INPUT

MARKET ACTION REPORT

Evaluation of SAP Services Providers in the UK

VOLUME I

1 9 9 7

Evaluation of SAP Services Providers in the UK

Volume I

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Abstract

SAP continues to enjoy success with its enterprise-wide business applications products. In 1996, its UK revenues grew to £58.8 million, growing 34% from the previous year.

However, the provision of services that enable users to successfully implement and enjoy the full benefits of their SAP investment is key to the continued success of SAP.

In order to deliver an extensive array of services to all of its customers, SAP has chosen to establish a partner programme.

This report analyses the market for SAP services in the UK and describes:

- The environments in which SAP products typically run and the implementation of SAP products
- User requirements from SAP and its partners
- The dynamics affecting the SAP services market and its likely development
- The competition faced by SAP and its services partners.

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Evaluation of SAP Services Providers in the UK

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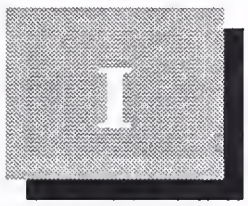


Introduction

A
Objectives and Scope

SAP experienced phenomenal success with its enterprise-wide business applications products in the mid-1990's.

The company's UK revenues grew by 84% between 1994 and 1995 from £23.8 million in 1994 to £43.8 million in 1995. This growth slowed to 34% between 1995 and 1996 with UK revenues reaching £58.8 million in 1996.

The growing popularity of SAP products combined with SAP's willingness to work with partners to provide services centred around its products has led to a services opportunity that will be worth around £320 million in the UK in 2001.

This study will:

- Help vendors to understand the dynamics affecting SAP-related markets
- Help users to understand the environments in which SAP products are typically deployed
- Equip SAP services vendors with information relating to user attitudes towards SAP's products, and the services centred around those products
- Reveal how users perceive vendors.

B
Research Methodology

INPUT interviewed 52 users of SAP products in the UK and 118 users in the UK who are planning to undertake large scale systems development or integration projects over the course of the next year (61 of whom would consider implementing SAP products) in fourth quarter of 1996.

SAP Users

Of the respondent base of 52 UK SAP users, 44 are R/3 sites and 8 R/2 sites. Two have a combination of R/2 and R/3. The sample's weighting towards R/3 [*Note that the sample is by necessity self-selecting in that SAP users were under no compunction to participate in INPUT's project*] is illustrative of the enormous success the client/server R/3 product has enjoyed in the UK over the last three years.

INPUT estimates that as of mid 1996, SAP had 203 clients in the UK.

Thus, INPUT's SAP study captures about a quarter of the UK's installed base of SAP products.

In terms of vertical markets, manufacturing is the area in which SAP continues to enjoy most of its success. 72% of the sample are in the manufacturing sector, 20% are in transportation, 6% are in communications, and 2% are in construction.

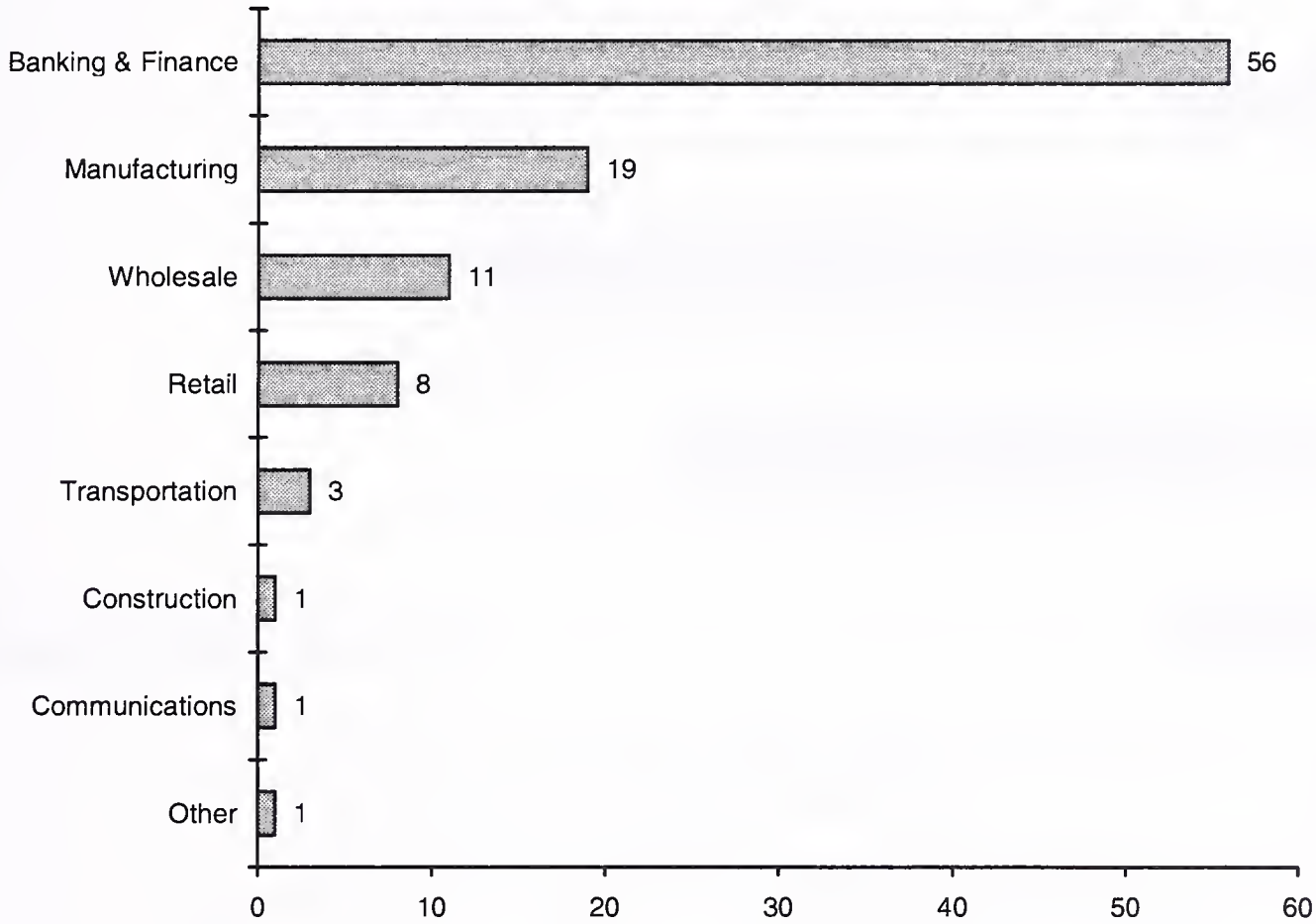
In terms of company size, 32% of companies interviewed had a turnover in excess of £500m per year, whilst 36% had turnover in the range £100m to £499m and 32% had turnover under £100m per year.

SAP Non-Users

Over half of the sample of SAP non-users who are who are planning to undertake large scale systems development or integration projects over the course of the next year came from the banking and finance sector. Exhibit I-1 illustrates the sample split by vertical industry.

Exhibit I-1

Non SAP User Sample Split by Vertical Industry

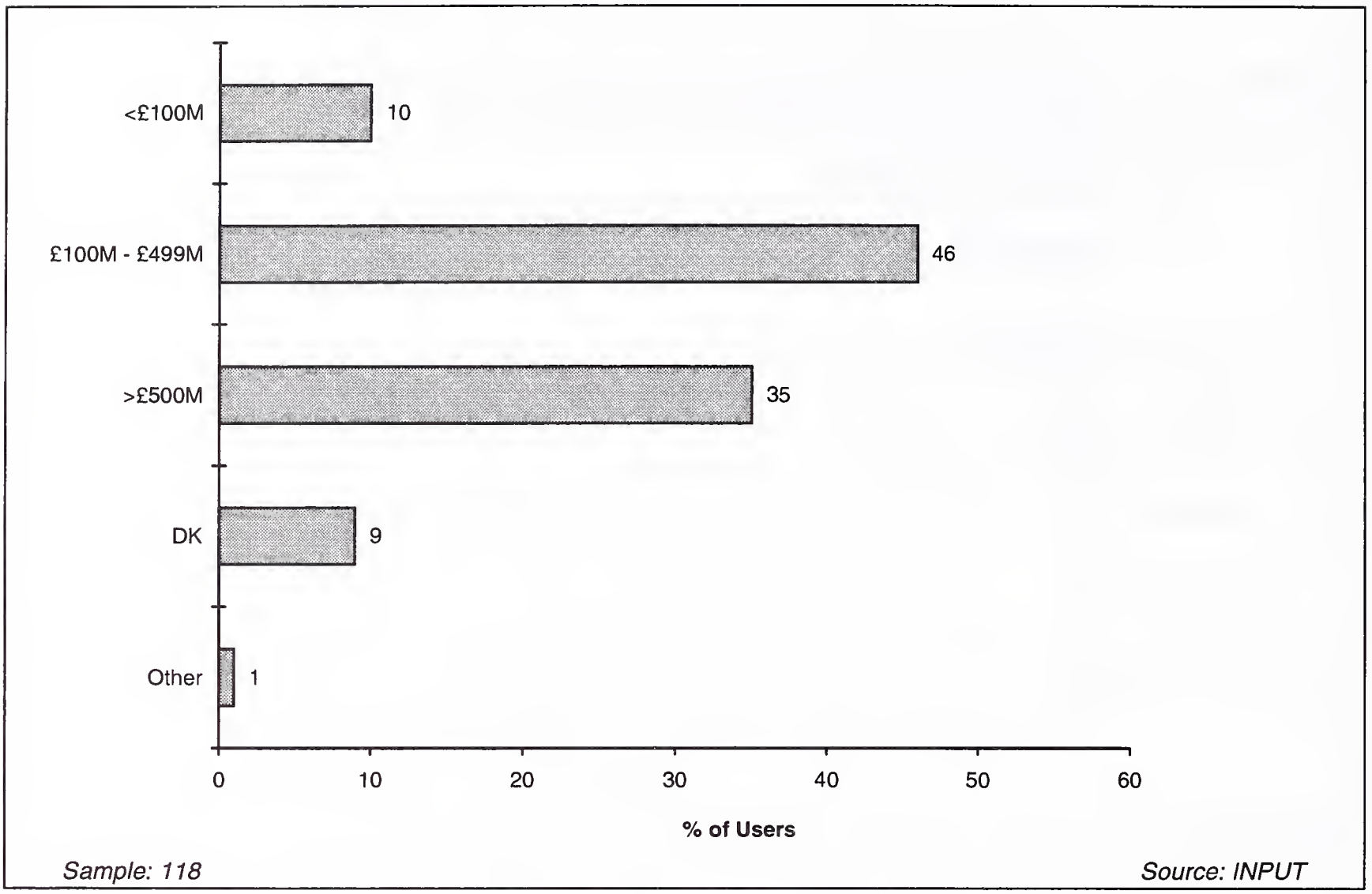


Sample: 118 *Source: INPUT*

Exhibit I-2 illustrates the sample split by company size in terms of annual revenues.

Exhibit I-2

Non SAP User Sample Split by Company Size



Sample: 118 *Source: INPUT*

C
Report Structure

The remaining chapters of this report are as follows:

- Chapter II is an executive summary which provides a summary of the key findings of the study
- Chapter III analyses existing SAP implementations including hardware platforms, database platforms, and implementation costs and timescales
- Chapter IV analyses user and potential user attitudes to SAP's R/2 and R/3 products and services centred around those products

- Chapter V analyses the development of the SAP services market. It examines the use of external services vendors by enterprises, the selection criteria used to select a services vendor and the type of contract preferred by users

- Chapter VI analyses user perceptions of vendors of products competing with SAP products, and user perceptions of SAP services partners

- Appendix A illustrates user perceptions of services vendors in more detail

- Appendix B contains the questionnaires used for this study.

D
Related INPUT Reports

Other INPUT reports which address topics related to the subjects discussed here include the following:

Evaluation of SAP Services Providers in Germany

European Business Integration Market, 1996-2001

Enterprise-Wide Database Services, European User Perspectives

Software Product Support Market Analysis and Trends, Europe 1996 - 2001

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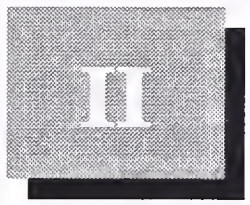


Executive Summary

A

SAP UK Revenues Up by 34% in 1996

SAP continues to enjoy success with its enterprise-wide business applications products. In 1996, its UK revenues grew to £58.8 million, growing 34% from the previous year.

However, the provision of services that enable users to successfully implement and enjoy the full benefits of their SAP investment is key to the continued success of SAP.

In order to deliver an extensive array of services to all of its customers, SAP has chosen to establish a partner programme. Typically, its services partners are organisations with proven services expertise which have IT hardware or management consultancy backgrounds. Ninety per cent of R/3 users source their SAP-related services from external vendors.

Against this background INPUT's survey reveals that in order to enjoy success, services vendors must:

- Reduce implementation times for SAP products and offer fixed price contracts
- Increase SAP consultant numbers in order to reduce the SAP skills shortage
- Acquire expertise in IT products that interoperate with SAP products with emphasis on growth areas such as Windows NT and Microsoft's SQL Server

- Gain expertise in products that compete with SAP, and offer SAP services that match the needs of smaller businesses.

B

Smaller Organisations Require Faster Implementation Times and Fixed Price Contracts

SAP has received negative publicity regarding implementation times, much of which is not fully justified.

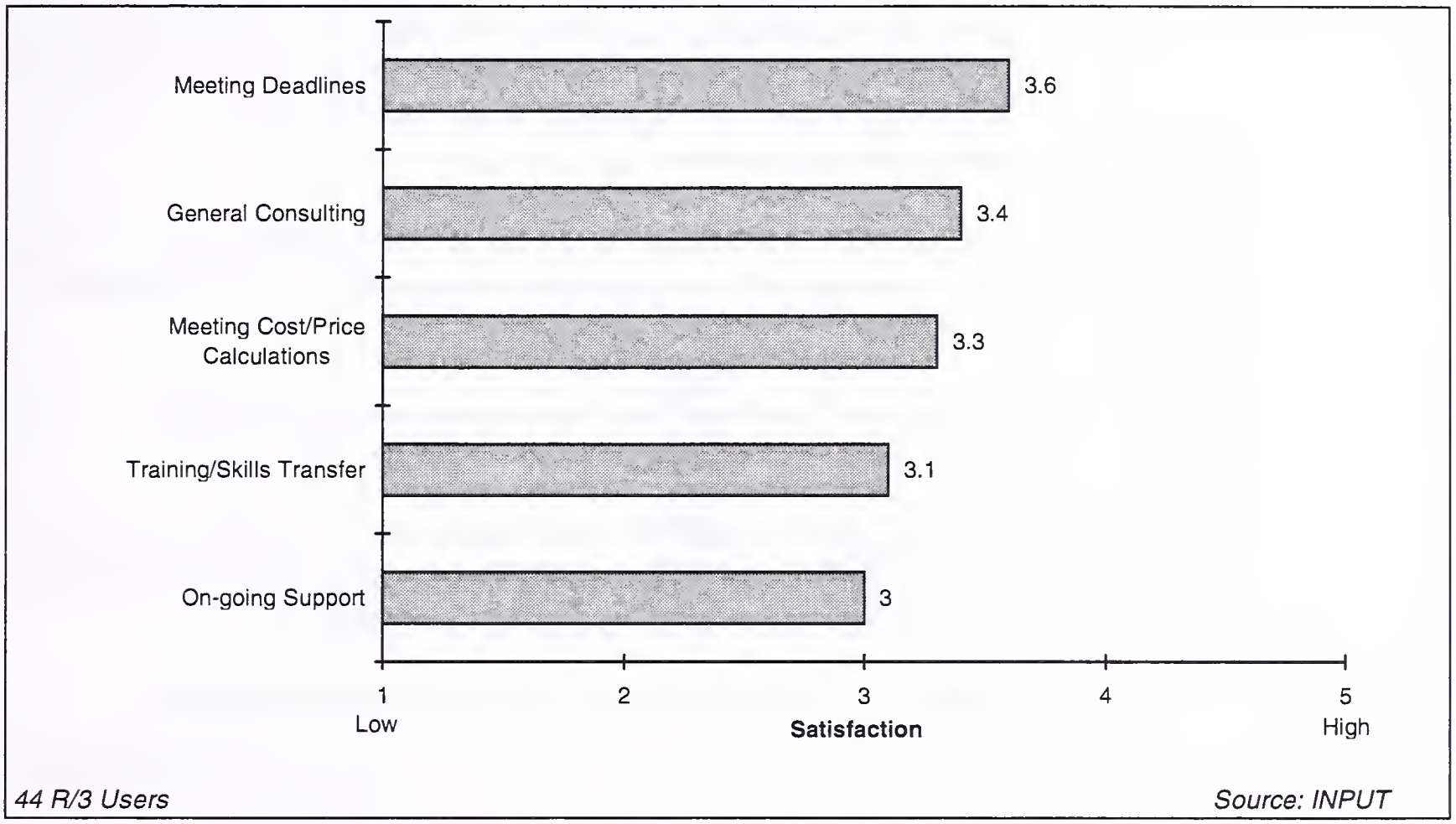
Although over a quarter of SAP implementations in the UK took over one year, INPUT research illustrates that speed of implementation is an area in which many users express relatively high levels of satisfaction. However, there is still scope for improvement. Some users, particularly smaller organisations, express concern with the length of time required to implement SAP products.

