# Gartner

**Research**

# Vendor Rating: SAP

**Thomas Otter, Peter Wesche, Daniel Sholler, Yvonne Genovese, Christian Hestermann, Jeff Woods, Deborah R Wilson, Tim Payne, John Rizzuto, Ed Thompson, Alexa Bona, Robert P. Desisto, Nigel Rayner, John E. Van Decker, Gene Alvarez, Regina Casonato, Paul E. Proctor, Andreas Bitterer, Bob Igou, William Clark, James Holincheck, C. Dwight Klappich, Sharon A. Mertz, Kristian Steenstrup, Janelle B. Hill, Andrew White, Tom Eid**

SAP has sound finances, a large customer base and a broad application portfolio. It has absorbed Business Objects, but growing new license revenue is a challenge. Support pricing changes in 2008 have caused customer disquiet, and Business ByDesign has not had the impact SAP hoped.

## OVERALL RATING

Positive

## WHAT YOU NEED TO KNOW

SAP has a strong market position in ERP, CRM, supply chain management (SCM), corporate performance management (CPM) and business intelligence (BI). It continues to invest in new functions and markets, but has focused on controlling costs and growing margins over the past two years. SAP is also undergoing a significant culture and management shift, becoming more sales-driven. Established customers represent most of SAP's market. SAP's complex licensing methodology and new maintenance model have been controversial.

## VENDOR RATING

# Analyst Comments

SAP has good financials and a broad product portfolio. Business Objects strengthens SAP's suite considerably. Deep customer disappointment over maintenance changes, Business ByDesign delays and a lack of SaaS offerings are concerns.

**Table 1. Detailed Rating**

|  |  | Change |
|---|---|---|
| Corporate Viability |  |  |
| Strategy | Promising | Down |
| Financial | Positive | Down |
| Marketing | Promising | No Change |
| Organization | Promising | No Change |
| Market Offerings |  |  |
| Product/Service | Promising | No Change |
| ERP Operations | Strong Positive | No Change |
| ERP Financials | Strong Positive | No Change |
| ERP Human Capital Management | Positive | No Change |
| Enterprise Asset Management | Positive | New |
| Procurement | Promising | No Change |
| Supply Chain Planning | Positive | No Change |
| Supply Chain Execution | Promising | No Change |
| CRM Sales | Promising | No Change |
| CRM Service | Promising | No Change |
| CRM Marketing | Promising | No Change |
| E-Commerce | Promising | No Change |
| Governance, Risk and Compliance | Promising | No Change |

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|  |  | Change |
| --- | --- | --- |
| Midmarket ERP | Promising | New |
| Corporate Performance Management | Strong Positive | Up |
| Mobile | Caution | Down |
| Software as a Service | Caution | No Change |
| Professional Services | Positive | Up |
| Technology/Methodology | Promising | No Change |
| SAP NetWeaver | Promising | No Change |
| Business Process Platform/SOA | Promising | No Change |
| Business Intelligence | Strong Positive | Up |
| User Interface/Portal | Promising | New |
| Business Process Management Systems | Promising | New |
| Enterprise Content Management | Caution | New |
| Master Data Management | Promising | New |
| Vertical Industry Strategy | Positive | No Change |
| Pricing Structure | Caution | No Change |
| Customer Service/Support |  |  |
| Sales/Distribution | Promising | No Change |
| Support/Account Management | Caution | Down |
| Ecosystem | Positive | New |

**Source: Gartner (October 2009)**

# Corporate Viability

## Strategy

Recession has driven SAP to focus its short-term strategy on the installed base revenue and margin defense. SAP aims to expand into large-enterprise applications with additional products and services, and by better selling smaller deals into these larger enterprises. But this is proving difficult. Although SAP has strengths in the upper midmarket, SAP Business ByDesign's "teething" challenges have hindered SAP's charge. The Business Objects acquisition strengthens and broadens SAP's offering, and is also key to its strategy. This has marked a shift for SAP, and we expect SAP to be more acquisitive than in the past as it looks for products for its large sales force. SAP's traditional engineering culture is transforming into a sales culture. SAP faces two significant strategic challenges: coping with the disruption of software as a service (SaaS)/cloud computing, and generating more growth in the large enterprise and midmarket sectors. *Rating: Promising*

## Financial

SAP is poised to invest in products while maintaining customer service and support. In 2008, SAP's operating margins and revenue declined in many of its traditional markets. Some financial metrics will improve in 2009, although revenue growth is challenging. SAP can acquire vendors worth more than $5 billion, without jeopardizing its financial model. *Rating: Positive*

