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Research Note
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Magic Quadrants for EBIS/Reporting and BI Platforms, 2H03

The business intelligence technology markets continue to evolve. In these latest versions of the Magic Quadrants for enterprise BI suites and BI platforms, there is modest growth and notable consolidations.

As we stated earlier in 2003, the market for business intelligence (BI) software remains flat (see "BI Magic Quadrants: Excitement in a Flat Market"). This creates severe pressure for BI software companies, because in a flat market, market share gains must be made at the expense of competitors. This creates a fiercely competitive market for enterprise BI suites (EBIS) and BI platforms. As customers for BI technology have become more conservative, they have also become focused on perceived vendor stability. This tends to favor larger, more well-known suppliers and places smaller, less well-capitalized vendors at a disadvantage.

Publicly traded vendors are under additional pressure to find new sources of license revenue growth to maintain acceptable/safe market valuations and to deter hostile takeover bids. This helps explain some of the recent consolidation in BI. Most recently, Business Objects announced its intention to acquire Crystal Decisions, and Hyperion Solutions announced its intention to acquire Brio Software. We expect that as the economy continues to be soft, the smaller, less-stable vendors will falter, while larger, public vendors will attempt to acquire new revenue sources to maintain higher market valuations. All of this means additional acquisitions are likely through 2003 and into 2004, until the economy rebounds.

The market and the climate of consolidation have an immediate effect on vendor placement on the Magic Quadrants. Whenever there is a merger, there will be management distractions and challenges. Integration plans and execution will be key to success. We will provide additional analysis as these transactions close and vendors publish their new organization and product road maps.
Of the many BI vendors we track, we have only included on the Magic Quadrants the vendors we believe to be the most significant.

**Enterprise BI Suites and Reporting**

The EBIS and reporting market, which is the larger and most active of the two BI markets (EBIS and BI platforms), is more subject to consolidation pressures (see Figure 1).

**Figure 1**

*Magic Quadrant for Enterprise BI Suites/Reporting, 2H03*

*Cognos'* completeness of vision is increased with the addition of ReportNet, its new enterprise reporting environment. Additionally, it continues to grow its license revenue well above the market average, exhibiting superior execution.

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* Business Objects has announced plans to acquire Crystal Decisions.
** Hyperion Solutions has announced plans to acquire Brio Software.

Source: Gartner Research (August 2003)
Business Objects’ announcement to acquire Crystal Decisions will reduce its ability to execute, even before the deal closes, because it introduces distraction and confusion internally and externally. We expect that the same uncertainty will slow the growth of Crystal. In the long term, the combination of each vendor’s market-leading product lines creates the potential for a powerful market force. However, Business Objects must decide on a single set of components and engines — a complex task it will not complete quickly.

Brio Software has had a difficult time competing in the EBIS market. With v.8, many product-related issues were overcome. However, several users we have talked to are finding the migration daunting. The release of v.8 also made Brio a more-attractive acquisition candidate. Brio’s ability to execute drops due to the distractions of being acquired, and because its users and prospects are evaluating the direction that Hyperion will take with Brio.

Actuate, while taking steps toward adding more BI suite functionality, is late to market and has an increasing number of competitors for its core reporting business, including Cognos with its ReportNet and Microsoft with its impending SQL Server Reporting Services. Actuate’s ability to execute continues to drop as its software license sales declined in 1H03 compared to 1H02, indicating an erosion of market share.

In contrast, several vendors have shown improvement, including Informatica, Information Builders and MicroStrategy.

Informatica announced that it will discontinue selling applications and has renewed its focus on data integration and BI. This renewed focus better aligns the company with a market opportunity for an integrated analytic infrastructure. The Informatica PowerAnalyzer 4 release continues to show improvements in terms of performance and usability, extended functionality supported by the software development kit (SDK), support for real time and better integration with Excel.

Information Builders, which is privately held, shifted its focus several years ago and made BI a major strategic initiative. It has earned a solid position in the EBIS market, advancing into the Leaders quadrant for the first time. Building on a strong reporting product heritage, the WebFOCUS EBIS was constructed for the Web. In v.5, released in February 2003, Information Builders introduced many new capabilities, including thin-client ad hoc query, online analytical processing (OLAP) interface improvements and enhanced Excel support. Historically, Information Builders has sold predominately into its installed base of customers. For the past six months, it has seemingly
broken out of this mold and is competing more aggressively for new business.

**MicroStrategy** has improved its overall performance in the market, with consistent license revenue growth and profitability. With the impending introduction of its Gutenberg reporting engine, its completeness of vision has also improved.

