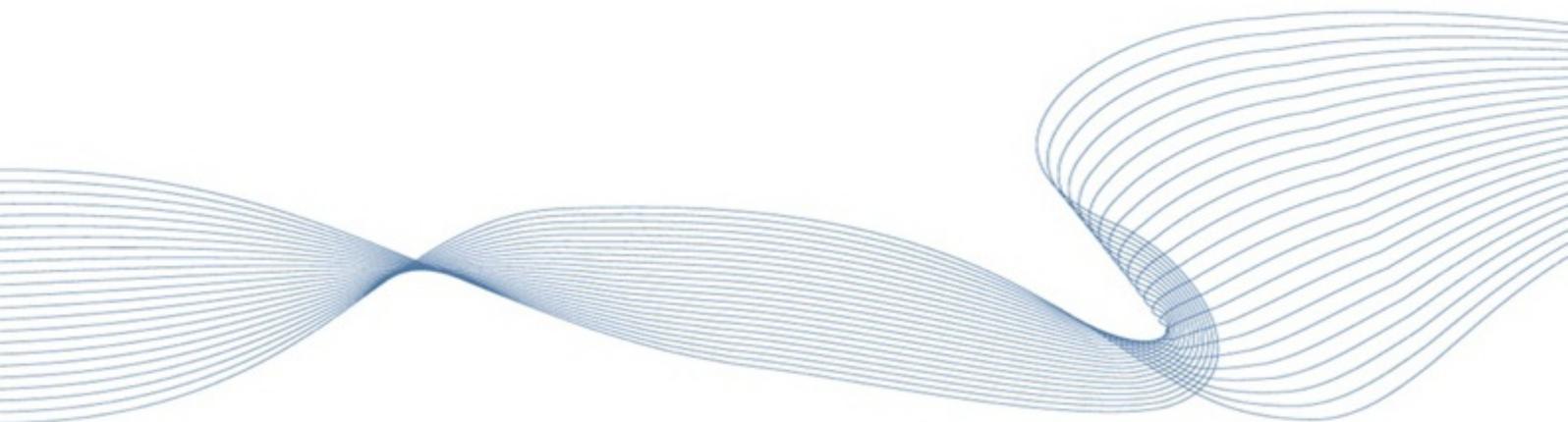


Worldwide | 2016

# Priority Software – Vendor Profile – Worldwide

SITSI | Vendor Analysis | Vendor Profile



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## PAC's Analysis



### PAC's Opinion

Priority Software is emerging as a new challenger in the international ERP software market.

The 30-year old company is already a major force in its home market of Israel (where it has a significantly larger market share than global giants such as SAP and Oracle), but the driving force behind a 20% rise in 2015 sales was its international business, which currently spans 40 countries.

The ERP sector is highly competitive, but Priority has a solid platform on which to build. The company's products are currently used by more than 7,000 businesses, ranging from very large enterprises (or publicly traded) companies to its midmarket heartland. Customer satisfaction ratings are strong (with over 97% annual renewal rates), and it can point to relationships with international brands such as pharmaceutical giant GSK and racing team Force India.

References cite Priority's cost (in implementation and maintenance) and flexibility as the primary reasons why they select and stick with the supplier. Priority has also been putting a big focus on customer experience and flexibility in order to support the increasingly digital-centric strategies of its customers. Customers can purchase specific modules (CRM, HR, time and attendance) in addition to - or instead of - a full suite, while recent development has focused on enhancing mobile and collaboration functionality. Priority is also baking more data analytics tools into its platform in order to provide users with more effective performance management dashboards (improved visualization and targeted KPI analysis), and is enabling clients in sectors such as manufacturing to develop Internet of Things (IoT) services on top of the Priority platform.

The company has made solid progress in embracing cloud delivery models. More than 1,000 Priority customers currently use a multi-tenant cloud service, and flexible pay-per-use models clearly represent the company's future – particularly with midmarket customers. Priority must continue to develop its proposition in this area, as the likes of Netsuite make progress in the midmarket space, and it will eventually have to address the need for locally hosted propositions – particularly in Europe – as it grows its international presence.

