6 OUT OF 10 SAP CUSTOMERS WOULDN'T BUY AGAIN

ANALYSTS

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THE BOTTOM LINE

SAP's new marketing tagline – run simple – is not only grammatically incorrect, it's grossly inaccurate. Nucleus analyzed the experience of SAP customers and found varied – at best – satisfaction with existing solutions and great reluctance to adopt SAP's latest applications. Six out of 10 existing customers wouldn't buy the same solution from SAP again. When asked if they would consider a future solution, in all markets except ERP those same six out of 10 indicated they would not consider SAP's future offerings. Perhaps more telling, for SAP's core ERP market, 9 out of 10 customers indicated they would not consider a future investment in S/4HANA and appear to be following a slow tapering-off strategy as they evaluate other opportunities in the market.

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At Sapphire recently, SAP claimed that more than 3200 customers had moved to S/4HANA, and painted a "simple" roadmap for customers making the move. Leaders from different SAP lines of business talked about new cloud options and capabilities for customers. SAP's new tagline, "run simple," also marks a dramatic departure from traditional perceptions (and reality) about SAP solutions.

SAP has long been the heavyweight in the enterprise software space, and, like many of its traditional competitors, has been slow to move to the cloud, doing so initially mostly through acquisition (SuccessFactors, Hybris, Concur) and more recently with some organic product development (SAP Cloud for Analytics). To better understand the current and future reality for SAP customers, Nucleus conducted in-depth interviews with more than 40 SAP customers (including many SAP reference customers) spanning the markets of customer relationship management (CRM), e-commerce, enterprise resource planning (ERP), human capital management (HCM),

collaboration, and analytics. We also analyzed the data from more than 200 customers that had evaluated SAP as a potential vendor over the past six months.

Based on this data, Nucleus gave SAP an average grade of D. Although there were some promising points in the portfolio, we found overall confusion about product direction, concerns about the disruption and risk posed by moving from existing legacy applications, and a history of challenges with actually making the software work, all of which continued to negatively impact customers' abilities to get value from SAP. Following is a more detailed analysis broken out by business area.

ERP: SAP GETS A "C"

Based on analysis of current reference customers and others evaluating SAP, Nucleus gave it a "C" for ERP. Key data supporting that grade include:

- Eighty percent of reference customers reported experiencing significant technical problems during implementation and serious support issues when problems arose after go live.

- Nine out of 10 existing customers (eight of whom were SAP reference customers) expressed no interest in moving to S/4HANA.

- Of the last 45 ERP deals Nucleus has reviewed, SAP has been shortlisted in two but selected in none.

Nine out of 10 existing SAP ERP customers expressed no interest in moving to S/4HANA.

Objectively, few customers of any ERP vendor expect their implementation to be a cakewalk. What is unusual about the SAP deployments is the amount of difficulty customers had with their implementing partners and the lack of support offered by SAP itself. Customers said:

- *"The first time we tried to deploy BusinessOne, it totally flopped."*

- *"SAP gets a B for support. Their partner gets D. There's no support. It seems like they get the account and then shove you under the rug."*

- *"If Boeing tried to build an airplane wing like that, it would never fly. After several failed attempts we had to demand that they all come to our office and fix it."*

As with the rest of the ERP market, SAP is focused on cloud. At Sapphire 2016, SAP executives discussed at length the upgrade path to S/4HANA and enhancements to HANA Cloud Platform applications. However, 9 out of 10 existing customers expressed no interest in upgrading. Even if customers said they planned to stick with SAP, that was due more to resignation and high sunk costs rather than an overwhelming positive experience:

- *"We joke that SAP means 'shut up and pay.' It is what it is."*

- *"Nothing you touch with SAP is an inexpensive project."*

- *"Overall the solution is clunky. But once you've thrown your lot in with SAP, it is too difficult to switch."*

This reinforces the issue that SAP has with existing ERP customers and S/4HANA. While SAP may successfully sell S/4HANA to its partners, customers with prior SAP ERP experience appear less interested in what they fear will be a complex and painful transition.

All this considered, the majority of existing on-premise SAP ERP customers that actually reach production are eventually satisfied with the solution. However, most experienced difficulties in getting their ERP system operational and correcting issues after going live, making them reluctant to undertake the process again. For as much as SAP's messaging has been about simplifying and streamlining the move to S/4HANA, the vast majority of adopters to date have been either greenfield or SAP partners. Existing SAP ERP customers remain skeptical.

CRM: SAP GETS A "D"

Nucleus gave SAP's current CRM business and capabilities a "D." Although SAP has had an on-premise CRM offering for some time, it was slow to offer a cloud-based CRM option, and, understandably, has relatively few reference customers to speak of. However, in our analysis of the few reference customers actually using SAP Cloud for Sales or Cloud for Marketing, Nucleus found that SAP continues to fall behind. Key data supporting the grade of D include:

- One in four SAP Cloud for Sales reference customers have either moved off the solution or would consider doing so. Additionally, Nucleus has independently identified 9 SAP CRM customers (2 of whom are SAP partners) who have recently moved from some version of SAP CRM to a competitor.

