SOFTWARE PATH

2022 ERP Software Report
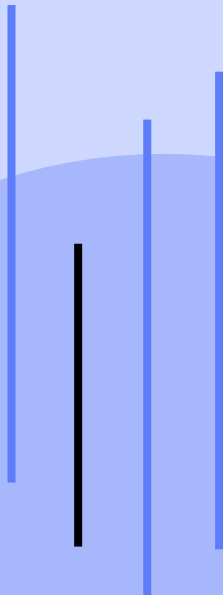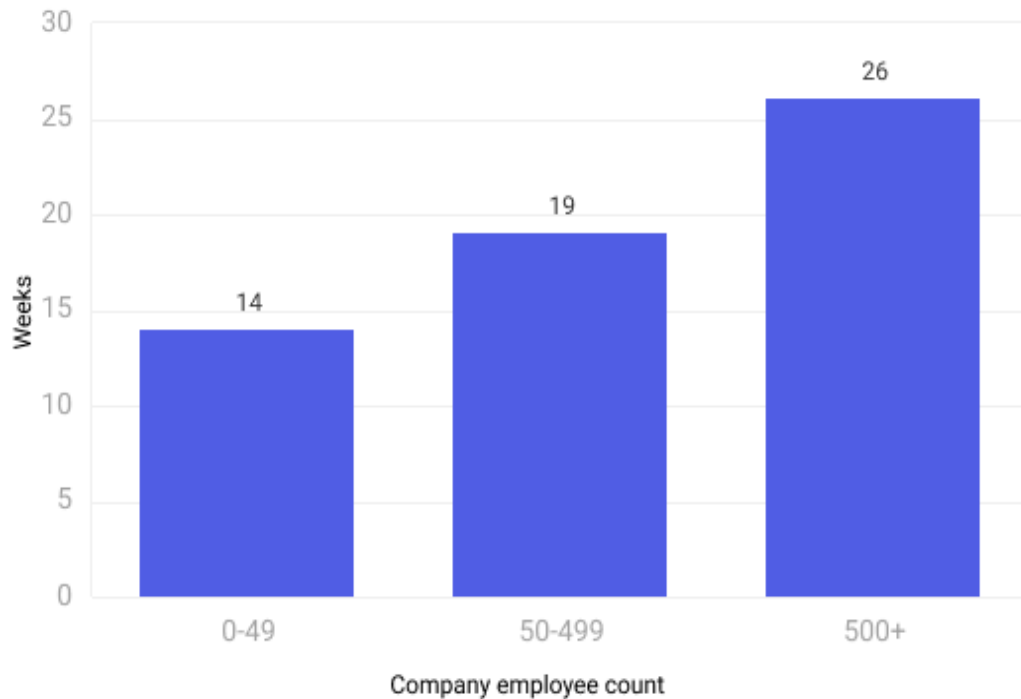
01

Planning

Timeframe for selecting ERP

The average timeframe for selecting an ERP has remained at 17 weeks for the past three years according to our data. Although, the amount of time taken to select a system increases as the company size increases. Larger companies typically have more stakeholders that need to be consulted during the selection of a new software resulting in a longer selection period.

On average, companies spend 17 weeks selecting ERP

Percentage of employees using ERP
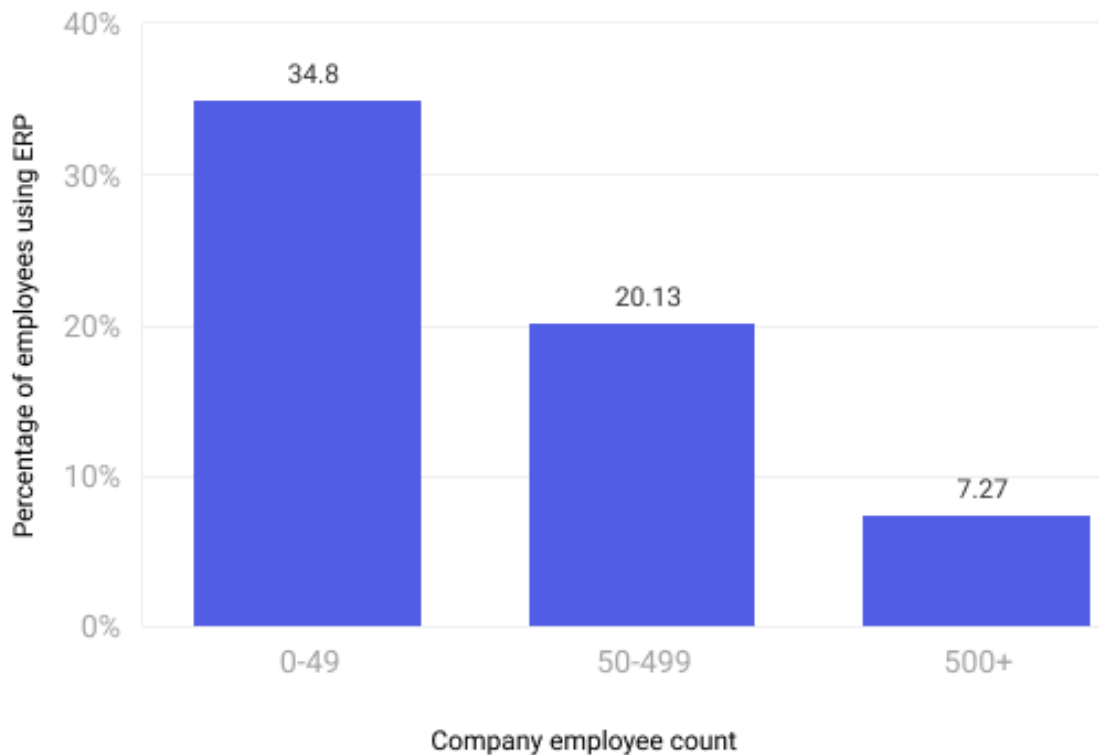
Smaller companies have the highest percentage of employees actively using their system, versus large companies who have a smaller percentage of users. Smaller companies typically have employees who work across departments therefore need more system access compared to larger companies who have more structured departments and stricter user access rules for systems.

