COMPETITIVE ANALYSIS

Worldwide Business Rules Management Systems 2009 Vendor Shares

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IDC OPINION

2009 was clearly a difficult and unique year. The global economic crisis was unprecedented in recent history. In spite of the economic conditions of 2009, the business rules management system (BRMS) market showed marked growth despite the no-growth scenario for the overall application development and deployment primary market. Revenue for the BRMS market was $309.4 million in 2009 compared with $277.8 million in 2008. This represents 11.4% annual growth, which is the highest growth this market has seen since 2006. A closer look at individual vendor's revenue and growth does tell an interesting story with two vendors, IBM and Pegasystems, accounting for virtually all of the material BRMS growth. While all vendors are clearly looking forward to a more receptive IT market in 2010, IT spending is projected to make a slow recovery, which diminishes the possibility of a bounce back. However, the increased visibility being generated around BRMS due to its good market growth in 2009 as well as pull through from platforms and business process management (BPM) suggests that opportunities still exist if a vendor looks in the right places. Some of the more interesting potential opportunities in BRMS are:

- ☑ A BRMS is an important construct for application development and deployment and is now becoming a common platform technology.

- ☑ Delivery of BRMS cloud services will happen because the technology is well suited for the cloud use case.

- ☑ Vendors that begin to invest in event-driven tooling will find a need for BRMS technology.

- ☑ Most BRMS vendors would be good candidates to OEM or partner with as a way to quickly bring mature business rule technology to bear in platforms and applications.

IN THIS STUDY

This IDC study examines the business rules management systems market. Revenue and market share of the leading vendors are provided from 2005 to 2009. A segmentation of the business rules management systems market by geographic region and operating environment is also provided from 2007 to 2009.

Methodology

See the Methodology in the Learn More section for a description of the data collection and analysis methodology employed in this study.

In addition, please note the following:

☑ The information contained in this study was derived from the IDC Software Market Forecaster database as of May 14, 2010.

☑ All numbers in this document may not be exact due to rounding.

☑ For more information on IDC's software definitions and methodology, see *IDC's Software Taxonomy, 2010* (IDC #222023, February 2010).

Business Rules Management Systems Market Definition

Business rules management systems (BRMSs) are defined as discrete systems that define, manage, and execute conditional logic in concert with other IT processes and actions. BRMSs are well known for their ability to automatically recognize the interrule relationships that evolve as rules are added or changed, thereby eliminating the need for the careful and complex rule sequencing and conflict resolution that would otherwise be necessary.

SITUATION OVERVIEW

The Business Rules Management Systems Market in 2009

The BRMS market, like most markets in 2009, suffered as a consequence of the global recession and in the wake of the U.S. financial crisis. With IT budgets slashed and spending from the financial and insurance verticals at a standstill, the BRMS market was hard hit. However, a number of standout events saved the BRMS market from witnessing negative growth in 2009.

The first event was the sales momentum that IBM generated for WebSphere ILOG JRules. Despite a hybrid product name that is neither fish nor fowl, the carnivorous wants of IBM prospects and customers were well met, resulting in 2009 with revenue growth of 33%. However, what sets this event apart is the fact that JRules was the share leader in the BRMS market in 2008, with $65 million in revenue reflecting its

stature as a mature and industry-leading BRMS. When the exceptional growth for 2009 is factored in, revenue climbs to $86.4 million. The explanation for this outstanding performance stems from IBM's wise decision to keep the ILOG sales force in place and augment its efforts with IBM's expansive sales force. This increased sales presence in concert with IBM's decision to emphasize rules as a core construct for application development resonated quite well with IBM customers. Cross-brand interest in JRules has been high, so we can expect to see more embedded rule processing across IBM's portfolio of software products in the near future.

