

EXCERPT

IDC Competitive Market Map — Evaluation of SAS Institute (Excerpt from IDC #30877)

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IN THIS EXCERPT

Business analytics software comprises tools and applications for tracking, modeling, analyzing and delivering data in support of decision-making processes. Recent trends in the business analytics (BA) software market have created a competitive environment where software vendors from different backgrounds find themselves in competitive and collaborative situations spanning the extraction, transformation and loading (ETL), data warehouse management, end-user BI tools and enterprise applications technologies.

To evaluate the market landscape and the competitive positioning of software vendors in an increasingly complex market, IDC uses the competitive market map (CMM) as an analysis tool based on four characteristics, each quantitatively measurable, applied to leading software vendors in this market. Since each characteristic is quantitatively measurable, the CMM becomes an objective means for companies to evaluate and select a vendor within a particular market. These characteristics are:

- ☒ **Size** (total business analytics software revenue)
- ☒ **Momentum** (size-adjusted total business analytics revenue growth)
- ☒ **Scope** (breadth and depth of product offerings)
- ☒ **Reliance** (extent to which a vendor's overall business is dependent on business analytics)

IDC's CMM as a Software Vendor Evaluation Tool

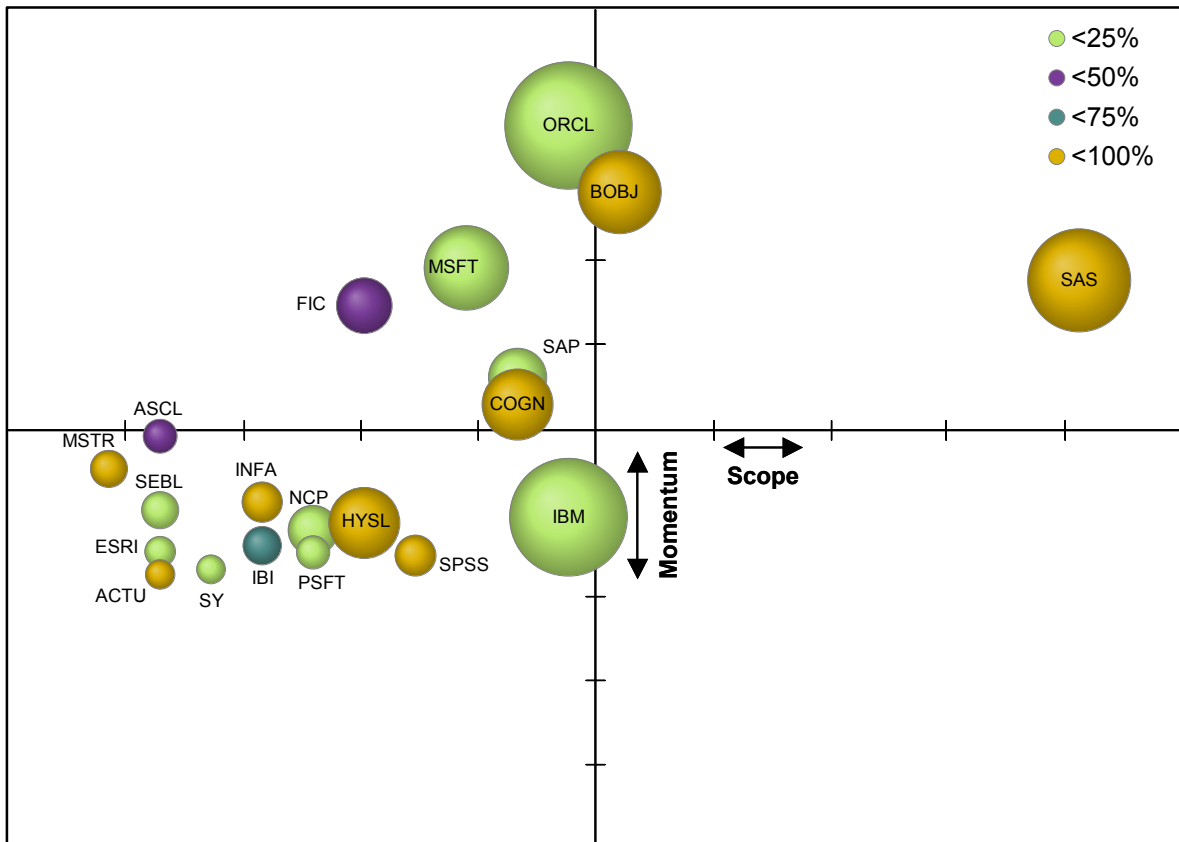
The goal of the Competitive Market Map (CMM) as shown in Figure 1 is to present a quantitative vendor-comparison tool based on IDC's rigorous software taxonomy and depth and breadth of data in the BA market. While eliminating the subjective characteristics from the data visualization, the CMM enables deeper qualitative analysis and vendor evaluation based on the presented dimensions.