On average, 26% of employees use a company's ERP system

Percentage of employees using ERP by industry

Industry	Percentage
e-Commerce	48.3
Distribution	39.94
Retail	39.42
Manufacturing	24.61
Services	23.67
Healthcare	22.37

Percentage of employees using ERP
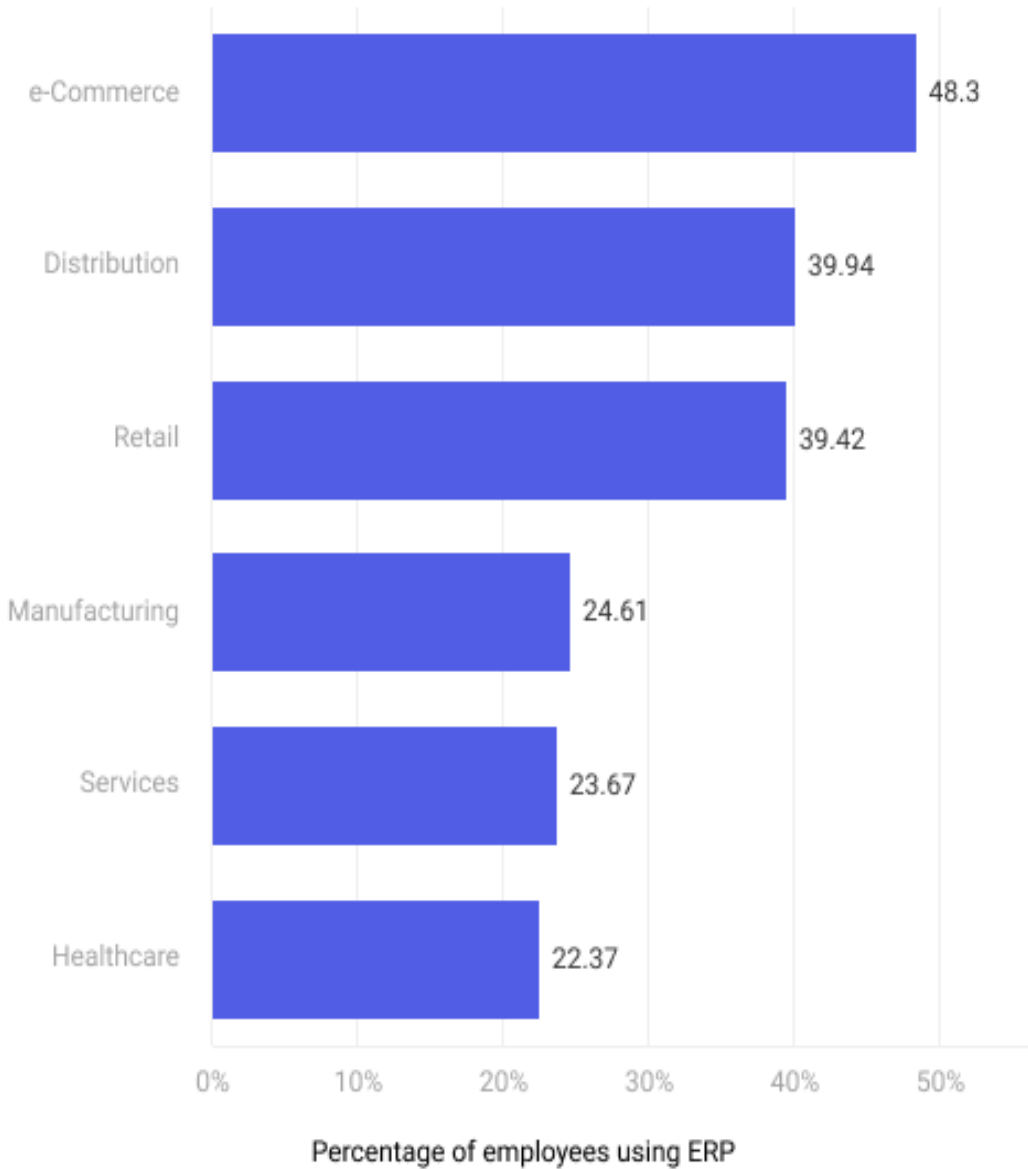
e-Commerce became our leading industry with the highest percentage of ERP users in their organization – after the significant increase in usage last year this industry has continued to grow. Distribution and manufacturing continue to have a meaningful number of users, but we can also see the Retail industry beginning to creep up on other sectors similarly to e-Commerce last year.

