Sap analysis

[Business](#)

The Internet and e-commerce have changed industry and the way companies' performances are measured. We have heard for the past decade, " The world is shrinking. " This has never been truer than in today's economy. SAP is a company that is striving to provide e-business solutions in order to help companies become more profitable in today's competitive and volatile environment. SAP's most recent marketing campaign states, " Every business is an e-business, or soon will be.

" Companies communicate with each other through E-Commerce both internally and externally. The Internet has escalated this communication process by supplying a venue for communication on a real-time basis. SAP has re-invented itself from a provider of Enterprise Resource Planning (ERP) software, to a provider of e-business solutions to enhance efficiency and reduce costs. When the " dot. com" fervor arrived, the fundamentals of evaluating a business were neglected.

The focus was on potential earnings versus current profitability. Profit was an afterthought and investors and analysts could have been accused of being irresponsible. SAP stresses " The NEW, NEW ECONOMY" by placing the focus back on profitability, the traditional rules of business. Also, " Profitable growth is the yardstick. Companies must offer value to customers, present real barriers to competitors and deliver real profits to investors. " The software industry is under pressure for growth.

This has been exacerbated by the decline in the tech industry segment with which the software vendors are aligned. In order to successfully grow and meet investor expectations, these vendors must either change or become

extinct. SAP has taken significant steps to change with the economy and is ready to capitalize on its strategic vision. Recent financial reports reflect this. By utilizing their strengths and core competencies, as well as key strategic alliances, SAP is in as good a position as any software vendor in the industry for strong growth. This case analysis will document SAP's present situation, investigate the overall industry, discuss the challenges SAP faces, and provide recommended actions for the future.

DESCRIPTION OF THE COMPANY SAP's recent 20F SEC filing report best describes their company. SAP is a leading provider of collaborative e-business solutions for the Internet economy. With its headquarters in Walldorf, Germany, SAP is the world's leading inter-enterprise software company and the world's third largest independent software supplier overall. SAP employs over 24, 000 people in more than 50 countries. On December 31, 2000, SAP had more than 30, 000 software installations at over 13, 500 customers, and more than 10 million users all over the world.

With more than 900 partners that offer complementary software, services and hardware, the Company has established a wide-ranging SAP partner system. The Company operates in three geographic regions, namely Europe, the Americas and Asia-Pacific. SAP has three lines of business operating segments: product, consulting and training. Certain subsets of the Company are organized by industry sectors. The Company's customers include multinational enterprises as well as medium- and smaller-sized businesses. According to Hoover's Inc.

: In a weakening market, SAP is protecting itself through a move to the Internet. SAP offers front and back office software and services for rent or purchase through its mySAP. com exchange, which hosts transactions between SAP clients and their vendors. To catch up with rivals in this sector, SAP has launched a US subsidiary to build online marketplaces for large companies and their suppliers. " HISTORYSoftware engineers Hasso Plattner (co-chairman and co- chairman and co-CEO), Hans-Werner Hector, Dietmar Hopp, and Klaus Tschira started SAP in 1972 when the project they were working on forIBMwas moved to another unit.

The four agreed to write a program for IBM customer Imperial Chemical Industries, and SAP (named for the IBM project they left — Systems, Applications, and Projects) was formed. While rival software companies made many products to automate the various parts of a company's operations, these engineers decided to make a single system that would tie a corporation together. In 1973 they launched an instantaneous accounting transaction processing program called R/1. By 1981, with 200 customers already on board, they had adapted the program to create R/2, mainframe software that linked external databases and communication systems. The company went public in 1988. That year, Plattner began a project to create software for the computer network market.

In 1992, as sales of its R/2 mainframe software lagged, SAP introduced its R/3 software. By 1995 the US had become SAP's largest market. That year SAP eamed withMicrosoft, Netscape (now part of AOL Time Warner), and Sun Microsystems to make R/3 software Internet-compatible. In 1997, SAP moved

to the NYSE; longtime executive Henning Kagermann was named co-chairman along with Plattner.