Users were asked to describe the elements of their SAP projects with which they were particularly satisfied. Speed of implementation was mentioned in response to this question more often than any other issue. Of course, some users stated that speed of implementation was the element of their project with which they were least satisfied but they were outnumbered by users who were happy with this issue by 4:1.

This finding is supported by another major finding from INPUT's survey. R/3 users expressed relatively high levels of satisfaction with the ability of their services vendors to meet project deadlines (see Exhibit II-1).

Exhibit II-1

R/3 User Satisfaction with Services Delivered by External Vendors



44 R/3 Users

Source: INPUT

The key point regarding SAP implementation times is that it is difficult to compare implementation times in different environments. Implementation times are affected by a multitude of variables which differ greatly across different organisations.

No enterprise is identical, so the task of implementation will not be identical for any two organisations. Typically, SAP products are customised to carry out business processes. For some business processes, this may be a relatively simple task, for others it may be extremely complex.

The complexity of SAP's products lend them rich functionality. Until recently, enterprise customers have been keen to leverage much of this functionality. However, smaller organisations have less of a requirement for it and more often than not are unable to afford long implementation times.

Partners must respond by working closely with SAP to ensure that the implementation process can be customised to suit the needs of smaller organisations more closely.

SAP is addressing this problem in three major ways

- Its Business Engineering Workbench (BEW), now known as Business Engineer automates some of the implementation process. In effect, it acts as a 'Wizard' for some elements of the implementation process

- The porting of pre-defined templates to user installations. Partners are increasingly creating templates that mask much of the product's complexity

- Encouraging hardware partners to pre-install R/3 on their platforms; H-P now sells its kit with R/3 pre-installed.

Most SAP sites are engaged in time and materials contracts with services vendors. However, this situation is changing as users increasingly demand to know the price of their implementations in advance.

Indeed, users who are planning to undertake large-scale systems development or integration projects over the next year would prefer to pay a fixed price to a services vendor. Thus, SAP services vendors that do not charge fixed prices will soon find themselves at a competitive disadvantage. Furthermore, the inclusion of penalties in contracts for overrunning deadlines will offer services vendors a competitive edge.

C
Skills Shortages Frustrate Users

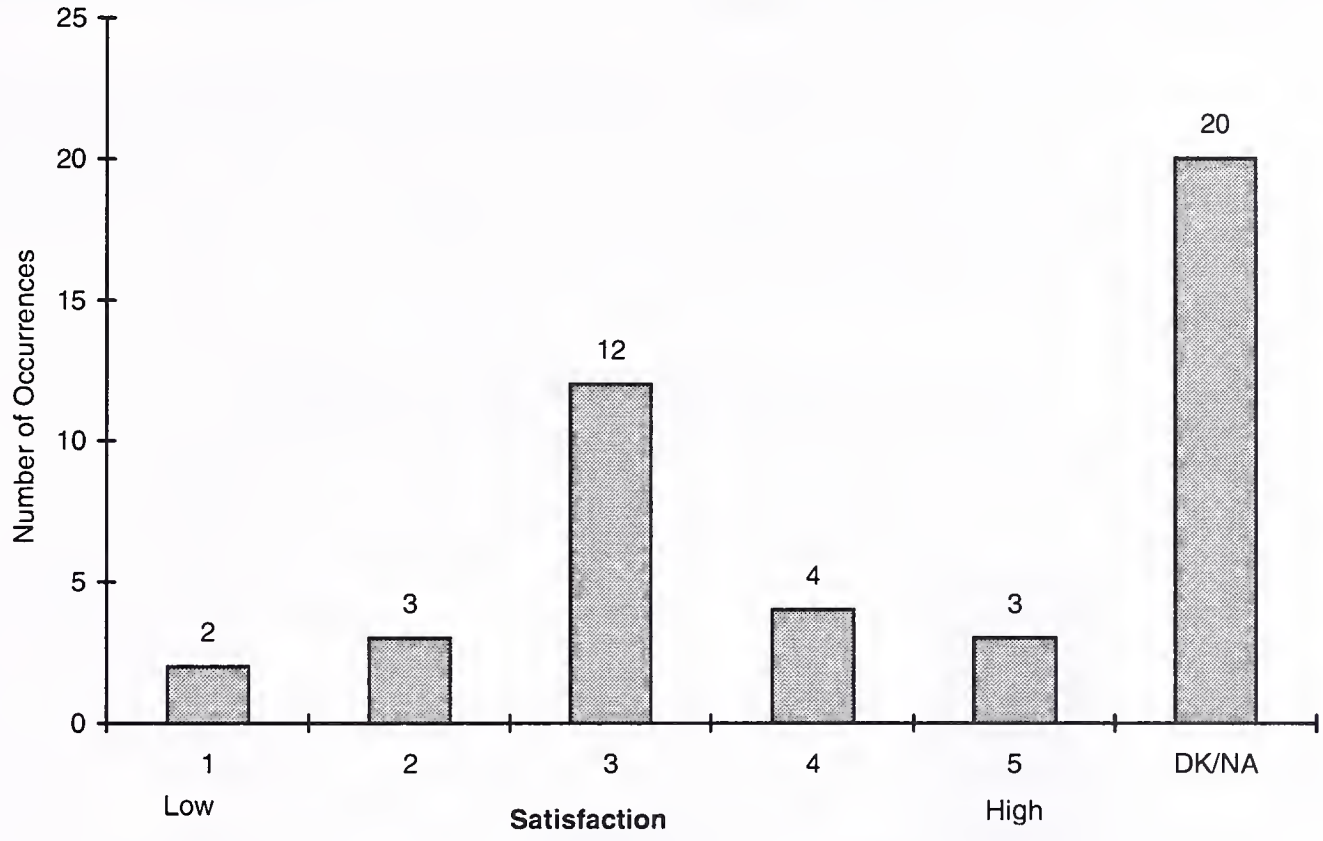
Demand for skills centred around SAP products continues to outstrip supply, though the gap is narrowing. Consequently, the salaries commanded by those with SAP skills are high (some consultants with under 2 years experience reportedly receive salaries of over £100,000).

Furthermore, SAP consultants are highly mobile given the demand for their skills. This has created a high turnover of project personnel, thus complicating implementation.

In addition, many users are not happy with the availability of on-going support and training/skills transfer (see Exhibits II-2 and II-3).

Exhibit II-2

User Satisfaction with On-Going Support Provided by External Vendors

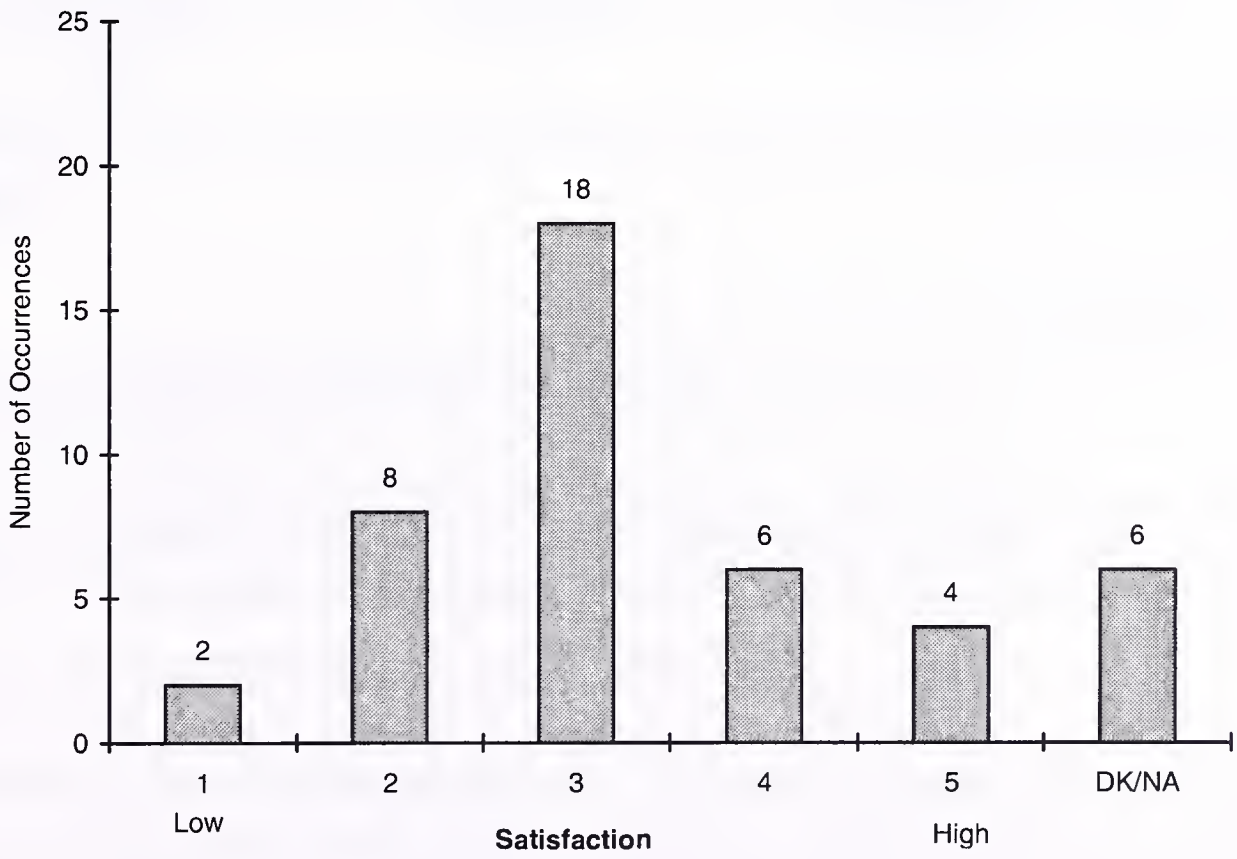


Sample: 44

Source: INPUT

Exhibit II-3

User Satisfaction with Training/Skills Transfer Provided by External Vendors



Sample: 44

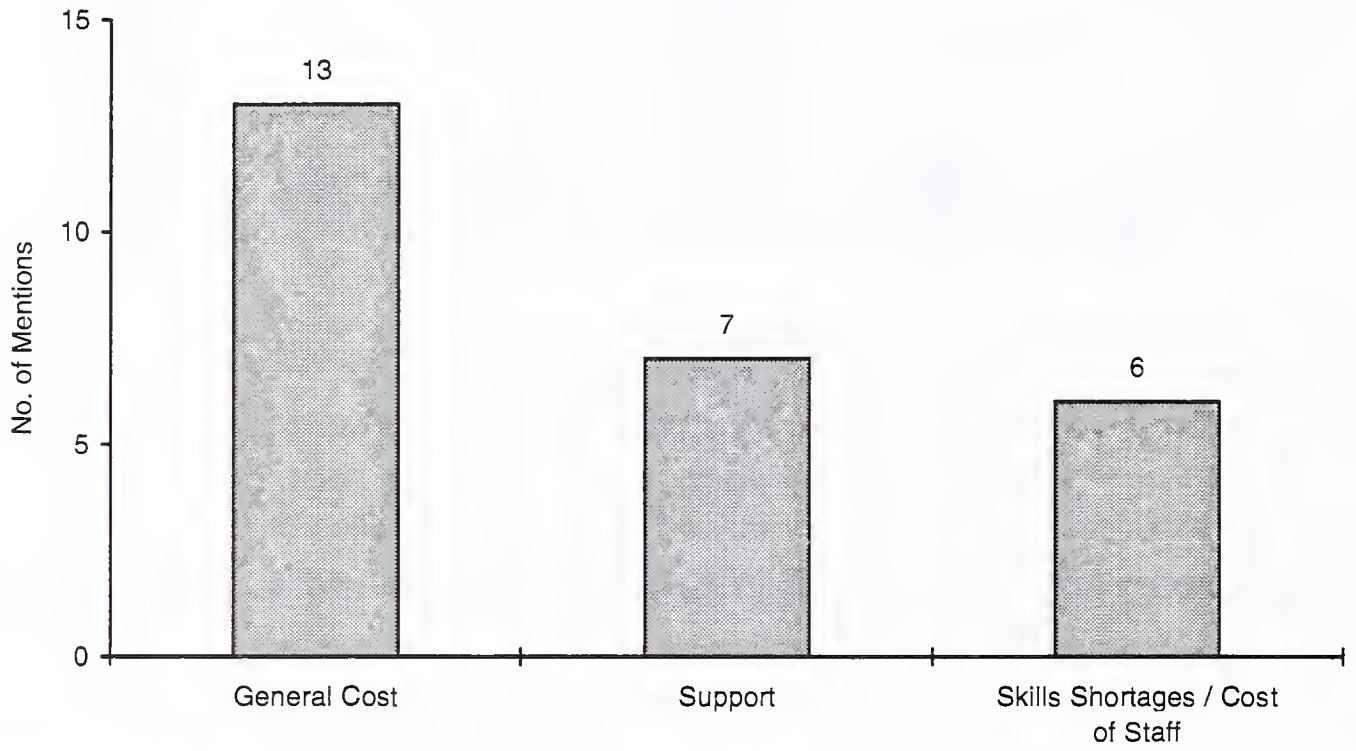
Source: INPUT

Poor satisfaction ratings for training/skills transfer and on-going support are largely due to insufficient available skills in the marketplace and the high cost of those skills.

Users perceive support, general cost and skills shortages/cost of staff related issues to be the greatest weaknesses of SAP products. When asked to name three weaknesses with the product, most users did not mention product-specific issues (see Exhibit II-4).

Exhibit II-4

Major Weaknesses with SAP Products



Sample: 52

Source: INPUT

The move away from time and materials contracts towards fixed price contracts should alleviate negative attitudes towards costs associated with SAP projects. Additionally, the steps taken by SAP and its partners to reduce implementation times will reduce the average cost of an SAP implementation well below the current average of £2.4 million for R/3.

The average cost of R/3 implementation of £2.4 million should not however be taken at face value, given that it does not reflect the wide diversity of implementation costs. The ratio of product costs to sales costs offers a more useful tool for estimating implementation costs. This ratio can be expected to fall from 4:1 in favour of services to 2.5:1 by 2001 as implementation costs fall.

The growth of the SAP-related services market has encouraged SAP's partners as well as SAP itself to invest heavily in training additional consultants. According to SAP, the number of SAP accredited consultants in the UK has grown rapidly from about 1200 at the end of 1995 to around 1700 at the end of 1996.

However, some concerns exist regarding the nature of the services received from SAP consultants. Several users revealed that their consultants offered services that were too module-specific. They argued that there was insufficient integration expertise.

Services vendors must ensure that their consultants do offer both module-specific expertise and integration expertise. INPUT expects this issue to become less significant as existing SAP consultants become more experienced.

