

by tad leahy

Best Bof

While ERP vendors move toward one-stop shopping, adding a wide variety of applications to their suites, best-of-breed providers gain strength through consolidation and by focusing on meeting specialized client needs.

AS KERMIT THE FROG HAS SAID, IT'S NOT EASY being green. It's a sentiment that best-of-breed (BOB) software providers can relate to. Life can be tough for small, highly distinctive creatures inhabiting narrow ecological niches. Over the past year, these specialized application vendors have needed all their agility and willingness to explore new territory in order to survive in this frog-eat-frog world. • Stronger members of the species have added new functionality to their growing product suites by gobbling up other stand-alone

Breed Software:

**Nimble Product Development
And Deeper Market Niches**

software vendors. John Van Decker, vice president, technology research services, with the Meta Group Inc. in Stewartsville, N.J., reels off a handful of examples: Cognos' purchase of Adaytum, Hyperion Solutions' acquisition of Brio Software and Business Objects' purchase of Crystal Decisions.

At the same time, most best-of-breed software providers have struggled to defend their market share against the incursions of enterprise resource planning (ERP) software vendors. ERP suites continue to expand into the functionality categories in which BOB vendors are most successful. Some are doing so through acquisitions. Van Decker points to Lawson Software's purchase of Closed-loop Solutions and Geac's swallowing of Extensity as examples.

Still, the traditional best-of-breed application is in no danger of extinction, experts agree. Stand-alone software providers that are

willing to explore new avenues to serve their clients' needs will always find a market. "They can develop new products and bring those products to market faster than ERPs," says Van Decker. "They don't have to deal with their own global infrastructure like ERPs do or spend as much time training their sales force. BOBs are more nimble in terms of product development because they don't have all the baggage of an ERP."

That agility is a crucial edge for best-of-breed software providers. "Suppose your ERP vendor has 10 applications planned for rollout, but they won't be available for two years. Do you wait for them, or do you get what you need now from a BOB vendor?" asks Mark Smith, senior vice president of research at Ventana Research in Belmont, Calif. "What will the impact be on your business if you decide to wait?"

Corralling Expenses

Expense management software vendors' success in the last 12 months largely has been driven by the popularity of their products' Web-based functionality. Companies that enable their employees to complete reimbursement processes online can save money by reducing paperwork. Not surprisingly, it's been a pretty easy sell. "Over the past 12 months, the expense management market has grown by around 12 percent, compared to about a 3 percent or 4 percent growth rate for business software in general,"

says Christa Degnan, research director with the Aberdeen Group Inc. in Boston.

"More and more midsize companies that are using this software are going with a hosted model as opposed to buying it outright," Degnan adds. The advantages of that strategy include far fewer installation hassles, lower maintenance costs, and immediate access to the latest and greatest version of the product whenever it becomes available. "Customers can start using the upgraded version within 24 hours," Degnan notes.

Vendors offering travel and entertainment (T&E) expense management software are finding a ready market for their products, too. According to the Institute of Management and Administration's 2003 study "Managing T&E Operations, Costs and Automation," processing a T&E report manually can take companies up to five days and cost them as much as \$27. T&E software generates sizable savings by automating this task and eliminating paper-based processes. It also reduces employees' wait time for reimbursement.

Most products in this space offer Web-based expense report submission capabilities as well as integration with corporate credit card billing. In addition, these systems provide reporting capabilities that enable finance managers to boost their negotiating power by identifying the best travel deals and compiling a list of preferred vendors.

Best-of-breed software vendors are also finding success by exploring nontraditional areas of the expense management space. Santa Clara, Calif.-based seeUthere Technologies focuses exclusively on professional meeting automation, or consolidated meeting management, as CEO John Chang prefers to call it. "Our product helps companies gain visibility and cost savings around meeting spending, which is a large expense category for many companies," he reports. "It's not a modular application; every meeting is different.

"We haven't had to battle with ERP vendors at all for this market," Chang notes. "In fact, we have a couple of major ERP vendors as clients, working with us to help with their meeting management needs."

EXPENSE MANAGEMENT (T&E, Tax, Fixed Assets)

Acorn Systems

www.acornsys.com

AnchorPoint Inc.

www.anchorpoint.com

Ariba Inc.

www.ariba.com

Best Software

www.bestsoftware.com

BNA Software

www.bnasoftware.com

Concur Technologies Inc.

www.concur.com

**Decision Support
Technology**

www.basets1.com

GBA Systems

www.gbasy.com

**Gelco Information
Network Inc.**

www.gelcoexpense.com

MoneySoft Inc.

www.moneysoft.com

Necho Systems Corp.

www.necho.com

OneMind Connect Inc.

www.expensable.com

Peregrine Systems Inc.

www.peregrine.com

Perfect Commerce

www.perfect.com

seeUthere Technologies

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TVL Inc.

www.wisetrack.com

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Verian Technologies

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Vertex Inc.

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WorthIT Software

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