Chapter IV

The Second Wave ERP Market: An Australian Viewpoint

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ABSTRACT
This chapter presents the market penetration of SAP systems in the Australian market together with an analysis of three mini-case study implementations. The implementations showcase a global rollout, a global consolidation and a “greenfields” small to medium implementation, and present the diverse range of implementations that are occurring in the Australian ERP marketplace. The global ERP industry blossomed in the 1990s, automating back office operations and, in the new century, moves have been made to introduce a “second and third wave” of functionality in ERP systems. Research up-to-date has been limited, especially in the relation to market penetration, of these new “second wave” products in the Australian region. The trend in 2000/01 was for upgrades and restructure in preparation for the move to e-commerce. In 2002, there has been an expanded focus on mysap.com, small to medium enterprises and the expansion into “third wave” products. This chapter looks at the market movement and
demographics of companies that have implemented SAP software, the dominant ERP vendor within the Australian marketplace, and will focus on the trends that are impacting the Australian ERP market.

INTRODUCTION

ERP sales now represent a significant proportion of total outlays by business on information technology infrastructure. A recent survey of 800 U.S. companies showed that almost half of these companies had installed an ERP system and that these systems were commanding 43% of the company’s application budgets (Carlino, 1999a). The global market for ERP software, which was $16.6 billion in 1998, is expected to have a compound annual growth rate of 32%, reaching more than $66 billion in sales by 2003 (Carlino, 1999b), and is estimated to have had 300 billion spent over the last decade (Carlino, 2000). More recent estimates show a slowing in demand for core ERP systems with an increasing emphasis on upgrades and extended functionality “bolted on” existing systems. There are several reasons for this diversification of ERP systems: integration of business processes, need for a common platform, better data visibility, lower operating costs, increased customer responsiveness and improved strategic decision making (Iggulden, 1999). The primary objective of this chapter is to ascertain the level of ERP implementation in Australia and to profile the demographics of the companies that had implemented this software. SAP Australia was chosen as the study vector, as it is reported as dominating the ERP market in Australasia (IDC, 1999). The first phase of the study, as presented in this chapter, provides an analysis of SAP clients in Australasia broken down by industry sector, organisation size, and types of software implemented. The second phase of the study evaluates the ERP modules implemented as per industry sector and organisation size. This helps to identify implementation trends for companies considering implementing an ERP system. The second phase will also present three SAP implementation mini-case studies to highlight the range and type of organisations moving or upgrading in the ERP marketplace.

ERP MARKET PENETRATION

Market penetration of ERP systems varies considerably from industry to industry. A recent report by Computer Economics, Inc. stated that 76% of manufacturers, 35% of insurance and health care companies, and 24% of Federal Government agencies already have an ERP system or are in the process
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