The rapid growth of SAP sites has perhaps inevitably not been matched by the growth of support facilities. SAP and its partners must consider creating alliances with services vendors who provide on-going support on a large-scale in order to extend their support capabilities.

High levels of demand for end-user support could be reduced by increased investment in training for end users. INPUT research revealed that nearly 50% of SAP users believe that further investment in end user training will improve usage of SAP systems.

D

Services Vendors Must Offer Expertise in Products that Interoperate with SAP Products

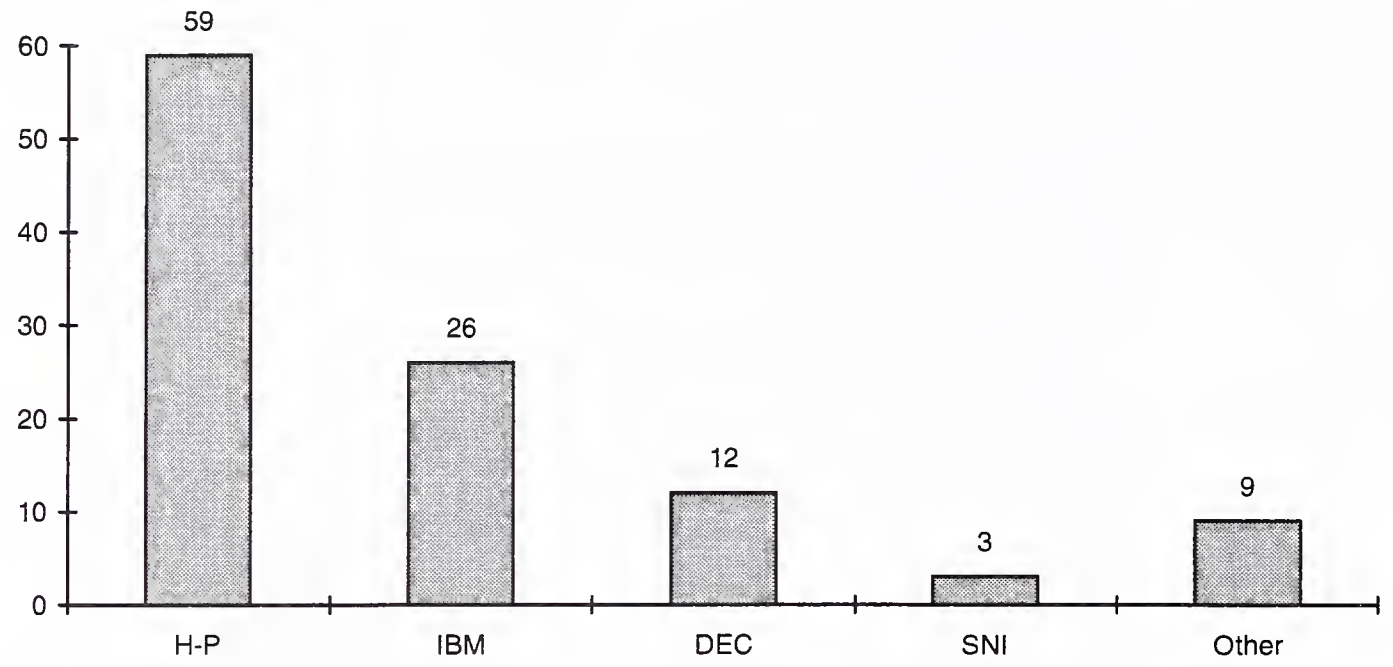
The complexity of SAP implementations increasingly requires SAP services providers to offer expertise relating to IT products that interoperate with SAP products.

Expertise in the hardware platforms on which SAP products run is critical. Hardware vendors who are also SAP services providers have an innate advantage. H-P, the leading vendor of hardware on which SAP products run, is reaping benefits from its position.

In the UK, nearly 60% of R/3 implementations run on H-P kit (see Exhibit II-5). H-P now has a closer relationship with SAP than any other hardware vendor and is enjoying considerable success in the SAP services market. Indeed, it now sells R/3 pre-installed on both its NT-based NetServers and its HP-UX HP9000 servers.

Exhibit II-5

Hardware Platforms Underlying R/3



44 R/3 Users

Source: INPUT

IBM accounts for just over a quarter of the R/3-related hardware market. Its professional services arm ISSC has enjoyed success in the services market surrounding SAP products. If it can leverage its SAP strengths and aim to generate benefits of synergy in this area, its success in SAP-related markets will continue.

The gap between H-P and IBM narrows when users who are considering embarking on SAP projects over the next year are taken into account. 64% of such users would consider using IBM hardware for their SAP implementation and 80% would consider H-P.

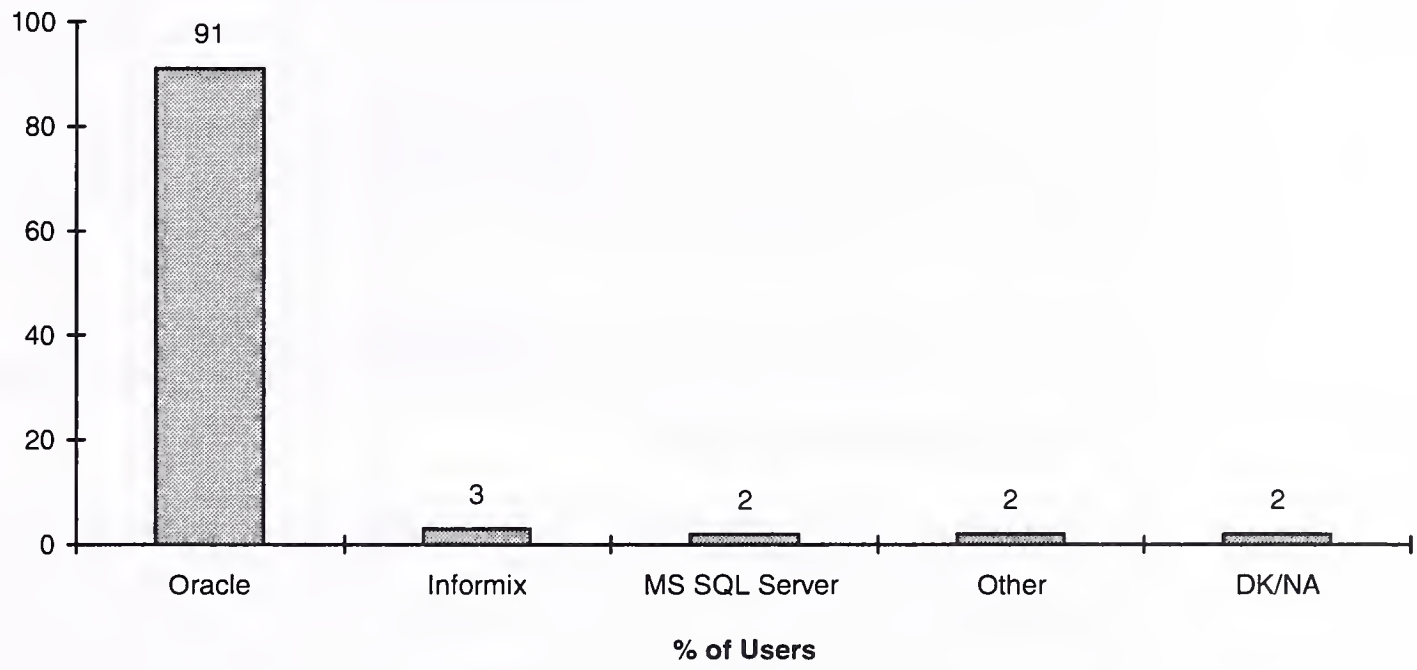
DEC and SNI are the other hardware players with significant SAP installed bases in the UK at present. However, after H-P and IBM, Sun is the most likely hardware vendor to be considered by users who are considering embarking on R/3 projects over the next year. Despite its close relationship with SAP, SNI suffers from relatively low market visibility in the UK.

Database expertise is key to the success of many services vendors as SAP projects increasingly require the integration of SAP products with databases.

Oracle reigns supreme as the database of choice for SAP users in the UK. 91% of R/3 installations run on an Oracle database (see Exhibit II-6).

Exhibit II-6

Databases Underlying R/3



44 R/3 Users

Source: INPUT

Oracle is the largest database vendor in enterprise-wide client/server environments. SAP is the largest business applications vendor in client/server environments. Both vendors benefit greatly by working closely together.

Indeed, Oracle recently launched a campaign to deliver services to customers of both Oracle and SAP. It now offers a service that helps users to link R/3 with Oracle's data warehousing software which includes the Oracle 7 database and Oracle Express OLAP products. From Oracle's perspective, this service is critical to success in the data warehousing market.

The implementation of data warehousing technology together with SAP R/3 offers opportunities to SAP's services partners.

Strategically, it is unwise for any business applications vendor to become too intertwined with one database vendor — especially when that database vendor is also a competitor.

Interestingly, Baan has responded to the threat posed by over reliance on Oracle technology by favouring Informix. It is ceasing to deploy its

proprietary database, Tribase, and embedding Informix technology into its product. Customers are thus more likely to choose Informix as their database vendor. Baan does however, offer upgrade paths to both Informix and Oracle database technologies.

SAP has responded to Oracle's dominance by developing close relationships with both Microsoft and Informix. The installed base of NT Servers continues to grow at around 100% per annum in the UK, and Microsoft's SQL Server is the dominant database on that platform. SAP has launched a version of R/3 for NT, so SQL Server can be expected to emerge as a major database platform for R/3 over the next few years.

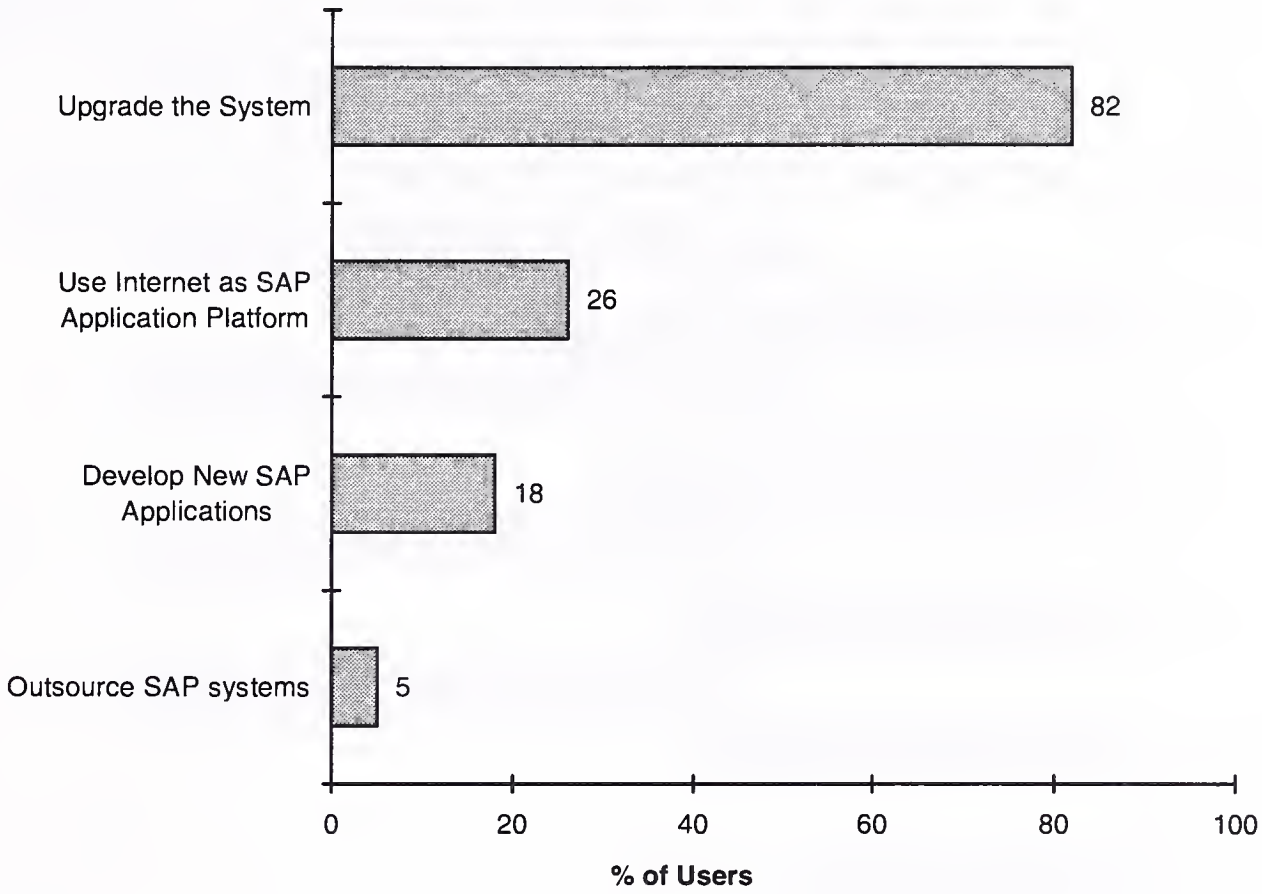
NT Server and SQL Server will become commonplace in the SAP environment. Services vendors must ensure that they have skills in Microsoft BackOffice products.

Furthermore, SAP worked closely with Microsoft to launch an Internet-enabled version of R/3. The new R/3 design enables R/3 to be accessed from most Internet browsers. It will be accompanied by a graphical interface written using Java. Such developments indicate that services vendors must offer Intranet integration and extranet skills in order to work on projects in which R/3 becomes core to the electronic enterprise.

Indeed, over a quarter of R/3 users will use an Internet enabled version of R/3 within the next two years (see Exhibit II-7).

Exhibit II-7

Future Plans (next 2 years) with R/3



44 R/3 Users

Source: INPUT

E

Services Vendors Must Develop Expertise in Products that Compete with SAP and Target Offerings at Smaller Businesses

Many of the services offered by SAP services partners can be and often are, offered to customers who choose to implement products that compete with SAP products such as Oracle Applications.

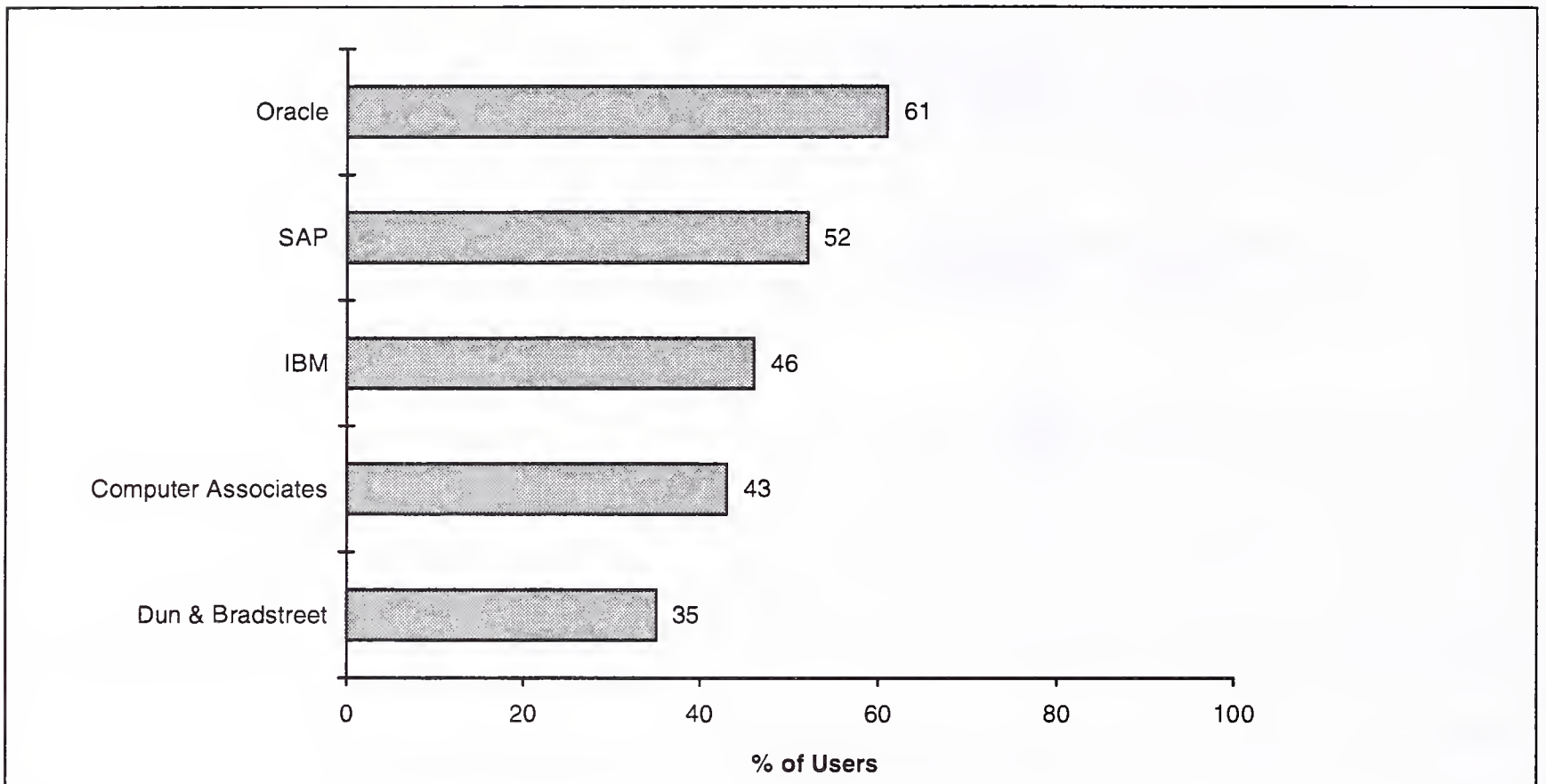
Indeed, Oracle is SAP's main competitor as well as one of its most important partners. This is a potentially perilous predicament for SAP. Oracle undoubtedly encourages its database customers to choose its business applications as opposed to SAP's products. As Oracle's Applications extend into more application areas, Oracle database users will increasingly choose Oracle Applications as opposed to SAP's R/3.