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## Marketing

SAP has powerful brand recognition, and a sophisticated marketing organization. Marketing is challenged to help restore revenue growth and overcome concerns about Business ByDesign, Enterprise Support and Business Objects integration. Many customers remain confused about SAP's road maps. *Rating: Promising*

## Organization

SAP has a new CEO, Leo Apotheker, and several new board members. The new board has a strong sales background, which is a shift from SAP's strong engineering legacy. Several former Business Objects executives now hold significant leadership roles in SAP, which should bring new ideas, especially in SAP's technology stack. *Rating: Promising*

# Market Offerings

## Product/Service

### ERP Operations

SAP continues to offer a robust and well-developed horizontal and industry process backbone for large and midsize enterprises. SAP is challenged to balance its need to support existing customers through continuous innovation with its need to incorporate innovative technology and generate new license revenue. SAP is managing this balance, but users should remain alert for changes. *Rating: Strong Positive*

### ERP Financials

SAP's core financial applications are comprehensive in functionality for large and midsize organizations. The portfolio also includes project management, real estate management and financial SCM. The applications are highly scalable to thousands of users, and are widely used by large multinationals to run global financial operations on a shared-service basis. SAP supports international functionality, with 45 standard country versions and eight add-on country versions. The NewGL functionality reduces implementation complexity, but some midmarket companies still hesitate to use SAP. *Rating: Strong Positive*

### ERP Human Capital Management

SAP has a strong base with core applications, but needs to keep improving talent management and workforce management applications to close the gap with best-in-class SaaS offerings. *Rating: Positive*

### Enterprise Asset Management

SAP has addressed functionality shortfalls in enterprise asset management (EAM) by steady progression with enhancement packages. SAP ERP users should benchmark any component offering against the latest solution evolution. EAM requires extensive implementation of other components of SAP's suite, such as material management, financials and HR. As such, it is implemented as part of an SAP ERP deployment. *Rating: Positive*

### Procurement

SAP has an extensive but uneven procurement portfolio. Highest rated are the procurement aspects of Materials Management (MM); as well as E-Sourcing and Contract Lifecycle Management (CLM), stand-alone tools that SAP acquired in 2006. SAP's new Spend Performance Management solution looks promising. Supplier Relationship Management (SRM) is

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a more challenging offering, according to customer feedback. SAP's partner program with Hubwoo, Quadrem and IBX offers full-service business process outsourcing. *Rating: Promising*

**Supply Chain Planning**

SAP provides capable supply chain planning (SCP), especially for process automation, with modules supporting many best practices for SCP. For process innovation, it is improving its in-house SCP capabilities with industry-specific functionality (e.g., tank planning, characteristics-based planning and customer forecast management). However, some gaps remain. Evaluate innovation functionality extensions through the SAP partner network or from additional best-of-breed products. *Rating: Positive*

**Supply Chain Execution**

SCM 7.0 has improved core execution capabilities and does increasingly well with more-complex warehousing environments with SCM Extended Warehouse Management, but lags in transportation as SAP Transportation Management 7.0 is still in ramp-up, although the functional footprint is competitive. *Rating: Promising*

**CRM Sales**

SAP has broad sales functionality, but does not have technology for all subsegments. The early 2009 release of SAP CRM 7.0 and SAP CRM 2007 improved the user interface, raising user adoption and deployment speed. However, its biggest challenges are mobile device support, the limited appeal of its SAP CRM on-demand solution, and its limited ability to work with customers' sales organizations (compared to finance and IT departments). *Rating: Promising*

**CRM Service**

SAP has limited adoption in high call volume, large business-to-consumer (B2C) contact center environments. When a customer requires significant configuration for deployment, the ratio of SAP professional services costs compared with software licenses is high. SAP has a better understanding of B2B customer service processes, which are bought mainly by existing SAP customers and usually as part of a Business Suite purchase. Third-party consulting, system integration and development resources for the latest field service offerings are in short supply, and field service references are limited. *Rating: Promising*

**CRM Marketing**

SAP has strengths in integrated marketing capabilities in the consumer packaged goods, retail and high-tech industries. However, compared with best-of-breed vendors, it lacks some functional depth. SAP has broad marketing functionality, new leadership with vision and increased R&D, which is delivering new capabilities (i.e., Loyalty Management). *Rating: Promising*

