

A BPM Partners Vendor Profile

BPM Profile: PROPHIX

Performance Management Software for the Mid-Market

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Introduction

Much of the performance management and business intelligence news headlines in 2007 - 2008 focused on the large vendor consolidation and merger activity, followed by the respective vendor product line rationalizations and roadmaps. All this excitement pushed to the second page news about products that may well have a significant impact on companies looking for alternative platforms for performance management. In particular, mid-market to smaller-sized companies seeking to improve internal performance management processes have some notable technology alternatives from vendors that have been quietly growing and building experience in delivering a valuable solution.

PROPHIX Software is one such company. Founded in 1987 in Mississauga, Ontario, PROPHIX has been successfully competing in the small to mid-market, as well as divisions of larger global corporations since its inception. Today, the PROPHIX solution includes reporting, planning, budgeting, forecasting, financial consolidation and data visualization technologies. With the exception of the Advanced Data Visualization module, all of these components are available as a complete suite to support an organization's business performance management initiatives.

PROPHIX emphasizes rapid implementation, solution breadth and exceptional customer service.

With Gartner and IDC estimates that the corporate performance management market is growing between 12-14% CAGR, PROPHIX has beaten market growth rates, regularly growing at about 25% per year. With vendor merger and acquisition activity hitting a feverish pace in 2007-2008, and the associated organizational and product roadmap volatility found within the merged companies, independent companies like PROPHIX have found an increased opportunity for growth.

Product Review

Product Architecture and Technology Roadmap

The PROPHIX solution set comes in three flavors: PROPHIX Express, PROPHIX Enterprise and PROPHIX SQL Server edition. Express is designed for simple file server (LAN) implementation and is targeted for one to five users. Enterprise can be deployed in the same manner as Express, but is generally positioned as the client-server offering, and is ideal for 5-50 users. SQL Server Edition is built largely around the Microsoft platform; the next major version will be optimized for SQL Server 2008 and is ideal for 20-500+ users. The three tier architecture for PROPHIX SQL Server Edition v4.1 is noted in Figure 1, and the PROPHIX Enterprise architecture is captured in Figure 2.

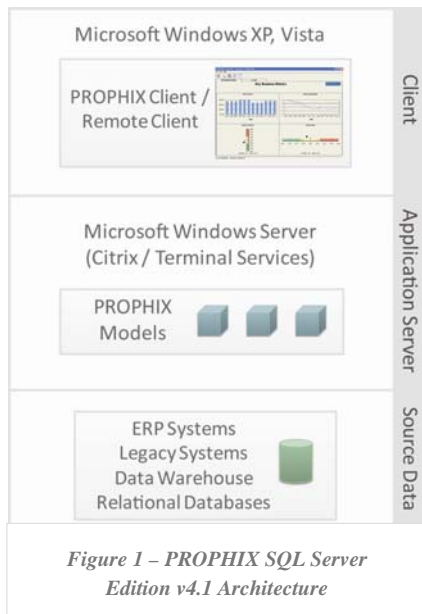


Figure 1 – PROPHIX SQL Server Edition v4.1 Architecture

In terms of product roadmap, PROPHIX intends to continue its investment in Microsoft technology by enhancing support for Windows Server 2008, providing backwards support to SQL Server 2005 and enhancing integration with other Microsoft technologies, including Reporting Services, Analysis Services, Integration Services (SSIS), Office 2007 and Sharepoint. The company will also leverage

complementary technologies and continue to enhance its overall user experience as it is doing, for example, through its use of data visualization and charting capabilities from Dundas. In addition, further investments in new technology will focus on providing incremental performance improvements and application stability.

