

Sap ag: company history, development and growth essay

[Business](#), [Industries](#)



The SAP of the past is just like any typical traditional computer software company- focusing on tangibles such as products and place, while ignoring the intangibles such as customer care and service.

While this traditional business approach had once its days in the sun, SAP quickly realized that the whole computer software industry is changing as globalization peeks to everyone's doorsteps. Truly, success breeds failure because companies such as SAP started to see that the older methods will not work anymore. Drops in profits are becoming obvious and markets have to do something about it. There are basically many factors to consider as mentioned above. Based on records, SAP managed to change its organization for the better as far as the issues mentioned above are concerned. However, one distinct and innovative move of the company was its decision to shift its focus on the intangibles or customer care - a variable that had been ignored by the computer software industry for years (Christensen, 2003).

In 1990, SAP built on its success by developing new concepts and new customer-focused initiatives. Upon realizing that new strategy should be implemented to increase consumer support, the company maintained this type of strategy and experienced tremendous success over the years.

Business Model The subscription business model has been generally utilized by SAP and other computer software organizations, but the implementation of this model has began to become famous up to the present. Rather than selling the computer software directly, SAP at present is implementing the procedure of selling their monthly or annual access to specific computer

software. In effect, the organization is able to convert a one-time selling of computer software into a repeating sale. Impact on SAP AG SAP AG absolutely benefits on this business model because they are always assured of a stable source of profit. This tremendously minimizes the instability and the risk-taking of SAP. Also, frequently, the subscription pricing mechanism is logically managed in order to guarantee that the profits from the recurring subscriptions could be tremendously larger than the profit coming from basic single purchases (Davila, 2005).

In the subscription business model of SAP, it also impacts the improvement of the organization's sales through preventing the client's choice to either accept or deny any particular computer software. This leads to the limited client acquisition expenses, and enables the application of a personalized marketing. Nevertheless, subscription business models also impose their limitations for SAP. The company has to invest huge amounts of money in order to aid in the control and handling of subscriptions.

Impact on the SAP ClientsSAP clients also take advantage of this business model. They are always assured that if they will purchase SAP products consistently, then they will tremendously take advantage from the convenience. Nonetheless, they will only have to do one specific SAP purchase decision, then they will just have to wait for the SAP product to come their way. This model is of tremendous aid for those clients who are looking for organization and stability in their busy lives. Current Products SAP's products are based on Enterprise Resource Planning (ERP), which it aided to establish. The organization's primary product is SAP ERP.

The previous product SAP R/3 emphasizes on its basic functions: the “ R” is based on real-time, the digit 3 is based on the 3 tier client-server architecture. R/2, is based on Mainframe architecture and was the initial SAP product. Other major products of SAP involve: the NetWeaver program, Governance, Risk and Compliance (GRC) programs, Performance Management software and RFID. SAP has an organized system to analyze SOA, which is the technical basis that allows various company programs to exchange information properly.

Through enterprise SOA, SAP is prioritizing on allowing more flexible business activities as well as establishing technical relations between IT mechanisms and establishing a basic language for enterprises. Financial Condition In the year 2007, SAP was able to attain significant profitability in various important financial statistics. The inventory was minimized from over \$60 million down to almost \$20 million and inventory results improved from under 15 to above 25. The costs of earnings, not involving the benefit from previous various costs and the applied portion of the amortization of intangible assets, were minimized from over 80% of profits to under 60% of profits. The combination of sales and marketing, research and development innovations, and basic and functional expenses was minimized from above \$ 300 million down to approximately \$200 million, while also improving on the frequency of developments. SAP’s overall profits are evaluated to have blossomed from only \$2 million in the past decades to over \$ 850 million last year. The Future for SAP The future of SAP is bright and very challenging.

The introduction of new innovations is significantly reliant on the existence of elements known as barriers.

Logically, if the hindrances are great, the threat on new innovations will be minimal because of dangers of lowered market share potential. For SAP, the threat to new innovation element can be categorized as minimal because of various factors. One of which is the aspect that functioning such business needs a significant amount of money. Also, time is essential for the organization in order for it to improve; SAP in the early 20th century and spent years of functions before it became a financially stable organization. Aside from money and time, entering the similar industry and competing with SAP can be hard because of the client loyalty and powerful brand preference elements. The introduction of new innovations will help extend the maturity stage for the products of SAP.

In the example of SAP's "ERP", the capability to introduce new innovations on it is excellent. This evaluation is based on the attitude of buyer capability sources around the organization. For example, the feasibility to introduce new innovations for "ERP" can be minimal because product need is intense and buyer concentration is minimal (Epstein, 2004). These elements imply that the organization has the capability to manage the numbers of production and the prices it provides to the market. These innovations however, are being neutralized by the existence of various substitutes. Also, because of the various rival companies, products and services provide to clients are not differentiated.

These transform buyer capacity neither great nor minimal for SAP clients. The capacity of the suppliers to provide new innovations with SAP's "ERP" is excellent. This is due to the fact that supplier concentration for telecommunication products is minimal. SAP can communicate with other suppliers for its operations. Taking into consideration that SAP is a primary organization, other suppliers will be very happy to provide services to a huge organization. However, SAP should also put into mind that great communication with suppliers is as essential as those with its clients.

So as not to impact the quality of its services, it is mandatory that SAP avoid from replacing one supplier to another.