02

Requirements

Reason for implementing ERP

Percentage of projects
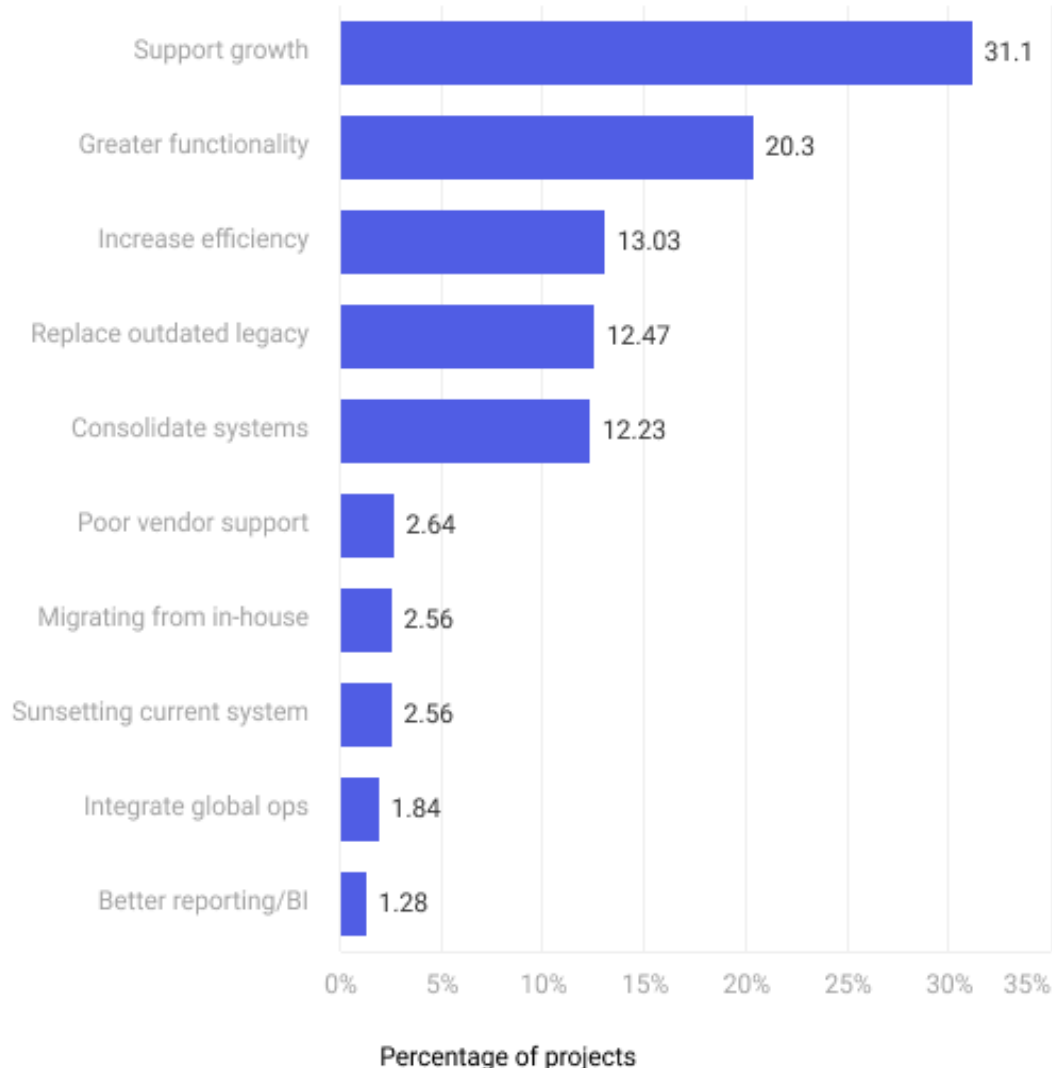
This year, the leading reason for implementing ERP across businesses of all sizes was to support growth. Impressively, even with current events, companies are expanding and looking for software that supports those goals. Companies are continuing to look for process gains in functionality and efficiency this year. Interestingly, the number of companies that are looking to replace outdated systems and consolidate disparate systems has surged accounting for 25% of reasons between them.

