SUPPLY CHAIN TRENDS AND ISSUES

Breaking Supply Chain News: Gartner to Acquire AMR Research, as Supply Chain Industry's Largest Two Analyst Firms Combine

Number of Client-Centered Supply Chain Analysts Firms Continues to Dwindle; Does it Matter?

SCDigest Editorial Staff

No sooner did we write an article describing the landscape of supply chain industry analysts than IT industry analyst giant Gartner announced it was acquiring AMR Research for some $64 million. (See Understanding Supply Chain Analysts.)

Gartner, based in Stamford, CT announced it was acquiring Boston-based AMR on Tuesday. Gartner, with revenues of some $1.2 billion, is 32 times the size of AMR, which has sales of around $40 million annually. Gartner has a solid supply chain practice, with several analysts focused in that sector, but is much more broadly oriented to the entire spectrum of Information Technology (IT). AMR, which started out as "Advanced Manufacturing Research," is a much smaller company but with its primary focus around supply chain issues, and some 40 analysts covering supply chain topics and vendors in one way or another, though it also does some work in core IT areas.

The deal is certainly a large payout for AMR founder Tony Friscia and other key executives, but leaves the supply chain industry with only two major analyst firms focused on subscription-based services for supply chain. At one point, the industry had Gartner, META Group, AMR, Forrester, Yankee and more who had both "end user" companies as well as supply chain vendors as clients.

Gartner subsequently bought META Group in 2004, Forrester bought Yankee not much later and has since significantly scaled back its overall supply chain focus; now Gartner is acquiring AMR, combining the two most prominent players. IT-oriented research firm IDC, however, has in the past two years moved to expand its supply chain coverage with its Manufacturing Insights unit, and may actually get a boost from the deal. ARC Advisory Group has subscription-based clients in the process manufacturing sectors, but few end user clients for core supply chain research, and appears to be partly morphing its small supply chain group to a media-type approach. Look for report-focused analyst firm Aberdeen to also try to pick up subscription-based research clients as a result of the Gartner acquisition.

According to AMR executive Bruce Richardson, for now everything will remain as is, with AMR even retaining its name - though that good certainly change.

"The intent is to maintain a "business as usual" mindset," Richardson wrote in his blog. "If you're an AMR Research client or prospect, your research, client services, and sales contacts will remain the same. All are being retained by Gartner."

How Gartner will handle contracts and services will be a key question for clients of either Gartner or AMR. The two have different business models, with Gartner largely selling "seats" to corporations that give access to basically all of Gartner's vast research, while AMR sells subscriptions to a range of different services that must be subscribed to individually, such as its core supply chain service and industry-specific services such as retail (Gartner also has some industry vertical services). That multi-service was a model Gartner once used but since has largely moved away from over the past decade.

For now it is unclear whether Gartner clients will need to separately subscribe to a new AMR service offering in addition to whatever they are buying from Gartner. Something like that seems likely, otherwise it would seem hard for Gartner to get a return from the investment in AMR if the AMR research work is not sold as a separate product of some kind.

The two companies will also need to rationalize research agendas and approaches. Gartner, for example, has its famous "Magic Quadrants" that rank supply chain technology vendors. AMR has a different approach to vendor rankings, and one can assume it is the Magic Quadrant that will survive.

The two companies also have very different operating styles, starting with the fact that Gartner's 1000 analysts are spread all over the globe and often work out of home offices.

AMR, conversely, has largely ensured that its analysts all work out of its Boston headquarters (with a few global and US exceptions). The AMR approach has probably led to challenges in securing some potentially good analysts who don't want to move. On the other hand, the centralized office model offers more opportunities for cross analyst interaction that is more challenging to achieve with a highly distributed analyst location model. SCDigest suspects over time that whatever happens with AMR, it will eventually need to embrace the distributed location model for its analysts.

Rich Sherman, a former AMR analyst and now president of boutique research firm Gold & Domas Research, told SCDigest that "Bruce Richardson has traditionally liked to use the "War of Worlds" as a theme in his analytic presentations. Well, with the Gartner acquisition, is this the end of the war or just the beginning? Vendors and some end users, should be happy as they should be able to consolidate analyst spend. How long the war ends will depend on just how much leeway and how long Gartner gives AMR autonomy."

He added: "If Gartner can assimilate the AMR culture and perspective into its organization, AMR's broader, deeper coverage and perspective will put more teeth in the tiger."

Sherman also said that with the loss of AMR as an independent company, "At the end of the day, it's the end of an era. One question is how long are the AMR employment contracts? Maybe the Magic Quadrant training should be to focus on the vision; clearly, Gartner has the capability to execute," referencing the two dimensions used in the Gartner MQ.

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Tony Friscia