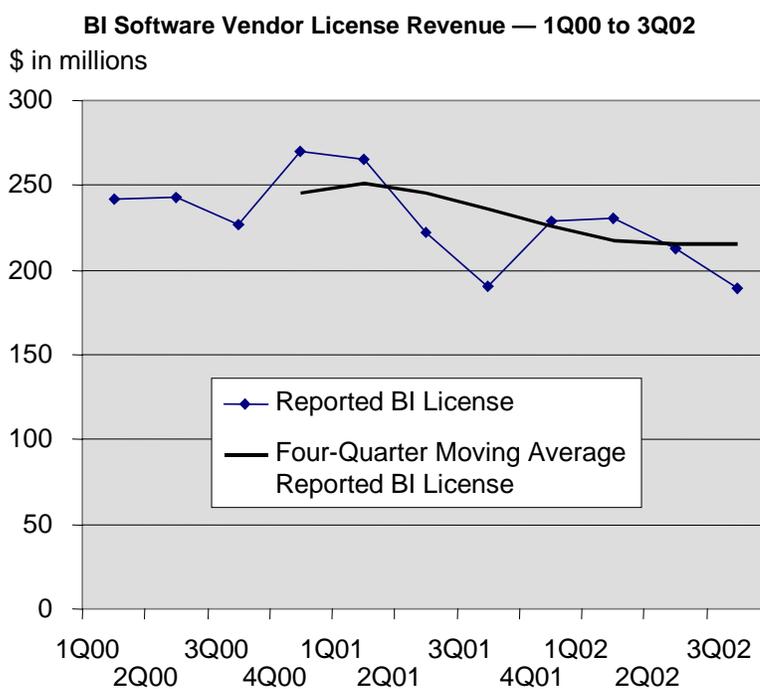How will business intelligence software vendors react to ongoing market shifts and challenges?

Strategic Planning Assumptions
The business intelligence market will start growing again by 2004 (0.8 probability) and will reach a compound annual growth rate of around 8.5 percent through 2006 (0.6 probability).

Through 2005 and beyond, powerhouse vendors such as Oracle, SAP, PeopleSoft and Microsoft will continue to invest in and introduce new business intelligence platform capabilities (0.9 probability).

The business intelligence (BI) market, although somewhat more recession-proof than other software markets, continues to feel the impact of a global economic downturn. This is reflected in the latest 3Q02 license revenue released by publicly traded BI software vendors. Looking at a four-quarter moving average, we observe a gradual decline in BI software license revenue industrywide since early 2001, with a trend toward flat growth most recently (see Figure 1). During a flat market, some vendors will perform above the average, and others below the average. These exceptions are factored into positioning on the BI Magic Quadrants.

Figure 1

BI Software Vendor License Revenue — 1Q00 to 3Q02

$ in millions

Source: Company reports and Gartner Research

Gartner

Limited or flat revenue growth will be the rule for BI and related markets in 2003 (see "Business Intelligence, Worldwide: 2001-2002"). The BI market will start growing again by 2004 (0.8 probability) and will reach a compound annual growth rate of around 8.5 percent through 2006 (0.6 probability).

Enterprise BI Suites and Reporting

The enterprise BI suites (EBIS) and reporting market segment continues to be the largest BI technology segment. This segment is more mass-market-oriented than other segments, and brand recognition is a significant criterion for success, along with vendor viability.

Among the more-notable changes is the positioning of Cognos and Business Objects (see Figure 2).