Oracle has recently acquired Datalogix, a company that develops client/server software for process manufacturing — an acquisition which makes its intentions clear.

The threat posed by Oracle is amplified by INPUT's findings. Over 60% of enterprises that are considering embarking on a large-scale development project or SI initiative would consider using Oracle Applications whereas just over half would consider using SAP products (see Exhibit II-8).

Exhibit II-8

Business Applications Vendors Considered by Non SAP Enterprise Users — Top 5

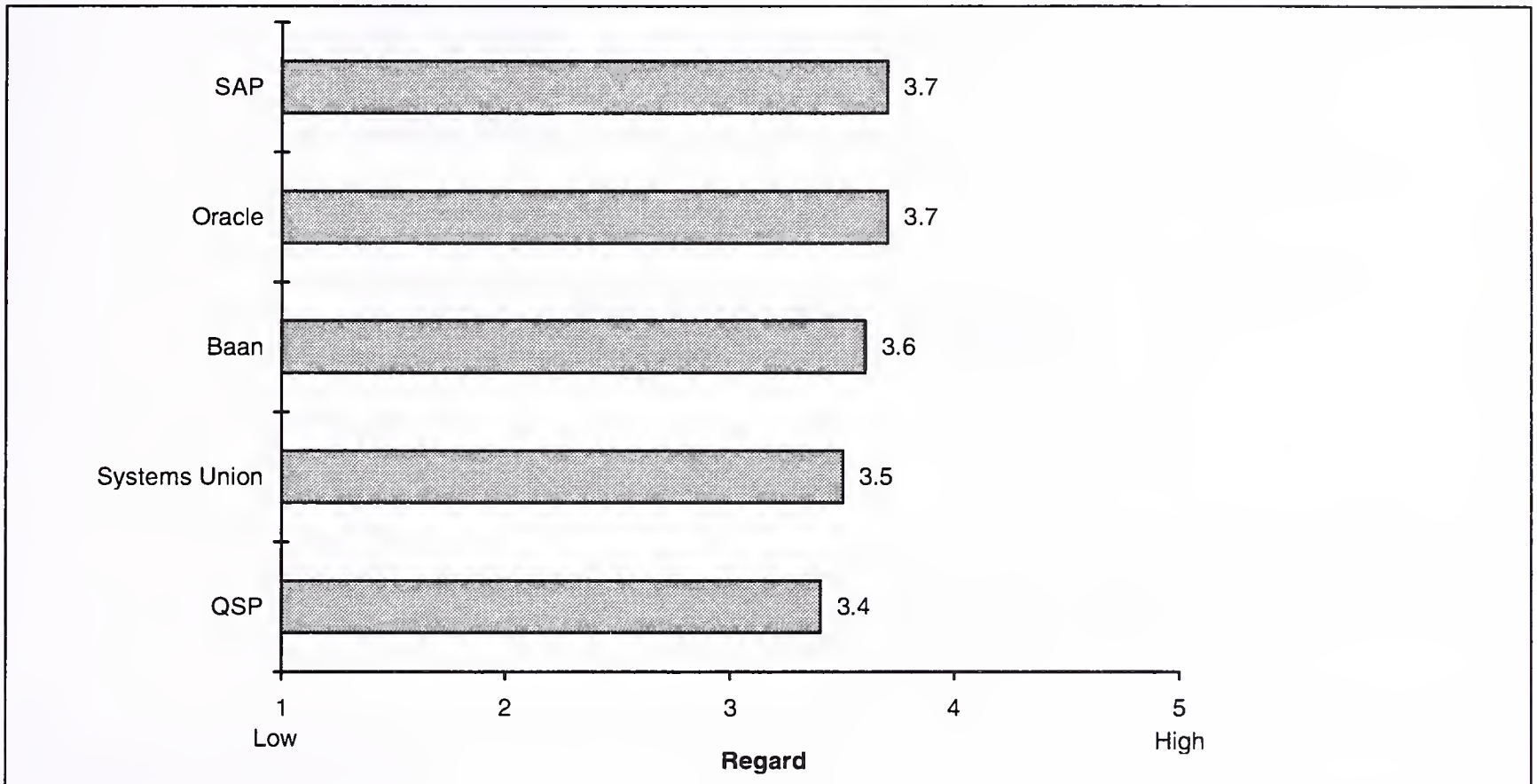


Sample: 118 *Source: INPUT*

However, when the same group of users were asked to indicate how highly (1=low regard 5=high regard) they regarded the capabilities of business applications vendors, SAP and Oracle emerged neck and neck (see Exhibit II-9).

Exhibit II-9

Non SAP Enterprise User's Perspectives of the Capabilities of Business Applications Vendors — Top 5



Sample: 118

Source: INPUT

These findings indicate that SAP services vendors must extend their competencies by partnering with SAP competitors such as Oracle and Baan.

In order to continue showing impressive growth figures, SAP and its partners must target smaller companies. SAP's VAR programme and its efforts to reduce implementation times go some way to extending R/3 into the realm of smaller organisations. However, Oracle, Baan, PeopleSoft and SSA are also aggressively targeting smaller organisations — SAP will find competition intense in this market space.

This re-inforces the pressure on SAP services providers to avoid 'putting all their eggs in one basket' and partner with SAP's competitors, particularly when targeting smaller organisations.

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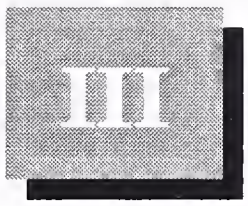


SAP Implementation

This chapter analyses existing SAP implementations including hardware and database platforms, implementation costs and timescales.

A
Hardware Platforms

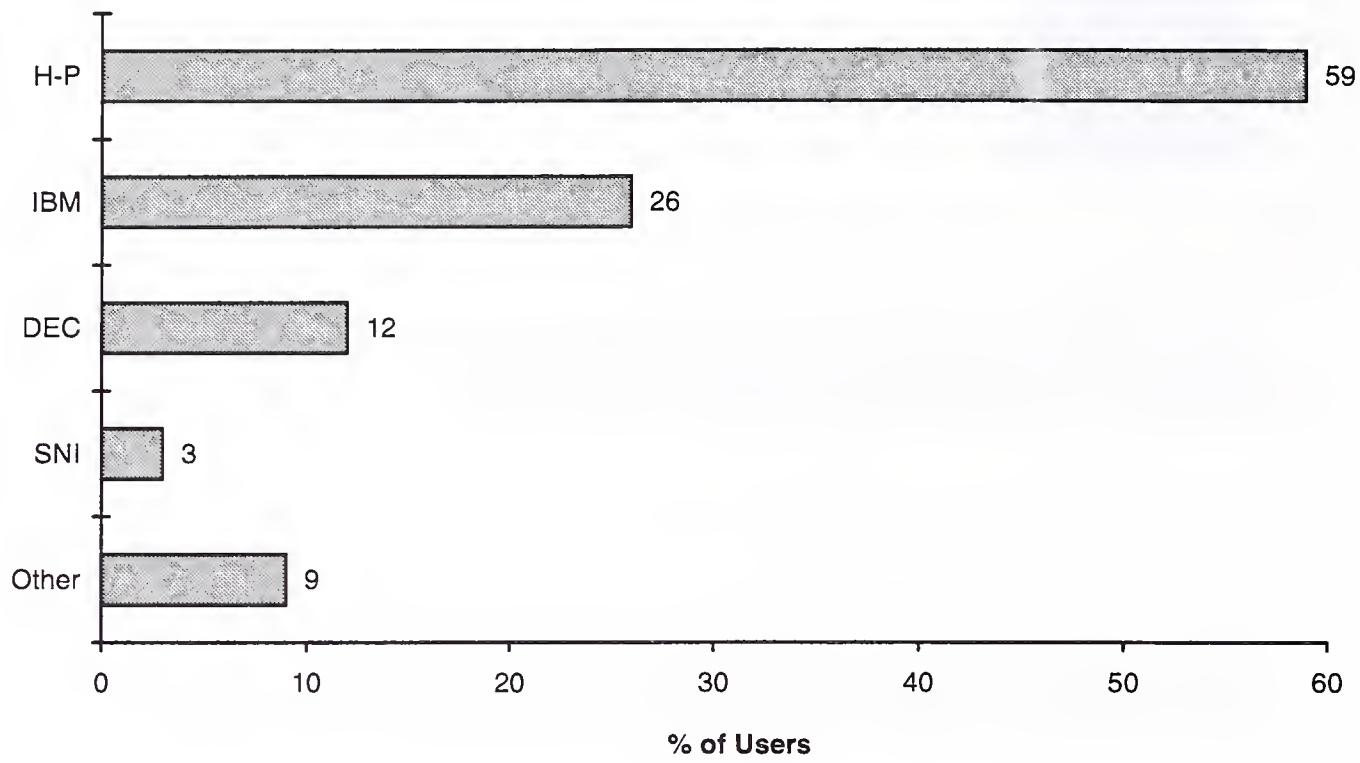
H-P has established itself as the dominant R/3 hardware platform (see Exhibit III-1), underlying nearly 60% of R/3 implementations. H-P has worked closely in Germany and elsewhere to create a strong relationship with SAP, investing heavily in SAP Competency Centres and in using the strength of their professional services business to jointly bid for projects with SAP or refer their existing customers towards SAP.

Indeed, H-P now sells SAP R/3 preinstalled on both its NT-based NetServers and HP-UX HP9000 servers. In effect, H-P has become an SAP OEM customer, offering customers turnkey R/3 systems.

H-P's firm commitment to partnering has clearly paid handsome dividends.

Exhibit III-1

Hardware Platforms Underlying SAP Products



44 R/3 Users

Source: INPUT

HP's closest rival in the R/3 hardware platform marketplace is IBM which provides around a quarter of the R/3 base infrastructure. IBM has also, in a similar fashion to HP, attempted to work collaboratively with SAP.

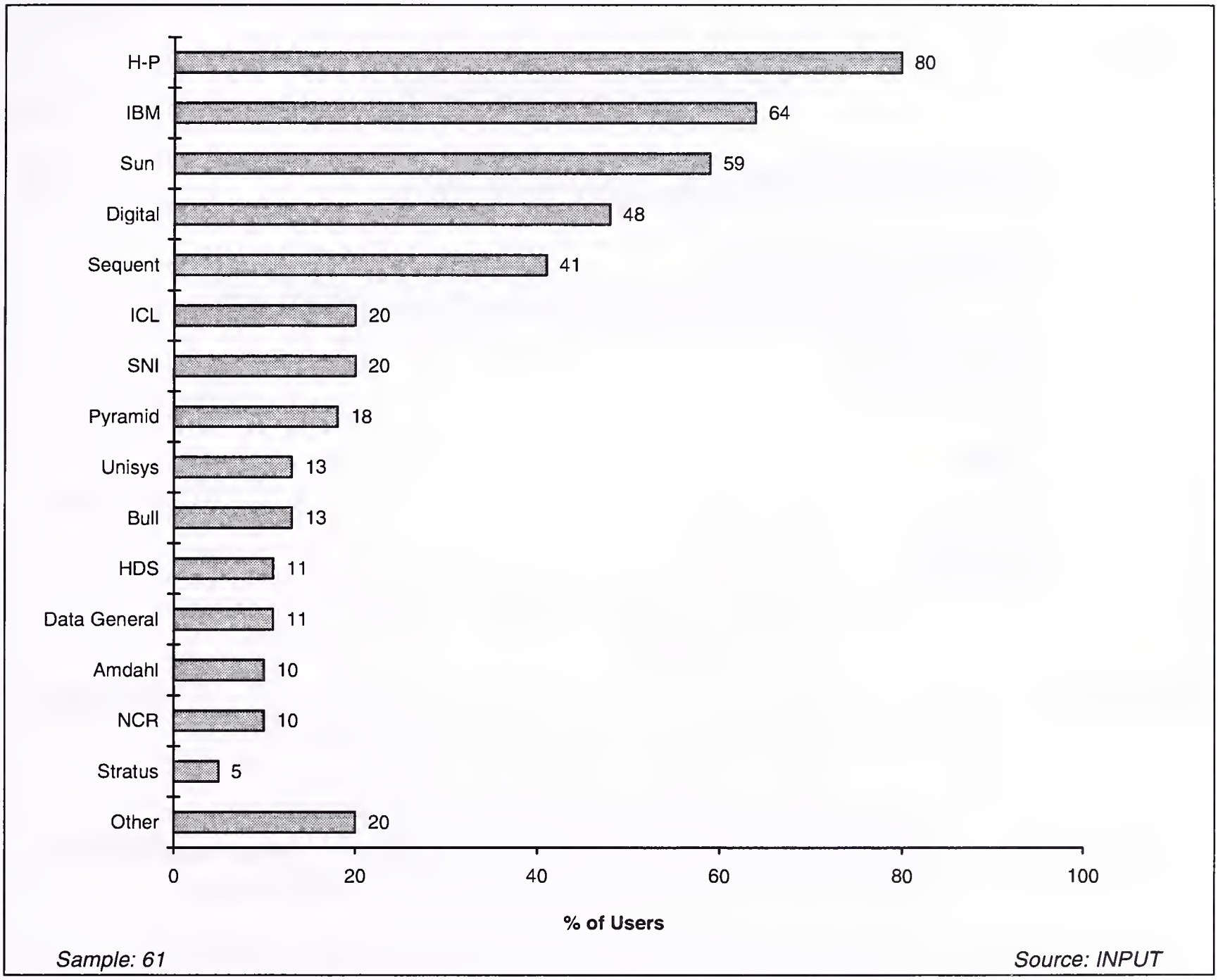
From a purely professional services perspective, ISSC (IBM's professional services branding) has been extremely successful in the SAP third party professional services market, establishing a position as one of the leading world-wide players. IBM has had to demonstrate its "open" credentials though and in many assignments work on non-IBM kit.

H-P can be expected to retain its dominance as the preferred SAP hardware platform vendor for the next couple of years (see Exhibit III-2). 80% of users who are considering implementing SAP products in the next year would consider H-P hardware for an SAP project.