The other significant event in 2009 was the success of Pegasystems' PegaRULES. In recent years, Pegasystems has made a transformation from BRMS vendor to business process management vendor. An important aspect of BPM is rules processing, which partially explains the success that Pegasystems has had in BPM. Customers apparently liked the way in which Pega products enabled them to "build for change" because both BPM and BRMS revenue grew more than 40% in 2009. This enabled PegaRULES to increase in stack rank from fourth to third and revenue from $21.8 million in 2008 to $31.6 million in 2009.

The worldwide BRMS market consequently had a pretty good year in 2009 as a result of the exceptional performance of both IBM and Pegasystems. Table 1 shows that BRMS revenue increased from $277.8 million in 2008 to $309.4 million in 2009, resulting in annual market growth of 11.4%. IBM and Pegasystems account for all of this growth, and without their contribution, the BRMS market would have witnessed a no-growth scenario.

Another significant milestone in 2009 was the success that Red Hat had with JBoss Enterprise BRMS. Red Hat brought this product to market in 2009, and it was a gigantic step forward relative to past Drools products. Although the economics of open source are very different from closed source products, the 80% growth of Red Hat's BRMS is a highly noteworthy event.

TABLE 1

Worldwide Business Rules Management Systems Revenue by Vendor, 2005–2009 ($M)

	2005	2006	2007	2008	2009	2009 Share (%)	2008–2009 Growth (%)
IBM	41.3	49.8	59.7	65.0	86.4	27.9	33.0
FICO (formerly Fair Isaac)	45.1	53.5	54.1	55.0	53.6	17.3	-2.5
Pegasystems	12.6	12.3	15.4	21.8	31.6	10.2	44.9
CA	29.1	32.8	25.3	26.2	27.6	8.9	5.5
Oracle	14.0	17.1	14.2	16.4	16.0	5.2	-2.4
Corticon	6.0	9.1	11.1	12.4	11.9	3.8	-4.0
ESI	6.0	6.8	7.6	8.6	8.3	2.7	-3.8
Software AG	–	2.9	4.5	4.6	4.5	1.4	-3.6
SAP	2.3	2.6	2.9	3.6	4.1	1.3	14.1
InRule Technology	1.1	2.2	2.5	3.4	4.0	1.3	18.9
Object Connections	2.4	2.6	3.0	3.6	3.8	1.2	4.0
Innovations Software Technology	4.2	5.8	3.3	2.8	3.6	1.2	28.6
BR Solutions	2.2	2.5	2.8	3.1	3.3	1.1	6.1
Red Hat	0.3	0.3	0.8	1.6	2.9	0.9	80.0
Openjaw Technologies	1.8	1.9	2.2	2.5	2.6	0.9	4.8
Sapiens USA Inc.	3.6	3.2	3.2	2.5	2.6	0.8	5.1
Subtotal	172.1	205.4	212.6	233.1	266.8	86.2	14.5
Other	23.3	28.3	40.3	44.7	42.6	13.8	-4.6
Total	195.4	233.7	252.9	277.8	309.4	100.0	11.4
Growth (%)	NA	19.6	8.2	9.9	11.4		

Source: IDC, July 2010

Performance by Geographic Region

Table 2 and Figure 1 show BRMS size, growth, and share segmented by geographic region. The Americas region was the clear share and growth leader in 2009, with revenue of $178.9 million and annual growth of 19.8%, resulting in a 57.8% share of the market. This is really spectacular growth in the Americas fueled primarily by an exceptional effort by field sales to look beyond the usual suspects and find new accounts.