Figure 2

EBIS and Reporting Magic Quadrant
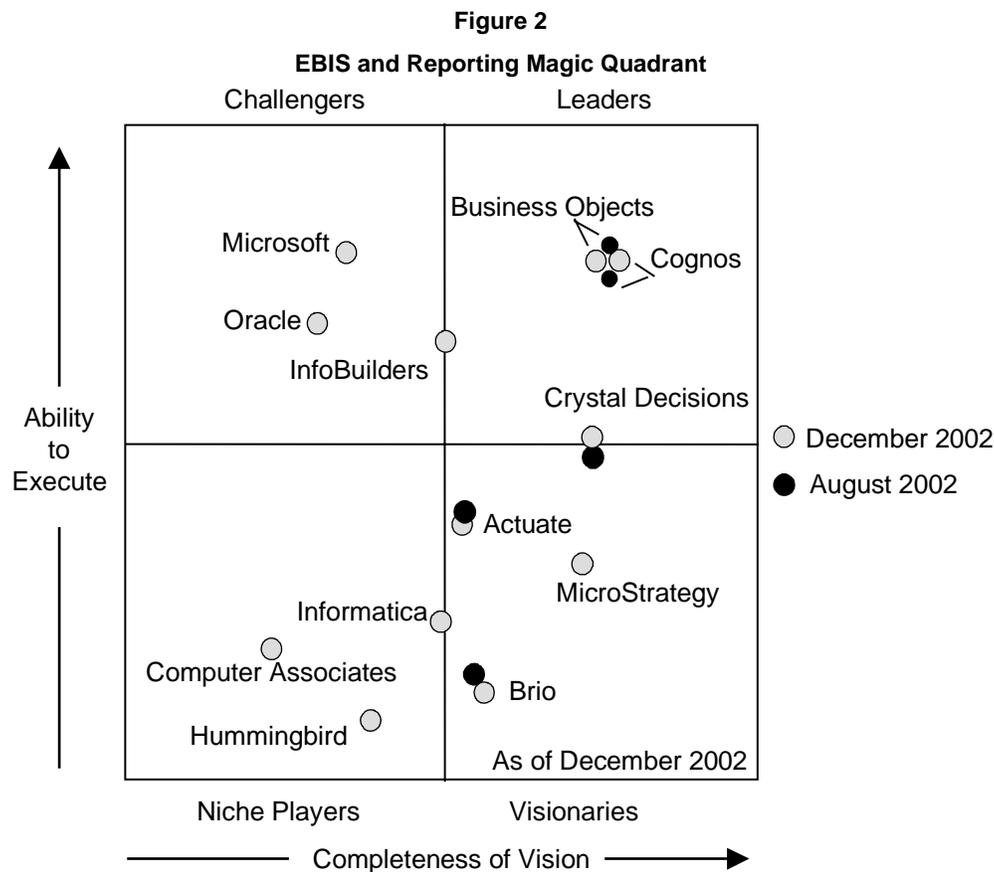
Source: Gartner Research

For quite some time, Business Objects appeared to be in a better overall position than Cognos. In this latest Magic Quadrant, Cognos' position has improved slightly, while Business Objects' position has declined slightly. In recent months, Cognos has made strides in enhancing its product portfolio, organization and field execution (see "Vendor Rating: Cognos Raises Its Stake in the BI Market"). In contrast, Business Objects has not yet shipped its next-generation product, code-named "Tosca." Field

execution in Europe, its traditional base, has also declined (see "Vendor Rating: Business Objects").

Crystal Decisions' position has also improved. It moved into the Leaders quadrant for the first time. Armed with solid product, it has done an impressive job of establishing key reseller agreements (for example, SAP, Microsoft and Hyperion) and has succeeded in furthering its direct selling efforts in many geographies (see "Vendor Rating: Crystal Decisions Makes Clear Progress").

Deterioration of Actuate's and Brio's positions is largely due to below-average performance. However, Brio's Brio release 8.0 improves its overall vision, as its two significant product lines begin to show signs of useful convergence.

Informatica enters the EBIS and reporting market between the Niche Players quadrant and Visionaries quadrant, with its Power Analyzer product. In our opinion, the product functionality is limited, compared to competitive products. However, its metrics orientation and guided analysis capabilities show potential. Although Informatica has had some notable wins, the key to its longer-term growth is its ability to sell BI tools instead of just extraction, transformation and loading (ETL) tools, especially outside its installed base.

BI Platforms

The BI platform segment still suffers from:

- "Industry standards illusion": Impending "standards" — such as Web services, Java 2 Platform, Enterprise Edition (J2EE), .NET and XML/A — make it difficult for independent software vendors and value-added resellers to place bets on a technology platform.

- "Packaged application incest": Many BI platform vendors still try to leverage their platforms by selling packaged applications, rather than allowing the platform to compete on its own strengths.

The BI platforms segment continues to lack a clear leader, although Microsoft, with Analysis Services and related components, remains closest (see Figure 3). However, its BI initiatives are still fairly fragmented, denying it genuine leadership.

