

EXCERPT

Worldwide Business Analytics Software 2006-2010 Forecast and 2005 Vendor Shares

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IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC Market Analysis Report, Worldwide Business Analytics Software 2005-2010 Forecast and 2005 Vendor Shares, by Dan Vesset, Brian McDonough, and Kathleen Wilhide (Doc # 203468). All or part of the following sections are included in this excerpt: IDC Opinion, In This Study, and Situation Overview.

IDC OPINION

The business analytics (BA) software market comprises tools and applications for tracking, storing, analyzing, modeling, and presenting data in support of automating decision-making and reporting processes. This software market includes both application development tools and packaged analytic applications. In 2005, the market reached \$16.6 billion, representing a growth rate of 11.0%. The market was characterized in 2005 by the following:

- Continued high interest from end users
 - Continued merger and acquisition (M&A) activity for most of the leading vendors that are expanding their product portfolios
 - Increased competition among vendors with differing core competencies
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IN THIS STUDY

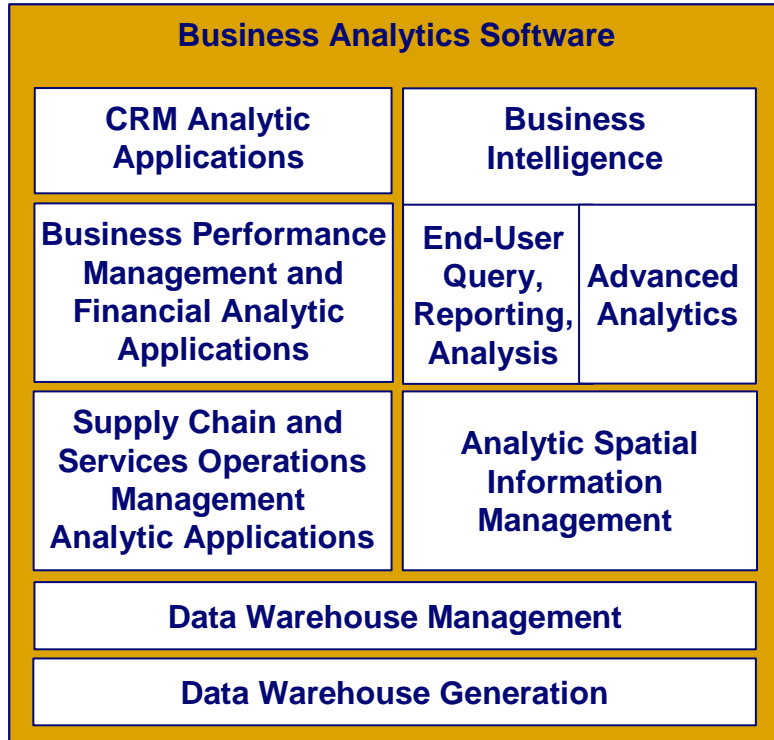
This study examines the business analytics software market for the period from 2003 to 2010, with vendor revenue trends and market growth forecasts. Worldwide market sizing is provided for 2005, with trends from 2003. A five-year growth forecast for this

market is shown for 2006–2010. A vendor competitive analysis, with vendor revenue and market shares of the leading vendors, is provided for 2005. This study also includes profiles of leading vendors and identifies the characteristics that vendors will need to be successful in the future.

As shown in Figure 1, the tools segment of the market includes data warehouse generation; data warehouse management; end-user query, reporting, and analysis; advanced analytics; and analytic spatial information management (SIM) tools. The applications segment of the market includes customer relationship management (CRM), supply chain, services operations, and financial and business performance management analytic applications.

FIGURE 1

Business Analytics Software Market Segments



Source: IDC, August 2006

Methodology

See the Learn More section for a description of the forecasting and analysis methodology employed in this study. In addition, please note the following:

- ☒ The information contained in this study was derived from the IDC Software Market Forecaster database as of August 25, 2006.
- ☒ All numbers in this document may not be exact due to rounding.
- ☒ For more information on IDC's software definitions and methodology, see *IDC's Software Taxonomy, 2006* (IDC #34863, February 2006).

