NUCLEUS RESEARCH

UNIT4 SHOWS ITS X-FACTOR WITH ERPx

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THE BOTTOM LINE

In the fourth quarter of 2020, Unit4, a Netherlands based software company, announced ERPx, its newest Enterprise Resource Planning (ERP) solution, slated for release in the first quarter of 2021. ERPx is a cloud-based SaaS solution that includes various Unit4 business applications and modern features like machine learning functionality, chatbot technology, and low-code and integration extension toolkits. Unit4 takes a vertical approach in the ERP market and gears its solutions towards mid-market organizations in the service-focused industry. We expect this specialization could make ERPx easier to implement and more intuitive when addressing industry-specific technology challenges, rather than a more general ERP product could. This specialization could potentially benefit ERPx customers with increases in user productivity and decreases in costs. Unit4's announcement of ERPx supports our previous research in which vendors are narrowing the focus of their products by industry to offer more customized solutions and modules for deeper market penetration and improved customer satisfaction.

THE ANNOUNCEMENT

In October 2020, Unit4 announced at its virtual conference, Experience4U, its next-generation cloud-based ERP solution ERPx. Unit4 noted that the design of ERPx is specifically for their core users of mid-market service organizations and that the solution is expected to roll out in March 2021.

UNIT4 ERPX

Unit4 is a Netherlands-based software company that primarily develops financial management applications for mid-market organizations in the services industry such as professional services, higher education, nonprofit, and the public sector. In 2015, Unit4 partnered with Microsoft to accelerate its creation of a new ERP tool and other business applications on the Microsoft Azure platform. After five years, the partnership has culminated with Unit4's production of ERPx.

ERPx is a web-based SaaS solution that pulls together Unit4's ERP, Human Capital Management (HCM), and Financial planning and analysis (FP&A) enterprise applications onto a single platform. When deployed, the solution can give a full view of operations, finances, and HR and automatically gather relevant data with AI for data analysis and forecasting. As a modern ERP solution, ERPx comes equipped with machine learning functionality, which allows for the automation of repetitive and low-value tasks, prediction of risk factors, and prescriptive recommendations to further actions to users. ERPx also utilizes machine learning with chatbot technology and Unit4's proprietary digital assistant, Wanda, to allow users to streamline non-automated tasks more quickly. End-users also have access to low-code capabilities to create customized functionality in-house rather than outsourcing to costly third-party services. Integration extension toolkits further alleviate the time and resource burden on IT by streamlining the implementation of other solutions into existing systems.

BENEFITS

When speaking with customers and other vendors in the ERP market and by reviewing similar market trends, Nucleus expects that future ERPx users will likely achieve three major benefits:

INCREASED USER PRODUCTIVITY

The cloud-based ERPx platform will likely allow customers to achieve gains in user productivity by consolidating Unit4's ERP, HCM, and FP&A solutions. Typically, when vendors offer a wide range of functionality through a platform approach, users find improvements to the standardization of processes, ease-of-use of applications, flexibility in deployment, and data clarity. Nucleus expects users who will use ERPx for multiple business solutions will see similar results. We believe this solution will eliminate manual activities associated with transferring data and reports from one application to another through process automation, saving users time for higher value-add tasks. IT departments are also expected to save time on general maintenance and updates as those responsibilities are mostly shifted to the cloud vendor.

REDUCED OPERATIONAL COSTS

Nucleus has also found evidence that vertical specialization in the ERP market results in cost-saving benefits for customers. In Unit4's case, the use of specific industry knowledge will likely remove part of the burden and cost of customization that usually takes place when

Nucleus expects Unit4 ERPx to increase user productivity, reduce costs, improve visibility.

implementing a more general product. Users will save on third-party services and internal resources during the implementation as the ERPx platform's solutions are already natively integrated. With Unit4 focusing its ERPx's design and functionality for specific industries on meeting customer requirements, users within those verticals further save on upfront customization. The saved costs and streamlined implementation process leads to a faster time-to-value, increasing the ROI of customers' technology investments.

IMPROVED ORGANIZATIONAL VISIBILITY

As consolidation of multiple solutions streamlines the data flows and promotes interdepartmental collaboration, organizations achieve greater end-to-end visibility over their daily operations. Interviewed customers have reported the benefits of making data available across Unit4's multiple products by building connectors as applications are brought in piecemeal wise. With ERPx bringing in ERP, FP&A, and HR management applications under one roof, users can expect seamless real-time data availability between the solutions. Further, Nucleus believes a unified user experience will make navigating across functions and performing analysis easier for business users to support decision-making.

WHY IT MATTERS

In our "ERP realism" research note, we gave an overview of the ERP market and our views on what its future would look like (Nucleus Research t168 – The business value of ERP realism – November 2019). We proposed that one of the potential avenues that the ERP market could follow was that vendors would make their solutions more vertically specialized to grow their base and retain customers within specific industries. To achieve that, vendors would have to research, develop, and fully customize an industry-specific ERP solution that meets all its customers' unique needs. That is a lot easier said than done given the depth of industry knowledge required and the difficulty in balancing solution development to avoid being too general and not differentiating the solution or too specialized and unnecessarily limiting the targeted customer base.

With holistic and cross-departmental planning quickly becoming a necessity in today's modern business environment, flexibility and customization are key differentiators. Therefore, ERPx aims to democratize sales and operational planning and workforce management by streamlining the user experience and deployment process while lowering the Total Cost of Ownership. If ERPx is successfully rolled out, Nucleus believes the trend of vendors shifting development to specialized ERP solutions or modules will only accelerate, lest they become a jack of all industries, master of none.