- Roughly one-third of the reference contacts quoted by SAP are no longer at their companies.

- Of the last 80 CRM deals Nucleus has reviewed, only two companies considered SAP as a contender.

- No SAP CRM customer Nucleus analyzed had independently selected SAP for CRM without having an underlying SAP ERP investment.

Many of the SAP reference customers listed for CRM by SAP are not Cloud for Sales or Cloud for Marketing customers. SAP argues that they have many big new cloud deployments that simply aren't referenceable. This may be true, but may also be an indicator of what Nucleus has heard from customers: that deployments were long and unpredictable and many were still working to bring them to full production. Customers said:

- *"We tried and tried but just couldn't get it to work like we needed to."*

- *"We bought Hybris because we understood SAP was about to take them over and integrate them and we wanted strength of SAP support and it turned out they did same thing with Hybris as its other [products]. They use third parties to implement the software SAP is selling, meaning implementations go horribly poorly, cost more than they should, and have more kinks to work out."*

SUPPLY CHAIN: SAP GETS A "D"

Nucleus analyzed the experiences of 15 companies currently using SAP supply chain tools and gave SAP a D grade for supply chain based on the challenges current customers face with either functionality, usability, or both – as well as the perceived future of SAP supply chain offerings. Key data supporting that grade include:

- Fewer than half of SAP supply chain customers planned to consider SAP for future supply chain purchases.

- Nucleus also analyzed 11 companies that either dropped or passed over SAP for its supply chain solutions in favor of best of breed. Those companies chose best of breed solutions to obtain a higher degree of functionality or usability from other vendors.

- Of the last 32 supply chain software deals Nucleus has reviewed, only five companies considered SAP on its list of possible vendors.

Existing SAP supply chain customers said:

- *"I would not recommend SAP because of the lack of functionality. The underlying technology is inferior. There's no advantage to HANA as every vendor now has some sort of in-memory technology. And the value of the platform is overstated."*

- *"Now that data can be held in the cloud and not require you to be on the same software platform, I expect more separation from SAP."*

- *"If I was a startup, I would not use this [SAP] software."*

- *"A user has to be realistic about the complexity of implementation. It's not plug and play."*

Although supply chain managers rated the execution applications more highly than those for planning, users of SAP EIS and APO in particular complained about clunky interfaces, limitations on functionality, and lack of visualization for reporting. Although SAP is promoting a new cloud-based supply chain solution that runs on HANA, the vendor will face intense market competition from best-of-breed vendors who can counter with their own robust cloud solutions at a lower price. Given that SAP won supply chain deals in the era of on-premise software where the CIO wanted architectural uniformity, it will be hard pressed to secure new business in the cloud era, especially in companies where the chief supply chain officer has the final say over a purchase.

ANALYTICS: SAP GETS A "C"

Nucleus gave SAP a C grade for its analytics applications because, while it does have a viable cloud solution, its on-premise solution still has a larger presence in the market and continues to drain its customers' resources. Nucleus found no public reference customers for SAP Cloud for Analytics, only limited details for BusinessObjects Cloud, which serves to only further muddy the picture on product direction for customers.

Of the 72 analytics customers that Nucleus has spoken to over the last eight months, none have been using the SAP Cloud for Analytics product, and only 4 of them have even considered SAP. This is because SAP is often overlooked, and taking into consideration these two customer reports on BusinessObjects, this is not surprising:

- *"I spend most of my time on just maintenance for SAP because it's just a really old application. I don't know why we have it."*

- *"We've spent the last few months transferring data from BusinessObjects to our new cloud CPM solution. It's taking much longer than we had budgeted for and we are not sure it will work still."*

SAP needs a better strategy to get its customers off of outdated on-premise BusinessObjects applications. Any customers still on BusinessObjects should be concerned about the ongoing use of the product because it is not sustainable and it drains resources that could be devoted elsewhere.

In October 2015, SAP announced a new Cloud for Analytics, which is able to leverage the inherent benefits of the cloud for ongoing benefits over time (Nucleus Research, *p185 – Ongoing benefits of SAP Cloud for Analytics*, October 2015). While SAP has this viable cloud analytics solution, the company has clearly not been successful in gaining traction in the market. As a result, we are giving SAP a C on its analytics solutions, balancing out the aging application that is BusinessObjects with the much more modern SAP Cloud for Analytics.

Moving forward, SAP can help its on-premise customers by providing them with an easier migration to the cloud. This will allow customers to move their data to a modern application that is more sustainable in the long term. Without the insights provided by more current analytics applications, customers will continue to fall into traps of time-consuming maintenance and ineffective data usage.