Changes to Methodology from Previously Published Business Analytics Studies

- ☒ Note that due to methodology changes, this IDC study supercedes any previously issued study on business analytics.
- ☒ In 2006 there was a change in the allocation of certain database-embedded business intelligence (BI) server revenue from the data warehouse management market to the business intelligence (end-user query, reporting, and analysis and advanced analytics) market segment. For more information, see *Worldwide Business Intelligence Tools 2005 Vendor Shares* (IDC #202603, July 2006).
- ☒ Based on IDC's software taxonomy as described in *IDC's Software Taxonomy, 2006* (IDC #34863, February 2006), production planning applications software automates activities related to the collaborative forecast and continuous optimization of manufacturing processes. Production planning applications span supply planning, demand planning, and production planning within organizations. Although IDC has long included some supply chain planning applications revenue in our market sizing of the supply chain analytic applications market, we have increased the amount we are including to 100% of the production planning functional market. IDC believes that this is a more appropriate method for sizing the supply chain analytics market and creates consistency with the way we measure other analytic applications markets (e.g., inclusion of budgeting and planning in the financial analytic applications market). Production planning software, along with inventory management, manufacturing, and procurement software, is a functional market that contributes revenue to the supply chain analytics software market. Market share for the top 10 vendors in the production planning applications market is included later in this document to provide clarity (see Table 7). Because of this methodology change, the current study should be viewed as superceding any previously issued IDC study on supply chain analytic applications. For more information on the overall supply chain analytic applications market, please see *Worldwide Supply Chain, Services Operations, and Workforce Analytic Applications 2005 Vendor Shares* (IDC #203654, forthcoming).
- ☒ The operations analytic applications market segment has been renamed services operations analytic applications.

SITUATION OVERVIEW

The Business Analytics Software Market in 2005

The BA software market has evolved into a broad ecosystem in which vendors from different segments of the software market find themselves competing and collaborating. The BA market ranges from platform technologies such as data warehouse generation and data warehouse management to end user-facing analytic applications and BI tools.

In 2005, the worldwide BA market grew at a rate of 11.0% to reach \$16.6 billion in revenue.

The two major segments of the market include:

- ☒ Business analytic applications (\$5.1 billion)
- ☒ Business analytic tools (\$11.5 billion)

Both of these markets are defined in greater detail in Appendix A. Appendix B presents vendor shares for each of these market segments. Some of the notable recent trends in the BA market include:

- ☒ In the past, IDC noticed a clear shift from business analytic tools to business analytic applications. This trend remains intact for many specialty BA vendors. However, as the large IT vendors such as Oracle and Microsoft become more active in the BI tools market, they are counteracting this revenue shift. Thus, the two market segments are expected to continue to grow at about the same rate over the forecast period.
- ☒ There are still different levels of maturity and concentration among the various segments of the business analytics software market. See Figure 2 for the share of the top 10 vendors in each market segment. Therefore, the competitive dynamics in each segment are different. However, leading vendors are increasingly accumulating broad portfolios of related technologies that span the whole BA market.

Performance of Leading Vendors in 2005

Market shares of leading vendors in the overall business analytics software market are shown in Table 1. Appendix B shows the vendor shares for the two major market categories of business analytic tools and business analytic applications.

Note that Table 1 excludes all M&As completed in CY06. One of the most notable of these events was Oracle's acquisition of Siebel. However, since the end of 2005,

there have been several other M&As, which will be reflected in next year's business analytics vendor shares.

TABLE 1

Worldwide Business Analytics Software Revenue by Leading Vendor,
2003–2005

	Revenue (\$M)			Share (%)			Growth (%)	
	2003	2004	2005	2003	2004	2005	2003–2004	2004–2005
Oracle	1,783.7	2,014.7	2,170.6	13.4	13.5	13.1	12.9	7.7
SAS	1,088.5	1,225.2	1,392.4	8.2	8.2	8.4	12.6	13.6
IBM	1,118.8	1,169.6	1,265.1	8.4	7.8	7.6	4.5	8.2
Microsoft	651.6	930.1	1,148.4	4.9	6.2	6.9	42.7	23.5
Business Objects	738.4	803.9	926.9	5.6	5.4	5.6	8.9	15.3
SAP AG	603.7	730.8	838.1	4.5	4.9	5.1	21.1	14.7
Cognos	519.7	636.0	701.8	3.9	4.3	4.2	22.4	10.3
Hyperion Solutions	512.7	551.2	594.0	3.9	3.7	3.6	7.5	7.8
Teradata (division of NCR)	344.5	414.0	448.6	2.6	2.8	2.7	20.2	8.4
Fair Isaac	314.8	358.1	397.3	2.4	2.4	2.4	13.7	11.0
Subtotal	7676.4	8833.5	9883.1	57.7	59.2	59.7	15.1	11.9
Other	5616.2	6087.5	6679.7	42.3	40.8	40.3	8.4	9.7
Total	13,292.5	14,921.0	16,562.8	100.0	100.0	100.0	12.3	11.0