**E-Commerce**

SAP handles B2B and B2C e-commerce, and continues to gain traction in its installed base. The installed base prefers SAP E-Commerce for its integration to other SAP products. SAP E-Commerce can be deployed as a stand-alone product in front of SAP ERP, or as part of a larger SAP CRM implementation. Most client references run SAP CRM 2005, others run SAP 2007 or SAP CRM 4.0. SAP CRM 7.0 Web channel is the latest release, but references were unavailable. *Rating: Promising*

**Governance, Risk and Compliance**

With SAP BusinessObjects Risk Management v.3.0 and SAP BusinessObjects Process Control v.3.0, functionality for Financial GRC and IT GRC has advanced. Key features are a platform for

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shared code bases and repositories, common user interfaces, and continuous controls monitoring. Improved reporting capabilities support both BusinesObjects Xcelsius and Crystal Reports. There is improved support for SAP BusinessObjects Strategy Management v.7.5, aligning key performance indicators with key risk indicators. The SAP BusinessObjects Access Control offering automates segregation of duties and other access functions. SAP needs to overcome two product delivery shortcomings: Policy Management is delivered through Process Control, and Audit Management requires NetWeaver. *Rating: Promising*

### Midmarket ERP

SAP has a portfolio of ERP products for the midmarket: Business All-in-One is a preconfigured Business Suite version best suited for companies with more than 500 employees, or for smaller companies that need deep industry-specific functionality, usually enhanced and implemented by partners. It is comprehensive and successful, but more expensive and complex than products specifically designed for the midmarket. SAP Business One is a horizontal solution for companies with up to 100 employees, but it lacks functional depth for product-centric companies. Business ByDesign is a next-generation offering targeted at companies with 100 to 500 employees, but global market entry date is unclear. SAP is committed to the midmarket, and is growing revenue there, but its portfolio positioning lacks clarity. *Rating: Promising*

### Corporate Performance Management

SAP has acquired a broad portfolio of applications, and its overall vision is very strong. SAP BusinessObjects Strategy Management, SAP BusinessObjects Planning and Consolidation, SAP BusinessObjects Profitability and Cost Management, and SAP BusinessObjects Financial Consolidation deliver good functional breadth and depth in all areas of CPM. There is an aggressive road map to deliver integration among the various acquired CPM applications in its portfolio and integration with SAP NetWeaver Business Warehouse (BW) and SAP BusinessObjects BI solutions. SAP has delivered on the first road map phase, with the release of EPM 7.0. In keeping with Business Objects' heterogeneous strategy, the CPM products can be purchased and deployed without the SAP NetWeaver/BI/BW stack. *Rating: Strong Positive*

### Mobile

SAP has shifted in the past year to a partnering strategy for many of its CRM and ERP offerings (including RIM for SFA, Sybase for SFA and Mobile Inbox, and Syclo for EAM and Field Service) that focuses on coinnovation. It repositioned R&D to focus on its Data Orchestration Engine server capability, rather than extending its mobile client in those areas. However, it is obliged to support current NetWeaver mobile client customers through 2015, and has delivered mobile offerings in the areas of Defense and Direct Store Delivery. The shift toward partnering, while promising because SAP has selected mobile specialists with strong execution track records, is still in its early stages. Customers will need to work closely with specific product managers at SAP to be clear on when to evaluate SAP or coinnovated solutions versus certified partners to understand technology, price points and support level for each offering. *Rating: Caution*

### Software as a Service

SAP's ability to deliver SaaS remains unproven. The only area of tangible success is Business Objects' crystalreports.com — SAP's initial CRM on-demand product that was released in 2006. It was pulled from the market in 2007 so that SAP could reformulate its strategy to deliver a more cost-effective solution. Business ByDesign has not shown measurable progress beyond early adopter access. Gartner has not seen customer inquiries or deployments that show SAP's E Source on demand and contract life cycle management have significant market impact. Other SaaS offerings, such as HCM on-demand, are offered through third parties. SAP is working on a SaaS/cloud strategy, but this has not yet resulted in business results. *Rating: Caution*

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**Professional Services**

Clients indicate SAP does well with offerings aimed at specific modules or products, but must partner with other service providers to address more-complex issues. SAP offers consulting and implementation services, custom development services, and has good education service offerings. *Rating: Positive*

## Technology/Methodology

**SAP NetWeaver**

SAP promotes NetWeaver as the standard for services used "around" Business Suite functions, for which it is a capable system. New additions, such as the integrated composition environment, and forthcoming updated integration mechanisms will enhance its capabilities. Component by component, NetWeaver often is not as strong as the market technology leader. Those with substantial commitments to SAP and limited integration resources have made extensive use of the NetWeaver components, adopting them as enterprise middleware. When SAP is only a small portion of the application portfolio, organizations often choose alternatives or adopt components selectively. *Rating: Promising*