Nearly two-thirds of potential users would consider the IBM platform. Given that Sun is not currently a significant hardware supplier for SAP projects, it has a great opportunity to benefit from SAP projects. Nearly 60% of potential SAP users would consider Sun as a hardware supplier for their SAP projects.

Exhibit III-2

Hardware Vendors Considered for Future SAP Projects



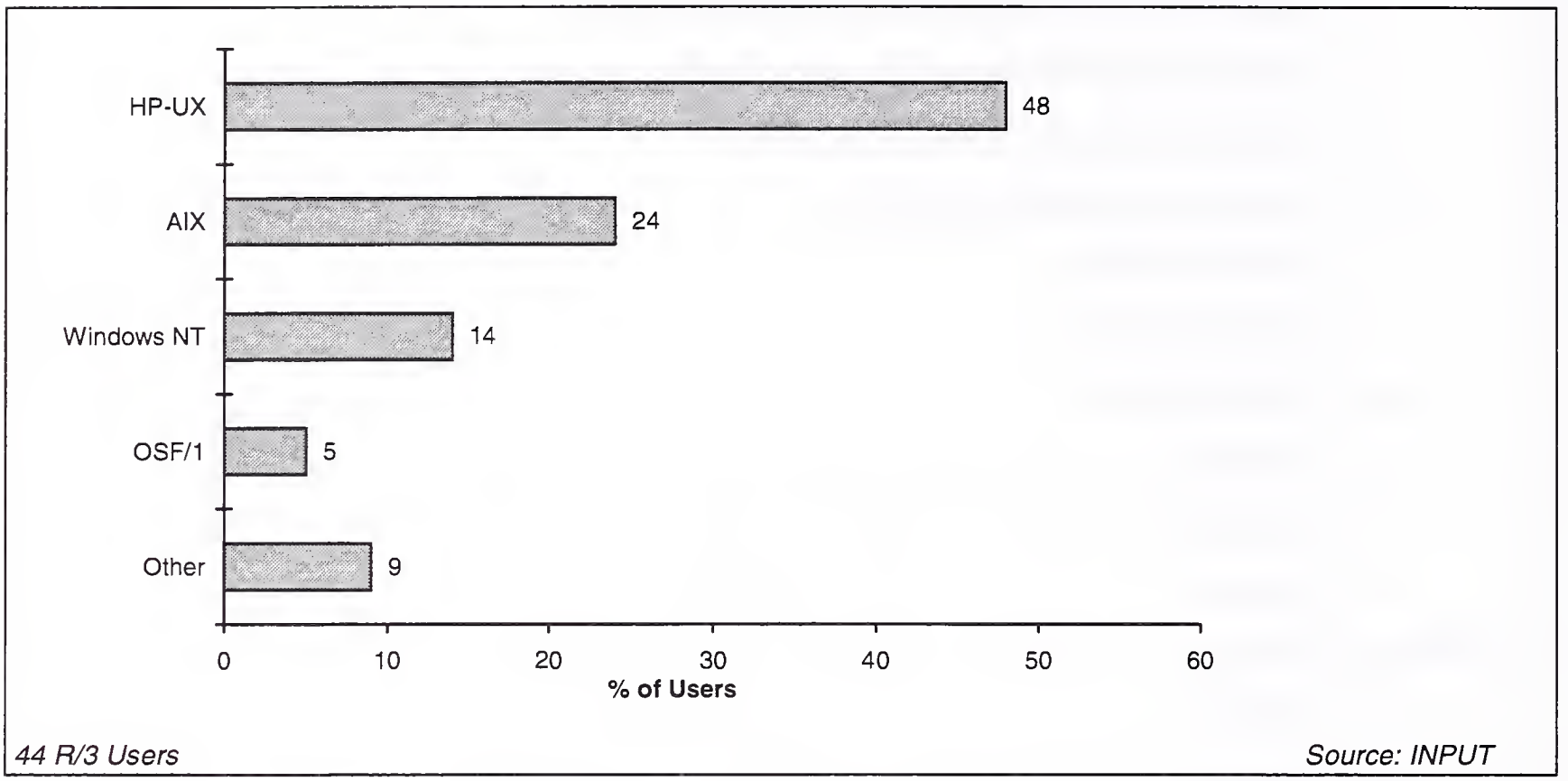
Sample: 61

Source: INPUT

As might be expected, most users choose HP-UX and AIX as their operating systems (see Exhibit III-3).

Exhibit III-3

Underlying Operating Systems



44 R/3 Users

Source: INPUT

Windows NT is establishing a significant share of the SAP-related operating system market. NT can be expected to increase its share significantly over the next few years for the following reasons:

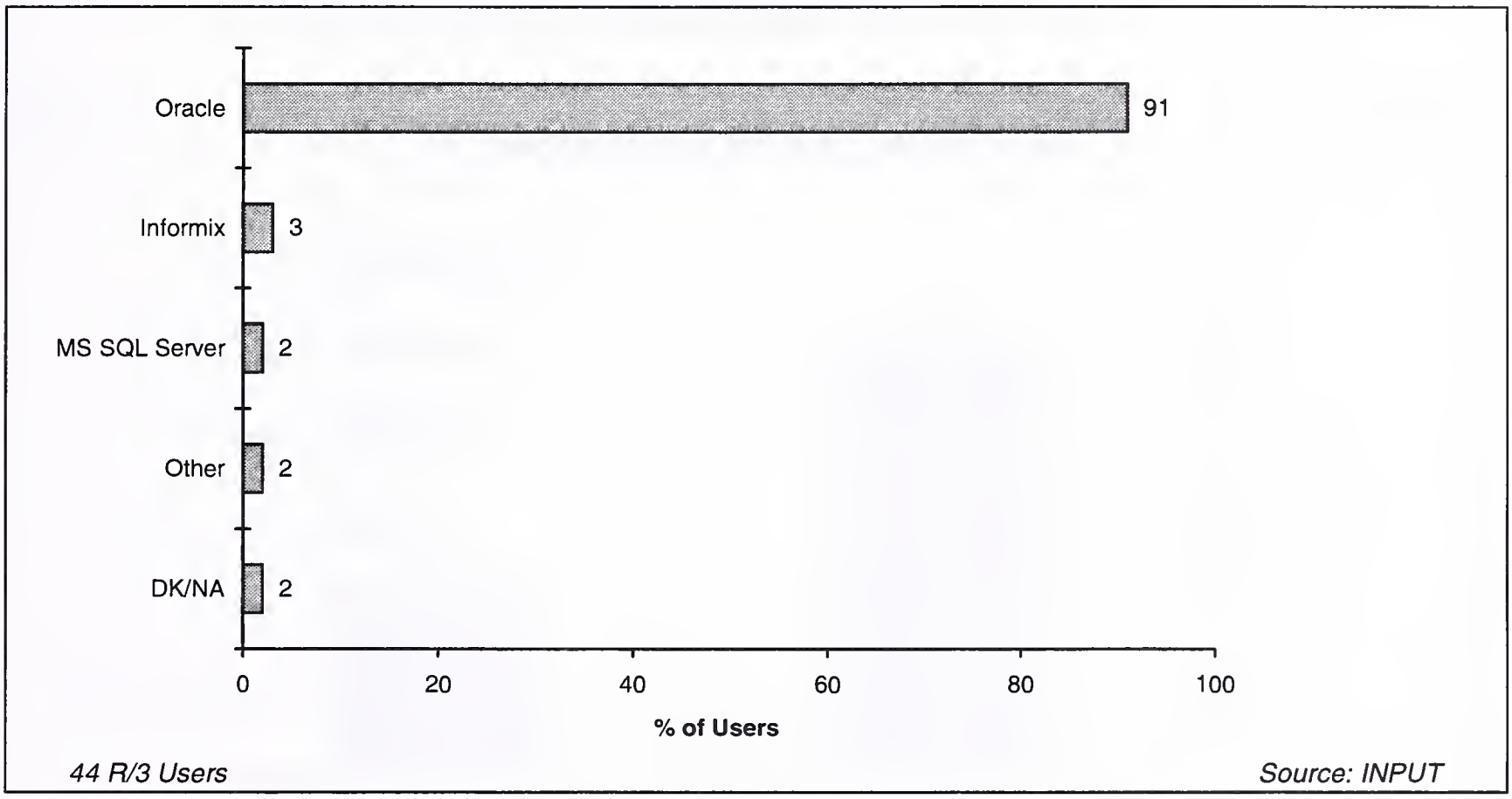
- The installed base of NT Server is growing at 100% per annum
- H-P is now shipping SAP pre-installed on its NT-based NetServers
- SAP is working closely with Microsoft with regard to standards and an the Internet-enabled version of R/3
- Microsoft's SQL Server which runs most effectively on NT is becoming increasingly popular.

B
Database Platforms

The overwhelming majority of R/3 users choose Oracle as their database platform (see Exhibit III-4).

Exhibit III-4

Underlying Database Platforms



44 R/3 Users *Source: INPUT*

Clearly the SAP/Oracle relationship is at the moment symbiotic; Oracle's strategy will however become an increasing threat as it further penetrates the business applications market.

Oracle is aggressively pursuing a strategy of adding functionality to its own enterprise application product, Oracle Applications in an attempt to compete more fully with R/3. Indeed, Oracle recently acquired Datalogix, a company that develops client/server software for process manufacturing.

Understandably, SAP has recently formed close relationships with both Informix and Microsoft in order to avoid becoming too intertwined with a competitor. This offers Informix and Microsoft opportunities in SAP-related markets.

Windows is the dominant front end for SAP R/3 users with over 70% of this enterprises using Microsoft technology as their GUI.

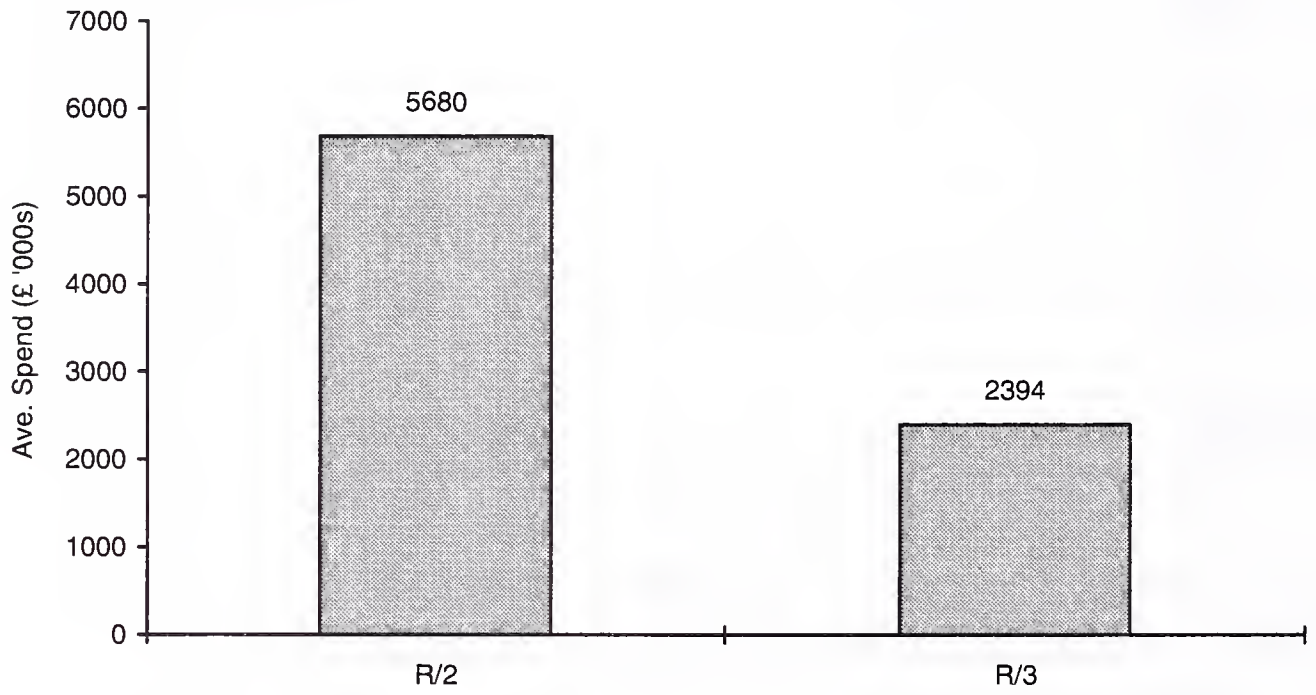
C
SAP Implementation

The average cost of R/2 implementation is more than double that of R/3 (see Exhibit III-5). This can largely be explained by the cost of mainframe hardware for R/2 and the cost of staffing for tailoring the product.

R/3 runs on cheaper hardware and is typically implemented with less customisation, thus internal staffing costs tend to be lower.

Exhibit III-5

Cost of SAP Implementation



44 R/3 Users; 8 R/2 Users *Source: INPUT*

The average cost of R/3 implementation of £2.4 million should not however be taken at face value, given that it does not reflect the wide diversity of implementation costs. The ratio of product costs to sales costs for users offers a more useful tool for estimating implementation costs. This ratio can be expected to fall from 4:1 in favour of services to 2.5:1 by 2001 as implementation costs fall.

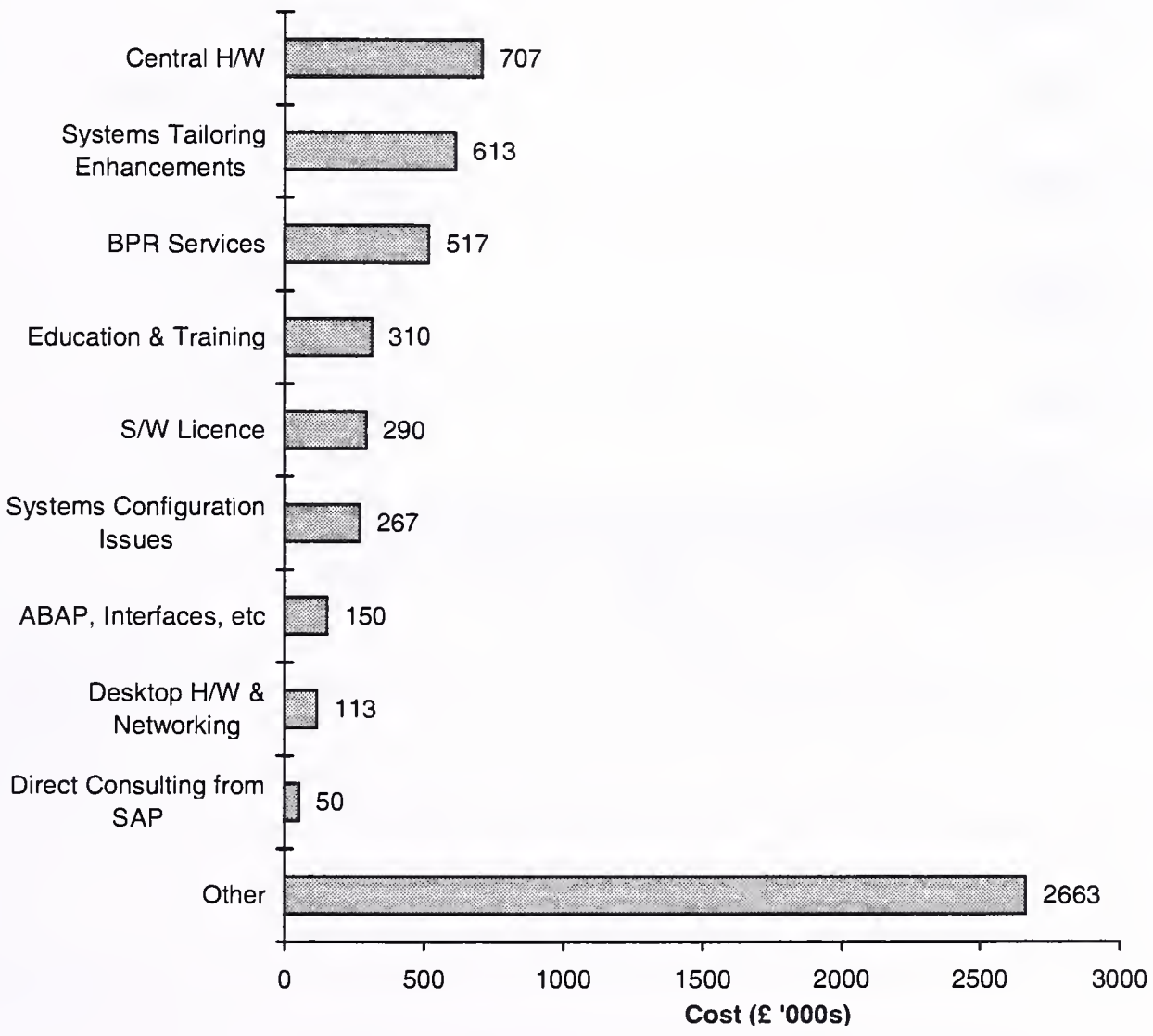
When average implementation costs are broken down, some interesting findings emerge. In the case of R/3, business process re-engineering accounts for over 20% of total implementation costs with the cost of central hardware approaching the 20% mark (see Exhibits III-8 and III-10).

