

Léo Apotheker on SAP's midmarket strategy

Cornerstone for Future Growth

With spending among midmarket companies forecasted to outpace that of the larger companies, SAP has set itself the goal of becoming the leader for business applications for the midmarket. According to Léo Apotheker, member of the SAP executive board, the strategic elements that will take SAP to the top include its proven technology for midmarket solutions, business knowledge, and expanding partner network.

■ **How important are midmarket and small business customers to SAP's strategy? Why is SAP reaching out beyond its base of larger customers to reach companies smaller in size?**

Léo Apotheker: This is a strategic issue for SAP. First, it's important to note that SAP already enjoys a strong market share among small and medium-sized enterprises (SME). SMEs currently account for approximately one-third of our new business in terms of order entry.

Second, we are witnessing a turning point in the IT industry. For the first time, IT spending among SMEs is projected to outpace that of larger enterprises. As these businesses look to gain the most value and competitive advantage from their investment, SAP is uniquely positioned with the global solution portfolio, emerging partner channel, and application expertise to help them succeed. With the increasing demand among SMEs and the absence of a clear market leader to serve them, this significant market opportunity represents a cornerstone for our future growth strategy.

■ **In 2004 SAP exceeded 10,000 total customers for mySAP All-in-One and SAP Business One. What are your goals for near-term and long-term growth in the small and medium-sized market?**

Apotheker: In the near term, our goal is to increase midmarket business faster than the industry growth average. Over the longer term, we look to become the market share leader in business management solutions. The outlook is very bright. Our product portfolio recognizes the varying needs of midmarket and small businesses. We have tremendous breadth and depth of applications with over 550 solutions in over 50 countries. Working together with our channel partners, we can extend our reach to ever more customers and achieve significant growth in our customer base.

■ **Will this require changes in the way SAP delivers solutions to market?**

Apotheker: Yes, it will. We are delivering simpler product offerings, with simpler installation and service. SAP is investing heavily in its relationships, and has built a network of independent, high-quality channel partners. The new SAP PartnerEdge Channel Partner program is a business framework that addresses our routes to market especially in the SME arena over the next five years and beyond. This program gives our channel partners benefits such as tools, education, and support to deliver the services and support to address our customers' needs. We're also establishing new routes to market, which will ensure we are well positioned where customers want to buy. Influencers and agents are two ex-



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amples of routes we will invest in. In summary, we are changing the game in volume sales of business management applications.

■ **You have identified a vision of a "total customer experience" over the lifetime of the relationship with SAP. Can SAP deliver this same commitment to quality as it sells indirectly through partners and adds greater numbers of smaller customers?**

Apotheker: Our commitment to our customers is, simply, the key to our success: delivering unmatched value, providing robust and innovative solutions, and enhancing our customers' ability to adapt, innovate, and grow. This customer experience cuts across customers of all sizes. It is at the heart of our midmarket solution and partner strategies.

SAP's product portfolio recognizes the varying needs of customers in this space. SAP provides an easy-to-use technology entry point, a globally consistent product format, industry best practices, and the solution path to accommodate growth over the lifetime of their business.

The PartnerEdge program is designed specifically with long-term customer satisfaction in mind. Unlike other practices in the industry, which focus on transaction volume, our channel program rewards partners for behaviors that enhance the experience over the course of their customer relationship.

■ **How can best practices help in this process?**

Apotheker: From more than 30 years of serving the world's leading companies, SAP provides our customers with the advantage of industry best practices built into the solutions they adopt. This saves them time, allows them to benefit from proven process knowledge, and is a unique advantage of selecting SAP.

At the same time, we are adopting a best practices approach to the way we deliver our solutions and go to market. We have learned from our experiences serving small and medium-sized companies in countries around the globe and we are adopting the most successful approaches. By standardizing the way we operate to make it easier to do business with SAP and our partners, we will enable every customer to become a best-run business.

■ **As more vendors focus on small and medium-sized businesses, how can SAP succeed?**

Apotheker: SAP offers a combination of proven technology, superior business knowledge, and an emerging partner network that is unequalled in the market. SAP's core competency is building business applications. We have leveraged 30-plus years of experience and best practice knowledge into our offerings for small and medium-sized businesses. This is a level of assurance that is unique to the industry, and customers benefit.

▶ We have unmatched depth and breadth: more than 550 solutions in 50 countries, growth options for our customers, and complete integration from large business to small. This isn't a vision – we offer this today.

In a period where turmoil from consolidation and unclear product strategies are causing uncertainty for customers and partners alike, SAP is a stable, dependable, and long-term technology partner. Our performance has clearly established SAP as the leader in business software applications. Customers want to partner with a winner, and SAP offers them the best choice.

■ **In the last two years, SAP has introduced its SME program in new markets such as China, India, and Australia, with 25 new markets opening up for SAP Business One alone. How will SAP seek to increase its penetration of these markets?**

Apotheker: As you know, making inroads into these markets is a challenge but offers tremendous opportunity. To successfully penetrate these markets we need partners – all sorts of solution provider partners that drive various forms of industry and customer expertise from VARs to ISVs and other partner types.

We are aggressively driving the recruitment of the appropriate partners in these areas by ensuring we provide the best channel infrastructure and programs to ensure our mutual success. Additionally, we are investing to ensure our solutions meet the needs of these local markets and ensure we are well prepared to market and support our products locally.

■ **In addressing the market, are you more interested in a small number of high-value partners or a large volume channel?**

Apotheker: Channel partners play a critical role in our strategy to expand into the SME market. We are not interested in quantity, which is something that our competitors are obsessed with and which dilutes the effectiveness of a smart partner program. For us, it is all about ensuring we effectively cover the market potential and therefore we try to choose the right number of partners in terms of quality and quantity for a given market.

Our strategy is based on a targeted number of select partners that deliver high-value in the markets that we need to address. That means delivering high value in their SAP solutions and delivering high value in customer satisfaction, especially to medium-size companies that have unique demands for customization and for SAP solutions.

■ **Why does SAP rely on an indirect channel to reach small and medium-sized companies instead of building its own sales force?**

Apotheker: Our midmarket strategy utilizes a combination of direct and indirect, or partner, sales teams for full market reach. This recognizes both the varying degrees of IT sophistication and the very broad expanse of this customer segment.

Most smaller companies do not have in-house IT expertise. They tend to rely on third-party companies as a “trusted advisor” to help them specify and deploy IT solutions for their business. These solution providers play a critical role in delivering tremendous value to their SME customers.

Our partners deliver the industry expertise, product knowledge, consulting, and implementation skills to meet the IT and business needs of SMEs. SAP recognizes how these customers buy and the type of assistance they need locally. That is why we are building a strong infrastructure to support the indirect business.

■ **SAP is thought by some to be too static, too expensive, and too complex for smaller companies. Has this perception changed?**

Apotheker: Our reputation as a provider to the world's leading companies has led some to assume that we do not address the needs of smaller organizations. As we build our midmarket business, this perception is changing dramatically.

We have developed products designed specifically to fit the needs of midmarket and small companies. SAP Business One and mySAP All-in-One are examples of how our technology has been adapted to be more customer and channel-friendly. These solutions can easily be installed in weeks and are priced for value for businesses in this segment.

Our many successful customers are our best asset in changing these perceptions. When a customer speaks of the affordability, short implementation time, and many advantages from our solutions, other perceptions fall away very quickly. We still have work to do in increasing awareness in this space, but we are changing perceptions one successful customer at a time. ■

Needs of the midmarket:
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