**Business Process Platform/SOA**

SAP uses service-oriented architecture (SOA) development methodologies to create enhancements to the SAP Business Suite, and then provides SOA-based services to the installed base via Enhancement Packages. To date, SAP has populated its Enterprise Service Repository with more than 3,000 services. Gartner finds most clients use SAP's services as integration points and few have leveraged them to build their own composites. SAP intends to continue to populate the repository to enhance clients' ability to leverage the Business Process Platform. Business ByDesign is service-oriented, but is yet to be generally available. *Rating: Promising*

**Business Intelligence**

With acquiring Business Objects, SAP is a top five BI tools provider. SAP has among the highest deployment volumes and is considered to be an organization's BI platform standard more often than any other vendor. Capabilities span the "BI stack" from the infrastructure layers of data integration, data quality management, and metadata management, through the widely used SAP NetWeaver Business Warehouse (BW) with close to 15,000 installations to the various Business Objects front-end tools: Crystal Reports, SAP BusinessObjects Web Intelligence, SAP BusinessObjects Xcelsius Enterprise and the new SAP BusinessObjects Explorer. Crystalreports.com is the first BI SaaS deployment from a megavendor. The SAP BusinessObjects Information OnDemand offering enables customers to enrich internal data by external financial and market reports. SAP boasts a large channel and service ecosystem. SAP NetWeaver BW Accelerator brings needed performance improvements to the NetWeaver BI/BW installed base. *Rating: Strong Positive*

**User Interface/Portal**

SAP has invested in new technologies to improve usability and openness, with Duet, Alloy, NetWeaver Business Client, Adobe forms and improved WebDynpro capabilities, such as flash islands. Business Objects also provides technologies for SAP customers to exploit, especially in analytics. However, SAP is challenged to update its many screens and processes to take advantage of these enhancements. SAP has been shifting the focus of its NetWeaver Portal primarily onto application access and is weaker than other leading enterprise portals in content management, collaboration, social networking and enterprise mashups. Some customers are exposing SAP transactions in other portals, especially Office SharePoint Server 2007. Customers

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increasingly use several SAP and non-SAP technologies to deliver a compelling user experience. *Rating: Promising*

**Business Process Management Systems**

NetWeaver BPM 7.1 is functionally weaker than leading business process management systems (BPMSs), with fewer than 20 production customers. SAP intends it to be the best BPMS for use with SAP applications. Specifically, customers can expect integration and interoperability with SAP's Enterprise Service Repository (ESR), its NetWeaver Integrated Composition Environment and its NetWeaver Business Rules Management products to be superior to what would be possible with other BPMS products. Those integrating SAP and non-SAP applications with BPM should wait for NetWeaver BPM 7.2 for more-complete business activity monitoring and content integration. *Rating: Promising*

**Enterprise Content Management**

SAP's enterprise content management (ECM) strategy is to offer basic — yet not fully integrated — content management functionalities (basic document management [DM], records management [RM], document-centric collaboration and search) as an extension to SAP applications/platform. SAP is the only megavendor that doesn't offer ECM stand-alone. For full ECM capabilities, SAP has a reseller agreement with Open Text for document archiving and plans to resell Livelink DM and RM. For 2010, SAP plans a service layer based on Common Management Information Standard, allowing third-party ECM integration. *Rating: Caution*

**Master Data Management**

SAP's master data management (MDM) offerings are still evolving. SAP focuses on its own applications users and has success with product data, less so with customer and other master data. SAP positions an alternative offering for banking and insurance. Its support for non-SAP application data remains weak. When SAP is not the primary applications infrastructure vendor, other MDM solutions are often used. *Rating: Promising*

**Vertical Industry Strategy**

SAP has one of the better long-term visions for industries: build, embrace and extend via platform and ecosystem integration. It plans to continue developing industry-specific functions internally, and to augment its offerings via ecosystem partners connected by a common integration platform. In the long term, this approach will reduce process and data integration costs. The near-term risk is varying degrees of partner integration. SAP and its partners are delivering solutions to address industry-focused, end-to-end process challenges. However, customers that like SAP's approach to exploiting its platform will favor integration over industry functional depth. Industries are not served equally — some have specific Industry Value Network programs, others have less-formal programs and are managed inconsistently. Clients attracted to SAP because of having "one vendor" quickly hit the reality of many small vendors, albeit integrated with NetWeaver. *Rating: Positive*