TABLE 2

Worldwide Business Rules Management Systems Revenue by Region, 2007–2009 ($M)

	2007	2008	2009	2009 Share (%)	2008–2009 Growth (%)
Americas	140.4	149.3	178.9	57.8	19.8
EMEA	88.0	96.4	96.6	31.2	0.2
Asia/Pacific	24.5	32.1	33.9	11.0	5.7
Total	252.9	277.8	309.4	100.0	11.4
Growth (%)	NA	9.9	11.4		

Source: IDC, July 2010

FIGURE 1

Worldwide Business Rules Management Systems Revenue Share by Region, 2009

Asia/Pacific (11.0%)
EMEA (31.2%)
Americas (57.8%)
Total = $309.4M

Source: IDC, July 2010

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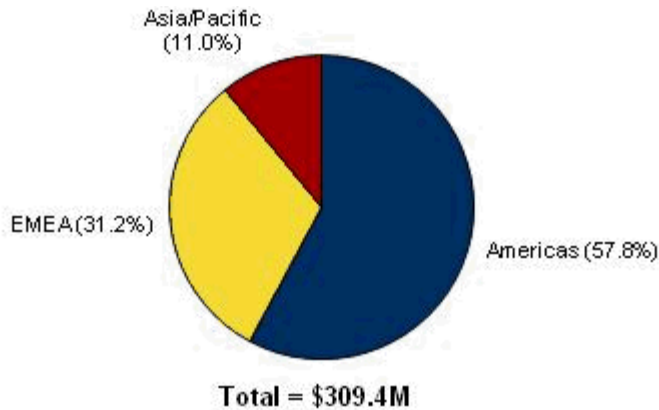
The fiscal conservatism of Western Europe is reflected in the size and growth of BRMS revenue in EMEA. Revenue growth in 2009 was virtually zero, which was unusual, but then again 2009 was a difficult year globally. Revenue for EMEA barely moved, changing from $96.4 million in 2008 to $96.6 million in 2009. Asia/Pacific also witnessed a hangover effect from the global recession, with modest growth in 2009 of just 5.7% nudging revenue from $32.1 million in 2008 to $33.9 million in 2009.

Performance by Operating Environment

Table 3 and Figure 2 show BRMS size, growth, and share segmented by operating environment. Windows was the clear share and revenue leader in 2009, with revenue of $129 million, a 41.7% share of the market, but growth of just 10.4%. Windows passed Unix in 2008 to become the leading operating environment for BRMS — but this is primarily driven by where authoring occurs.

TABLE 3

Worldwide Business Rules Management Systems Revenue by Operating Environment, 2007–2009 ($M)

	2007	2008	2009	2009 Share (%)	2008–2009 Growth (%)
Windows 32 and 64	100.2	116.8	129.0	41.7	10.4
Unix	103.0	106.9	120.6	39.0	12.8
Mainframe	35.5	39.1	42.2	13.6	7.9
Linux/other open source	7.0	6.7	7.5	2.4	12.6
Other host/server	2.3	2.9	3.9	1.2	32.7
Other single user	2.4	2.6	3.2	1.0	23.7
i5 and OS/400	2.6	2.6	2.8	0.9	6.0
Embedded	–	0.2	0.3	0.1	63.3
Total	252.9	277.8	309.4	100.0	11.4
Growth (%)	NA	9.9	11.4		

Source: IDC, July 2010

FIGURE 2

Worldwide Business Rules Management Systems Revenue Share
by Operating Environment, 2009
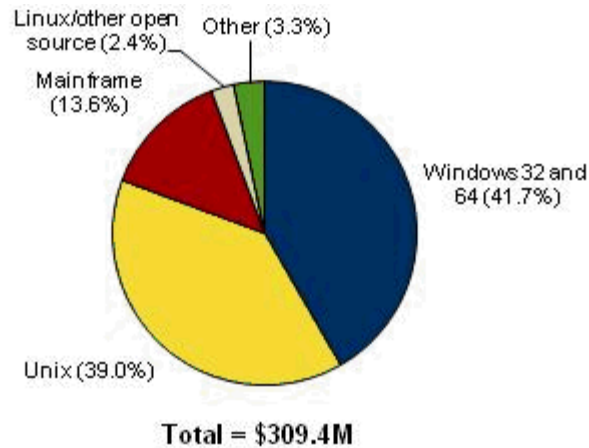
Source: IDC, July 2010