HCM: SAP GETS A "D"

SAP continues to lack an all-in-one suite to cover the full spectrum of human capital management (HCM), relying on acquisitions for what little functionality it does offer its customers. For its core HCM functionality – attendance, benefit and payroll management – SAP relies on WorkForce Software and Kronos. For talent management functionality – performance management, employee development and retention strategy – SAP relies on SuccessFactors. While more value has been found in SAP's talent management software, it is less central to HCM functionality and is generally used only by larger companies willing to invest in employee development. Other data supporting the "D" grade include:

- Of the last 30 HCM deals Nucleus has reviewed involving full HCM deployments, only seven employers considered SAP as a contender.

- Only one out of six users of SAP's core HCM solution would buy the solution again, if given the chance.

- Within companies who do deploy it, talent management only accounts for about 20 percent of HCM.

Although SAP's integrations are cloud-to-cloud and should be seamless to the user, most vendors are eliminating as much integration as possible. Customers have experienced the benefits of suite HCM, and are reluctant to subject themselves to the poor customer service and low usability that accompany overly interfaced solutions. When put up against native HCM solutions – such as the ones offered by Ultimate Software, Ceridian and ADP – non-native loses every time (Nucleus Research p97 – *Parsing SAP's Apparent Partnering Strategy for SuccessFactors,* June 2015). Customer feedback also supports this letter grade:

- *"Being with SAP can be like having several vendors under the auspices of one vendor. You're only really getting the one-suite experience if it's all in SF."*

- *"SAP SuccessFactors is a lot more technology management than expected. Sometimes SuccessFactors breaks something in their releases – for example, onboarding was down for over a month. We had to retain a configuration partner for fixes.*

- *"The customer support managers through SAP won't touch something that is complicated – like when something is broken – and instead they refer you to a partner, telling you to create a statement of work to get it fixed."*

- *"You might have a critical fix that needs to be addressed but if not many people in the community have the same issue, you won't be getting a fix anytime soon."*

CONTENT AND COLLABORATION: SAP GETS AN "F"

None of the SAP CRM and ERP customers Nucleus spoke with mentioned its collaboration tool, SAP Jam, when discussing the SAP products that they currently use. Given the fact that SAP does not have its own standalone enterprise content management (ECM) tool, the company currently has no ECM reference customers for Nucleus to contact. Nucleus gives SAP an "F" grade for its ECM offerings, based on a lack of organic ECM offerings that is marginally mitigated by the availability of SAP Jam.

On the ECM front, SAP has continued to deliver solely partnership-based functionality for its customers' content management needs. With partner OpenText's extended ECM for SAP Business Suite, for example, customers can

leverage the integrations of SAP and OpenText products to manage content without leaving the SAP interface. Beyond the expanded functionality afforded by partners, SAP customers can also leverage OpenText's compliance-keeping products that require minimal IT involvement.

Worth noting is SAP's internal enterprise collaboration offering, SAP Jam. A product developed after the company's acquisition of SuccessFactors, Jam comes as part of SAP products. The application enables users to share video and documents with teams. With reported subscriber growth, Jam seems to be one of the only bright spots for collaboration at SAP. However, SAP has not continued to invest much capital and resources into this product, suggesting a complacency that modern users should be wary of. Beyond this boilerplate functionality, SAP has done little to entice customers seeking the tools to address the wide breadth of requirements expected of major ECM players.

With a heavy focus on partnerships to deliver ECM functionality needed by customers, SAP is essentially taking a back seat to ECM leaders. As it stands, any plans to organically develop content management capabilities of their own appear to be minimized in favor of other enterprise avenues. For all intents and purposes, SAP has let other companies take the reins of its ECM business. Therefore, despite offering SAP Jam for enterprise collaboration, SAP has virtually no presence in the ECM market and has not provided any indication of plans to improve its standing.

CONCLUSION

As SAP stakes its future business on the success of HANA and its various cloud initiatives, there appears to be a disconnect between its marketing message and customer reality. One thing is clear: we could find no SAP customers that think of "SAP" and "simple" in the same sentence. Of these customers, six out of 10 wouldn't buy their same SAP solution again, nor do they find SAP's roadmap compelling enough to consider a future investment.

Although ERP customers may have achieved success with their existing SAP deployments, right now, 9 out of 10 are not looking to future investments in SAP's "run simple" future – largely because of the perceived risk and unpredictability of SAP and their own previous experience with both implementation and ongoing technical challenges. In addition, the market continues to evolve, and the lack of enthusiasm for S/4HANA may in part be due to an expectation that new solutions from other vendors are on the horizon.

For SAP, the importance of its core ERP market to drive sales in its other businesses (CRM ,SCM, HCM, and analytics) adds long-term risk if SAP is unable to make a stronger business case for S/4HANA. If the ERP base is allowed to ride out its existing ERP investment, the ripple effect for SAP's other businesses is likely to be significant.

Across its product portfolio, SAP has a lot of work to do to convince customers that their future will truly be better and simpler with SAP.