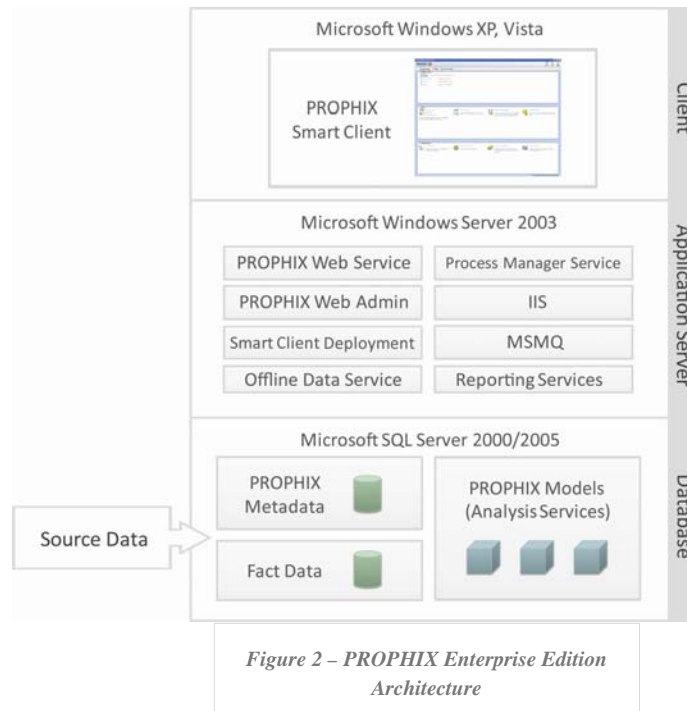


Figure 2 – PROPHIX Enterprise Edition Architecture

Product Strengths and Weaknesses

Workflow. PROPHIX has done a good job incorporating workflow that can be configured to support a company's existing business processes, including automation of formerly manual processes such as process modeling, graphical illustration of data integration, and planning workflow processes, including plan submission, review, and approval.

Calculation and analysis. The formidable calculation and formula engine supports many business processes with template equations, a central formula database, and InfoFlex – a procedural calculation module. There are notable analytics capabilities, including delta analysis, an interactive advanced data visualization module and ad hoc analysis tool.

Rapid deployment. The array of deployment options are notable, enabling companies to roll out a solution from an individual user to hundreds. There are multiple reporting and data entry options including templates, Excel and PDF, with both online and offline support. Finally, the implementation time for PROPHIX is rapid compared to enterprise competitors, with most initial PROPHIX applications reportedly completed within 2-3 weeks of start.

Other noteworthy strengths include:

- ❖ Performance dashboard reporting and analysis capabilities including performance plan or target variance analyses and commentary using drill down analysis from dashboard objects to related performance management reports.
- ❖ Extensive reporting and ad hoc analysis capabilities using a spreadsheet-style interface that includes “drag and drop” report development capabilities for end user and system administration ease-of-use. Reports can be exported to Microsoft Excel, PDF, or web formats for viewing and distribution outside the PROPHIX application.
- ❖ Headcount and compensation expense planning, with extensive base and incentive compensation expense modeling features, including tax and benefit expenses with global variables, limits, and conditional rules.
- ❖ Capital expenditure planning functions which calculate incremental capital and depreciation expenses based upon planned acquisition, in-service dates, and disposal planning assumptions.
- ❖ Data integration utility to configure multiple source system data extraction, transformation, and loading into the PROPHIX application. Data integration processes can be scheduled at the desired frequency to capture daily, weekly or monthly data loads. PROPHIX also offers direct data integration with numerous source data systems including Oracle, SAP, Sage, and Infor/SSA.

These significant benefits are not without their tradeoffs. In the consolidations area, the product approaches its limit to support large, multi-national corporations and the associated complex ownership rules. In addition, the non-web-based applications are not designed to support large volumes of enterprise users. The baked-in “financial intelligence” of the application is sufficient for many organizations, but the largest organizations with large data sets and custom/complex hierarchical structures may need to look elsewhere. Companies that are looking for true BI applications with higher-end data warehousing needs should consider other alternatives to PROPHIX.

Other areas for product enhancements include:

- ❖ Delta analysis tool can only compare 2 scenarios or versions at a time. PROPHIX does not allow comparisons of multiple versions such as actual, budget, and forecast in single report or multiple “what if” scenarios side by side. Although there may be workarounds for doing this in other parts of the product (via templates or their ad-hoc analysis tool), it is different from competitive solutions.
- ❖ Creation and administration of versions are centrally controlled by a single system administrator, including “what-if” scenarios. This requires business users to request that the System Admin create and publish additional versions for what-if modeling, which can be a burdensome process in some companies, especially where planning processes require extensive ad hoc modeling capabilities. Although in the Enterprise version, users can create their own scenarios, the SQL Server version requires users to create what-if scenarios, and then publish them as a new version after a formal approval.

