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Adapt to SAP's Evolving Environment

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SAP customers should stay abreast of the mega-vendor's evolving product and technology road map, and follow our advice for a smoother ride toward becoming real-time enterprises.

ANALYSIS

SAP is well-positioned to continue as a leader in the business application market. It is the largest such vendor in the world, with more than an estimated 19,600 customers (65 percent of Fortune 500 companies use SAP software in their business operations). Its 2002 revenue was 7.4 billion euros (about $8 billion, according to exchange rates on 30 January 2003).

However, SAP is not without challenges. Product complexity, confusing communication throughout the organization, and slowness in meeting small and midsize businesses' (SMBs') demands plague SAP's future. SAP's future growth depends on its ability to focus on its defined industry segments, which will extend the functionality and user acceptance of its complete product range and components. Also key will be its ability to weave a product road map out of its many offerings and technologies, and its efforts to help enterprises to better match these products to their business strategies. SAP's size and decentralized organization will be linchpins to success in these areas, and its track record proves it can adjust to market demands in a "just-in-time" fashion.

Enterprises considering SAP should evaluate each Magic Quadrant placement and product rating, as well as SAP's overall business strategy to not just deliver components but breadth and depth through a foundation of proven functionality and technology (see "Vendor Rating: SAP's Size May Inhibit Future Growth"). SAP customers that are considering individual components should evaluate SAP against best-of-breed competitors rather than relying on SAP's breadth of coverage as a "be all and end all" to enterprise requirements.

A Business Application View

SAP has extended its functional reach, migrating from merely offering back-office enterprise resource planning (ERP) applications to a broad array of solutions that span enterprise and interenterprise processes for large and small businesses. This functionality has, in many cases, put it in direct competition with best-of-breed providers of various functional areas.

SAP's announcement of mySAP ERP will complete the mySAP Business Suite by adding the foundation component of ERP to enable enterprise-specific processes for mySAP's collaborative components (see "SAP Adds Enterprise Resource Planning to mySAP"). This move, coupled with SAP's strength and presence as an ERP vendor, give it the opportunity to improve its position in the supply chain management (SCM), corporate performance management (CPM), customer relationship management (CRM), enterprise asset management (EAM), supplier relationship management (SRM) and product life cycle management (PLM) markets.

SAP already has emerged as a dominant SCM vendor on the strength of its customer base, and it has a promising future in EAM, WMS and PLM (see "SAP in SCM: ERP Takes on Best-of-Breed Vendors," "When to Consider SAP Asset Management and Maintenance," "SAP WMS Will Become a Contender in 2005" and "SAP Is Building PLM Presence With ERP Muscle"). SAP's CPM offering, Strategic Enterprise Management, is gaining prominence in the CPM suite market, while SAP hopes to grow its SRM business by offering a set of process-focused applications that complements its Materials Management application and other modules (see "mySAP SRM 3.0 Is a Work In Progress").

mySAP CRM is becoming increasingly industry- and business-process-focused, but customers should consider a third-party service provider to help them attain successful implementations (see "Integrated Teams Are an Edge in mySAP CRM Deployments"). And SAP is finally showing the conviction required to make its business application software more attractive to the SMB ERP market, but Gartner believes that it won't truly compete with low-end ERP vendors until 2006 (see "SAP Business One: Capable of Challenging SMB Leaders?").

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A Technology View

SAP's technology strategy has evolved from mySAP Technology to the ambitious new SAP NetWeaver (see "SAP's Visionary NetWeaver Platform May Prove a Risky Bet"). NetWeaver includes a Web application server and integration technologies for people, processes and enterprises. It supports Web services and will ultimately offer a single unified development environment for all of the NetWeaver technologies. NetWeaver also enables the new SAP xApps range of collaborative business applications that Gartner terms "business process fusion" and potentially offers far greater application agility to SAP customers (see "New Applications Emerge — Business Process Fusion").