**Business Intelligence Platforms**

At this time, the BI platform segment seems somewhat less susceptible to consolidation (see Figure 2).

![Magic Quadrant for BI Platforms, 2H03](image)

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Source: Gartner Research (August 2003)

The BI platform market requires strong indirect channels and the recruitment of value-added resellers (VARs) and independent software vendors (ISVs) to thrive. However, it would be a mistake to think that this segment is completely immune to acquisitions.
and consolidation. For example, Sagent is being acquired by Group 1 Software (a data quality tools vendor). We've removed Sagent from this version of the Magic Quadrant for BI Platforms due to its poor financial viability and a severely reduced sales force in North America, leading to a lack of visibility in this market. Also, Computer Associates International has been removed for its lack of visibility in this market.

Hyperion Solution's lower ability to execute is primarily due to its plans to acquire Brio. To focus on corporate performance management (CPM) applications, Hyperion needs better reporting and query capabilities within the BI platform. With the acquisition, Hyperion also will be an EBIS vendor. Hyperion needs to answer how this matches its CPM focus and how it plans to expand its business performance management framework. We expect that the acquisition of Brio will introduce distractions at all levels within the Hyperion organization. We also expect that Brio's reporting and query capabilities and metadata layer ultimately will improve Hyperion's underlying BI platform.

Microsoft announced new BI capabilities with its SQL Server Reporting Services in February 2003; a release of Reporting Services is expected by YE03. Yukon (code name for the next major release of SQL Server) is the core of Microsoft's BI platform and has gone to beta, but the ship date continues to be uncertain.

Oracle continues to have limited market penetration and has limited support from third-party EBIS vendors for its BI platform.

Crystal Decisions has improved its position on the Magic Quadrant for BI Platforms. Crystal Analysis, combined with Crystal Enterprise 9, provides ample support for analytics and comes with .NET, COM and Java SDK to integrate reporting and analysis into new applications. An extensive VAR/ISV channel and support programs have been developed for Crystal Enterprise as well.

Business Objects is a new entry on this version of the Magic Quadrant for BI Platforms. The vendor has continued to extend and enhance its architecture and SDK with Enterprise 6. More importantly, it has achieved "critical market mass" with its focus and success on the original equipment manufacturer (OEM) channel and the support it provides for its platform partners.

The positions of Business Objects and Crystal will most likely change when the acquisition is finalized and Business Objects' integration plans become known.
Enterprise Resource Planning BI Platforms

After the tumultuous growth of SAP’s Business Warehouse, with more than 5,000 installations worldwide, the effect is now one of stabilization. PeopleSoft’s Enterprise Warehouse has had less of a market impact, with approximately 230 installations.

Although the integration of BI capabilities with enterprise resource planning (ERP) systems and the availability of many standard reports are considered positive moves, there are also challenges (see “SAP BW: Real-World Experiences and Best Practices”). On Gartner’s BI Hype Cycle (see “Hype Cycle for Business Intelligence, 2003”), BI on top of ERP is moving toward the Trough of Disillusionment. Nevertheless, by 2006, BI on top of ERP will reach the Plateau of Productivity (0.8 probability). Completeness of vision of the ERP BI environments is still low. These packages are primarily intended to extend and complement the ERP applications. This is in contrast to the typical open BI infrastructure found in custom data warehouses and BI.

ProClarity continues to perform well in the BI platform market, with license and overall revenue growing at an above-average rate. With a strong SDK, and its complete function set exposed through its application programming interfaces (APIs), it has succeeded in leveraging its relationship with Microsoft. ProClarity relies on Microsoft’s Analysis Services exclusively for its OLAP infrastructure.

**Bottom Line:** In the enterprise business intelligence suite and BI platform market, change will be the watchword as competitive pressures induce BI vendors to react. Enterprises must develop a vendor-independent vision and architecture for their BI infrastructure and tools. Doing so will minimize the impact and turmoil if further consolidation occurs. Conferring with Gartner analysts is recommended prior to a BI investment, to get a complete and up-to-date evaluation of market conditions, vendors and product plans.

**Acronym Key**

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<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>API</td>
<td>application programming interfaces</td>
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<tr>
<td>BI</td>
<td>business intelligence</td>
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<td>CPM</td>
<td>corporate performance management</td>
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<tr>
<td>EBIS</td>
<td>enterprise BI suites</td>
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<tr>
<td>ERP</td>
<td>enterprise resource planning</td>
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<td>ISV</td>
<td>independent software vendor</td>
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<td>OEM</td>
<td>original equipment manufacturer</td>
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<td>OLAP</td>
<td>online analytical processing</td>
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<td>SDK</td>
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