Reasons for implementing ERP by company size

0-49 employees

- Support growth   39.9%
- Greater functionality   20.7%
- Increase efficiency   13.7%

50-499 employees

- Support growth   24.4%
- Greater functionality   20.6%
- Replace outdated legacy system   14.7%

500+ employees

- Replace outdated legacy system   25.2%
- Greater functionality   17.3%
- Support growth   17.2%

Hosting preferences by company size

All companies

Installed 3.68%

Either 41.28%

Cloud 55.04%

0-49 employees

Installed 4.54%

Either 39.46%

Cloud 56.01%

50-499 employees

Installed 3.68%

Either 43.16%

Cloud 53.16%

500+ employees

Either 41.84%

Cloud 58.16%

Cloud ERP remains the most popular deployment method across businesses of all sizes. The desire for an installed system has further reduced with most businesses desiring solutions that can be accessed remotely now, and no businesses with over 500 employees are considering an on-premise system specifically.

Features required in ERP selection project

Percentage of projects

| Feature	Value
Accounting	86.55
Inventory Management	78.96
Purchasing	62.58
Sales	47.83
Supply Chain Management	46.1
Distribution	41.43
Shipping Logistics	41.21

86% of companies require accounting in their ERP as a core feature. Alongside, most companies also require inventory management, purchasing, and sales as a base requirement for their ERP system. There has been an increase in the number of companies looking for distribution and shipping/logistics as part of their ERP functionality which could suggest companies are combining systems across departments and focusing on one system that meets all cross-departmental needs.

## ERP system used prior to selection project

Percentage of projects
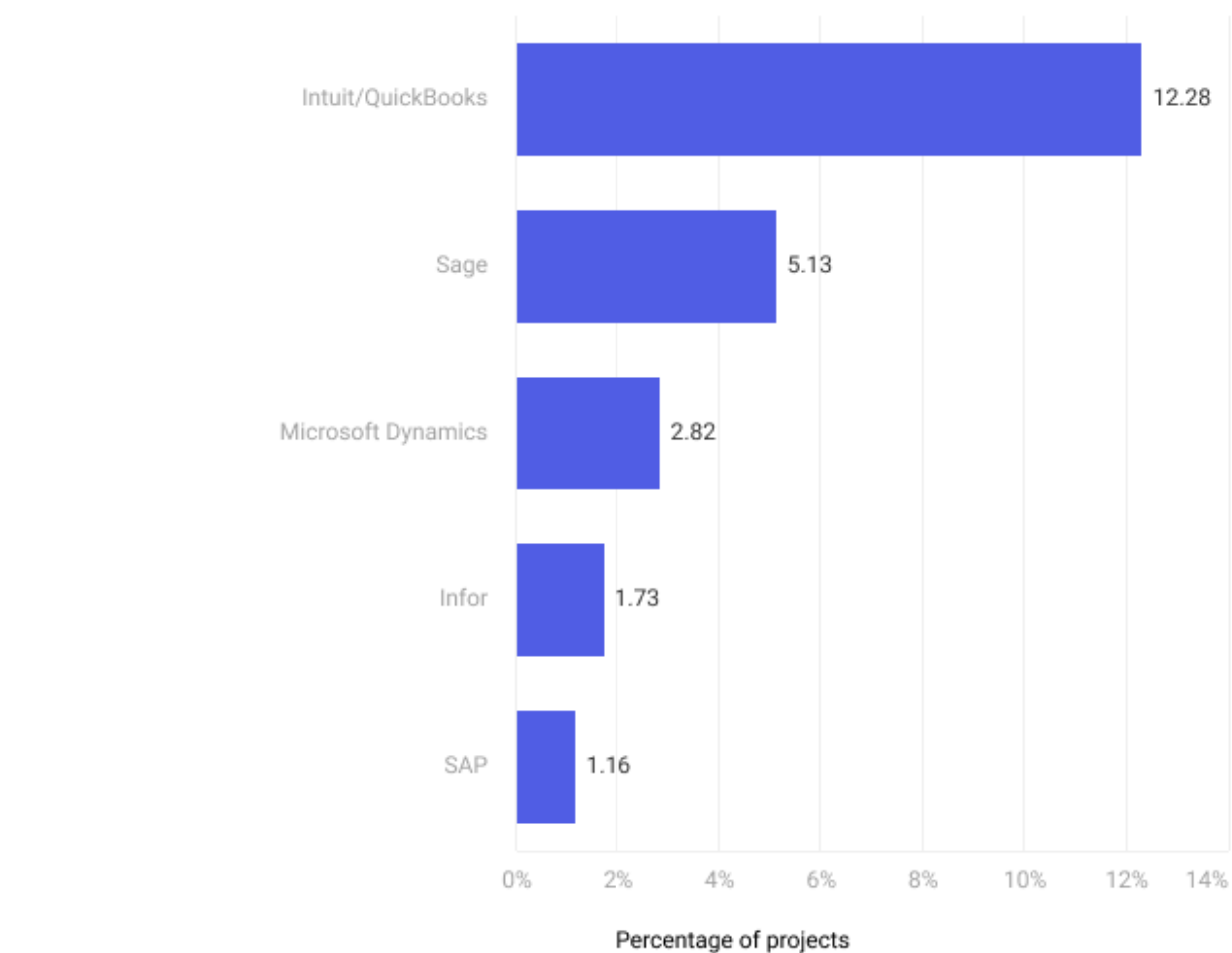
This year, we found 14% of companies were switching from lesser-known systems which is a significant drop from the previous year. Over 12% of companies were making the transition from Quickbooks to ERP suggesting companies are looking for systems to handle more than their accounting. Our research shows an increase in businesses that require accounting as a base feature in addition to their other feature requirements such as sales or purchasing.

