

# Vendor Rating: SAP

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**Analyst(s):** Thomas Otter, Andrew White, John Rizzuto, Bill Hostmann, John E. Van Decker, Bill Swanton, Jim Shepherd, Mickey North Rizza, James Holincheck, Jeff Woods, Tim Payne, Nigel Rayner, Robert P. Desisto, Kimberly Collins, French Caldwell, Susan Tan, Daniel Sholler, Jim Murphy, Peter Wesche, Kenneth Chin, Marc Halpern, Derek Prior, Kimberly Harris-Ferrante, Stephen Stokes, Simon Mingay, William Clark, Donald Feinberg, Bob Igou, Kristian Steenstrup, Sharon A. Mertz, Michael Maoz, Chris Fletcher, Mark A. Beyer, W. Roy Schulte, Ted Friedman, Simon F Jacobson, Deborah R Wilson, Christian Hestermann, Massimo Pezzini, C. Dwight Klappich

SAP has new management, a bolder strategy and has made a major acquisition, but its cloud/SaaS offerings remain largely unproven.

## 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). SAP has new leadership. The acquisition of Sybase means that SAP will have a stronger focus on mobile and database technologies. Business ByDesign is now in general availability, and its long-term success is vital if SAP is to grow.

## Vendor Rating

### Analyst Comments

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SAP has strong financials and a broad product portfolio. Management changes and the Sybase acquisition mark a strategy shift, but its cloud offerings are in their infancy.

Table 1. Detailed Rating

Initiative	Rating	Change
<b>Corporate Viability</b>		
Strategy	Promising	No Change
Financial	Strong Positive	Up
Marketing	Promising	No Change
Organization	Promising	No Change
<b>Market Offerings</b>		
Product/Service		
ERP Operations	Strong Positive	No Change
ERP Financials	Strong Positive	No Change
ERP Human Capital Management	Positive	No Change
Enterprise Asset Management	Positive	Up
Procurement	Positive	Up
Supply Chain Planning	Positive	No Change
Supply Chain Execution	Promising	No Change
CRM Sales	Promising	No Change
CRM Service	Promising	No Change

Initiative	Rating	Change
CRM Marketing	Promising	No Change
E-Commerce	Promising	No Change
Product Lifecycle Management	Positive	New
Governance, Risk and Compliance	Promising	No Change
Midmarket ERP	Promising	No Change
Corporate Performance Management	Strong Positive	No Change
Sustainability	Positive	New
Professional Services	Positive	No Change
Technology/Methodology		
SAP NetWeaver	Promising	No Change
Business Process Platform/SOA	Promising	No Change
Software as a Service/Cloud	Caution	No Change
Mobile	Promising	Up
Business Intelligence	Positive	Down
User Interface/Portal	Promising	No Change
Business Process Management Systems	Promising	No Change
Enterprise Content Management	Promising	Up

Initiative	Rating	Change
Master Data Management	Promising	No Change
Data Integration and Data Quality Tools	Positive	New
Vertical Industry Strategy	Positive	No Change
Sybase Modeling Tools	Positive	New
Sybase CEP	Positive	New
Sybase Data Integration Tools	Promising	New
Sybase Data Management	Positive	New
Sybase Data Warehouse	Positive	New
Sybase Mobile	Positive	new
Pricing Structure	Caution	No Change
<b>Customer Service/Support</b>		
Sales/Distribution	Promising	No Change
Support/Account Management	Promising	Up
Support/Tools	Caution	New
Ecosystem	Positive	New

Source: Gartner (December 2010)

## Corporate Viability

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### Strategy: Promising

SAP's board changes and acquisition of Sybase mark a more assertive SAP. The company has laid out a bolder vision for on-premise, on-device and on-demand, but it still faces the challenge of coping with the disruption of cloud computing, generating more growth in the large enterprise and midmarket sectors, and managing a fundamentally more complex organization.

### Financial: Strong Positive

Following a weak 2009, SAP's business rebounded in the first half of 2010, driven by some growth in software revenue, and is on pace to regain lost market share. SAP also benefited from better operating margins and cash flows. SAP maintains a strong balance sheet.

### Marketing: Promising

SAP has powerful brand recognition and a sophisticated marketing organization. However, it still needs to overcome the complexity perceptions in the small or midsize business (SMB) market, and convey its improved vision in a compelling and straightforward fashion.