Together, SAP NetWeaver and xApps differentiate SAP from its business application competitors, but both offerings require SAP to articulate a complex message. Consequently, the majority of SAP's large customers have not understood the power of NetWeaver, nor its business value (see "Staying on Top of SAP's Technology Strategy").

SAP customers need to understand the impact that NetWeaver will have on their business application strategies during the next three to five years. First, they will need to make the right SAP infrastructure platform decisions and plan for much-higher levels of integration. They will have to rationalize the use of SAP's infrastructure outside the scope of SAP applications and carefully manage all of the technical cost elements during their SAP life cycle. Finally, they'll need to understand the implications of SAP's new licensing categories for broad deployment of NetWeaver (see "SAP Plans to Mine More Revenue From Its Installed Base").

NetWeaver is the fundamental development, application and integration platform for all new SAP applications, but partners and customers can use it to develop their own custom applications (see "Can SAP Win The Hearts and Minds of Developers?").

Evolution of SAP's Enterprise Portal

If there is one word that sums up R/3 users it has to be "busy." The life-cycle challenges of rollouts, enhancements and upgrades are what keep just about all users busy. Therefore, it is not surprising that less than 8 percent of SAP customers have piloted the SAP Enterprise Portal product. By offering the real ease of use needed by casual users (that is, "Business Windows" for skeptical business managers and collaborative external users), SAP's Enterprise Portal product is set to gain more popularity and greater ROI at the same time. Enterprise Portal forms the people integration layer within NetWeaver and is a leading enterprise portal (see "The Horizontal Portal Product 2003 Magic Quadrant"). Although late to market, the most-current version of this technology should offer greater scalability for large-scale enterprise deployments (see "SAP Prepares to Launch Enterprise Portal 6").

SAP Enterprise Portal offers integration to third-party business intelligence tools, as well as extensive integration with the SAP NetWeaver Business Information Warehouse component, which allows access to all standard business analytics that SAP supplies for its mySAP business applications. Gartner recently surveyed 150 clients to understand how Business Information Warehouse has been deployed so far, what benefits have been derived from it, what have been its real-world challenges and what constitutes best practice for further exploitation of Business Information Warehouse (see "SAP BW: Real-World Experiences and Best Practices").
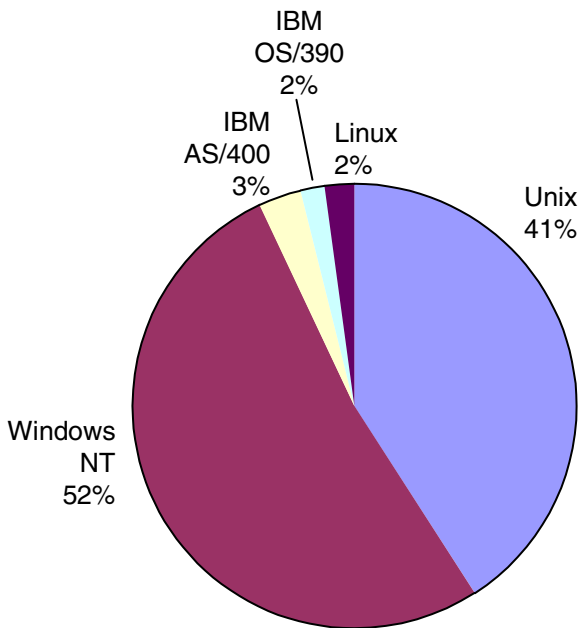
SAP Platform Trends

SAP customers will need to know the trends in platform selection for SAP applications. The following pie charts summarize all of the production system database server platform selections, in terms of market share, made by SAP customers through year-end 2002 (see Figure 1, Figure 2 and Figure 3).

