



Business Software

## Software Giants Eye the SMB Market

By Adam Stone

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As his firm neared \$100 million in revenues, Jeff Westphal saw trouble brewing. "We had outgrown our in-house solutions for accounting and planning. We were facing the inability of our homegrown solutions to provide us reliable, flexible and expandable information," explained the president and CEO of [Vertex](#), a 600-person software-solution company. Fortunately for Westphal, a new trend in the marketplace has made a new class of business-process solutions available to mid-sized enterprises like his.

The solutions themselves are not "new." Companies such as [Oracle](#), [SAP](#) and [Peoplesoft](#) have long offered their powerhouse databases to the biggest corporate entities in the world. What *is* new is that these vendors have started marketing scaled-down versions of their accounting, inventory, manufacturing and other system software, to mid-sized companies.

"What these vendors can provide is a much greater functionality" than the piecemeal solutions that have dominated in mid-sized firms, explained Marc Hebert, executive vice president at [Sierra Atlantic](#), an IT services company based in Silicon Valley. Unlike most smaller systems, in which different business functions exist within their own silos, these big-time suites typically offer a relational database for enhanced analysis, as well as rich reporting tools and Internet-ready solutions that let firms tie easily into portals and other forms of business-to-business electronic commerce.

### What's Available?

A major player in the field, SAP offers a typical example of the newer products now available in the SMB market. SAP Business One is an enterprise resource planning (ERP) application for small and midsize companies. First released to in Europe, it uses open standards to simplify integration with other systems. A "Drag & Relate" capability lets users pull together information from disparate data stores and link it on the desktop. This in turn allows for information-rich reporting and analysis — something smaller business have had a difficult time achieving in the past.

The product also integrates sales force automation systems for simplified order activity tracking. It contains contact management functions, financial management and inventory management systems and a comprehensive reporting module.

It's fair to say that competing products deliver roughly the same functionality. Oracle offers its Standard Edition One, a single-processor version of its standard database. PeopleSoft has come out with World Express suite, based on an application suite developed by J.D. Edwards & Co., which PeopleSoft acquired last year, and Microsoft Business Solutions has launched a similar product called Microsoft Business Network.

Of course each vendor approaches business management processes in a different way and with a different emphasis. Peoplesoft, for instance, focuses on accounting and account management initially, then offers additional functions in separate modules, explains Ray Boggs, vice president of SMB and home office research at IDC. "That's kind of a nice way to approach it for a smaller business, where you may not want to make this life-changing commitment all at once, in every aspect of the way you operate," he says.

## **Research Requirement**

How do you know which product is right for your business? The decision has to start with analysis on the home front. "You need to ask: What's the most important issue I need to solve right now? What's the one critical area I need to address?" Boggs explains. After this, look at the different modules offered by each vendor to see which package has the richest variety of functions that your business might need in the future.

Even when implementing one module at a time, this software does not come cheap. While prices are all over the map, a financials-only solution can easily run to \$10,000 a month, says Scott Southall, managing director at consulting firm [BearingPoint](#) in New York City. Still, this could well be considered a bargain. "In some markets you will pay that much just to hire a single person," Southall says.

Also worth considering is the question of who is selling the product. Some of the normal distribution channels for these products are not yet prepared to make the transition from serving big corporate clients to supporting SMB customers, says Boggs. As a business owner, "I don't want someone who is used to serving big accounts and is going to think of me as dog meat. I want to work with someone who is actually going to be interested in my business," he says. He points to the close-knit relationship between Peoplesoft and the IBM sales force as a positive example of how things can be done.

Another big issue for the SMB market is the question of specificity. In the absence of global solutions, many companies in the mid-sized market have adopted vertical applications, and they may be wary of giving up these industry-specific solutions.

In anticipation, the big database vendors have begun creating vertical modules for their SMB products, including systems intended to serve industries such as real estate, professional services, consumer products and electronics manufacturing, to name a few.

## **Planning Would Have Made Perfect**

At Vertex, Jeff Westphal says he has solved his scalability problem with a move to Oracle's SMB product, but he warns that the transition from proprietary solutions to a more universal platform can be a difficult one.

"We have data structures that made moving from the old system to the new system a very time-intensive proposition," he says, adding that this pain could have probably been prevented with a little more forethought along the way. "I wish I had taken more time to make the right selections in previous systems implementations. It would have saved us much of the effort we spent playing catch-up this time around."

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