### Organization: Promising

SAP has made wholesale changes to its executive ranks, including replacing the CEO and returning to the co-CEO model. SAP's new board has promised to reduce internal bureaucracy and become more customer-centric.

## Market Offerings

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### Product/Service

#### **ERP Operations: Strong Positive**

SAP delivers strong horizontal and industry offerings for large and midsize enterprises. It must focus on operations excellence, cross-industry business process support, modular consumption and continuous improvement, as these areas could detract from its position.

#### **ERP Financials: Strong Positive**

SAP's financial applications are well-designed for large and midsize organizations. Other offerings include project management, real estate management and financial SCM. The applications are highly scalable and widely used by large multinationals to run financial operations on a shared-service basis. To combat its perception as a "large enterprise only" provider, the company developed offerings tailored for the midmarket.

**ERP Human Capital Management: Positive**

SAP must support its strong core applications by improving talent and workforce management applications to compete with best-in-class software-as-a-service (SaaS) offerings.

**Enterprise Asset Management: Positive**

The arrival of ECC 6 mitigated some functionality issues, but some users still object to the user interface. SAP can address this through Web browser overlays. SAP's Enterprise Asset Management (EAM) application, while theoretically capable of being implemented as a stand-alone application, is generally sold and implemented as part of a full SAP ERP deployment.

**Procurement: Positive**

SAP's procurement portfolio spans source-to-pay processes and includes SAP SRM 7.0, SAP E-Sourcing, SAP Spend Performance Management and SAP Contract Lifecycle Management (CLM). Its functionality is competitive and supports most spend types under management.

**Supply Chain Planning: Positive**

SAP provides leading supply chain planning (SCP) for process automation capabilities with modules supporting many best practices. For SCP for process innovation, SAP is improving its in-house capabilities with industry- and process-specific enhancements. However, some gaps remain. Evaluate process innovation extensions through SAP's solution extensions (SAP Enterprise Inventory Optimization by SmartOps and SAP Supply Chain Response Management by ICON-SCM), the partner network or from add-on best-of-breed products.

**Supply Chain Execution: Promising**

SAP has improved its supply chain execution capabilities and market penetration, particularly in warehouse management. Sales and live implementations of SCM Extended Warehouse Management (EWM) are growing. Adoption has been slow for SAP Transportation Management (TM), with few live customers using even parts of TM. A new TM solution is planned for 2011.

**CRM Sales: Promising**

Sales organizations are drawn to SAP's improved user interface, but this has not translated into a surge of live deployments. The Sybase acquisition will provide dividends in the area of mobility, specifically smartphone access.

**CRM Service: Promising**

SAP CRM 7.0 improves customer service and technical support capabilities. The business-to-consumer (B2C) large (500-plus users) contact center is not a core strength of the SAP CRM Interaction Center, though capabilities are improving. There is limited, but improving, traction with

non-SAP customers. Non-SAP customers should continue to favor other products on their shortlists.

### **CRM Marketing: Promising**

SAP has greatly improved its enterprise marketing management vision since 2008, particularly regarding marketing performance management (via the BusinessObjects acquisition), loyalty management and its industry-specific capabilities. Execution has lagged as clients still consider SAP marketing as part of an enterprise application suite, rather than a stand-alone marketing solution.

### **E-Commerce: Promising**

SAP users usually turn to SAP Web Channel as an integration tool for SAP ERP or SAP CRM. Business-to-business (B2B) functionality includes order management, quoting, interactive selling, and configuration and pricing; B2C functionality includes shopping cart, product catalog, search, cross-sell/upsell, and loyalty management.

### **Product Lifecycle Management: Positive**

SAP is improving and gaining acceptance for its Product Lifecycle Management (PLM) software. SAP has notably upgraded ease of use and functionality. SAP's PLM Alliance partners have improved the interfaces to design software. Numerous service companies adept at deploying and supporting SAP PLM now exist. Yet, SAP has brand image issues among engineering organizations, as many are still slow to endorse SAP as a productive vendor in their domain. SAP is well-positioned to support PLM needs post-product release.