ERP systems compared during selection
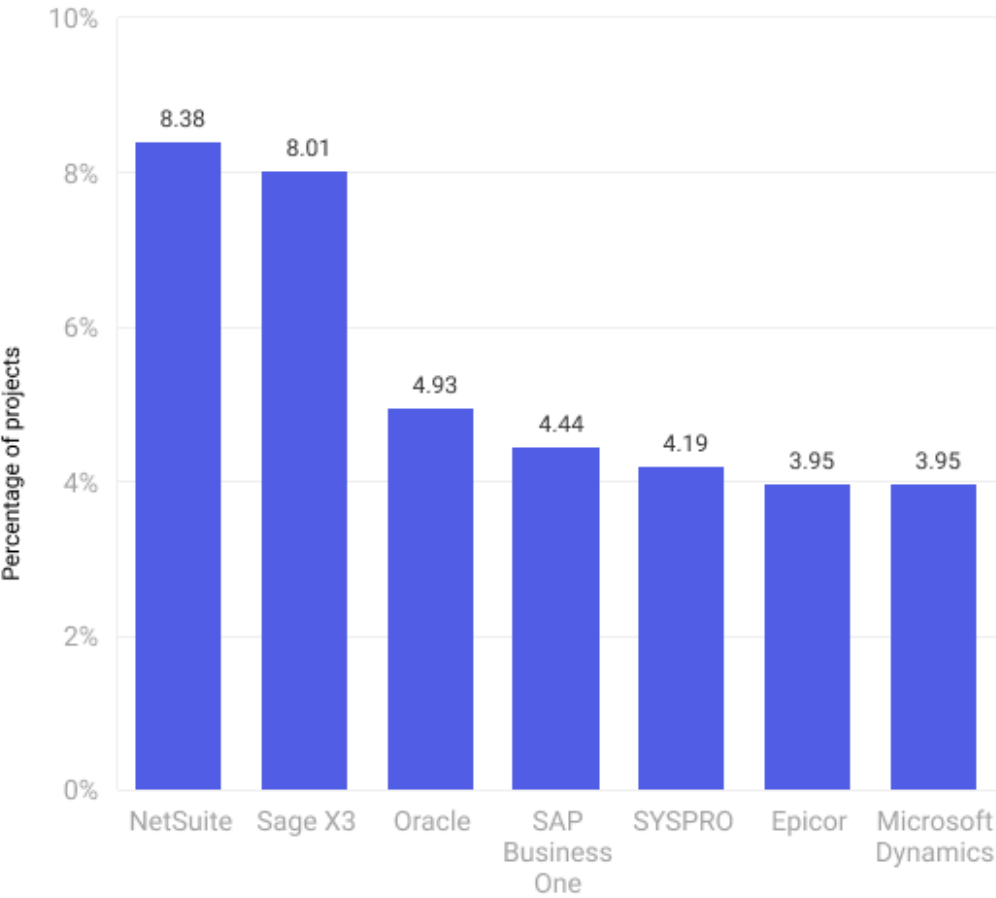
It's not surprising that we see the big-name players being compared the most during the ERP research phase. NetSuite leads as the most compared software, followed closely by Sage X3. These systems are able to be specialized as well as having enough support and functionality to be useful in most industries. Interestingly, ERP systems for manufacturers were also compared frequently, including SYSPRO and Epicor.

