

SAP Focuses on India: Key Insights Gained from SAP Summit '07

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INTRODUCTION

This Springboard Research document presents insights gained from SAP Summit '07, held in Mumbai, India, from June 6 to June 8, 2007. The basis for the insights expressed within this document – beyond our continuous tracking of SAP's business activities – includes information obtained from interviews with senior SAP executives and business partners.

KEY OBSERVATIONS

Small and medium-sized businesses (SMBs), a key thrust area in SAP's India business strategy for the past few years, has emerged as a significant growth driver for the vendor, with 35% of its current Indian revenue derived from SMBs. The vendor currently has over 1,000 SMB customers in the country, with 400 of them being new accounts added in the first six months of 2007 alone. By 2010, the vendor says 50% of its Indian revenues will come from SMBs. In order to achieve this goal, SAP has developed a multi-pronged strategy designed to expand its SMB business. Springboard's observations of the key themes and strategies of SAP's SMB market push in India are outlined in greater detail below:

- **Strengthen Partnerships:** To cater to the SMB market and in particular to the needs of Indian businesses, SAP has qualified SAP partner solutions from partners such as Carritor, Wipro, Akrut, IBM, and many others. These partner solutions are add-ons bundled together with SAP Business One or are solutions built on top of the core SAP All-in-One solution; all of which further meet the specific needs of SMBs in various industry micro verticals. Overall, SAP has concentrated on strengthening and expanding its partner ecosystem. To date, SAP has built a unique and vast ecosystem of over 160 partners, who have significantly increased their SAP practices over the years. Today, the SAP partner ecosystem in India includes 20 service partners, 22 SAP All-in-One partners, over 65 ISV partners, 3 SAP Business One distributors, and 80 SAP Business One resellers.
- **Focus on Application Customization and Flexibility:** In general, SMBs and larger enterprises have long perceived the process of customizing SAP core applications as a complicated and difficult process. Since SMBs are known to look for applications that deliver ample customization functionality, SAP has created a solution portfolio for SMBs that caters to these needs. SAP builds its core application based on specific best practices business processes utilize by many enterprises. In addition, the vendor recognizes that SMBs demand flexibility to customize applications to meet their individual needs. To address this, SAP empowers its partners to deliver this capability as they deploy the core application in companies.

- **Localize Offerings:** In an effort to suit Indian business requirements, SAP has added vertical- and solution-specific functionalities that will enable its customers to adhere to local key business process and legal requirements. Localizing its applications to the Indian market has been an integral part of SAP India's business solutions, and its initial releases have focused on logistics, financials and human capital management. However, the vendor has also announced the availability of localization for significant verticals such as public services and utilities, and across important niche operations like real estate management, treasury risk management, and supplier relationship management.
- **Exploit the Potential of SaaS to Benefit from the Growing Adoption of the Technology Among SMBs:** SAP will make another SMB offering – the SAP A1S – by mid-2008. This application will bridge the gap between SAP All-in-One (A1) and SAP BusinessOne (B1) offerings. However, the most important aspect of A1S is that it will provide ERP, CRM, SCM, and BI in one suite via SaaS. Organizations will also have the freedom to pick and choose any of the functionalities, and run the same over their existing core application platform. This product will be targeted at enterprises with between 100-400 employees.
- **Target Micro-enterprises with Hosted ERP:** SAP plans to host its end-to-end enterprise software on the Internet specifically for micro-enterprises, or companies with revenue of \$10 million and less. The objective of this strategy is to capture Indian companies at the beginning of their growth curve, and nurture them into long-term customers. Micro-enterprises opting for SAP's ERP solution will not have to service the software or take care of the data. The host, a SAP distributor, will manage those areas. The enterprise will be able to use the software hosted on the Internet from anywhere in the world. SAP's plan is to help micro-enterprises adopt mini ERP solutions for management of their sales, finance, purchase, inventory and manufacturing processes.

Springboard Research believes that SAP's decision to have a hosted solution will benefit the vendor as many companies are waiting to adopt end-to-end enterprise solutions to manage their business processes.

- **Acquire Small Companies:** SAP is looking to acquire small companies in India as part of its plan to grow in the Asia-Pacific region. Historically, SAP has acquired small companies with strong intellectual property assets housing up to 200 employees and with revenues in the range of \$10 million. They hope to continue with this trend as they move ahead with their growth strategy in APAC and Japan.

FOCUS POINT

Springboard Research believes that SAP's Indian strategy targeting the SMB sector has paid dividends that are obvious from the number of customers it has gained in the first six months of 2007 alone. However, with competition intensifying, SAP will have to reinvent itself, and add more value to its offerings, since almost all application providers are also targeting the SMB segment. In addition, SAP's rival Oracle, has already made its intention to gain traction in the retail space clear by acquiring Retek to streamline its supply chain cycle. Moreover, Springboard

Research advises that SAP watch out for pure-play software-as-a-service (SaaS) application vendors in ERP, CRM and SCM, who have been gaining in the SMB market.