Figure 3

BI Platform Magic Quadrant
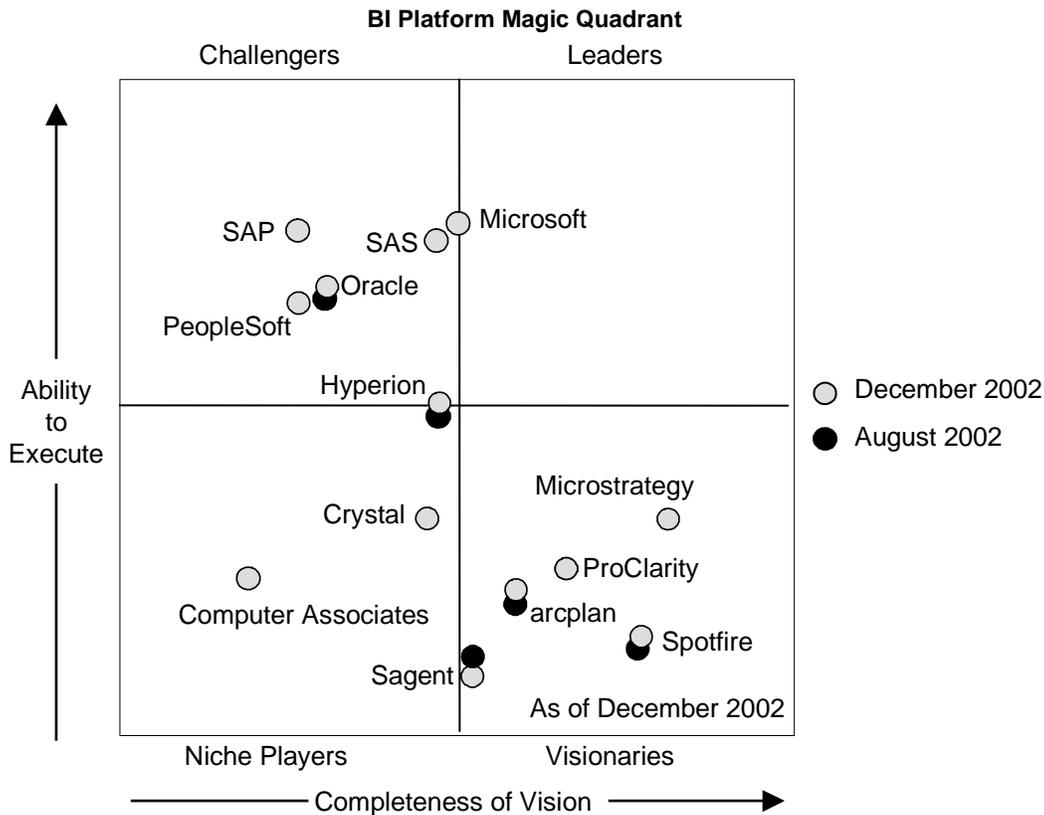
Source: Gartner Research

Oracle's expanded efforts to attract partners have gathered some steam, showing improved execution. Oracle's Completeness of Vision is questionable, because its bundling of BI tools with its 9iAS application server appears to be intended to make the application server more competitive than the BI tools. Through 2005 and beyond, powerhouse vendors such as Oracle, SAP, PeopleSoft and Microsoft will continue to invest in and introduce new BI platform capabilities (0.9 probability).

Hyperion's improvement in its applications business and overall financial performance has slightly improved its Ability to Execute. The market position of Essbase within the overall product portfolio is also better defined. As a result, Essbase is experiencing increased market attention.

The BI platform segment still offers an opportunity for smaller, innovative vendors, such as arcplan, ProClarity and Spotfire, which continue to grow well above the industry average.

Whitelight and AlphaBlox have been removed from the BI Platform Magic Quadrant, due to a greatly diminished market presence.

Bottom Line: Although the business intelligence market appears flat from a revenue perspective, it is not static. The market will

Acronym Key

BI	Business intelligence
EBIS	Enterprise BI suites
ETL	Extraction, transformation and loading
J2EE	Java 2 Platform, Enterprise Edition

continue to be dynamic and complex as vendors try to expand their market positions and jockey for attention and visibility. Enterprises should evaluate vendors on their ability to meet well-defined requirements and on their enduring stability.