In 1999 SAP expanded on the Internet, unveiling an e-commerce Web exchange (mySAP. com) supporting business-to-business transactions and other services. SAP's stock is traded under the symbol SAP and their website can be viewed at www. sap. com.

A list of their executive officers is shown in Figure 1. FIGURE 1 – SAP EXECUTIVE OFFICERS | | Name | Executive Office | | Hasso Plattner | Co-CEO, Co-Chairman and Co-Founder | | Henning Kagermann | Co-CEO, Co-Chairman and Co-Founder | | Werner Brandt | CFO | | Claus E. Heinrich | Executive Board, Human Resources, Industry Solutions Development, and mySAP. om | | Peter Zencke | Executive Board, Industry Solutions, Customer Relationship Management, | | | E-Business and Global Research | | Gerhard Oswald | Executive Board, Information Technology Infrastructure | | Deiter Matheis | Extended Management Board | | Wolfgang Kemna | Extended Management Board, Americas; CEO, SAP America | | Leslie Hayman | Extended Management Board, Asia-Pacific | | Leo Apotheker | Extended Management Board, Europe, Middle East, and Asia | | Erwin Gunst | Extended Management Board, Germany and Switzerland | | Karl-Heinz Hess | Extended Management Board, Technology Development | EVOLUTION OF THE E-BUSINESS PLATFORM In 1973, SAP's efforts to integrate and streamline the way companies do business began with the development of materials resource planning (MRP) solutions, allowing for the optimization of operational activities. The company's 20F report further explains: Expanding from MRP solutions, the Company developed integrated, cross-functional, multi-

language, multi-currency business process solutions applicable to other business processes. These ERP systems sought ways to integrate all aspects of business, including distribution centers, field operations centers, corporate headquarters and sales offices.

The Company designed its ERP software beyond the manufacturing plant by providing solutions for substantially all of the functions within the walls of the organization. In 1981, The Company introduced its second generation of application software, the R/2(R) system, which could be installed on an enterprise-wide basis without substantial customization. The Company believes that R/2 also reduced bottlenecks by improving and accelerating user access to data. In 1988, the Company anticipated and capitalized upon growth in the use of a new hardware technology, known as client/server architecture. During this period, the Company designed the initial version of the R/3® system to offer the functionality of R/2 in an open client/server environment.

R/3 was brought to the market in the early 1990s. The Company believes that R/3 not only optimized manufacturing, but also distribution, finance, sales, procurement, inventory and human resources. In the years following the introduction of R/3, the Company introduced several new business software applications and enhanced existing products to operate independently of R/3. The Company believes that businesses are now looking for ways to extend processes optimized by business software across multiple business enterprises. In today's Internet economy, inter-enterprise integration has evolved into a new world of e-business, involving multiple business enterprises in diverse market segments.

Each participant in the networked business value chain now has the potential to share information with others. With the growth of network access, bandwidth and coverage, the Company believes there is an increasing need for Internet e-business solutions that can leverage data from the enterprise and foster collaboration across multiple business partners and customers. These emerging customer needs led SAP to create several products designed to foster cross-enterprise cooperation across different enterprises. The products comprising mySAP. com(R) — including extended supply chains solutions, customer relationship management programs, procurement solutions, sophisticated analysis and modeling tools, employee self-service solutions and more – have now become the basis of the Company's mySAP.

com e-business platform. The mySAP. com e-business platform is a new kind of enterprise system that enables a shift to a collaborative e-business environment. It offers solutions beyond traditional ERP programs that not only link together disparate enterprises but also remove the walls of the enterprise. The mySAP. om e-business platform solutions are designed to enable companies to participate in a larger collaborative community of customers, suppliers and partners.