### **Governance, Risk and Compliance: Promising**

SAP advanced its comprehensive enterprise governance, risk and compliance (EGRC) platform with the release of SAP BusinessObjects Risk Management v.3.0 and SAP BusinessObjects Process Control v.3.0 in 2009. SAP is addressing navigation gaps and integration of audit management, as well as improving policy management and surveys, in a rearchitected EGRC platform called GRC 10.0, with general availability planned for mid-2011. SAP's GRC portfolio also includes SAP BusinessObjects Access Control for role management and segregation of duties, as well as specialized solutions for environmental health and safety (EH&S) and trade compliance, which can be integrated with the EGRC platform. SAP's pricing model hinders wider adoption of its EGRC platform.

### **Midmarket ERP: Promising**

SAP remains committed to midmarket ERP by complementing Business All-in-One and Business One with a relaunch of Business ByDesign, but it may take a year to provide sufficient industry functionality.

**Corporate Performance Management: Strong Positive**

SAP expanded its application portfolio through acquisitions, and its overall vision is very strong. It is executing its product integration strategy well; however, it lags in financial governance. There is likely future disruption in the vendor road map related to supporting an in-memory (HANA) capability.

**Sustainability: Positive**

SAP has developed products tailored to EH&S, carbon emissions and energy management (Carbon Impact), and sustainable performance management. SAP's recently-released Carbon Impact 5.0 significantly expands its energy management capabilities. Compliance and reporting are central to SAP's sustainability product portfolio. SAP's EH&S offering is strengthened with the TechniData acquisition. SAP is also improving the sustainability-related performance of its own operations.

**Professional Services: Positive**

SAP Consulting has very strong technical and functional capabilities, but still trails top-tier service partners in global delivery, process best practices and industry expertise. SAP Consulting aims to improve these capabilities, including aligning consultants to industries and increasing global delivery methods. Project management is improving, but needs additional focus to serve large, complex projects.

**Technology/Methodology****SAP NetWeaver: Promising**

SAP NetWeaver components are often not as strong as other technology-leading products, but they have improved within the past year. SAP aims to position NetWeaver as an industry leader by adding support for mobile, events, cloud and in-memory, but this will take several years and multiple evolutionary steps.

**Business Process Platform/SOA: Promising**

SAP provides SOA support to SAP Business Suite via its Enterprise Services (ES). To date, SAP provides more than 4,000 ES with varying degrees of maturity and practical usefulness. ESs are primarily used by SAP clients for integration, but are also used to build custom composite applications. The 2.5 release of the natively SOA-enabled SAP Business ByDesign SaaS offering will strengthen SAP's SOA support.

**Software as a Service/Cloud: Caution**

SAP has recently delivered a new release of Business ByDesign. It now has to prove execution. It is revamping its CRM SaaS offering by developing a new solution that leverages the Business ByDesign platform. SAP also has other SaaS solutions, such as StreamWork, BI OnDemand and

Sourcing OnDemand, but the focus is now on leveraging the SAP Business ByDesign platform for the company's new SaaS solutions.

### **Mobile: Promising**

SAP's Sybase acquisition presents a challenge for SAP. SAP must balance extending the Sybase mobile tools and platforms to build its own line of applications against enhancing the value of its business partners. The acquisition gives SAP entry into the mobile consumer application market with Sybase 365, which Gartner expects to be paired with SAP's analytics capabilities.

### **Business Intelligence: Positive**

SAP BusinessObjects is a market-leading BI tool and is often an organization's BI platform standard. SAP's BI stack spans the infrastructure layers of data integration, data quality management and metadata management through SAP NetWeaver Business Warehouse (BW) to the various SAP BusinessObjects front-end tools, such as Crystal Reports, Web Intelligence, Xcelsius, Explorer, or the SaaS solution, SAP BusinessObjects OnDemand. However, continuing quality, customer experience and support issues mean that we have lowered the rating. SAP is aiming to address these concerns with customer experience programs and a significant new release.

### **User Interface/Portal: Promising**

SAP continues improving the user experience by updating multiple screens, offering an array of new capabilities and integrating with important user interface (UI) technologies and vendors. But many organizations are limiting SAP's portal to a back-end role until the improved UI is fully developed and marketed.

### **Business Process Management Systems: Promising**

NetWeaver Business Process Management (BPM) 7.2 is a more-complete BPM system (BPMS) than previous incarnations, but still lacks the features of best-of-class BPMS products. It is best-suited for SAP-centric environments. BPMS is an integral part of the NetWeaver Composition Environment, leveraging SAP's Enterprise Services Repository (ESR), good integration to the business rule engine and a choice of UI options.