Exhibits III-6 and III-7 show the absolute costs of SAP implementation in terms of a number of categories for R/2 and R/3 respectively. Exhibits III-8 and III-9 show the costs of several components of the total cost of implementation as a percentage of the total for R/2 and R/3 respectively.

In the case of R/2, internal staffing costs account for nearly half of the total cost of implementation. Indeed, internal staffing costs was the most frequently mentioned component of the 'other' category which is illustrated in Exhibits III-7, III-8, III-9 and III-10.

Exhibit III-6

Cost of R/2 Implementation by Category

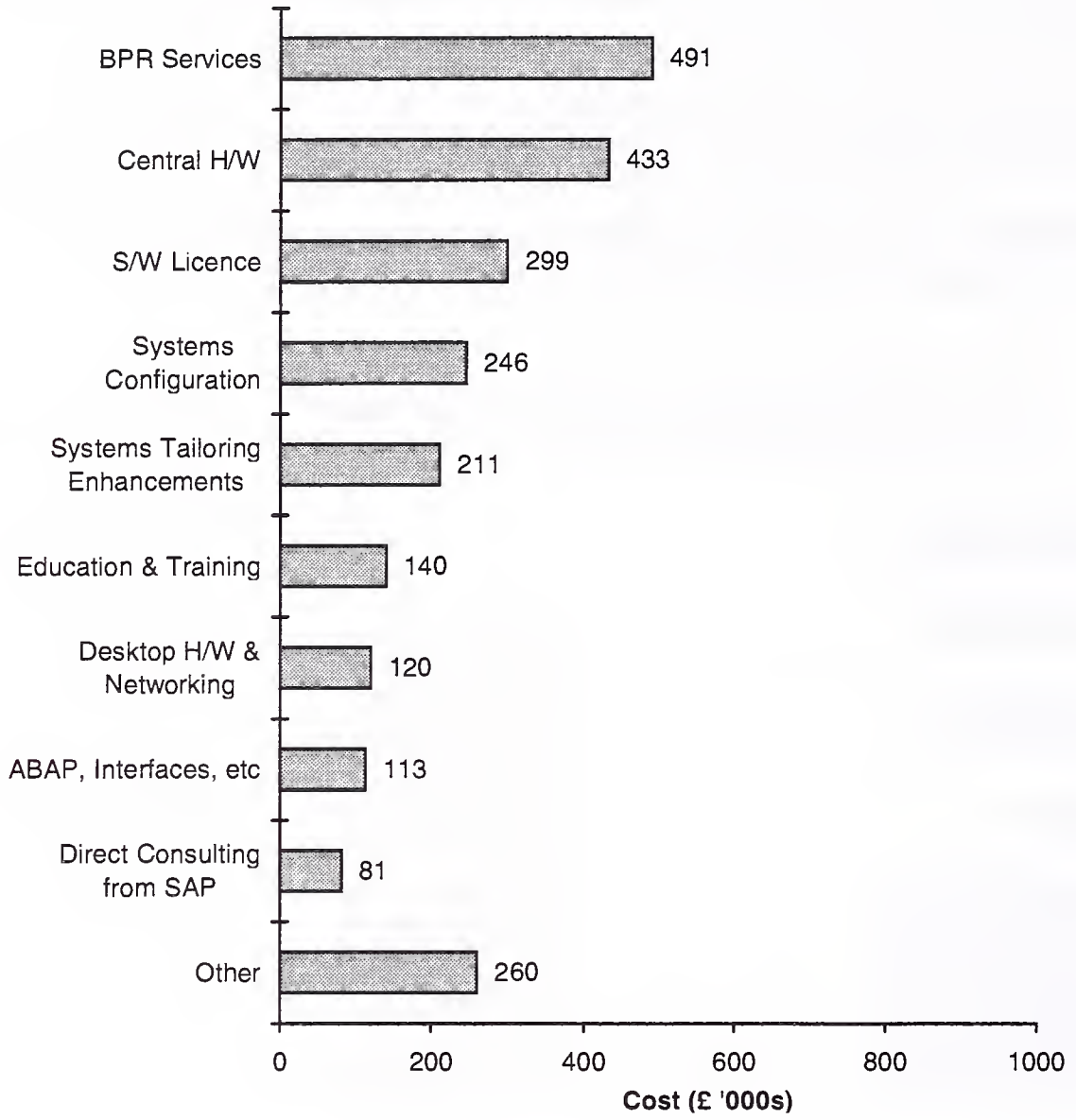


44 R/3 Users

Source: INPUT

Exhibit III-7

Cost of R/3 Implementation by Category

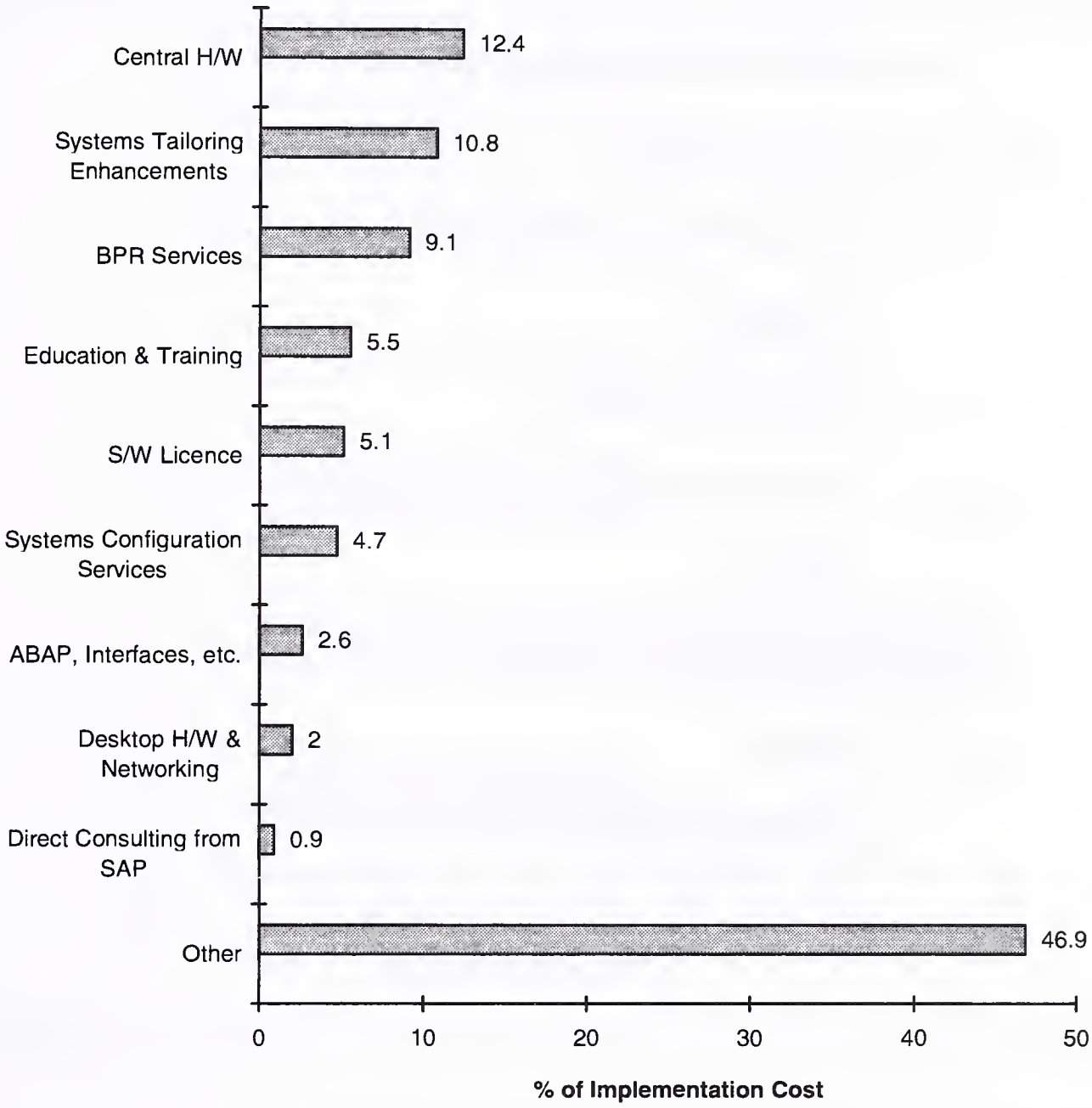


44 R/3 Users

Source: INPUT

Exhibit III-8

Implementation Categories as a Proportion of the Total Cost of R/2 Implementation

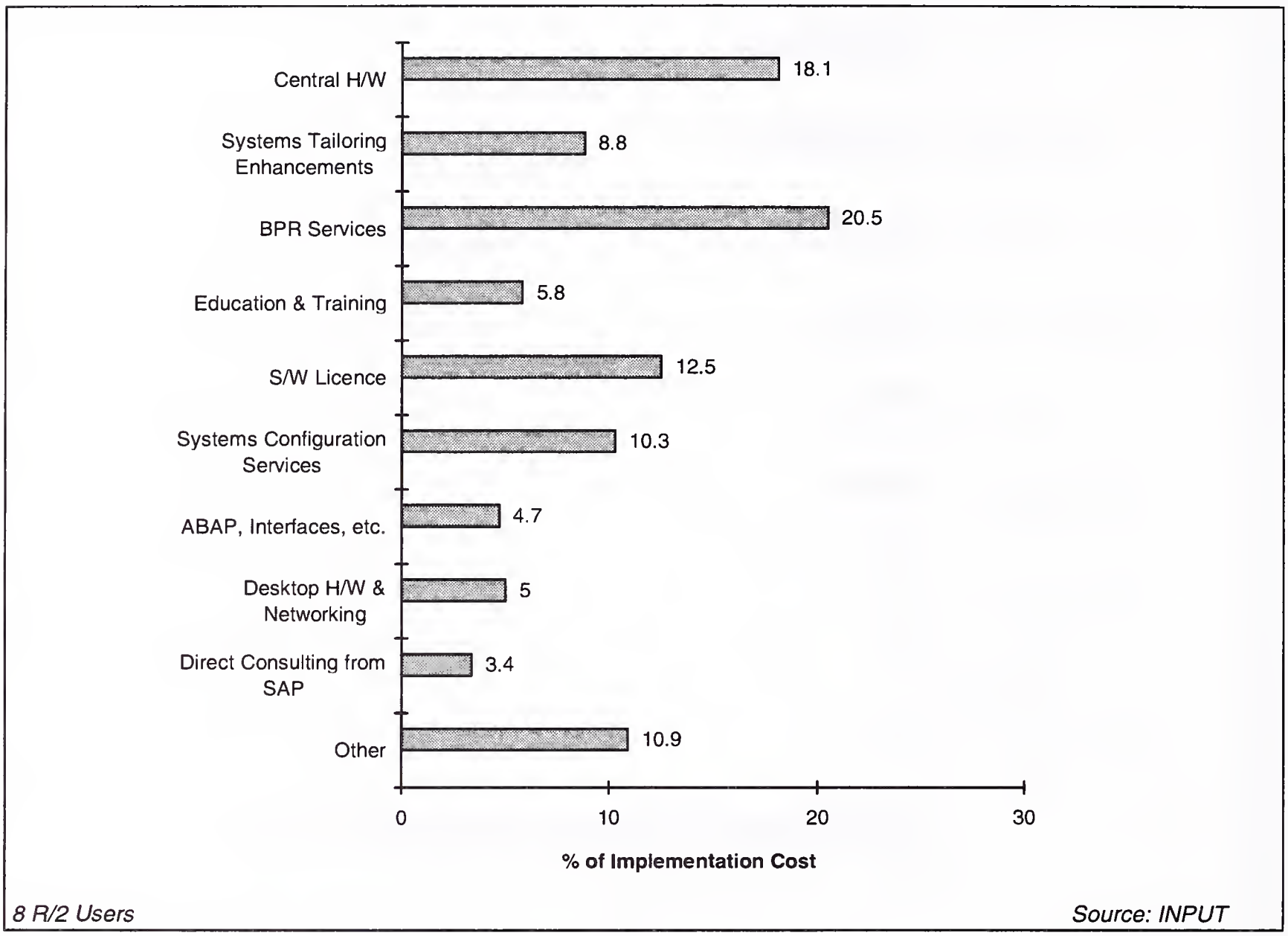


8 R/2 Users

Source: INPUT

Exhibit III-9

Implementation Categories as a Proportion of the Total Cost of R/3 Implementation



8 R/2 Users *Source: INPUT*

In the case of R/2, internal staffing costs account for nearly half of the total cost of implementation. Indeed, internal staffing was the most frequently mentioned component of the 'other' category.

Most of the internal staff resource within organisations would typically be involved in tailoring the product to suit business needs. Thus for R/2, tailoring activities account for over 50% of the total cost of implementation (see Exhibit III-9).

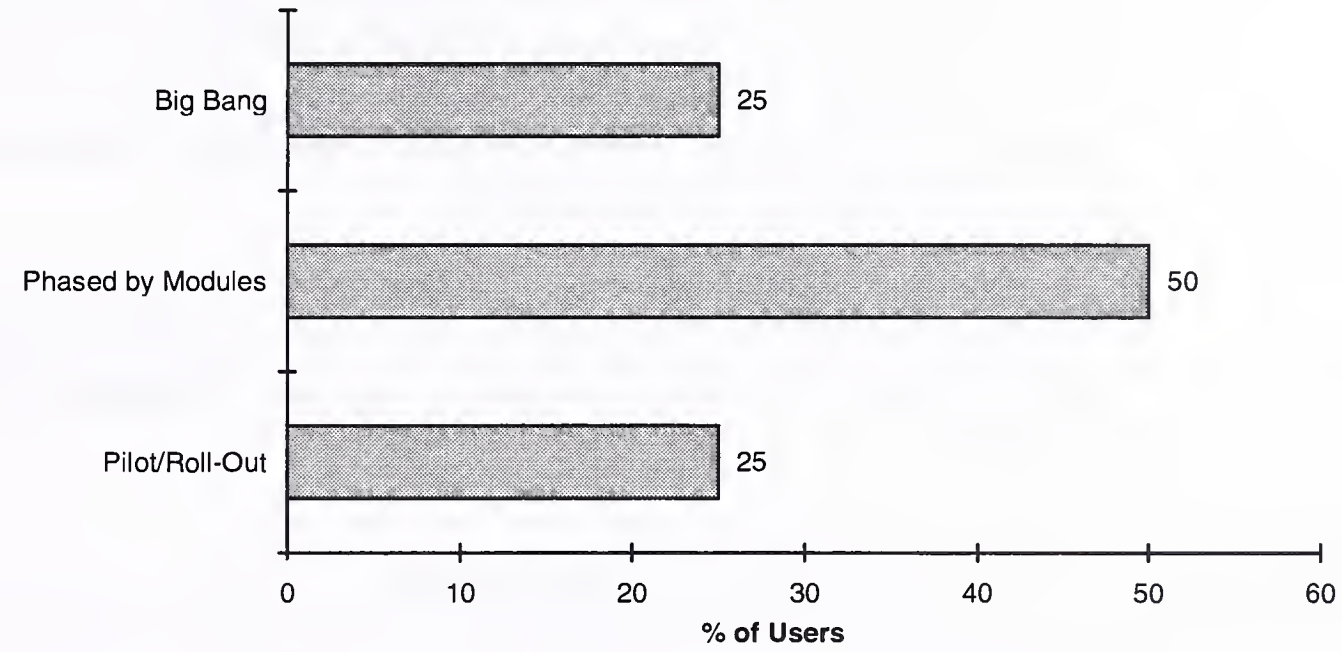
In the case of R/3, internal staffing costs are much lower. This can be explained by the fact that most implementation activity is undertaken by external vendors. For R/3, less tailoring is usually necessary than for R/2 as the product can be installed in a standard form and still carry out business processes very effectively.