This collaborative community, or " virtual ecosystem," permits customers, suppliers and partners to shift functions and responsibilities as needed. It also transforms the sequential supplier-to-customer value chain into a collaborative dialogue, allowing companies to work in parallel with their customers, suppliers and business partners, each defining their needs in the relevant business process. DESCRIPTION OF THE INDUSTRY The industry of e-business is using Information Technology (IT) and the Internet to conduct

business in order to operate, quickly, efficiently and profitably. Paraphrasing Yahoo's Finance website, the industry is described as " software solutions that integrate the processes within and among enterprises and business communities. " These companies supply " integrated business application software designed to provide cost-effective comprehensive solutions for businesses.

Some examples of the business application software include MRP, ERP, Supply Chain Management (SCM), and Customer Relationship Management (CRM). All of these application software tie in together and are now being incorporated into the Internet for business-to-business e-commerce AMR Research explains in a recent article dated April 2, 2001: CIO's are struggling with the vast array of new Business-to-Business (B2B) applications, Internet-based services, and exchanges that promise a huge payback and promise to address the shortcomings of the last must-do investment: Enterprise Resource Planning (ERP). However, even corporations that have already embarked on projects to install e-procurement or build a Private Trading Exchange (PTX) are at a loss to give a name to their grand plan. Unlike ERP, this new assembly of applications is not a single vendor package decision. It starts with ERP, perhaps includes e-procurement, with Customer Relationship Management (CRM), plus Supply Chain Management (SCM), plus a PTX with a Consortium Trading Exchange (CTX) thrown in for good measure.

AMR Research calls this new strategy Enterprise Commerce Management (ECM), and we have developed a blueprint for this next-generation corporate-wide system (see Figure 1). ECM captures what many corporations have been building over the past several years as they supplemented ERP

with other applications, such as Advanced Planning and Scheduling (APS) and CRM. ECM also describes the processes on which many of the new B2B commerce applications and services are based. ECM is not just another name for ERP; it's a more accurate template for the systems that corporations are trying to build today, systems that encompass ERP but extend to trading partners, including suppliers, customers, and channel partners. More important, ECM provides the model for the next generation of business systems, comprising process-oriented applications and services tied together by the Internet to support intercompany commerce.

AMR estimates this industry to be a $27 billion market in 2001. IT Week (UK) reports that Ariba estimates the global market for such tools to be worth ? 29 billion (US$41 million) by 2005. Additionally, SAP has cited that Gartner Group reports global B2B e-commerce is to increase twenty fold to $8. 5 trillion by 2005, and IDC predicts that sales of e-procurement software alone will hit $9. 7 billion by 2004, up from $2.

1 billion in 2000. The major suppliers in this industry are SAP, Oracle, Siebel, PeopleSoft, i2 Technologies, Ariba, Manugistics, and Blue Martini. Of these, only the first four companies mentioned showed a profit in 2000. Figure 2 below gives an indication of their revenues and accompanying incomes. [pic] ANALYSIS OF PORTER'S FIVE FORCES Porter's five forces are used to analyze SAP relative to its industry. This analysis includes SAP's suppliers, buyers, and rivals, and any new market entrants and substitutes.

A. Suppliers SAP has entered into relationships with various companies to jointly develop and market new software products. One is Commerce One

and another is YAHOO. They could run into technical obstacles by having to combine existing software products or develop new compatible products. They have no assurance that these relationships will lead to successful new products or turn into competition.

Their own software developers develop much of SAP's intellectual capital. 27% of their employees are software developers. Should they lose any of these qualified personnel to industry rivals, it could cause them to lose their intellectual property. Buyers SAP's buyers are the manufacturing, service and technology industry. It would be very difficult for their buyers to develop their own internal software. They cannot copy SAP's software due to copyright infringement.

B. Industry Rivals As outlined above in competition, SAP has keen competitors in the industry. They are currently the market leader in ERP software, but the need for CRM and SCM software could leave them in a poor strategic position if they do not continue to be the leaders in new product development. Additionally, Oracle and PeopleSoft are first to market with portal technology software. D. New Entrants New entrants could always come into this market.