Priority is making a renewed push in 2016 to strike a better geographical balance in its revenue, with Europe and the Americas its two main targets. The company has footholds in both territories but the markets for ERP software in both regions are mature, and are addressed by highly competitive supplier communities. Priority needs to be focused in its approach, and it makes a lot of sense for it to initially target that group of businesses that are too small for broad, complex solutions from the likes of SAP, and

too big to survive on low-level accountancy software packages.

These organizations currently tend to use products either supplied by local champions or a mish-mash of homegrown and third party systems. Priority needs to identify those businesses whose current application landscape will struggle to support their digital ambitions in the coming years. Sticking to those sectors where it can demonstrate some real industry expertise – notably hi-tech, manufacturing, professional services and construction – also looks like a smart move.

## Strategy Review

Priority currently supports clients in 40 countries, and has four direct overseas operations in US, Mexico, Romania and the UK. Further international expansion is on the cards in 2016, particularly in the UK where it already has a platform of 100+ customers.

Priority leads with the message of “making ERP easier” and it is looking to exploit the space in the market between costly and complex enterprise platforms (SAP, Oracle) and smaller business systems with limited functionality.

Priority has three primary offerings: Priority Enterprise (for large multinational clients); Priority Pro (mid-to-large sized businesses); and Priority Zoom (SMEs). The Enterprise product has a base of loyal and long-term customers in Israel, but it is with the mid-market product (Priority Pro) where the majority of the company’s 300,000 users currently sit.

Priority’s functionality covers all the core elements of the traditional ERP landscape, with primary modules including: finance; manufacturing; logistics; human resources; time and attendance; business intelligence; project management; CRM; and customer service and support. Customers can either purchase end-to-end product suites or specific modules (CRM, HR, time and attendance).

In addition, it has also developed tailored systems to meet the specific requirements of its core sectors including: various manufacturing verticals, professional services, retail (a unique offering that includes a built-in PoS), health care, construction, automotive, agriculture and more.

ERP is a hugely competitive market and Priority’s customers offer a number of factors why it has been selected, including ease of use, mobile support, a high degree of flexibility and the ability to deploy via a cloud delivery model. Cost remains an important consideration and Priority positions itself as having a lower total cost of ownership to the enterprise ERP giants, which it delivers through reduced maintenance costs (particularly through its hosted and cloud-based versions, but also with on-premise installations due to reduced need for internal support resources) and accelerated implementation cycles (underpinned by repeatable templates for industry sectors).

The company has been evolving its delivery model towards an as-a-service proposition for several years. Priority offers a cloud solution with 100% of the functionality included in a locally installed version. Approximately 20% of Priority’s clients currently use a cloud version based on a multi-tenant architecture. Clients pay a monthly fee for access and benefit from automated upgrades and patching.

Like all business software vendors, Priority’s roadmap is heavily influenced by its customers’ demand for additional modules and for innovation. The company’s roadmap for 2016 includes enhanced functionality (eg. real-time chat) to support collaboration both inside and outside the customer organization.

Customer experience has become a key battleground for ERP platforms in 2016, and Priority has focused

heavily on improving areas such as mobile functionality and user interface as part of the current iteration of its product family (version 17, released in 2015). This focus on digital reflects the changing demands of Priority's customers. For example, airline and tourism group Arkia is in the process of deploying standard Priority ERP modules to support finance and procurement, but is also rolling out digital signatures, digital budgeting, real-time budget control and integration into its BI platform.

Analytics is emerging as an increasingly important battleground for business applications vendors. Priority offers business intelligence tools into its ERP platform to enable users to build dashboards showing granular data on key processes such as invoicing. The company offers a tool to track data relating to key performance indicators, and other key digital developments include the development of enhanced collaboration functionality and the continued development of APIs to enable customers to plug IoT services into their ERP platforms.