Content ERP buyers are most interested in
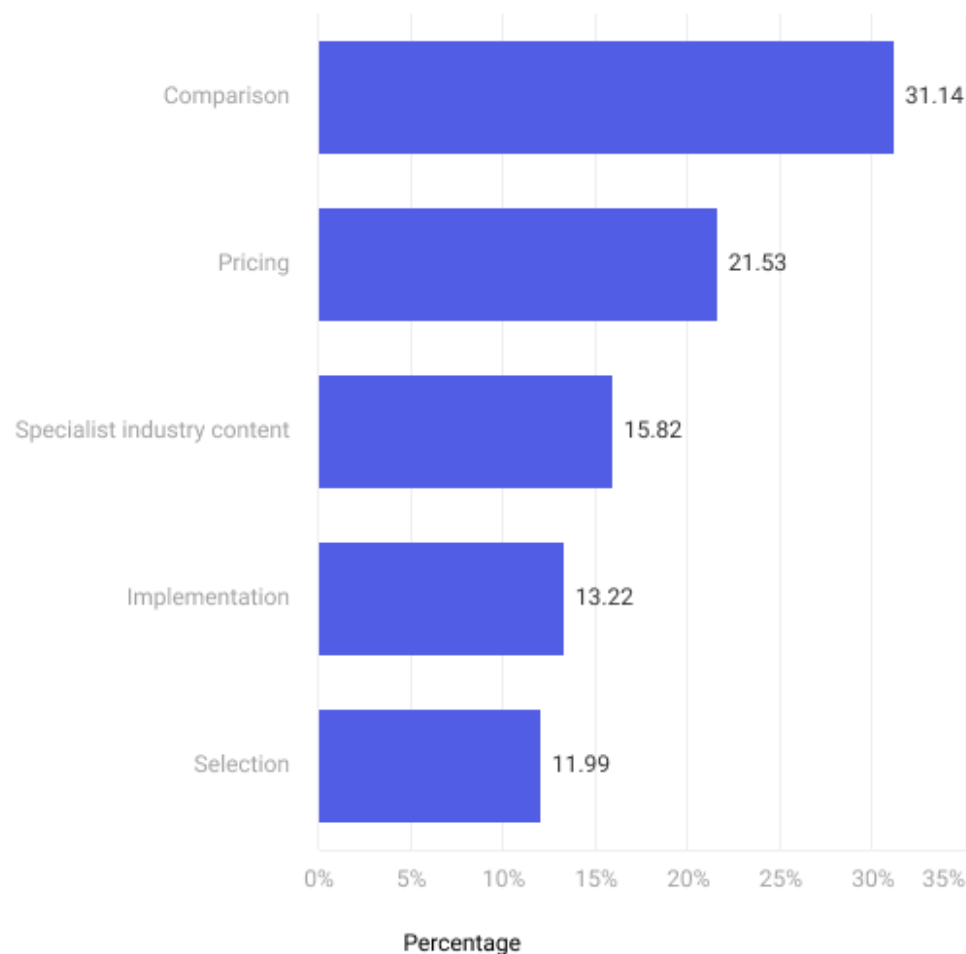
Most companies selecting ERP were most interested in comparison information between shortlisted systems in their research phase. ERP software comparisons are useful to compare like for like systems based on the feature data, industries served, pricing, and more. Interestingly, pricing data was the second most requested information on ERP products suggesting that pricing information is important to companies considering new systems.

03

Budgets

All budget data was gathered from projects as a projected total cost of ownership for the new system over five years. Budget data is presented as a budget per user to enable comparison between companies of different sizes.