Notes:

This table does not take into account any mergers and acquisitions that closed since January 1, 2006.

There may be material changes between the historical data presented in this study and previous IDC studies on business analytics. Such changes are due to key new market information and subsequent vendor revenue model reassessment.

In 2005, IDC conducted a major review of IBM's data warehousing revenue and made downward adjustments to historical revenue.

In 2005, IDC made a change in its methodology of accounting for supply chain analytic applications. This resulted in an upward revision of revenue for certain vendors (see Methodology section of this study and Appendix C).

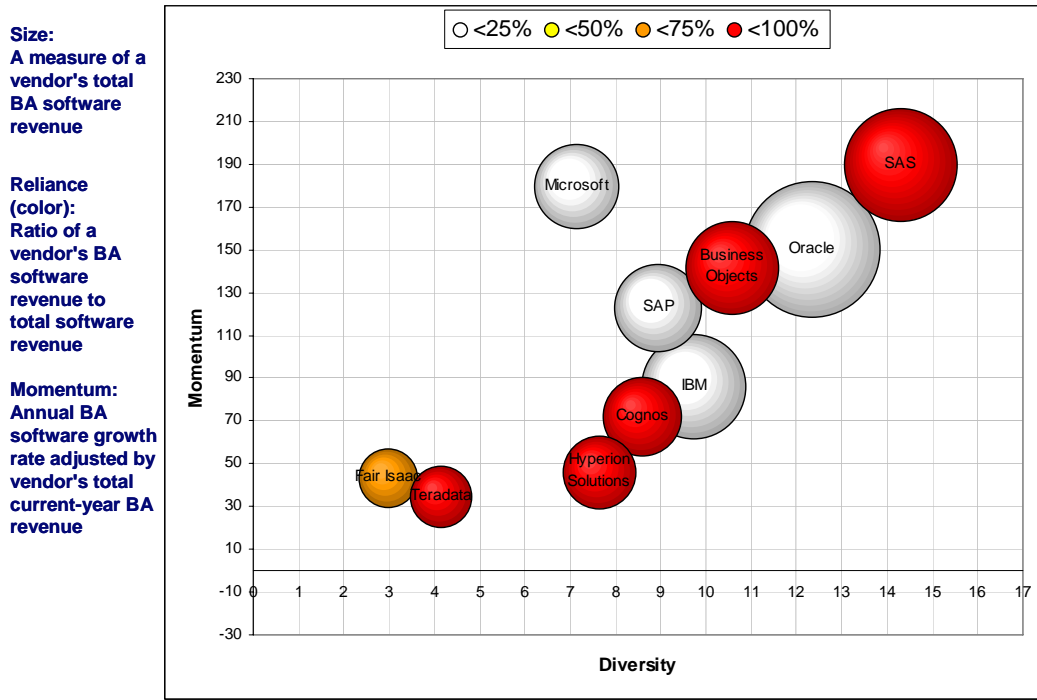
Source: IDC, August 2006

Competitive Analysis: Business Analytics Bubble Chart

To evaluate the competitive market dynamics among the vendors in an increasingly complex market, IDC presents the 2005 business analytics bubble chart in Figure 3.

FIGURE 3

Worldwide Business Analytics Software Vendor Bubble Chart,
2005



Diversity: Breadth and depth of a vendor's BA software offerings (Diversity is a function of the number of BA market segments a vendor plays in as well as the share of each market given a certain level of market concentration.)