## SWOT Analysis

STRENGTHS	WEAKNESSES
<p>Well established international customer base (7,000 customers worldwide) with annual retention rate of over 97%</p> <p>Number one ERP platform provider in Israel, presence in 40 countries and availability in 18 languages</p> <p>Mature product offering, with core ERP functionality (financials, sales, purchasing etc) supplemented by additional modules in CRM, HR, mobile etc.</p> <p>Priority performs well in a competitive bid on price (particularly vs large enterprise platforms), the functionality/flexibility of its product and focus on customer experience</p> <p>Ability to serve both large and mid-size organizations, and focused offerings for core sectors (construction, manufacturing, automotive, retail, pharma, etc.).</p>	<p>Relatively low profile outside its domestic market, which is being addressed through increased marketing activity in 2016.</p> <p>Limited presence in North America and Asia Pacific regions, although these two territories are not currently a major strategic focus.</p> <p>Limited presence in some industry sectors outside Israel, notably government.</p>

OPPORTUNITIES	THREATS
<p>Many organizations looking to modernize their legacy ERP platforms in order to support the digital agenda of the business</p> <p>Strong commitment to cloud delivery model (all modules are now available as a SaaS option), which is becoming the preferred consumption model for enterprise software platforms in mature markets</p> <p>Some competitors struggling to transition their products to SaaS delivery models</p> <p>Organizations looking for more flexibility/greater integration from core applications to accelerate time to market</p>	<p>ERP is a highly competitive market. Many enterprise customers in North America/Europe have decades-long commitment to SAP, Oracle and the potential complexity and disruption of migration means they are likely to remain with their incumbent suppliers</p> <p>In the midmarket space, SaaS specialists such as Netsuite are growing their share, while SAP, Oracle are also looking to move further down the market to target smaller organizations with their cloud-based offerings</p>

**Main Changes 2015 / 2016**

Feb 2016	Gains certification from the Technology Evaluation Centers (TEC) for mixed-mode manufacturing ERP software solutions
Sep 2015	Priority releases version 17.1 of its core product set, which incorporates improved functionality and new features
Jul 2015	Surpasses 1,000 customer mark for its multi-tenant cloud solution
Mar 2015	Priority releases latest version of its software platform, Priority 17, which includes an updated, intuitive user interface
Jan 2015	Priority establishes local representative offices in the UK and the US
Jan 2014	Andres Richter joins Priority Software as CEO, with the mission to grow the company at a global level
Dec 2013	Fortissimo Capital wins a competitive bidding process to gain control of Priority Software (then called Eshbel)

## Top Accounts

SECTOR	MAJOR ACCOUNTS
Banking & Finance	Excellence, Union Bank Israel (TLV: UNON), Tel Aviv Stock Exchange
Insurance	Direct Insurance
Manufacturing	BioThane, Freescale Semiconductor, Gottex, GSK , Shemen, Shamir Optical Industry (NSDQ: SHMR), Shaniv (TLV:SHAN), Taro Pharmaceutical (NSDQ: TARO), Tosaf Group, Zohar Dalia, Carmit (TLV:CRMT), Nova Measuring Instruments (NSDQ: NVMI), Gadot, British Thoronton, Arkal, RADA (NSDQ: RADA), Shemen Industries (TASE: SMNIN), Trutex, Loddon
Software	Click Software, WIX (NSDQ: WIX), FTS
Biotechnology	Compugen (NSDQ, TLV: CGEN), Evogene, Novocure, Prochone Biotech, Protalix
Public	Municipality of Haifa, Municipality of Ramat Hasharon, Municipality of Ra'anana
Retail	Aldo, BigShop, Castro (TLV:CAST), H&O, Ivory, McDonalds, Renuar, i-Digital
Healthcare	Maccabi-Dent, Clalit Aesthetics, Clalit Smile
Medical Devices	Truphatek, Galil Medical, Tzamal, Boston Scientifics, Medtechnica, Impulse Dynamics, Inspiration Health Care