Budget per user ($) by company size
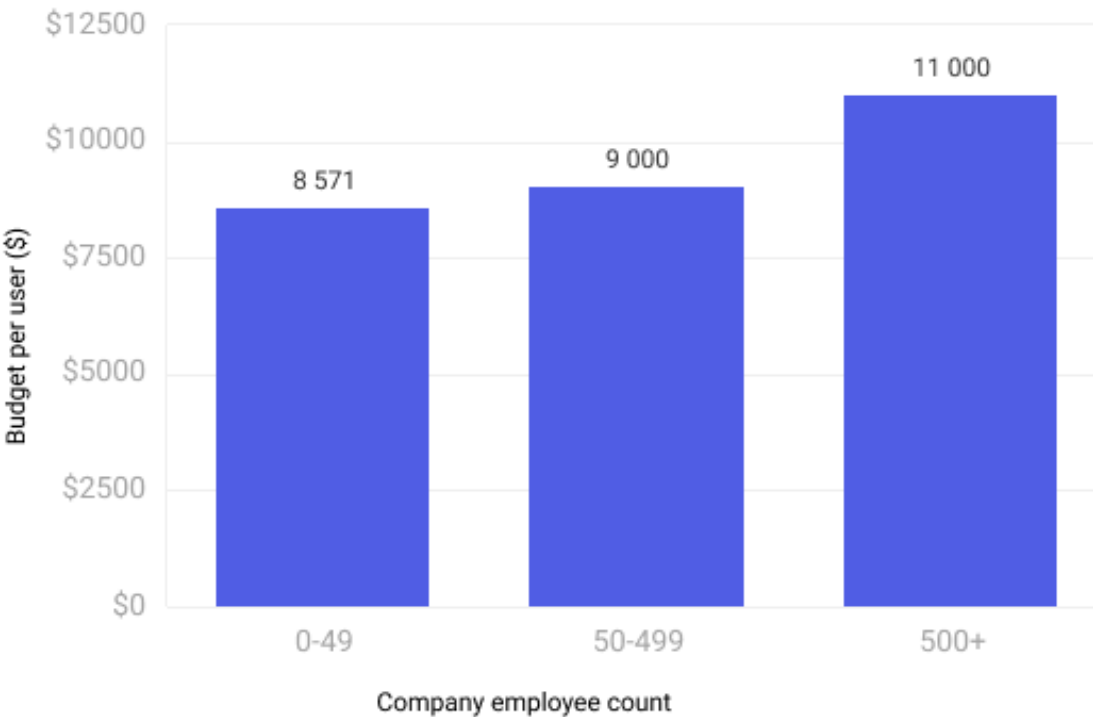
The average budget for an ERP project has slightly increased since our last report, but remains at a very similar level. In a reverse of previous trends, we see that smaller companies are paying less per user than large companies with over 500 employees. This is the first year we've found that large companies are spending more per user on their system than any other project report. Interestingly, mid–sized companies budget has remained static at $9,000 per user for the past two years.

The average budget per user for ERP software is $9,000

Budget per user ($) by hosting method
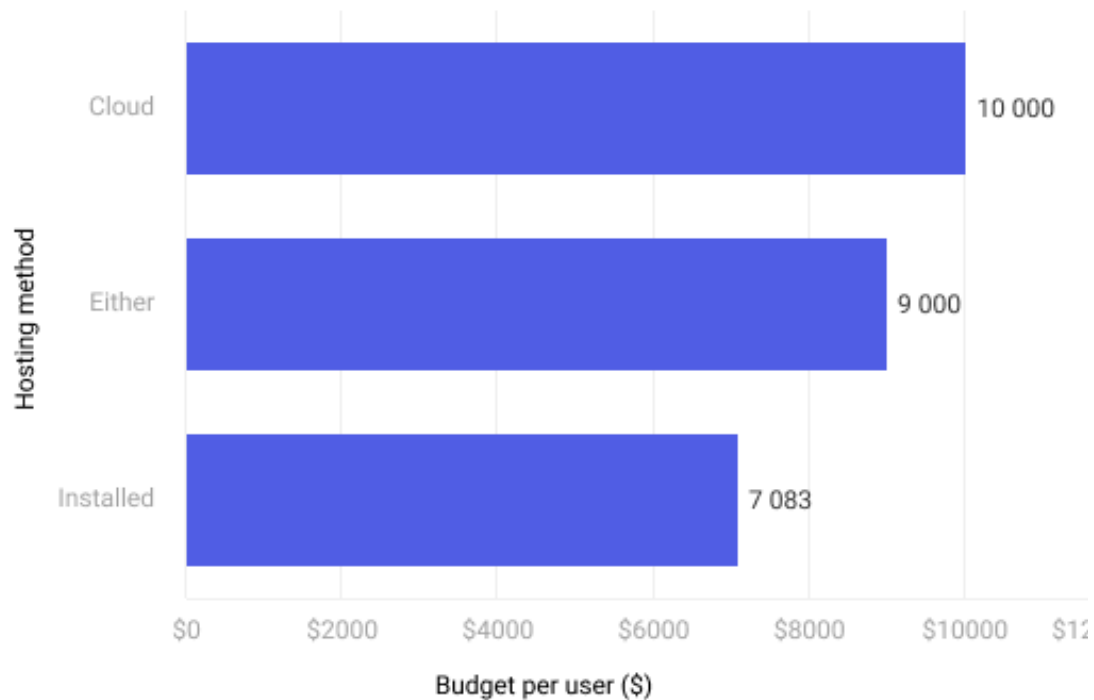
The difference in budget between those looking for a cloud or an installed system has increased this year. Typically, we'd expect installed systems to have a higher budget as they would require more physical infrastructure and maintenance compared to a cloud-based solution. However, this year, we've found that companies looking for an on-premise system are actually looking to pay less per user over a five year period; this may mean that companies have existing infrastructure and teams in place to maintain the system resulting in lower cost expectations.