Unix made marginal gains on Windows in 2009 due to annual growth of 12.8%, resulting in revenue of $120.6 million, but it is a trend that is not expected to last. Mainframe revenue growth was positive in 2009 at 7.9%, leading to annual revenue of $42.2 million. Linux has not yet become a wildly popular operating environment for BRMS at $7.5 million in 2009, but this will also doubtless change as Linux continues to cannibalize Unix. Other single-user and host operating environments saw good growth but with little impact due to small baseline revenue. The embedded market for BRMS is beginning to stir, and we expect this segment to become more active as business rule engines are more routinely OEMed.

FUTURE OUTLOOK

The outlook for the BRMS market has brightened considerably given the success that IBM has had marketing the ILOG products. This bodes well for the entire BRMS market, especially as IT spending resumes. However, the outlook for GDP is for moderate recovery due to the significant concerns of the G8 and G20 regarding driving down national debt as a percentage of GDP. With most developed countries having already spent themselves into a corner, there will be increasing pressure for more fiscal responsibility at the federal level, which will impact overall government spending, including spending on IT. This fiscal conservatism will trickle down to some degree, although corporate balance sheets are in much better order. The net, however, is a belief that IT spending will recover but not to prefinancial crisis levels — hence IDC's discussion earlier this year regarding the "new normal."

There will be continuing pressure on IT budgets as organizations search for ways to conserve capital. Consequently, public cloud services are likely to stay in the limelight assuming that new entrants are competitively required to pass along some of their

benefits that accrue from their economies of size and resource sharing. Microsoft is one of the key vendors to watch in 2010.

The notion of BRMS cloud services is undoubtedly not lost on the BRMS vendors. BRMS technology is a good fit for the cloud on many levels. First, the authoring environment is essentially a modeling exercise, which could easily be browser based. Second, testing is easily made server centric and could be orchestrated from a browser. Third, most decision services could easily run in the cloud because there is not an inordinate degree of state information or results that need to be moved over the wire. Finally, large-scale BRMS workloads are better suited for the cloud due to better capabilities for handling unusual peak workloads.

The real issue with BRMS in the clouds is that we live in a process-driven IT environment today. In a process-driven environment where process and workflow is king, decisioning plays a supporting role. Because of this supporting role, a BRMS must be in a position to leverage or work seamlessly with the data models, object models, and workflow generated by the development environment. Consequently, a BRMS needs to be a well-integrated component of any development and deployment environment. This is best accomplished by making the BRMS part of the platform.

As IT transforms from process driven to event driven, BRMSs will rise to much higher level of prominence. The foundation for this market transformation is being put in place as we speak courtesy of SOA, but higher levels of standardization and productization around events are necessary before we can expect any real movement. Consequently, this transition to event-driven applications is going to take quite some time.

ESSENTIAL GUIDANCE

The BRMS market clearly felt the effects of the global recession and U.S. financial crisis in 2009. While IBM and Pegasystems are undoubtedly pleased with their BRMS performance in 2009, their respective success was influenced by circumstances not available to the other competitors. IBM's extensive sales force was given access to a leading BRMS product from which to address pent-up demand, and Pegasystems was able to leverage its success in BPM and CRM to help pull through BRMS sales.

The continued growth and success of the BRMS market is not entirely a given unless the tier 2 vendors rally in the wake of the success being generated by the tier 1 vendors. Since platforms are becoming more the norm for application development and deployment, BRMS vendors should consider ways to repackage their products to support a greater number of OEM and partnering deals as vendors look to provide more complete and highly integrated solutions. A higher level of visibility around business rule initiatives from Oracle, Microsoft, and SAP would naturally be helpful to the BRMS market, but to date these vendors have remained quiet.

One potential bellwether of the transition from process driven to event driven is the success that vendors are having with complex event processing (CEP) as well as how well TIBCO fares with BusinessEvents. The transition to event-driven architectures (EDA) will serve the BRMS market well, but as mentioned earlier, the timing for this is proving elusive.