### **Enterprise Content Management: Promising**

SAP expanded its Open Text relationship to deliver broader enterprise content management, including SAP Extended Enterprise Content Management (ECM), SAP Document Access and SAP Archiving. SAP plans to rely more on Open Text to provide integrated content management functionality, and SAP Knowledge Management will likely be replaced by Open Text's product. The Open Text products provide much stronger ECM capabilities, but the complexities of the reseller agreement may hinder SAP sales.

### **Master Data Management: Promising**

Users are confused by SAP's master data management (MDM) road map. SAP's MDM solutions now span two products: (1) SAP NetWeaver MDM — likely to be used by the majority of SAP customers that have a mixture of SAP and non-SAP business applications; and (2) SAP Master Data Governance — used by SAP customers that run the majority of their business on SAP ECC only. Many SAP users will also want to use SAP Information Steward — a new product (targeted for 2011), aimed at supporting the day-to-day stewardship of master data.

### **Data Integration and Data Quality Tools: Positive**

SAP delivers sufficient data integration and data quality tools via the SAP BusinessObjects EIM set of products, including Data Integrator for ETL, Data Quality Management for data cleansing, and a combination thereof via the Data Services offering.

### **Vertical Industry Strategy: Positive**

SAP strengthened its vertical industry focus through organic investments, acquisitions and through its partner strategy. While some industries receive more focus than others, SAP has recently been more aggressive at enhancing solutions to match industry needs.

### **Sybase Modeling tools: Positive**

Sybase PowerDesigner provides a modeling solution including data, business process, system and enterprise architecture modeling. Sybase's extensible metadata approach is similar to most competitors, but Sybase is noted for its automated metadata link and synchronization capabilities, APIs and service calls to create custom-integrated design management solutions. But the modeling tools market remains small, so high user satisfaction for Sybase's product still generates small amounts of revenue.

### **Sybase CEP: Positive**

Sybase is a major player in the complex-event processing (CEP) market due to the Sybase Aleri Streaming Platform and Sybase CEP Real-time Analytics (CEP/RAP/IQ). Both products are general-purpose CEP technologies used for a wide range of continuous intelligence applications, but about 70% of Sybase's event-processing revenue emanates from the financial services sector.

### **Sybase Data Integration Tools: Promising**

While the Replication Server product is strong for changed-data capture and propagation, and is broadly used by Sybase customers, the vendor has limited competitive strength in the data integration tools market, because it does not offer ETL capabilities for purposes beyond loading Sybase IQ. Strong modeling support via PowerDesigner helps, but Sybase struggles to gain traction with key data integration buying centers beyond the vendor's typical audience of database administrators (DBAs). SAP is using Replication Server in HANA. Additional growth opportunities

result from the synergy of Replication Server functionality with SAP BusinessObjects ETL capabilities.

### **Sybase Data Management: Positive**

Sybase has three database management system (DBMS) products: (1) SQL Anywhere for mobile, workgroup and embedded applications; (2) Adaptive Server Enterprise (ASE) for OLTP applications; and (3) Sybase IQ (see The Sybase Data Warehouse section below). ASE is the Sybase flagship product for mission-critical OLTP applications running in a single-server environment. ASE release 15.5 includes an in-memory option that allows programs written for ASE to run in-memory for higher performance. ASE also offers ASE Cluster Edition, allowing for ASE to run over a cluster of servers in a shared disc environment (similar to Oracle RAC). While SQL Anywhere is ahead of its competitors (such as IBM and Oracle), Sybase ASE has effectively kept pace with major DBMS vendors and is gaining ground in areas such as in-memory capabilities.

### **Sybase Data Warehouse: Positive**

Sybase IQ — a column-store DBMS — is Sybase's primary DBMS offering for data warehousing. Today, IQ is the widest installed column store DBMS, with about 2,000 customers using it for enterprise data warehousing (EDW) and analytic data marts. Sybase has recently increased the workload management capabilities of IQ to serve the mixed workloads in EDW environments. The most recent release (15.3) runs on clusters of servers, giving it massively parallel processing capabilities. SAP is positioning Sybase IQ as an EDW and analytic server product separate from the SAP BW.