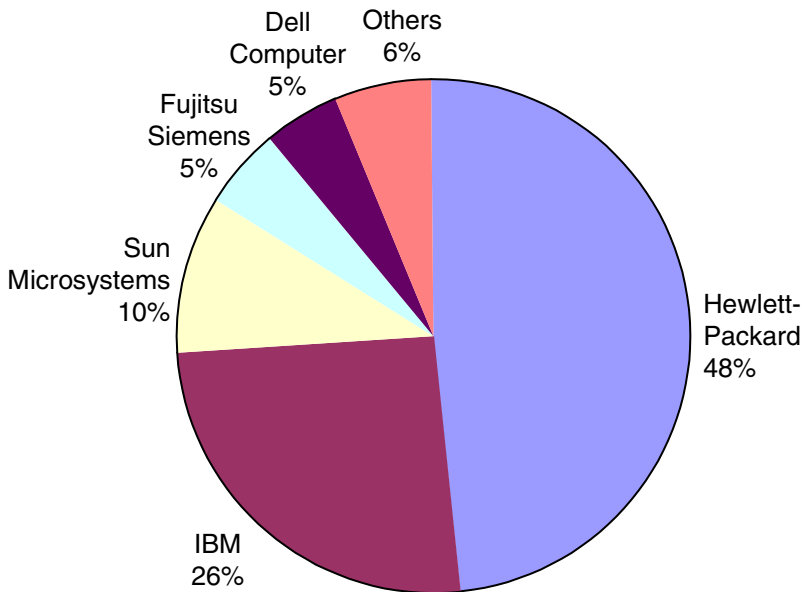Gartner

Figure 1. SAP Database Market Share

Informix 4%
SAP DB 3%
DB2 9%
Microsoft SQL Server 16%
Oracle 68%
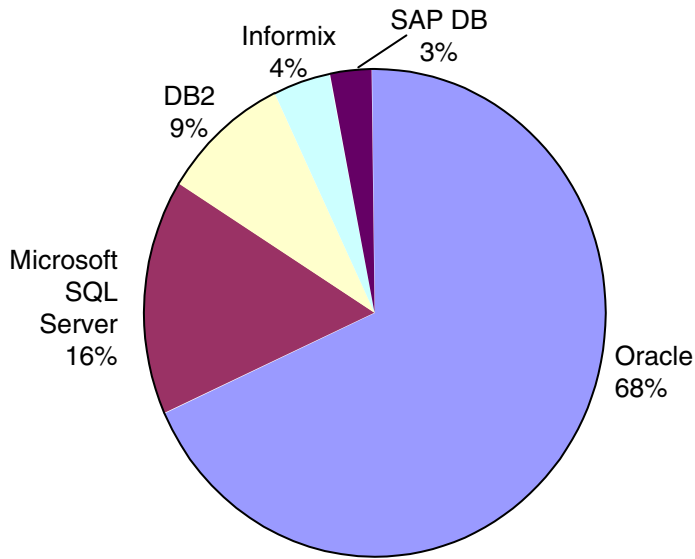
Source: Gartner Research (June 2003)

Figure 2. SAP Operating System Market Share

IBM OS/390 2%
IBM AS/400 3%
Linux 2%
Unix 41%
Windows NT 52%

Source: Gartner Research (June 2003)

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Figure 3. SAP Hardware Market Share

Source: Gartner Research (June 2003)

More than 60 percent of all new SAP customer installations during the past three years have been on Windows operating systems. As a result, Windows "leapfrogged" Unix in 2002 in terms of total installations. The market shares of the proprietary IBM operating systems have remained static in recent years, but Linux has started to take off as an SAP database server, as well as an SAP application server. Oracle has slipped by only a couple of market share percentage points in recent years as the dominant database of choice for SAP customers, while Microsoft SQL Server has risen slowly. Meanwhile, DB2 has remained static, Informix has decreased and SAP DB (sold to My SQL AB, Sweden, in May 2003) increased slightly. In hardware vendor terms, Hewlett-Packard/Compaq has lost the most ground. This has been to Dell Computer and other commodity Intel vendors. IBM has decreased slightly, while Sun Microsystems and Fujitsu Siemens market shares have remained static.

Although Linux's popularity is likely to increase among SAP customers during the next two years, IBM mainframe/DB2 and Unix/Oracle will remain the unchallenged platforms of choice for large-scale SAP projects (0.9 probability).