Budget per user ($) by industry
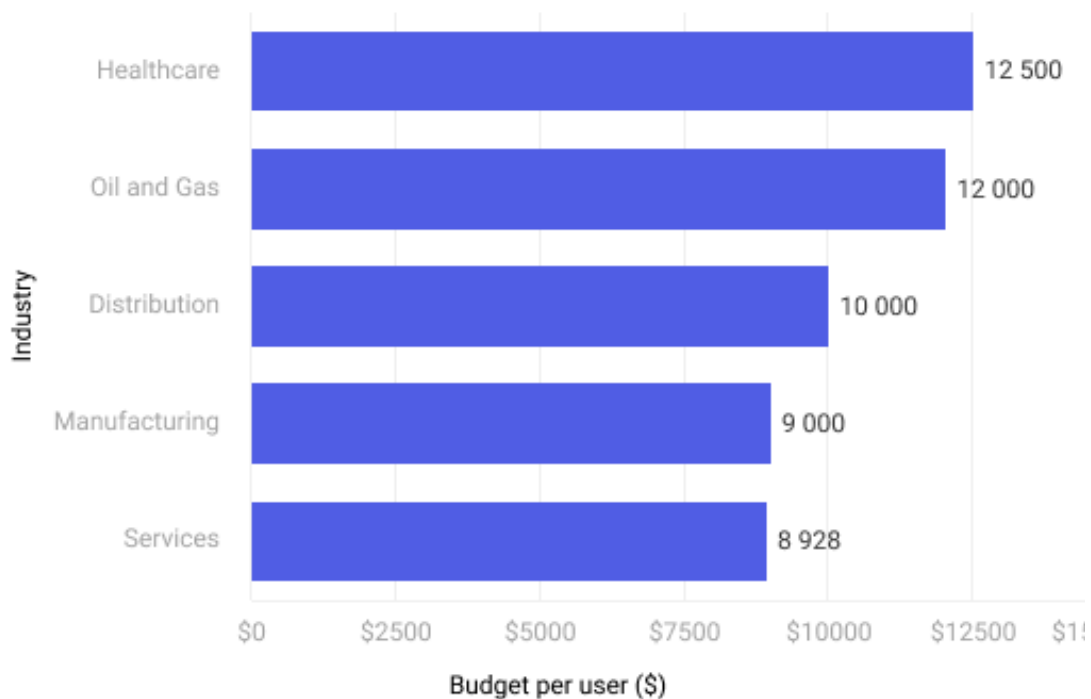
The healthcare industry has the highest budget per user across all industries, followed closely by the oil and gas industry. Interestingly, other industries didn't significantly spend more or less than the average spend per ERP user previously reported. It's possible that companies in the higher spending sectors have more specialized requirements thus expecting a higher cost per user.

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Appendices

Appendix A: Sample demographics

Sample geography

Territory	Percentage
North America	70.95%
Canada	21.6%
UK	4.26%
Australasia	0.94%
Europe	0.65%
Unknown	0.58%
Africa	0.51%
Caribbean	0.43%
South America	0.07%

Appendix A: Sample demographics

Sample industry

Industry	Percentage
Manufacturing	57.88%
Other	5.64%
Services	14.6%
Distribution	10.91%
Healthcare	1.45%
Construction & Engineering	4.48%
Retail	1.95%
Software	1.37%
Oil & Gas	0.79%
e-Commerce	0.94%

Appendix A: Sample demographics

Sample company sizes

Employees	Percentage
0–49	43.57%
50–499	40.17%
500+	16.26%

Appendix B: Notes on methodology

Data gathering

Data was gathered directly from users of the Software Path website or partner websites. All data was gathered from active software selection projects between January 2021 – December 2021 unless otherwise specified in the methodology. The total sample size used for analysis was 1,384 although subsets of this may have been used where data coverage was lower.

Budget data was gathered from active software selection projects as a projected five-year spend on the software. This data was then transformed to "budget per user" based on software user numbers gathered in the same sample. Budget data was gathered between February 2015 – December 2021.

Multivalued fields

Some projects used for analysis displayed multiple values in a single field. Where appropriate these multivalued fields were included in analysis for each value (i.e. one project may be recorded in analysis of multiple values). This choice was made to best represent the true demographics and characteristics of each project. These fields include:

- Reason for project

- Industry

- Platform preference (where "either" was given as a choice)

Analysis of multivalued fields in this way may give a percentage or numeric total greater than the sample size or 100% respectively.

Averages

Averages have been used to present analysis on a number of samples, including project timeframe and budget per user.

Analysis of project timeframe data uses the mean to present averages due to the data being gathered in a structured range between 0-12 months.

Analysis of budget per user data uses the median to present averages due to the data not being gathered in a structured range leaving the mean susceptible to skew from extreme variables.

Contact us

For more information on this report including reuse of the data or methodology queries, please contact megan@softwarepath.com.