A much higher proportion of the total cost of implementation is spent on BPR services for R/3 users than for R/2 users. R/3 users typically attempt to simplify many of their business processes as part of the implementation process. Cynics argue that the business is fitting the product as opposed to the product fitting the business.

INPUT asked SAP users to indicate their implementation approaches (see Exhibits III-10 and III-11).

Exhibit III-10

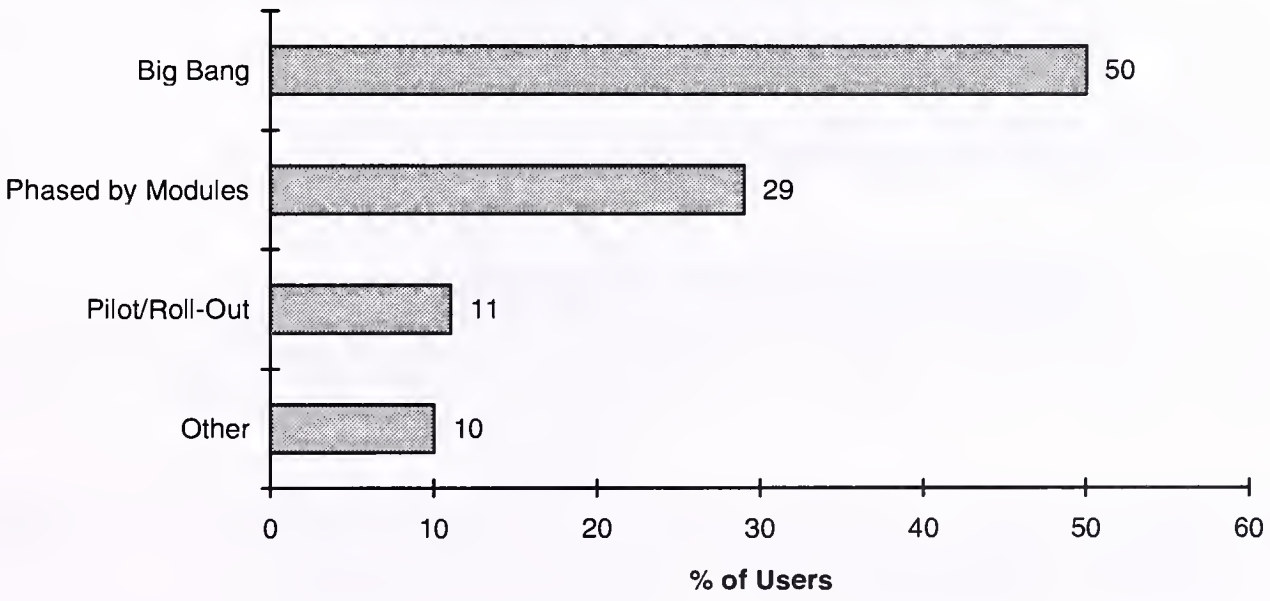
R/2 Implementation Approach



8 R/2 Users *Source: INPUT*

Exhibit III-11

R/3 Implementation Approach



44 R/3 Users *Source: INPUT*

Interestingly, the 'Big Bang' approach was the most common approach to R/3 implementation. This can be explained by the desire among many R/3 customers to avoid excessive tailoring. R/3 is increasingly being installed as a 'standard' product with minimal tailoring.

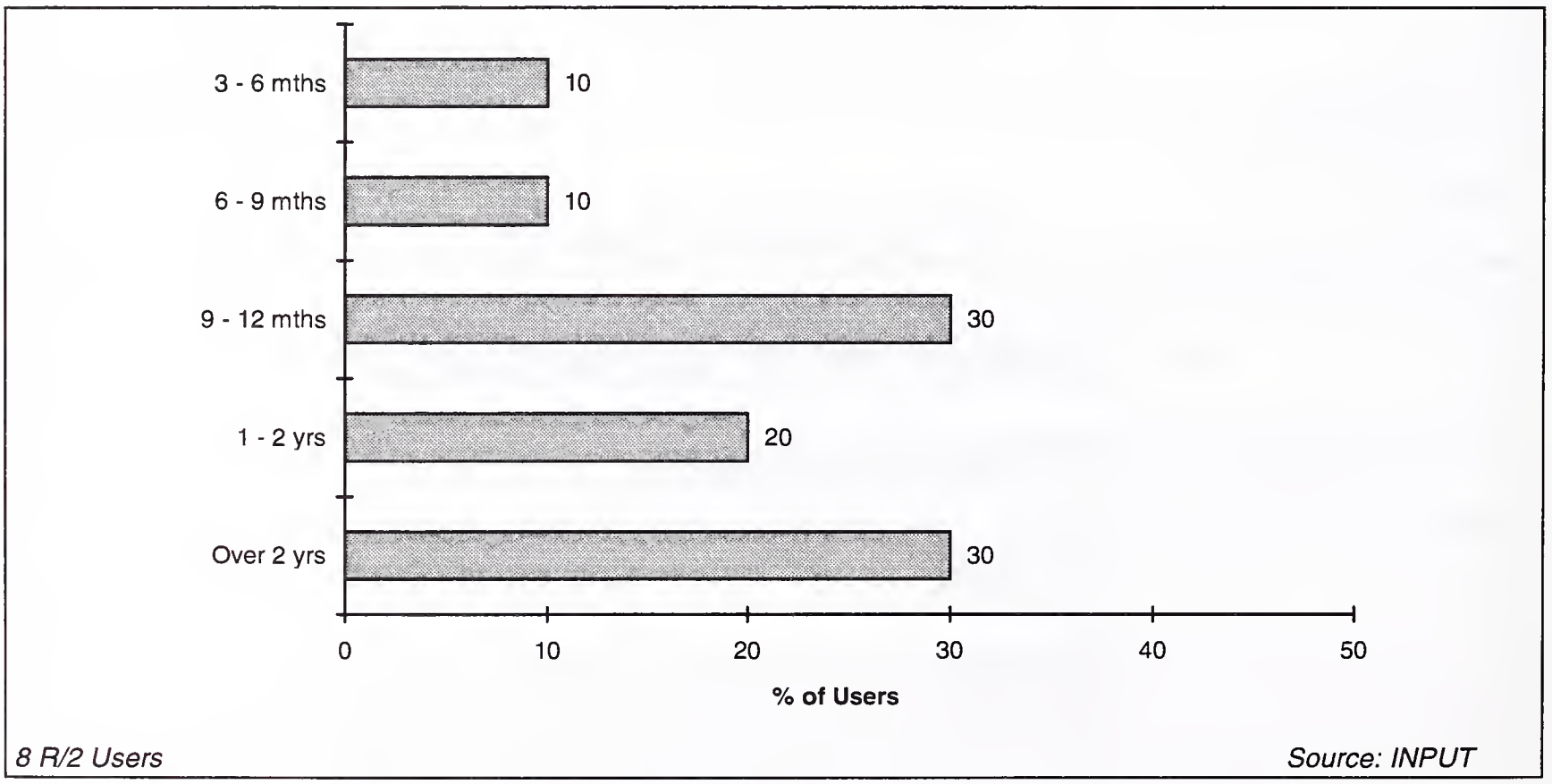
Many enterprises are finding that the implementation of SAP products does not necessarily give the organisation a competitive advantage. More often, enterprises find that implementation is necessary just to remain competitive. For this reason, there is often a sense of urgency behind the implementation of SAP's R/3.

Over the past year, SAP has received negative publicity regarding the length of product implementation times. However, product implementation times are becoming increasingly difficult to compare. They are increasingly dependent on qualitative issues such as the customer's commitment to the SAP project and project management.

Only 20% of R/2 implementations take less than 9 months whereas 50% of R/3 implementations take less than 9 months (see Exhibits III-12 and III-13). This can be explained by the fact that R/2 is deployed in the largest enterprises.

Exhibit III-12

R/2 Implementation Times

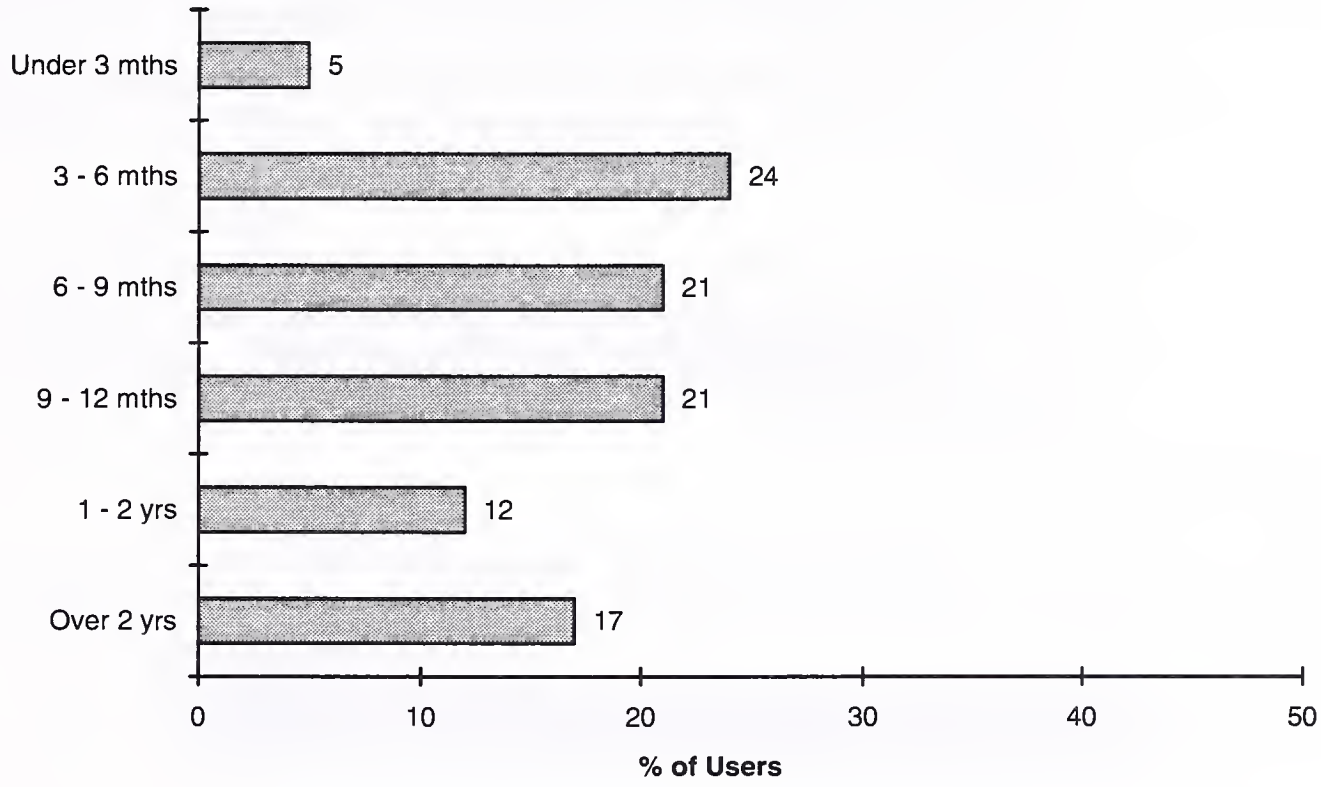


8 R/2 Users

Source: INPUT

Exhibit III-13

R/3 Implementation Times



44 R/3 Users

Source: INPUT

Contrary to the much publicised concern regarding SAP implementation times, meeting deadlines was the area that SAP users mentioned most frequently when asked to indicate implementation characteristics with which they were most satisfied.

However, it was also mentioned as something that dissatisfied users.

Smaller companies more often have concerns regarding implementation times. SAP has responded by:

- Introducing its Business Engineering Workbench (BEW), now known as Business Engineer automates some of the implementation process. In effect, it acts as a 'Wizard' for some elements of the implementation process

- Enabling the porting of pre-defined templates to user installations. Partners are increasingly creating templates that mask much of the product's complexity

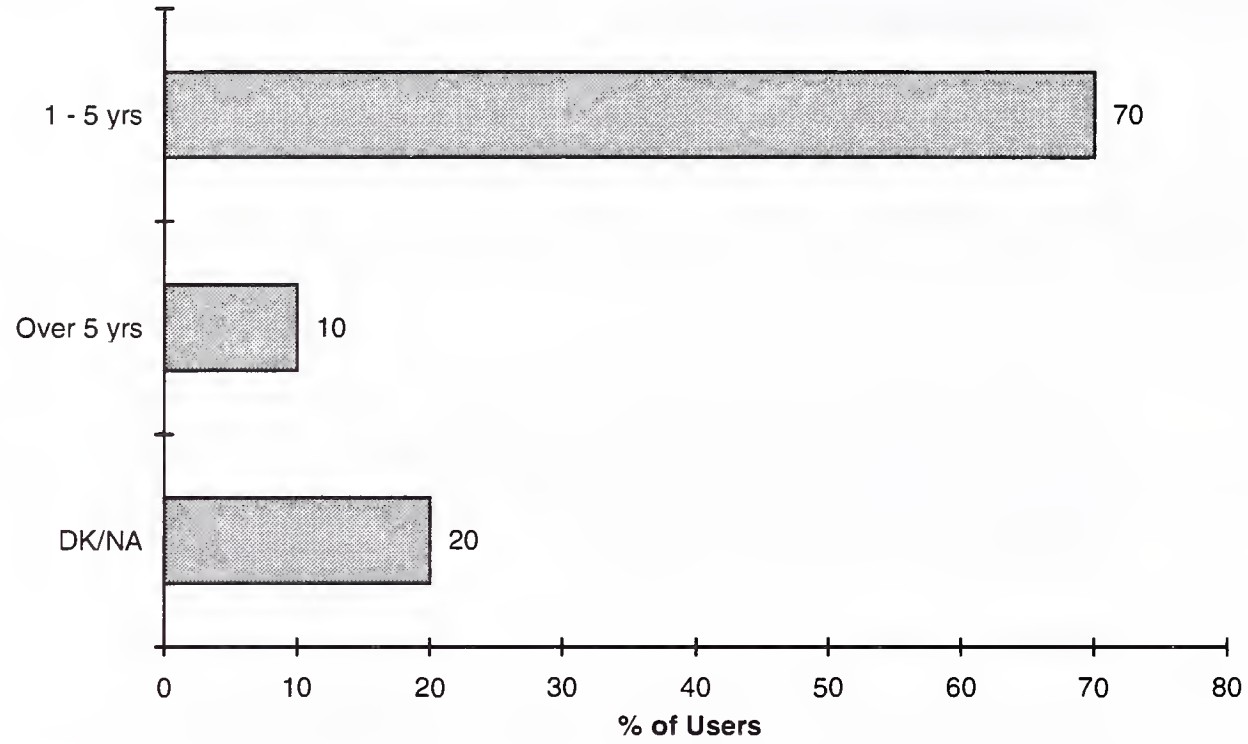
- Encouraging hardware partners to pre-install R/3 on their platforms; H-P now sells its kit with R/3 pre-installed.

As Exhibit III-13 reveals, there is no pattern to R/3 implementation times — they vary widely. This reinforces the fact that implementation times are increasingly dependent on issues that are difficult to measure, such as customer attitudes to the products, project management, and specific customer business requirements, and are less reliant on product-specific features.

The expected payback times for R/2 are longer than for R/3, largely as a result of the fact that R/2 implementations are more expensive. Exhibits III-14 and III-15 reveal expected payback periods around R/2 and R/3 implementations.