Source: IDC, August 2006

The IDC bubble chart is a quantitative tool based on four variables:

- ☒ **Size:** A measure of a vendor's total BA software revenue
- ☒ **Diversity:** Breadth and depth of a vendor's BA software offerings (Diversity is a function of the number of BA market segments a vendor plays in as well as the share of each market given a certain level of market concentration.)
- ☒ **Momentum:** Annual BA software growth rate adjusted by vendor's total current-year BA revenue

☒ **Reliance:** Ratio of a vendor's BA software revenue to total software revenue

The goal of the bubble chart, as shown in Figure 3, is to present a quantitative software vendor comparison based on IDC's rigorous software taxonomy and the depth and breadth of software market data collected and analyzed by IDC. When evaluating the BA market and software, organizations are encouraged to view the IDC bubble charts as one of the tools in their initial evaluation of competitors or software vendors.

The methodology for deriving the four variables contains two components: data and metrics.

Data

See Appendix C for IDC's methodology of data collection for this and other software market sizing studies.

Metrics

The bubble chart depicts the competitive positioning of the leading business analytics software vendors based on the four dimensions discussed in the following sections.

Size

Company size is shown by the size of the bubble, which is based on 2005 business analytics software revenue in U.S. dollars. Total BA software revenue is a combination of license and maintenance revenue and excludes any other company revenue, such as from services, hardware, or content.

Oracle was again the largest business analytics vendor in 2005, with \$2.2 billion in BA software revenue and a 13.1% market share. Oracle was followed by SAS and IBM. Note that there was a fairly significant reassessment of IBM's data warehouse management software revenue based on new market intelligence, which partly contributed to the difference between IBM's revenue shown in this study and that of last year.

Although all of the top 10 vendors derive revenue from more than one segment, many have clearly focused on certain segments of the market. Thus, Oracle, SAS, IBM, Microsoft, and Teradata derive the majority of their BA revenue from data warehousing tools. SAP and Fair Isaac do so from analytic applications. Business Objects and Cognos continue to derive most of their revenue from business intelligence tools. Hyperion has the most balanced revenue stream, with about a 50:50 split between business analytic tools and applications.

Diversity

Diversity, shown on the x-axis, represents the breadth and depth of product offerings of each vendor across all of the segments of the business analytics market. Diversity is weighted by the total size of each individual market segment among all segments along the selected dimension. The market segments used to calculate diversity include data warehouse generation; data warehouse management; end-user query, reporting, and analysis; advanced analytics; analytic spatial information management;

business performance management and financial analytic applications; customer relationship management analytic applications; supply chain analytic applications; services operations analytic applications; and workforce analytic applications.

It is calculated as follows:

$$\text{Diversity}_k = \sum_{\text{market segments } j} W_j * (1 - (1/10^{\text{share}(k,j)})), \text{ for all vendors, } k$$

where:

- ☒ Diversity(k,j) is the share of vendor k in market segment j
- ☒ W_j is the share of market segment j among all segments along the selected dimension

Thus, a vendor with a given share in all segments will have greater diversity than a vendor with the same share in fewer segments. A company with a minimal share in all market segments along a dimension will have less diversity than a vendor with greater shares in all of the segments. Also, vendors with a given share in a large market segment will have greater diversity than a vendor with the same share in a smaller market segment. Diversity is thus proportional to:

- ☒ The number of market segments in which a vendor participates
- ☒ The vendor's share in each of the segments
- ☒ The relative size of each of the segments in which the vendor participates

Of the top 10 vendors shown in Figure 3, SAS has the most diversity within the BA software market. SAS has a broad portfolio of products that spans all segments of the market. At the same time it holds one of the top shares in several of the BA market segments.

Based on the diversity variable, SAS is followed by Oracle and Business Objects. In general, vendors on the right of the chart have broader product offerings within the overall BA market, while those on the left of the chart have narrower offerings, which may mean more focused product portfolios.

Momentum

Momentum, shown on the y-axis, represents the business analytics software growth rate of each vendor adjusted by that vendor's size (or current-year total BA software revenue). Momentum is calculated as a one-year growth rate of BA software revenue multiplied by the vendor's current-year BA revenue.