However, it is a well-established market and entry is not easy due to high intellectual capital costs and limited resources from which to choose. First and foremost is product credibility and next is market acceptance. This is not a price sensitive market, so a new entrant with low price will not make a great impact. Since most software packages average between $70, 000 – $100, 000, and implementation costs can be in the millions of dollars, a new

entrant would have to have a far superior product to unseat existing systems. E.

Substitutes Substitutes would be very few. The only feasible substitutes would be Internet portals and wireless technology and these are already being addressed by SAP as will be described later in the text. STEEP AND SWOT ANALYSIS A situational, technological, environmental, economic, and political (STEEP) analysis and a strengths, weaknesses, opportunities, and threats (SWOT) analysis were performed in order to better understand SAP's potential for future success. A. The STEEP analysis reveals the following: 1. Situation – Collaborative e-business solution software is in its early product life cycle stage.

Many new forms of technology could emerge over the next decade and new companies and alliances may form as the industry matures. E-business is evolving and may prove to be a viable alternative to land-based wireless technology. 2. Technology – In the early stages. New technology is rapidly emerging and SAP needs to maintain an intellectual advantage in order to remain competitive and meet their financial goals.

As mentioned above, wireless technology is one of the main areas to be exploited. 3. Economic – The current economic situation is uncertain. The good news is that companies are still willing to spend on Information Technology (Information Week estimates " three in five manufacturers will increase spending in 2001") in order to enhance their efficiencies and lower costs. 4.

Political – AMR Research has noted that the Bush administration has three goals for e-commerce. (1) Lift barriers to innovate and restrict obstacles. (2) Give the workforce opportunities to take advantage of opportunities of the high technology economy. (3) Establish a stable environment to encourage research and innovation in the private sector. All of these goals bode well for e-business. B.

The SWOT analysis reveals the following: 1. SAP's Strengths: a. SAP views their people as their most valuable asset. b. Their technology and new product development is one of the best, if not the best, in the industry. c.

They are financially strong. As of fiscal year 2000, they had $1, 020 million in cash. Additionally, they incur very little debt. Short-term debt is $112 million and long-term debt is $29 million. They consistently show positive earnings.

d. SAP has a solid installed base of ERP systems as they have 30% market share in this segment. This will be important for their strategy. e. They have a good track record of execution.

They have proven to be reliable in doing what they report. f. They have reputable software and product adoption by the industry is widely accepted. They also have good brand recognition. g. They are a first mover in portal technology of collaborative e-business software.

h. mySAP. com modularity allows companies to purchase only one application if needed. i. They have formed key alliances in the industry to help them execute their strategic plans.

2. Competitors' Strengths: a. Some are perceived as being more user friendly for implementation b. Advanced SCM and CRM software packages. c. High installed base of SCM and CRM software compared to SAP.

d. Good brand recognition (Oracle) 3. SAP's Weaknesses: a. Behind on CRM / Internet product development, but quickly catching up. b.

They have been traditionally know to have poor implementation tools for their software packages and the budgets to install can be costly. c. They have traditionally been weak in the marketing of their products and services. d. They have traditionally managed their alliances poorly and made them one-sided in their favor, or allowed them to fizzle. e.

Have historically developed every application in-house and this has hindered their resources. f. They have traditionally had difficulty selling products to customers outside their installed ERP base. 4. Competitors' Weaknesses: a.

The competitors' lack of strategy for portal enhancement is a major weakness. SAP could well establish themselves in the market before their competitors can execute their strategy. b. Some of the competitors noted previously are in poor financial position, which could limit their growth strategy. 5. SAP's Opportunities: a.

Expansion into e-commerce with portal technology. Corporate portal market is expected to triple is size to $13. 2 billion by 2002. [Dow Jones News Service] b. E-procurement software for B2B online buying will hit $9.