PROPHIX Differentiation Points

Mid-market sweet spot. With the large number of vendors jockeying for a unique position in the market, it is refreshing to see PROPHIX focused on what they do best – small to mid-sized companies with specific pains around budgeting and reporting. Although the company will opportunistically approach clients that are larger in size or divisions of larger enterprises, their core focus is in the mid-market. This allows them to develop specific product functionality, deployment options and pricing scenarios that are attractive to this market.

Single user to company-wide. From a technology platform perspective, PROPHIX is one of the few companies that can satisfy all users in the mid market -- from single user (laptop) installation for a quick budgeting, planning and reporting solution (PROPHIX Express), to hundreds of users deployed over the web with a complete performance management solution (PROPHIX for SQL Server). This logical range of offerings allows a company to get started with a few expert users leveraging pre-built functionality and workflow to initially deploy a solution, and then to roll it out to a broader population without a major project re-architecture.

Reporting, planning, and integration. From a functionality perspective, PROPHIX shows strength in their integrated financial statement generation, workforce planning capabilities, and interfaces with over 100 accounting systems (Oracle, SAP, Sage, Infor/SSA, etc.)

Rapid deployment. In addition, PROPHIX regularly mentions rapid application implementations. Reports of 2 - 3 week implementations with minimal IT involvement seem common.

Customer satisfaction. Lastly, PROPHIX continues to maintain high levels of customer satisfaction as measured through Microsoft's satisfaction index. Through independent surveys, 70-80% of PROPHIX clients say they would be references, largely attributable to successful deployments and a company culture focused on client success.

Competition

With its focus on small to medium businesses, PROPHIX's competitors include the larger BPM players -- Microsoft, Cognos/IBM, SAP/Business Objects -- when they try to extend their range of products and services to smaller companies. More typically, however, they compete against other specialized companies also targeting this market, including Adaptive Planning, Centage and Clarity Systems. It is also important to note that the primary competition in this category consists of homegrown Microsoft Excel solutions, and most of PROPHIX's existing clients have converted from a spreadsheet-based budgeting environment. It is not by accident that PROPHIX features a spreadsheet look and feel, incorporating the same technologies as Performance Point Server in a more compact offering.

Client Successes

As of this report, PROPHIX reports 1300 installs worldwide. The range of usage is fairly broad, but the following examples are representative of PROPHIX client success.

Robbins Research International (RRI), an Anthony Robbins company, is dedicated to implementing strategies for improving the quality of life of individuals and organizations. Prior to PROPHIX, RRI had an Excel-based planning process that involved a Macro workbook with hundreds of thousands of links. RRI used Microsoft FRx as its primary report writer. Within a week of starting with an experienced PROPHIX consultant, implementation and user training was complete. PROPHIX is now used for annual planning, re-forecasting and general ledger reporting – effectively the majority of RRI's financial statement reporting processes. Including overall investment in software, training and maintenance, RRI reports over 500% return on investment with their PROPHIX purchase, decreasing accounting headcount from 25 to 11, and decreasing their monthly closing cycle from 15 to 5 days. Future plans include graphical dashboards tailored to specific user groups.

Toyota Tsusho America, Inc (TAI) is a multi-business enterprise with interests in supply chain activities, intermediate goods production and manufacturing-related services. Historically, TAI manually aggregated data from multiple sources into Excel for monthly and quarterly consolidated reports. This manual process created challenges around consolidating historical and budget data and meeting regional and corporate reporting requirements. TAI focused on monthly and quarterly consolidation reporting, multiple organization hierarchies, both high level and detailed reviews, aggregation and reporting of submitted budget data, and centralizing their financial data repository. Upon deploying PROPHIX, TAI reported shortening their reporting times as they expanded the involved subsidiaries from a count of 11 to 25.