Growth is an important measure of software markets; it is available from the vendor share tables in IDC's competitive analysis studies and Software Market Forecasters. However, momentum offers an alternative metric that considers both growth and company size in the same context.

As shown in Figure 3, in 2005 SAS was the vendor with the greatest momentum. Given its large size (\$1.4 billion) in the BA market, the company still experienced an

above-market growth rate of 13.6%. Microsoft had the second-strongest momentum. Although Microsoft holds the fourth position in the BA market with \$1.15 billion, its growth rate of 23.5% assured the company the second-highest momentum in 2005.

Reliance

Reliance refers to the extent to which a vendor's total software revenue (i.e., not just BA software) is dependent on its business analytics software revenue. Shown through color coding, reliance indicates on the one hand a software company's focus on the BA market. On the other hand it indicates dependence on the software. Reliance is calculated as business analytics revenue divided by total software revenue.

It is important to note that for database-focused vendors (Oracle, IBM, Microsoft) and enterprise applications-focused vendors (SAP, Oracle), business analytics software continues to represent less than 25% of revenue. Teradata is an exception to the list of database vendors. Although Teradata is a division of NCR, for the purposes of this study IDC evaluates Teradata as a separate vendor. Teradata does have other application software revenue, but the company focuses primarily on business analytics. Other specialty BI and analytic applications vendors are also shown in red, meaning that over 75% of their total software revenue is derived from business analytics. Fair Isaac is shown in orange, meaning that between 50% and 75% of its total software revenue is derived from business analytics; the remainder comes from other applications software.

As already indicated, reliance can be viewed from two perspectives. On the one hand, higher reliance means a higher focus on the BA market, with all resources and full corporate strategy aligned to execute in this market. On the other hand, lower reliance means potential pricing power to bundle and attractively price BA solutions with other software such as the database or transactional applications. As the market for business analytics has matured, it is the latter group of vendors with lower reliance on BA that is beginning to make a bigger impact in the market.

In conclusion, the bubble chart is not a typical leadership grid where only vendors in the upper right of the grid are considered "better" based on some variables. For example, although SAS does have the most diversity and highest momentum in the BA software market, it is not the largest vendor. Fair Isaac has the least diversity of the top 10 vendors, but it does have leadership of the services operations market segment and is firmly focused on its currently chosen market segment. Microsoft currently has less diversity than many of its closest competitors, but the company's momentum is significant and necessitates a response from competitors and attention from customers.

Appendix B: Business Analytic Tools and Business Analytic Applications 2005 Vendor Shares

Table 5 presents the 20 leading vendors in the aggregate business analytic tools market. For more details on each of the four segments of this market, refer to the individual studies referenced in the Related Research section.

TABLE 5

Worldwide Business Analytic Tools Revenue by Leading Vendor, 2003–2005

	Revenue (\$M)			Share (%)			Growth (%)	
	2003	2004	2005	2003	2004	2005	2003–2004	2004–2005
Oracle	1,522.5	1,730.2	1,904.2	16.6	16.8	16.6	13.6	10.1
IBM	1,110.3	1,161.0	1,256.1	12.1	11.3	11.0	4.6	8.2
Microsoft	630.5	905.2	1,122.0	6.9	8.8	9.8	43.6	24.0
SAS	837.0	936.0	1,040.9	9.2	9.1	9.1	11.8	11.2
Business Objects	672.6	742.6	831.9	7.4	7.2	7.3	10.4	12.0
Cognos	415.4	511.5	567.2	4.5	5.0	4.9	23.1	10.9
Teradata (division of NCR)	325.4	390.0	423.0	3.6	3.8	3.7	19.8	8.5
Hyperion Solutions	262.8	258.6	287.1	2.9	2.5	2.5	-1.6	11.0
MicroStrategy	142.2	185.0	212.3	1.6	1.8	1.9	30.1	14.8
Informatica	150.9	164.8	211.6	1.7	1.6	1.6	8.3	12.9
Subtotal	6069.7	6984.9	7856.4	66.4	67.8	68.6	15.1	12.5
Other	3075.3	3323.2	3602.4	33.6	32.2	31.4	8.1	8.4
Total	9,145.0	10,308.1	11,458.9	100.0	100.0	100.0	12.7	11.2

Notes:

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Source: IDC, August 2006

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