When evaluating BA software, organizations are encouraged to view the IDC CMM as one of the tools in their initial evaluation of software vendors once their business requirements have been developed. It serves as a starting point for evaluating software vendors in the BA market, including company strengths and weaknesses, opportunities and threats. As always, it is recommended that following any initial

short-listing of vendors, organizations go through rigorous technical evaluations of such solutions.

FIGURE 1

IDC Business Analytics Competitive Market Map, 2003



Note: All publicly traded software vendors are identified with their stock ticker symbols. Privately held companies included are SAS (SAS Institute) and IBI (Information Builders Inc.), ESRI (Environmental Systems Research Inc.)

Source: IDC, 2004

The Competitive Market Map (CMM) is not a leadership grid where there is one and only one leader positioned in the upper right corner of the plot. The complexity of the BA market renders such vendor evaluations too simplistic. For example, a vendor can be small but fast growing or large and slow-growing with a broad scope. It's unrealistic to see a large vendor with a broad scope growing as fast as or faster than the fastest specialty vendor.

The following sections explain each of the four dimensions shown in the Competitive Market Map — **size**, **momentum**, **scope** and **reliance** — and include a

corresponding analysis of SAS Institute's position within each dimension. In using the IDC CMM organizations should evaluate vendors based on all four variables both separately and in combination.

CMM: The Size Dimension

The size of each bubble in Figure 1 represents the worldwide BA software license and maintenance revenue of each vendor in U.S. dollars. The largest bubble thus represents the leading BA vendor based on total software revenue.

Simply put, the size of each bubble indicates the total BA software revenue of a vendor. Size should be viewed as a measure of financial viability and a manifestation of market validation. As a quantitative vendor evaluation tool, the IDC CMM recognizes that ultimately customers vote with their dollars. Thus, the largest software vendors are those that have had the most success in attracting BA customers. However, size should also be evaluated in combination with other variables.

Size: SAS Institute

SAS is the third largest BA vendor behind the two database vendors that gain significant market presence from the use of their databases in data warehouse deployments. In fact, if the data warehouse platform segments of the market (data warehouse management and generation) are excluded from the CMM, SAS emerges as the leading BA vendor.

There is also an expected correlation between size and scope. Larger software companies are expected to have broader scope. This analysis suggests that SAS is well positioned in the BA market, while some of its competitors need to either broaden their scope or to show higher momentum for a given size and scope position.

At the same time SAS also needs to be vigilant. The enterprise applications and database vendors likely will continue to see BA as a key market segment and take share away from specialists with higher reliance on BA software revenue. In this scenario, over the long term SAS will need to expand into other software areas beyond BA. In fact, the company has invested already in transactional marketing automation and IT performance management applications, which are taking the company into new software segments.

CMM: The Momentum Dimension

The momentum shown on the vertical y-axis represents the size-adjusted growth rate of each vendor. Momentum is a function of a vendor's annual BA software revenue growth rate and the company size (i.e. revenue) in the BA software market.

Higher momentum is clearly preferable. However, it is important to note some general expectations that exist when evaluating momentum along with size. For example, smaller and specialized vendors are expected to have higher momentum than large vendors with more scope. In most cases it is unreasonable to expect the largest vendors to have momentum that equals that of smaller vendors that have joined the

market more recently. Clearly, being a small vendor with low momentum is not a positive indicator.

Momentum: SAS Institute

On the momentum axis SAS has exhibited healthy growth, coming in fourth in 2003. The expectation in the market is clearly for larger companies with broader scope to exhibit lower momentum than narrowly focused smaller vendors. What is not shown in the aggregate CMM are the vendor growth rates within individual segments of the BA market. While SAS' growth in software tools has indeed slowed over the past couple of years, its analytic applications business has continued to expand at a faster pace. In fact, the low fluctuation in SAS' yearly growth rates is an indication of the company's stability compared with some of its leading competitors.

CMM: The Scope Dimension

The scope shown on the horizontal x-axis represents the breadth and depth of product offerings of each vendor across the nine segments of the overall BA market. The scope depends not only on the number of products of each vendor, but also on the market share that the vendor holds within each of the nine segments of the BA market and each market segment's concentration level.