LEARN MORE

Related Research

☒ *Worldwide Public Application Development and Deployment as a Service: 2010–2014 Forecast* (IDC #224052, forthcoming)

☒ *IDC's 2009 Application Development and Deployment Cloud Services Survey* (IDC #223266, May 2010)

☒ *Worldwide Application Development and Deployment: 2010 Predictions* (IDC #222850, April 2010)

☒ *IDC's Software Taxonomy, 2010* (IDC #222023, February 2010)

☒ *Worldwide Business Rules Management Systems 2009–2013 Forecast Update and 2008 Vendor Shares* (IDC #220589, October 2009)

Methodology

The IDC software market sizing and forecasts are presented in terms of packaged software revenue. IDC uses the term *packaged software* to distinguish commercially available software from custom software, not to imply that the software must be shrink-wrapped or otherwise provided via physical media. Packaged software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Packaged software revenue typically includes fees for initial and continued right-to-use packaged software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the continuing right of use or may be priced separately. All of these are counted by IDC as packaged software revenue.

Packaged software revenue *excludes* service revenue derived from training, consulting, and system integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total packaged software revenue that is further allocated to markets, geographic areas, and operating environments.

The market forecast and analysis methodology incorporates information from five different but interrelated sources, as follows:

☒ **Reported and observed trends and financial activity.** This study incorporates reported and observed trends and financial activity in 2009 as of the end of March 2010, including reported revenue data for public companies trading on North American stock exchanges (CY 1Q09–4Q09 in nearly all cases).

☒ **IDC's *Software Census* interviews.** IDC interviews all significant market participants to determine product revenue, revenue demographics, pricing, and other relevant information.

- ☑ **Product briefings, press releases, and other publicly available information.** IDC's software analysts around the world meet with hundreds of software vendors each year. These briefings provide an opportunity to review current and future business and product strategies, revenue, shipments, customer bases, target markets, and other key product and competitive information.

- ☑ **Vendor financial statements and related filings.** Although many software vendors are privately held and choose to limit financial disclosures, information from publicly held companies provides a significant benchmark for assessing informal market estimates from private companies. IDC also builds detailed information related to private companies through in-depth analyst relationships and maintains an extensive library of financial and corporate information focused on the IT industry. We further maintain detailed revenue by product area models on more than 1,000 worldwide vendors.

- ☑ **IDC demand-side research.** This includes interviews with business users of software solutions annually and provides a powerful fifth perspective for assessing competitive performance and market dynamics. Direct conversations with technology buyers provide an invaluable complement to the broader survey-based results.

Ultimately, the data presented in this study represents IDC's best estimates based on the above data sources as well as reported and observed activity by vendors and further modeling of data that we believe to be true to fill in any information gaps.

Synopsis

This IDC study examines the business rules management system (BRMS) market. Revenue and market share of the leading vendors are provided from 2005 to 2009. A segmentation of the business rules management systems market by geographic region and operating environment is also provided from 2007 to 2009. 2009 was clearly a difficult and unique year. The global economic crisis was unprecedented in recent history. In spite of the economic conditions of 2009, the business rules management system market showed marked growth despite the no-growth scenario for the overall application development and deployment primary market.

The outlook for the BRMS market has brightened considerably given the success that IBM has had marketing the ILOG products. This bodes well for the entire BRMS market, especially as IT spending resumes. However, the outlook for GDP is for moderate recovery due to the significant concerns of the G8 and G20 regarding debt levels. Although government spending is likely to be impacted, the private sector remains healthy and even higher levels of growth are likely for the BRMS market.

"The increased visibility being generated around BRMS due to its good market growth in 2009 as well as pull through from platforms and BPM suggests that opportunities still exist if a vendor looks in the right places," said Stephen D. Hendrick, group vice president of Application Development and Deployment research at IDC.

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