## Latest Deals & Projects

SECTOR / CUSTOMER	LATEST DEAL & PROJECT
Financial	Tel Aviv Stock Exchange (TASE) selected Priority Software's ERP solution. Winning the recent national tender to provide organization-wide ERP services to TASE. Phase I of the project went live in January 2016. Priority ERP solution for TASE includes a range of applications including finance, logistics and procurement. Further expansion of this project is planned for the future, to include support of the TASE conference center, visitor's center and other key business areas. (Jan 2016)
Transport	Arkia airlines and tourism company chose Priority as their new ERP system. In the initial stage, the financial and purchasing modules will be implemented followed by modules for sales and aircraft maintenance. The system will be installed on all stations and will be deployed by hundreds of users. (Jul 2015)
Manufacturing	Leading global swimwear brand Gottex implemented Priority ERP software at its locations worldwide. Extended over five continents, the project includes a dedicated module for the fashion industry and enhancements to Gottex's internal processes, which until recently, were managed by several software systems. Implementing a single solution has enabled Gottex users to effectively manage and control daily operations, saving valuable time and resources. (Feb 2016)
Agriculture	MedaTech Information Technology completed implementation of Priority for Arava Export Growers, a company that deals in export of agricultural produce. At an estimated cost of about NIS2m, the project includes a special marketing module for the agricultural sector, as well as a new Internet portal for farmers. (2014)
Automobile Leasing	Budget Car Rental (Domikar Ltd.) implemented Priority at 20 different branches across Israel. The Priority system supports work processes in the branch offices and enables Budget, throughout its divisions, to work on a single centralized software platform with up-to-date and easily accessible information. (Nov 2014)

## Performance Analysis



### Performance Review

MAJOR GROWTH DRIVERS	MAJOR OBSTACLES
<p>International business growing rapidly (30%+ in 2015), particularly in UK and Latin America</p> <p>Expansion of domestic customer base</p> <p>Large contract awards with clients including Arkia Airlines</p> <p>Increased up-selling of new modules and functionality into existing accounts</p>	<p>Ongoing pressure on discretionary IT budgets in many markets can limit potential for new business software implementations</p> <p>Strong competition from traditional and cloud-based platform suppliers</p>

## General Presentation

### General Information

Priority Software	Management
12 HaAmal St, Rosh Haayin 48092 Israel  Tel: +972-3-9251000 Fax: +972-3-9251001	Andres Richter – CEO Leor Barth – VP R&D Guy Richker – VP Sales & Business Partners Efrat Nakibly – VP Marketing Keren Sherer-Taiber – Head of Product Management Shlomo Assraf – Regional Director of Sales Arnon Ben-Isaac – VP Finance Hilit Paz-Lachower – VP Human Resources

### Brief Description

Priority traces its origins back to 1986 when it was founded as Eshbel Technologies.

It is currently owned by private equity fund Fortissimo Capital Fund, which acquired full control of the business in January 2014. The name was changed to Priority Software – which had long been used as the brand for its software products – during the same year.

The company has offices in Israel, US and UK and is currently in the process of setting up a local operation in Mexico.

The company is currently led by Andres Richter, who joined in 2014 having previously served as the COO and CFO at Israeli IT services provider Ness Technologies.

## About Pierre Audoin Consultants

Founded in 1976, Pierre Audoin Consultants (PAC) is part of CXP Group, the leading independent European research and consulting firm for the software, IT services and digital transformation industry.

CXP Group offers its customers comprehensive support services for the evaluation, selection and optimization of their software solutions and for the evaluation and selection of IT services providers, and accompanies them in optimizing their sourcing and investment strategies. As such, CXP Group supports ICT decision makers in their digital transformation journey.

Further, CXP Group assists software and IT services providers in optimizing their strategies and go-to-market approaches with quantitative and qualitative analyses as well as consulting services. Public organizations and institutions equally base the development of their IT policies on our reports.

Capitalizing on 40 years of experience, based in 8 countries (with 17 offices worldwide) and with 140 employees, CXP Group provides its expertise every year to more than 1,500 ICT decision makers and the operational divisions of large enterprises as well as mid-market companies and their providers. CXP Group consists of three branches: Le CXP, BARC (Business Application Research Center) and Pierre Audoin Consultants (PAC).

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