7 billion in 2004, up from $2. 1 billion in 2000. [The Industry Standard] c. Potential acquisitions such as Commerce One. d. Strategically positioned in a growing ECM market.

6. Competitors' Opportunities: a. Competitors' opportunities virtually those of SAP, except for being strategically positioned in growing ECM market. 7. SAP Threats: a. Long selling cycles make forecasts inaccurate.

b. Ariba, Siebel and i2 are better positioned for CRM and SCM market. [InfoWorld] c. Increased competition with consolidation. d.

The market may not fully accept mySAP. com e. If intellectual property protection were lost, they would lose a major asset. f. Government regulation of e-commerce would hinder SAP's strategy for growth.

8. Competitor's Threats a. All threats of competitors are the same as SAP's except that market acceptance of mySAP. com could threaten competition's market position BUSINESS MODELSAP's business model is divided between revenue of product/software, maintenance, consulting, and training. They have expanded this business by creating new strategic business units (SBU) (SAP Portals and SAPMarkets) to gain additional revenue. The revenue for fiscal year 2000 is summarized in Figure 3.

[pic] The revenue shift of product has quickly changed from ERP to mySAP. com. Fiscal Year 2000 software revenue increased 21%. MySAP. com accounted for 53% of the software revenue. In Q4 2000, mySAP.

com contributed to 63% of the revenue. As noted in the SAP 20F report for the software/product pricing model, " The Company generally licenses its

products under two different models. The first entails licensing individual software components on a ' right to use' basis pursuant to a perpetual license providing for an initial license fee based on the number and types of identified users … Additional license fees are charged when the designated number of users…is increased. Under the second model, the initial license fees are tied more closely to level of usage or transactions to be effected, with additional license fees being charged when the relevant metrics is increased. " In FY 2001, additional revenue streams will be generated from the new SBU SAP Portals with software and service offerings. This will be new revenue from non-SAP systems.

Street Sweep] Also, SAP Portals " will license its technology outside the SAP Group of companies and expects a significant portion of its revenues to accrue from outside the SAP installed base. " [Business Wire] Lastly, mySAP. com should provide new revenue as a result of the software modularity, resulting in small to medium size businesses as new SAP customers. TARGET MARKETS SAP has traditionally targeted major (large) corporations as their target market. In addition to discrete manufacturing, they are targeting the service and technology industries.

mySAP. com is enabling them to " strengthen its operations in the medium and small sized companies segment. " [COMTEX News Network] One of the reasons they will be able to capture smaller businesses as customers is due to the modularity of mySAP. com. Companies will not be required to purchase a complete platform of software, as they are now required to do with SAP R/3. A revealing comment in the SAP 2000 Annual Report states: mySAP.

com is ideal for small and midsize companies, because it provides powerful solutions for companies of all sizes and supports the unique needs of users in specific industries. Because many mySAP. com solutions can be delivered using nothing more than a standard Web browser, such as Microsoft Internet Explorer or Netscape Navigator, smaller companies don't need to invest precious capital in hardware and software. Figure 4 gives a revenue breakdown by sales destination: SAP views Latin America and Asia as strategic growth markets. SAP aims to jump from 300 clients in Latin America to 3, 000 over the next three years. According to " Computimes (Malaysia)", " the company believes that despite unfavorable conditions, the CRM market, particularly in Asia, will not be significantly affected as users are expected to invest in such solutions to remain competitive in the marketplace…Over the last eight months, the company has secured 40 customers in Asia for its mySAP CRM module which was introduced in the region in the second quarter last year.

" COMPANY CORE COMPETENCIES SAP's success has been based on several core competencies. These core competencies have allowed SAP to become a market leader in the industry, and are described below. A. Business Process Applications experience SAP offers business application software and is known for having the most powerful in the industry. They have over 13, 500 customers and the large installed base of over 30, 000 gives them an advantage over their competitors.