## Pricing Structure

Licensing is complex due to the number of SAP products, as well as multiple licensing metrics. Customers must track not only multiple, role-based, named-user categories, but also licenses based on various business metrics, and hardware capacity metrics for some products. Further unpredictable cost and complexity come from changing licensing names and product bundles, poor correlation between product marketing and licensing nomenclature, policies that make it difficult to drop maintenance and support for shelfware, and uncertainties for third-party integration from "indirect use" clauses. The typical investment size in SAP and the high costs of

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vendor switching leaves many customers concerned about their ability to manage license costs. *Rating: Caution*

# Customer Service/Support

## Sales/Distribution

SAP has a successful direct sales force in all major geographies. However, traditional large software deals have been harder to find. SAP has to adjust to addressing the business buying center and closing smaller deals. SAP has built better channel capability in the midmarket, but Business ByDesign may disrupt this. *Rating: Promising*

## Support/Account Management

SAP announced changes to its support model in 2008, significantly increasing fees, while delivering a more holistic and richer support offering. This includes improved support tools, guaranteed response and fix times, and better support for third-party products. Under considerable pressure from the user community, SAP has modified the terms of the increase and is working with a network of SAP user groups to define key performance indicator targets that will measure the value of the new offering and tie any price increases to these benefits. SAP is working to rebuild relationships damaged by the increase. *Rating: Caution*

### Ecosystem

For many years, SAP has invested in the ecosystem of software, hardware and service partners, but recently has stepped up efforts to manage and grow the ecosystem more actively. The SAP Community Network now has more than 1.8 million members. SAP needs to ensure that there is a strong community of developers and consultants able to support its increasingly broad portfolio, and this requires increased investment and focus. *Rating: Positive*

## RECOMMENDED READING

This is a sample reading list. There are more than 60 Magic Quadrants and MarketScopes that feature SAP, and at least 100 current pieces of research.

"Gartner Evaluates SAP's BPM Strategy and BPMS Product"

"Infrastructure Utility for SAP: Comparing Five Leading Offerings"

"Navigating SAP Supplier Relationship Management Licensing and Bundling"

"Rimini Street Enters the SAP Application Maintenance and Support Market"

"SAP Business Suite 7: SAP's Engineered Suite"

"SAP Enhances Its Product Life Cycle Management Appeal With PLM 7.0"

"SAP Enhances Manufacturing Value, but Today's Limitations Need to Be Understood"

"SAP Launches SAP BusinessObjects Explorer to Drive BI Adoption"

"SAP's Supply Chain Management Strategy and Offerings"

"SAP-Syclo Co-innovation Enhances Mobile Field Service Offerings"

"Navigating the SAP and SUGEN Enterprise Support Arrangements"

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"Sustainability Is a Major Theme for SAP"

"Vendor Focus: SAP in Life and P&C Insurance"

"SAP Business ByDesign Has Improved, but It's Not Recommended for Most Enterprises Until 2011"

"SAP Is Committed to the ERP Midmarket, but Customers Should Apply Due Diligence to Its Portfolio and Sales Channels"

"Q&A: What SAP BusinessObjects' Revamped Pricing Means to You"

"SWOT: SAP's Business Intelligence Platform, Worldwide"

## Company Information

**SAP**

**Headquarters:** Walldorf, Germany

www.sap.com

## Rating Definitions

| | |
|---|---|
| Strong Positive | Is viewed as a provider of strategic products, services or solutions:<br><br>• Customers: Continue with planned investments.<br>Potential customers: Consider this vendor a strong choice for strategic investments. |
| Positive | Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance:<br><br>• Customers: Continue planned investments. Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations. |
| Promising | Shows potential in specific areas; however, execution is inconsistent:<br><br>• Customers: Consider the short- and long-term impact of possible changes in status. Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor. |
| Caution | Faces challenges in one or more areas:<br><br>• Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact.<br>Potential customers: Account for the vendor's challenges as part of due diligence. |

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| Strong Negative | Has difficulty responding to problems in multiple areas: |
|---|---|
| | • Customers: Execute risk mitigation plans and contingency options.<br>Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback. |

This research is part of a set of related research pieces. See "SAP Research Round-Up, 2009" for an overview.

## REGIONAL HEADQUARTERS

**Corporate Headquarters**
56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

**European Headquarters**
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

**Asia/Pacific Headquarters**
Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

**Japan Headquarters**
Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

**Latin America Headquarters**
Gartner do Brazil
Av. das Nações Unidas, 12551
9° andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509

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