The segments that make up the overall BA market are data warehouse generation, data warehouse management, data warehouse access (including query and reporting, data mining and packaged data marts), production business intelligence, technical data analysis and geo-spatial information management tools, as well as CRM, financial and business performance management, and supply chain/operational analytic applications.

Scope is a metric that accounts for a vendor's breadth of BA offerings as well as depth in any of the nine BA market segments. The point allocation for scope values is based on the ranking or position of a vendor within each of the nine markets (i.e. the depth of each vendor's presence in a market). Depth-point allocation is thus derived from a vendor's share in each of the nine markets based on each market's concentration.

On the left side of the scale are vendors that provide fewer products across the nine segments of BA market. This is also where most of the specialists, such as those focusing only on the reporting tools or only on spatial information management, can be found. On the right side of the scale are vendors with broader portfolios that span several or all segments of the BA market.

Scope: SAS Institute

As shown in Figure 1, SAS has the broadest scope in the BA market. Given the general clustering of SAS' major competitors in the center of the CMM, the company's scope is clearly a differentiating factor. SAS has demonstrated consistent, steady growth in all the major areas of the BA market – not just predictive or advanced analytics for which the company has been known since its inception, but also reporting, multidimensional analysis, the analytic applications and the data

warehousing technologies that provide the ability to extract, transform and cleanse data, as well as store data in an optimal way.

Known for its loyal customer base, SAS' success in being able to support such a broad portfolio of products is also evidenced through the scope measure. In fact, in 2003 SAS ranked as a top-three vendor in five (data warehouse access, technical data analysis, data warehouse generation tools, and CRM and SCM/Operational analytic applications) of the nine segments of the BA market. This rank indicates not only the breadth but also the depth of its solutions. By contrast, no other software company ranked as a top-three vendor in more than two market segments.

As the BA market matures, the vendors with the broadest scope will provide solutions that span BA platform, end-user facing BI tools, and analytic applications. SAS' combination of breadth and depth is important for end user organizations evaluating BA vendors because it is optimal in most cases, for multiple components of a software solution to be provided by a single vendor or at least to enable painless integration of software components through shared standards and metadata.

CMM: The Reliance Dimension

The reliance shown through color coding represents each vendor's reliance on BA software revenue. The reliance refers to the extent that a vendor's total revenue (software, services, hardware, content) depends on its BA software revenue.

Reliance indicates a software company's focus on the specific market being evaluated. On the flip side it indicates dependence on the same. For example, in the case of the BA market SAS is highly reliant (more than 75 percent) on software revenue from the various segments of the BA market, while companies such as Microsoft or IBM are much less reliant on BA software revenue (less than 25 percent).

On the one hand vendors with lower BA reliance ratings are in a position to charge lower prices for their BA software, as they have other significant revenue streams and often bundle BA functionality in other products. Indeed, BA software vendors as a whole have experienced price pressure over the last three years and are likely to continue to experience the same as the market matures. In other words, having major competitors with lower reliance ratings is a positive indication for end-user organizations as a whole.

On the other hand, a higher reliance rating signifies focus on the BA market that is lacking from other, larger and more diversified IT vendors. This focus brings with it best-of-breed solutions that are recognized in the market for their breadth and depth of functionality.

Reliance: SAS Institute

As a specialist in business analytics, SAS derives more than 75 percent of its revenue from BA software. In other words, SAS has a high reliance on BA software while maintaining almost exclusive focus on this software market. In fact, SAS is the only billion-dollar software company with such a focus on BA. Although SAS has seen higher growth from its analytic applications than from its traditional DW and BI tools, it

will increasingly find itself competing with other enterprise applications vendors. Even so, SAS should continue to see a higher percentage of its revenue in the future coming from analytic applications, reflecting the balance in the business analytics market as a whole. Strong focus on BA software also puts SAS in the unique position of having a large size, broadest scope and yet being highly specialized – a characteristic usually reserved for much smaller vendors.

Conclusion

The IDC Competitive Market Map clearly shows the breadth and depth of SAS' offerings for business analytics. Overall, SAS has demonstrated consistent, steady growth in all the major areas of business analytics - not just predictive analytics but also reporting, multidimensional analysis, analytic applications, and data warehousing technologies. SAS is the only player that has significant market presence in a majority of these areas, while maintaining high momentum and focus on BA software.

When evaluating BA software, organizations are encouraged to view the IDC CMM as one of the tools in their initial evaluation of software vendors once their business requirements have been developed. It should serve as a starting point for evaluating software vendors in the BA market, including company strengths and weaknesses, opportunities and threats.

Learn More

☒ *An Introduction to the Business Analytics Software Competitive Market Map* (IDC #30877, March 2004)

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