MKS Inc. (MKS) is a globally recognized leader in software application lifecycle management, which enables software engineering and IT organizations to seamlessly manage their worldwide software development activities. MKS is in an environment that changes rapidly on a weekly and sometimes daily basis, which requires constant re-forecasting. Over time MKS had developed a complex Excel environment, which was becoming ever more difficult to maintain and which was far from optimal with regard to data integrity, scalability, and reporting flexibility. PROPHIX enabled MKS to reduce their forecast preparation time from 2-3 days per month, to just 3-4 hours. Likewise, their report preparation time shrank from 2-3 days to just ½ hour per month using PROPHIX. A formerly manual process for report distribution to line managers that took one full day each cycle was automated to a push of a button by the email distribution feature of PROPHIX. And, data analysis was made easier with the ability to drill down to find the cause of variances, helping managers to understand the business better and adjust plans accordingly.

Partnerships

PROPHIX has multiple channel partners that range from BI resellers, ERP software manufacturers (and their resellers), through to international distributors and partners in Asia, Australia, Europe and the Americas.

Growth Direction

According to PROPHIX executives, there are five ways that the organization plans to continue to exceed the average market growth rates and gain market share. This includes:

- ❖ Expanding their existing product suite
- ❖ Working with their clients to implement full BPM capabilities
- ❖ Partnering with ERP partners to extend the ERP's life and deliver vertical kits
- ❖ Diversifying professional services
- ❖ Enhancing existing product functionality

PROPHIX now offers 3 different product platforms, each optimized for specific needs of target clients. PROPHIX Express is targeted at smaller organizations and departments of larger companies, looking to rapidly deploy a planning and reporting solution. This offering is typically suited for 1 to 5 users, and is priced economically to be attractive for this market segment. It includes pre-packaged financial reports and a dashboard, and is implemented remotely. PROPHIX Enterprise is for organizations looking for a broader distribution of users, with a target count of 5-50 users. Building off of the ease of use and all of the product capabilities found in PROPHIX Express, PROPHIX Enterprise is licensed with a larger volume of users in mind. PROPHIX for SQL Server is the third offering built upon Microsoft's SQL Server 2000/2005 database structure and the operating data repository. This offering is targeted for deployments of 20-500+ users. Similar to PROPHIX Enterprise in scope, PROPHIX for SQL Server is targeted for bigger organizations that may want to have a web-deployed solution, and provides extended modeling capabilities suitable for application such as Sales Revenue Planning on a daily or weekly basis.

PROPHIX intends to provide more value added services for existing clients with expansion of their existing user community, including plans for a web community, community.PROPHIX.com, user conference, regional training, the creation of a Customer Advisory Board (CAB), and development partnerships.

PROPHIX has plans to grow its distribution channels in two directions, both geographically and by expanding its network of mid-market ERP technology partners. PROPHIX has already established distribution relationships in Europe, Asia, Australia, and South America. In addition, the management team sees an opportunity to create integration points with other mid-market ERP players that are seeking to expand their range of offerings for their clients.

The company plans on diversifying its professional services group with an eye towards increasing revenue and customer service in the following areas:

- ❖ Fixed cost implementations and project management – the traditional role played by service-oriented software vendors, applying an expert implementation team to support roll out of new or expanding performance management initiatives.
- ❖ Education – training and support for the expanding universe of users, from more intensive administrative roles to casual users.



- ❖ Remote deployment – a creative, cost-effective way for clients to successfully deploy their initiative, leveraging expert PROPHIX resources, but at a significant discount off of traditional implementations.

Lastly, there is an opportunity to extend revenue with new and existing clients by developing expanded product functionality and “modules” that can address additional business needs and support new business processes. These capabilities will expand PROPHIX’s next generation offering by rounding out their BPM 2.0 functionality as well as strengthening existing functionality around advanced analysis and data visualization.

Conclusion

While the big players in BPM have been occupied trying to figure out what to do with sometimes disparate acquired technologies, and selling their new offerings into their large enterprise accounts, PROPHIX has been quietly building and refining an innovative BPM solution for small to mid-sized firms. Designed to provide the benefits of a packaged solution to firms still struggling with the limitations of an Excel-based environment, PROPHIX offers a quickly deployable, low cost alternative to the more costly and complex enterprise BPM solutions of the big vendors.

With a three-tiered offering, PROPHIX provides an easy upgrade path to scale from a single user solution to a SQL-based enterprise solution designed to support 500+ users.

Small to medium sized businesses or departments within a large organization looking for the benefits of a true performance management application should consider putting PROPHIX on their short list.