They know how to design, sell, implement and service the software and they are excellent at account mining once they establish a customer. ERP has

been their process application software forte up until now. B. mySAP. com mySAP.

com offers: Personalization; Customization; and Internet integration. This is a core competency because they are using this as a method to expand. Another way SAP states it [" Corporate Profile" presentation] is, " mySAP. com is the e-business platform that empowers customers, partners and employees to work together successfully, anywhere, anytime… With mySAP. com, SAP integrates its extensive industry and enterprise expertise into a comprehensive platform of e-business solutions, services, and technology… The mySAP. com platform is open and flexible, supporting databases, applications, operating systems, and hardware from almost every major vendor.

" Additionally, " the mySAP. com platform is comprised of the following solutions: – cross-industry e-business solutions industry specific e-business solutions that span across 21 different industries and core infrastructure, and; – technology and services jointly providing one e-business platform. In addition to SAP's software solution portfolio, they provide consulting, support and training services, ranging from project planning, implementation assistance and ongoing post-implementation support activities, to virtual classroom training for new and exiting customers. The mySAP. com e-business platform provides solutions and services that allow companies to eliminate enterprise boundaries and participate in a global marketplace. The mySAP.

com e-business platform is designed to enable companies to: – provide Web-based access to all users allowing them to benefit from e-business solutions; buy and sell products and services online; – participate in multiple marketplaces and exchanges by forming ad hoc partnerships; – collaborate with partners and customers to extend the supply chain allowing for efficiencies, shortened product development times and improved planning, optimization and execution; – attract, maintain and service new customers while allowing for increased existing customer satisfaction; – integrate business-to-business transactions with back-office and enterprise systems; – speed access to reliable, low-cost hosted solutions; and – analyze business information and react more quickly. " [2[20F Report]. Execution of plansSAP is consistent in carrying out stated plans. This enables them to implement and evaluate their strategies so that they can make the best business decisions for further innovation or adjustment. This also gives them credibility with their customers and investors. D.

Software Development Whether it MRP, ERP, or mySAP. com, SAP is in the top tier of software development. They do it quickly and make it functional and powerful. 27% (6, 500 employees) of the workforce is comprised of software developers. They focus their resources into this arena and re-invest 13% of their revenue back into research and development. COMPANY AND INDUSTRY FINANCIAL INFORMATIONSAP's e-business Internet intensive focus is a unique business model within the business applications software industry.

Most competitors are focusing on CRM or SCM application, but SAP has extended this into the extended enterprise model. The launch of mySAP.

com has had a positive impact on their financial performance, especially over the past two quarters. Fourth-quarter 2000 results showed an operating profit growth of more than 40% and revenue increase of 27% from the same period in 1999. First-quarter 2001 results reported a revenue increase of 29 percent, an 82% rise in operating profit, and earnings per share increase to 0. 36 euros (beating analysts' forecasts of 0.

25 euros) from 0. 18 euros over the same time period last year. This positive growth in revenue and income is forecasted to continue of the remainder of the year. Figure 5 provides basic financial information on SAP and some of their major competitors. As stated in " Business Model", SAP had $5. 9 billion in revenues in 2000.

Positive financial aspects of SAP are that they historically have had positive earnings. | Company | Sales | EPS | Profit | P/E Ratio | ROA | | |($ Billion) | | Margin | | | | | SAP |$5. 88 |$0. 47 | 10. 0% | 82. | 12.

5% | | ORCL |$10. 13 |$1. 05 | 62. 2% | 18. 1 | 48.

2% | | SEBL |$1. 80 |$0. 24 | 12. 4% | 101. 0 | 10. 3% | | PSFT |$1.

70 |$0. 48 | 8. 4% | 71. 5 | 7. 3% | | ITWO |$1. 13 |$-4.

83 |-155. 6% | N/E |-19. 0% | | ARBA |$0. 28 |$-4. 10 |-284.