### **Sybase Mobile: Positive**

Sybase 365 is a mobile messaging platform that targets consumers. The enterprise-focused Sybase Unwired Platform (SUP) includes its Afaria mobile device management platform. In 2010, Gartner observed solid performance for Sybase 365, driven in part by value-added services such as its Mobile CRM (mCRM) loyalty and couponing platform, and Mobile Commerce (mCommerce) solution for mobile banking and mobile payments. Afaria customer references remained strong; SUP references indicated some challenges with the learning curve and completeness of the new release.

### **Pricing Structure: Caution**

SAP licensing is still complex, due to the number of SAP products, as well as more than 200 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. Furthermore, changing licensing names and product bundles, missing references between product functionality and licensing nomenclature, restricted policies to exchange unused products, and uncertainties for third-party integration from "indirect use" compliance lead to unpredictable cost and complexity. The typical investment and high cost of vendor-switching result in customer concerns about managing license costs.

## Customer Service/Support

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### Sales/Distribution: Promising

SAP has a successful direct sales force in all major geographies, but traditional large software deals remain scarce. SAP must adjust to alternative business buying centers to close smaller deals. SAP continues to improve its channel capability in the midmarket, clarifying its relationship with the direct sales force and exploiting the broader channel it acquired with BusinessObjects.

### Support/Account Management: Promising

SAP customers often report that SAP account executives are focused on selling software, rather than helping to measure and enhance value from existing investments. SAP's value engineering aims to address this. SAP reintroduced Standard Support in January 2010, giving customers immediate access to an option for less-expensive support. But Standard Support customers may be subject to additional fees, because of optional extended maintenance periods for older releases. SAP announced that 2010 fees for existing Enterprise Support contracts would be unchanged from 2009 levels, and extended the timeline for the price increase for existing customers from 2013 to 2016. SAP locked the price of Enterprise Support for new customers until 2016.

### Support/Tools: Caution

SAP is enhancing its Solution Manager support tool, but customers are only slowly embracing it, due to a current lack of product flexibility and field expertise. It has mandatory functions for application patching, plus optional tools for the centralized management of system landscapes, project documentation, service delivery and change control. SAP resells HP's testing tools and offers several interfaces to ecosystem monitoring and management tools.

### Ecosystem: Positive

SAP has recently stepped up efforts to manage and grow the ecosystem more actively. The SAP Community Network now has more than 2 million members. SAP must build a strong community of developers and consultants able to support its increasingly broad portfolio, and this requires increased investment and focus.

## Recommended Reading

"Understanding Gartner's Financial Ratings of IT Vendors"

"Did SAP TechEd 2010 Revitalize NetWeaver?"

"SAP NetWeaver: The Past, Present and Future"

"SAP SAPHIRE NOW, 2010: Plenty of Innovation, but Potential Disruption Too"

## Company Information

### SAP

**Headquarters:** Walldorf, Germany

[www.sap.com](http://www.sap.com)

#### Rating Definitions

Strong Positive	<p>Is viewed as a provider of strategic products, services or solutions:</p> <ul style="list-style-type: none"> <li>Customers: Continue with planned investments.</li> <li>Potential customers: Consider this vendor a strong choice for strategic investments.</li> </ul>
Positive	<p>Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance:</p> <ul style="list-style-type: none"> <li>Customers: Continue planned investments.</li> <li>Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations.</li> </ul>
Promising	<p>Shows potential in specific areas; however, execution is inconsistent:</p> <ul style="list-style-type: none"> <li>Customers: Consider the short- and long-term impact of possible changes in status.</li> <li>Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor.</li> </ul>
Caution	<p>Faces challenges in one or more areas:</p> <ul style="list-style-type: none"> <li>Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact.</li> <li>Potential customers: Account for the vendor's challenges as part of due diligence.</li> </ul>
Strong Negative	<p>Has difficulty responding to problems in multiple areas:</p> <ul style="list-style-type: none"> <li>Customers: Execute risk mitigation plans and contingency options.</li> <li>Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback.</li> </ul>

This research is part of a set of related research pieces. See SAP Research Roundup Through 2Q11 for an overview.

## Regional Headquarters

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### Corporate Headquarters

56 Top Gallant Road  
Stamford, CT 06902-7700  
USA  
+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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