Enterprise Architecture: The Master Plan

Business applications are becoming more integrated as enterprises strive to become more real time and collaborative. At the same time, a number of significant technologies are converging — for example, the emerging integrated suites called application platform suites and smart enterprise suites, which SAP NetWeaver addresses. Running large parts of the mySAP Business Suite requires multiple applications, each with its own databases, landscapes and supporting infrastructures, plus specialized technology components. Further complicating matters, many enterprises have a heterogeneous assortment of products from multiple vendors at each layer of their infrastructure. To gain overall flexibility at acceptable total cost of ownership (TCO) for heterogeneous business applications, enterprises will need to understand the bigger picture of how their applications, interfaces and infrastructure fit together. They need a master plan, or blueprint, for this complex picture — they need an enterprise architecture.

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Gartner has built a framework for planning and maintaining enterprise architecture (see http://ea.gartner.com/section.php.id.2148.s.14.jsp). SAP applications and NetWeaver technologies bring their own constraints and skill sets when they are incorporated into this enterprise architecture framework (see "SAP Products' Impact on Enterprise Architecture"). SAP customers can overcome the challenges of providing more-sophisticated integration by carefully planning their own enterprise architecture blueprint. Doing so can increase flexibility and contain TCO.

Features

"Vendor Rating: SAP's Size May Inhibit Future Growth" — Consider SAP for many of your business application needs. **By Yvonne Genovese**

"mySAP ERP vs. R/3 Enterprise: A Clarification" — Evaluate R/3 Enterprise in conjunction with mySAP ERP. **By Yvonne Genovese**

"SAP in SCM: ERP Takes on Best-of-Breed Vendors" — Assess the functionality, maturity and integration capability of SAP's supply chain management products. **By Karen Peterson and Maria Jimenez**

"When to Consider SAP Asset Management and Maintenance" — Compare best-of-breed enterprise asset management offerings to SAP's mySAP Asset Life-Cycle Management. **By Kristian Steenstrup**

"SAP WMS Will Become a Contender in 2005" — Consider SAP's warehouse management system when you have a long time frame for implementation and are already committed to the SAP environment. **By Jeff Woods**

"SAP Is Building PLM Presence With ERP Muscle" — Consider SAP's product life cycle management offering, except if you are a manufacturer of complex products such as automobiles, aircraft and ships. **By Marc Halpern**

"mySAP SRM 3.0 Is a Work In Progress" — Consider mySAP SRM 3.0 when you are committed to SAP R/3 or mySAP, or when portals, requisition management or tight integration is a requirement. **By David Hope-Ross**

"SAP Business One: Capable of Challenging SMB Leaders?" — Cautiously consider Business One against traditional small and midsize business competitors. **By Robert Anderson and Karen Peterson**

"SAP's Visionary NetWeaver Platform May Prove a Risky Bet" — Choose among some of SAP's immature technology products and proven, although less-integrated, rivals. **By Massimo Pezzini, Derek Prior, Gene Phifer and Simon Hayward**

"Staying on Top of SAP's Technology Strategy" — Work proactively with SAP and Gartner to understand NetWeaver and make the best strategic planning and deployment decisions. **By Derek Prior**

"SAP Plans to Mine More Revenue From Its Installed Base" — Make sure you understand the expanded SAP license model and the additional costs you may incur. **By Alexa Bona and Derek Prior**

"Can SAP Win The Hearts and Minds of Developers?" — Encourage SAP to provide a set of generic development environment services if you want to build new applications with NetWeaver. **By Derek Prior and Gene Phifer**

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"SAP Prepares to Launch Enterprise Portal 6" — Consider SAP's Enterprise Portal 6 a robust upgrade to EP5. **By Gene Phifer**

"SAP Products' Impact on Enterprise Architecture" — Plan how your enterprise architecture will incorporate the architectural constraints imposed by SAP and other vendors. **By Derek Prior**

This research is part of a set of related research pieces. See "Navigating SAP's Product and Technology Layers " for an overview.

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