% | N/E |-20. 8% | | MANU |$0. 27 |$-0. 48 |-10. 4% | N/E |-5.

8% | | Software Industry |$108, 711. 2 |$-0. 07 | 2. 9% | N/E | 1. 4% | Sources: Quicken/Excite, Media General, SAP 20F Report •SAP – SAP•ORCL – Oracle•SEBL – Siebel•PSFT – PeopleSoft •ITWO – i2 Technologies •ARBA –

Ariba•MANU – Manugistics Figure 5 – Industry Financial Comparison A historical 5-year analysis of revenue and income shown in Figure 6 reveals that SAP's growth has diminished over the last two years. This leads us into our " Key Company Challenges".

KEY COMPANY CHALLENGES SAP faces a number of significant challenges, including protecting their existing ERP customer base, displaying growth in an e-commerce environment, and shifting their software from enterprise to e-commerce solution software. With the decline in enterprise applications spending in 1999 due to the Y2K issues, SAP, like many other ERP companies, suffered badly. The Internet was the new economy and SAP had little to offer in this new environment. Instead, the focus was on companies like Siebel Systems and i2 Technologies with their CRM and SCM software respectively. Even with the launch of mySAP.

om in the fourth quarter of 1999, they lacked focus and potential customers perceived that the platform did not apply to them. They have no guarantee that the market will adopt this software over the existing CRM and SCM vendors and they do not know how fast their existing customer base will move to new integrated offerings. They need added value to offer the market in order to overcome existing perceptions that SAP enterprise software is difficult to integrate and costly to install. With this background, SAP still must take address the expanding enterprise portal market. Oracle and PeopleSoft have already launched aggressive portal strategies and niche vendors like Plumtree have also entered the market.

With the market moving in this direction, they are being attacked from their shrinking ERP market size and lack of first mover position on the portal market side. PROBLEM STATEMENT The SAP 2000 Annual Report best states the biggest challenge needed to be overcome for future success: " How can SAP increase its share in the rapidly growing markets for the new software products (SCM, CRM, e-commerce) and, at the same time, to at least defend its ERP market share, as well as to achieve increased sales, reduced costs, and resulting improved earnings.? " STRATEGIES AND RECOMMENDED ACTIONS Many of the strategies to address this problem statement have already been implemented by SAP as noted in the 2000 Annual Report. MYSAP. COM SAP developed mySAP. com to enhance the enterprise software for SCM, CRM and ERP.

It helps them to capitalize on the mobile/wireless network and Internet usage. They developed mySAP. com by restructuring its research and development area, aggressively directing it toward market and customer needs. They set up six business units for application development and seven industry business sectors for the development of the platform. Additionally, mySAP.

com emphasizes the supply of value in improved profits and efficiencies within an enterprise. This is the " NEW, NEW ECONOMY" campaign…the bottom line of profits. mySAP. com also provides individual modules versus the requirement of customers to purchase a complete set of modules. This will open new revenue by capturing small to medium size customers. SCM and CRM Also noted in the 2000 Annual Report: SAP accelerated

development of it SCM and CRM solutions in order to catch up with competitors that were still ahead of them.

[A[As a result, SAP set up the new business entity SAP Solutions, set to handle CRM, SCM and product life-cycle management (PLM), including project lifecycle management.]AP MARKETS SAP established a new subsidiary, SAPMarkets, Inc. , to combine SAP's Internet marketplace activities into one unit. By combining this with entering into cooperation agreements with other software vendors, this accelerated the realization of advanced e-business solutions. InformationWeek reported, the alliance with Commerce One, in which SAP invested $250 million for a 2% stake [i[in Commerce One]allows SAP to share software development resources.

Under this alliance, " Commerce One provides the marketplace infrastructure that enables companies to establish and operate trading portals, and SAP, through SAPMarkets, provides functionality in the areas of SCM, PLM, CRM, and business intelligence (mobile/wireless). The resulting marketplace solution has the potential to transform linear and serial supply chains into collaborative communities, reducing cycle times, improving customer relationships and increasing productivity for businesses worldwide. " [S[SAP 20F Report]is alliance has already developed MarketSet™, which provides the necessary infrastructure for virtual markets, allowing multiple organizations to buy, sell and conduct collaborative business. SAP PORTALS More recently, purchase portal software vendor, TopTier, for $400 million. TopTier produces core components of the mySAP. com Workplace Portal, the key integration and security platform for mySAP.

com. This move allows SAP to inherit TopTier customers DaimlerChrysler, Hewlett-Packard, Universal Studios, and Well Fargo Bank. Immediately after this purchase, SAP announced a new relationship alliance with Yahoo. They immediately established a new subsidiary, SAP Portals, which incorporates TopTier and Yahoo. Yahoo will supply SAP Portals with content such as news and stock quotes. SAP supplies the portal software.

This new subsidiary is key to turning itself into a suppler of e-business software. The main goal of the subsidiary is to help corporations set up employee web sites on their intranets or internal networks. This could open a new source of revenue for SAP by increasing the number of people at customer site who use its software. SAP Portals also includes SAP's unit dedicated to the mySAP Workplace enterprise portal and mySAP Business Intelligence products, as well as eSAP GmbH, a SAP subsidiary focusing on enterprise-portal and e-business products. According to AMR Research, " With SAP Portals, SAP is emphasizing … the ideas of portals as the entry way and launching point for today's business computing. Under SAP's vision, portals become the means with which to define user roles by tying together all the pieces a particular user needs to carry out their job function.

" A key tactic for growth and market acceptance is for SAP to use its existing market base of ERP users to expand with mySAP. com. In order to maintain and defend the ERP market base, AMR reported that SAP will launching SAP R. 3 Enterprise in the second quarter of 2002. It is the mySAP version of R/3, but it also signals SAP's plans to refocus efforts on R/3. SAP SI AMERICALastly, in order to change perceptions in the market the SAP products are costly to implement and ineffective, SAP purchased an

integration consulting firm, Prescient Consulting, which specializes in implementing SAP software for large U.

S. Businesses. The firm will be renamed SAP SI America Inc. This will help to alleviate many of the perceived problems incurred when ERP implementations take place. According to Computing Canada, " Personalities, politics and poor planning are more often the cause of failed ERP implementations, not the technology.

" SAP also has a traveling road show that is an elaborate mobile training facility. In addition, they offer extensive internal training with to their existing and potential customers. SUMMARY SAP has truly made an adjustment to their environment. They were a traditional ERP software vendor with 30% market share, but realized the growth and market size were shrinking. They evaluated their core competencies and realized that they could capitalize on them when complemented with the rapidly expanding e-commerce industry.

By taking actions of developing new Internet, SCM, CRM software, and incorporating this into mySAP. com, they reinvented and transformed themselves into an e-business solutions company. This strategy, in its early stages, has proven to thus far be successful with two consecutive quarters of strong growth in both revenue and earnings. The company's 20F report best states their strategy as: The Company's business strategy is to increase its profitability and market share by offering e-business software and service solutions to enable its large existing customer base and new customer prospects to grow value in a networked economy. SAP believes it can grow

its profitability by extending its solutions beyond its core competencies in traditional ERP systems… SAP has managed to leap frog their competition into the e-business solution sector.

Competitors will now need to establish their own alliances in order to quickly establish themselves in the market as SAP has. Alliances are neither easily established nor managed, so SAP's strategies have put the competition on the defensive. SAP has not ignored its core competency of ERP and will be launching a new R/3 in 2002. This will help defend its existing installed base, in addition to establishing new customers. Along with the development of mySAP.

com, the addition of SAP Portals and SAP Markets has geared them to once again be a rapidly growing and profitable company. Essentially, SAP has addressed all of its key challenges and must only address the avoidance of complacency in order to maintain future growth and profitability.;