Exhibit III-14

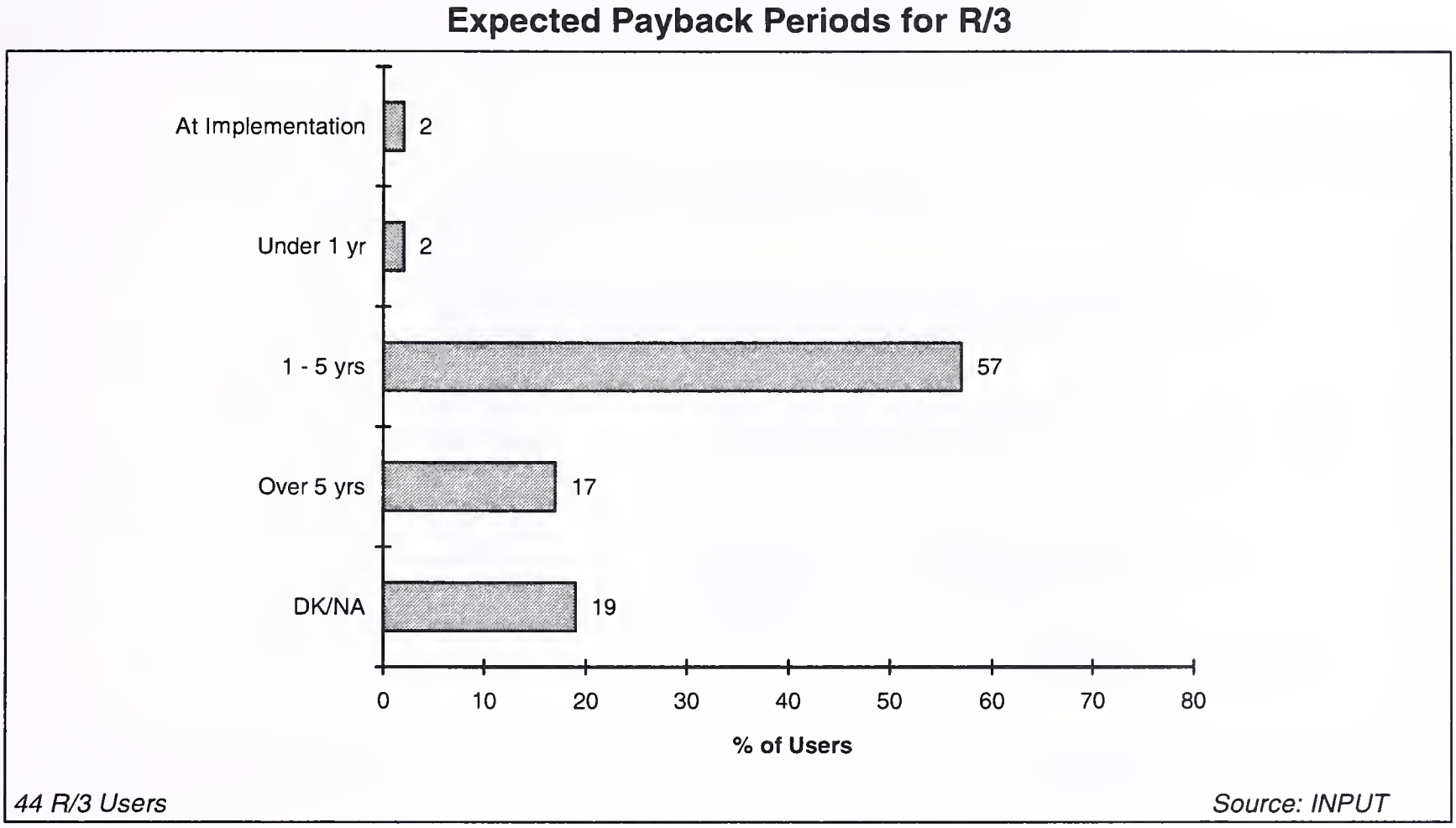
Expected Payback Periods for R/2



8 R/2 Users

Source: INPUT

Exhibit III-15



D
Use of Modules

One of the undoubted factors in SAP's success has been the modular nature of its software products. Both R/2 and R/3 have application modules that provide coverage over a wide sweep of an organisation's value chain, including financials, logistics, payroll and human resources, manufacturing and sales and marketing.

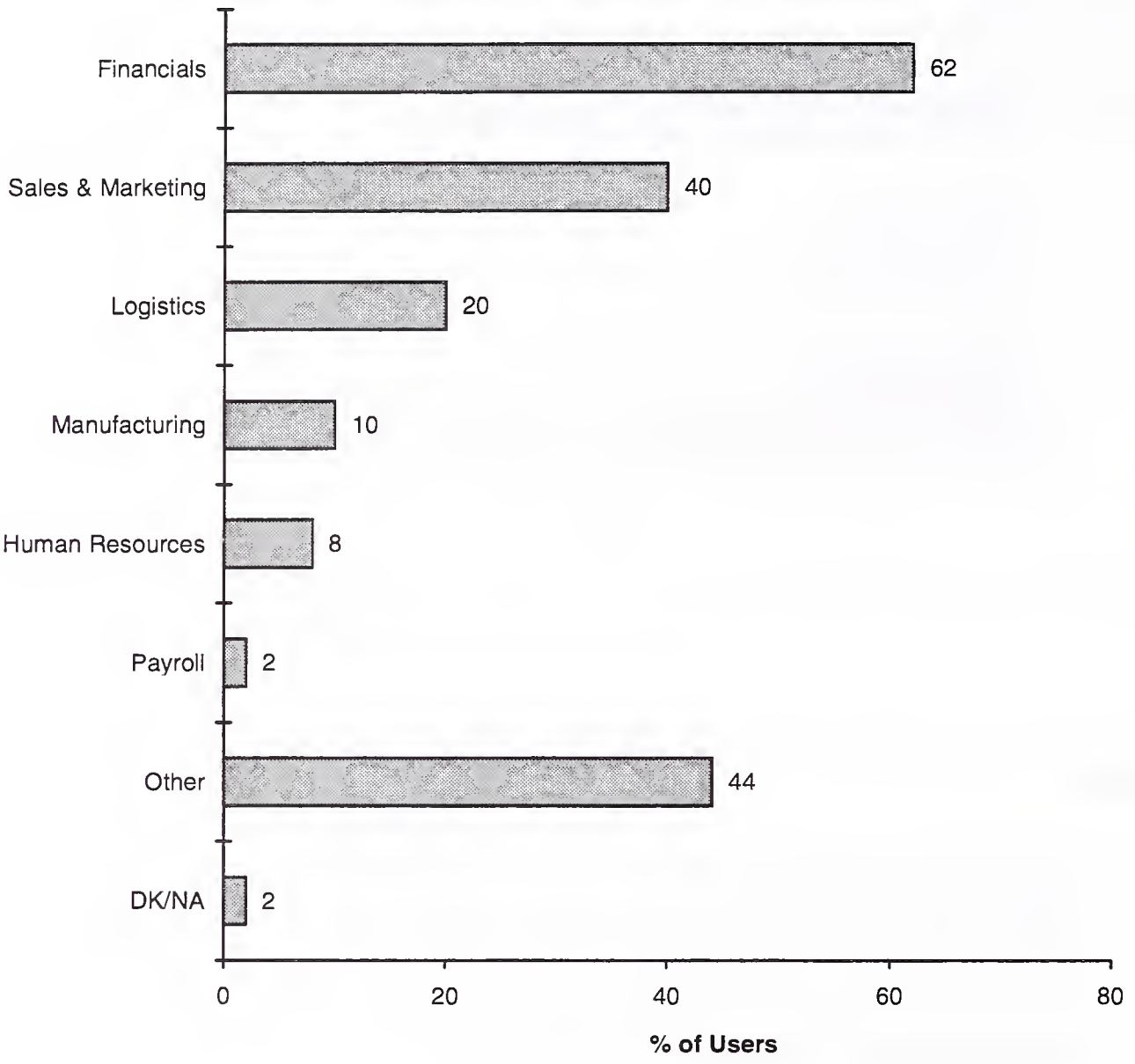
This characteristic has allowed users to select only the appropriate functionality required, to develop applications in a phased, iterative way, and to integrate SAP products into an existing infrastructure. These qualities are shared by both SAP's mainframe and client/server product, but R/3's modularity in particular, due to its distributed nature, has been recognised by users as key.

Only 5% of all UK SAP users, and 4% of R/3 users, have implemented the total product or all SAP modules. The most broadly used module in the sample is the financial module (see Exhibit III-17); over 60% of all companies had implemented the complete financial module. Although this module is in itself modular, in that there are sub-components such as

general ledger, accounts receivable etc., around 60% of organisations have chosen to implement a complete financials package rather than construct a piece-meal version.

Exhibit III-16

Implementation of R/3 Modules



44 R/3 Users

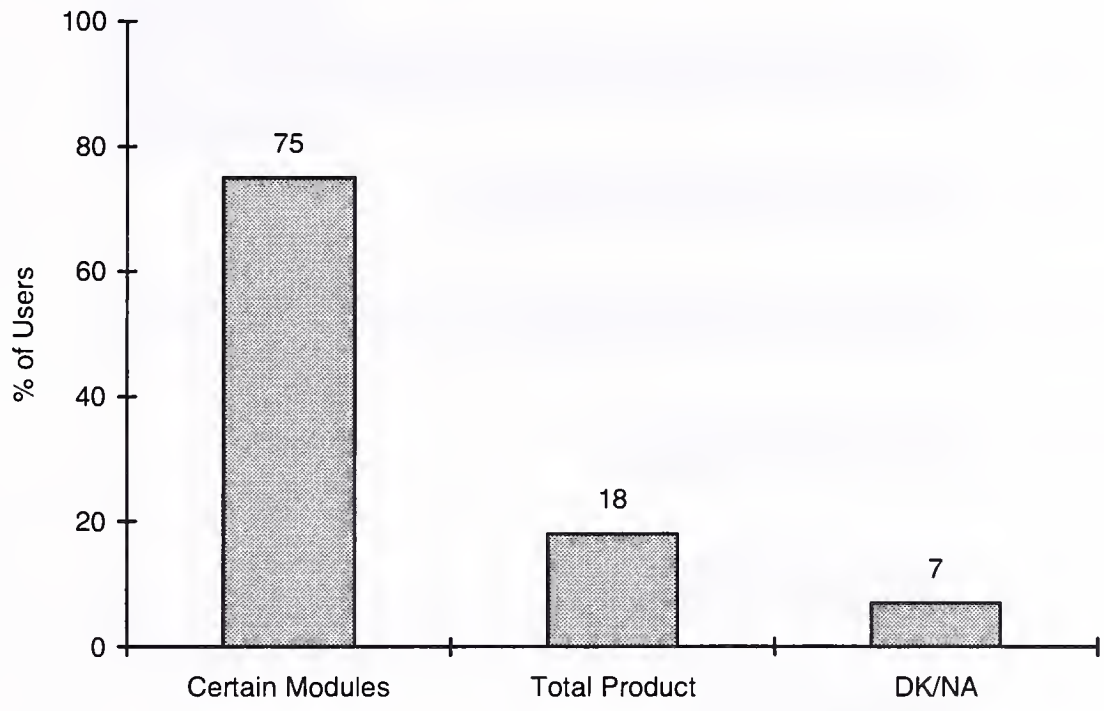
Source: INPUT

The 'other' category in Exhibit III-16 largely comprised of users who had implemented the 'materials management' module.

INPUT asked users who would consider implementing SAP products whether they would implement certain modules or the total SAP product. Not surprisingly, three-quarters of potential users would implement certain modules that matched their specific business needs if they implemented SAP's products (see Exhibit III-17).

Exhibit III-17

Likely Implementation by Potential SAP Users



Sample: 61

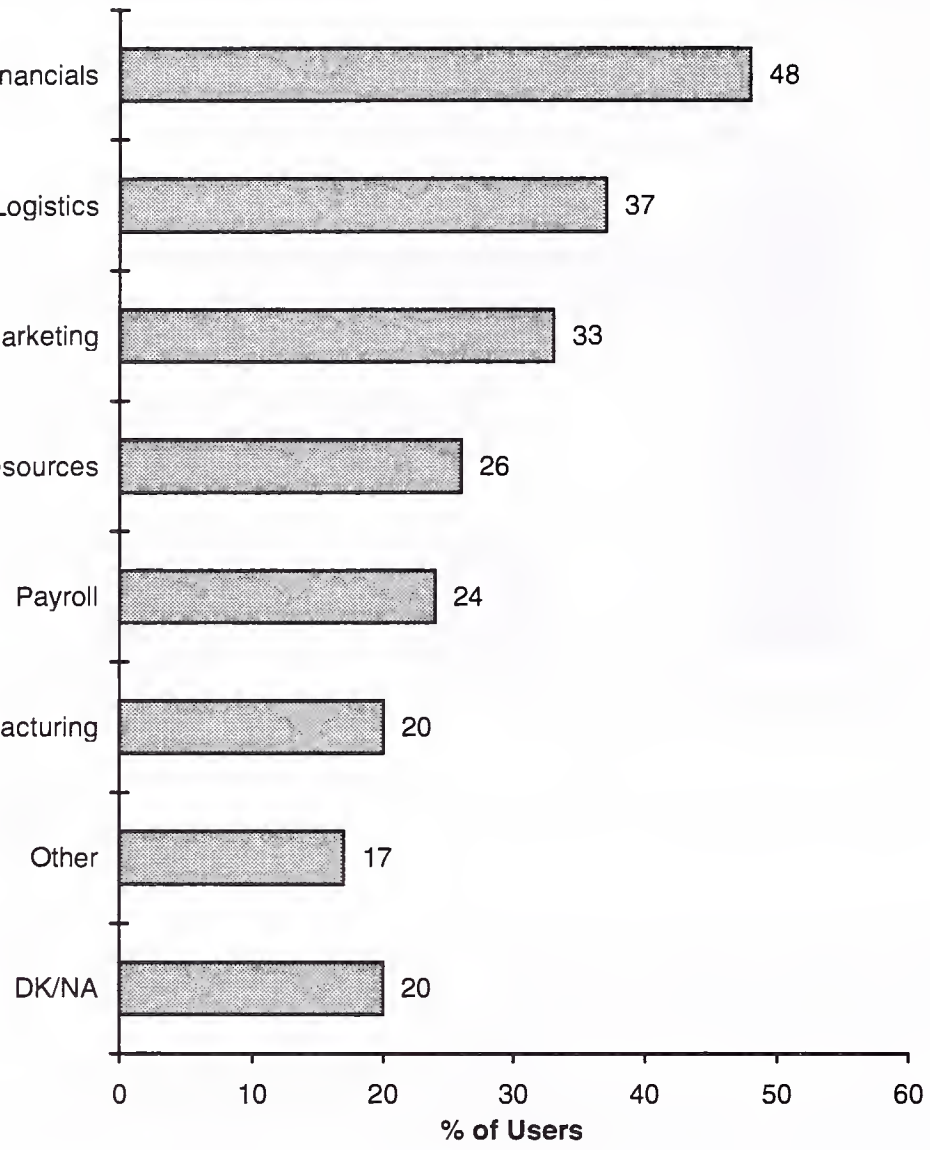
Source: INPUT

Most of these potential users would implement R/3. Only 5% said that they would implement the R/2 product.

Nearly 50% of potential users would implement SAP financials if they undertook an SAP implementation (see Exhibit III-18). Given that only 20% of SAP users have implemented SAP's logistics modules, it is interesting to note that nearly 40% of potential users would implement the logistics module.

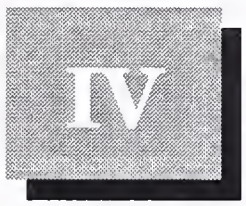
Exhibit III-18

Likely Modules to be Implemented by Potential SAP Users



Sample 61

Source: INPUT



User Needs

This chapter analyses user and potential user attitudes to SAP's R/2 and R/3 products and services centred around these products.

A
User Satisfaction with SAP Products

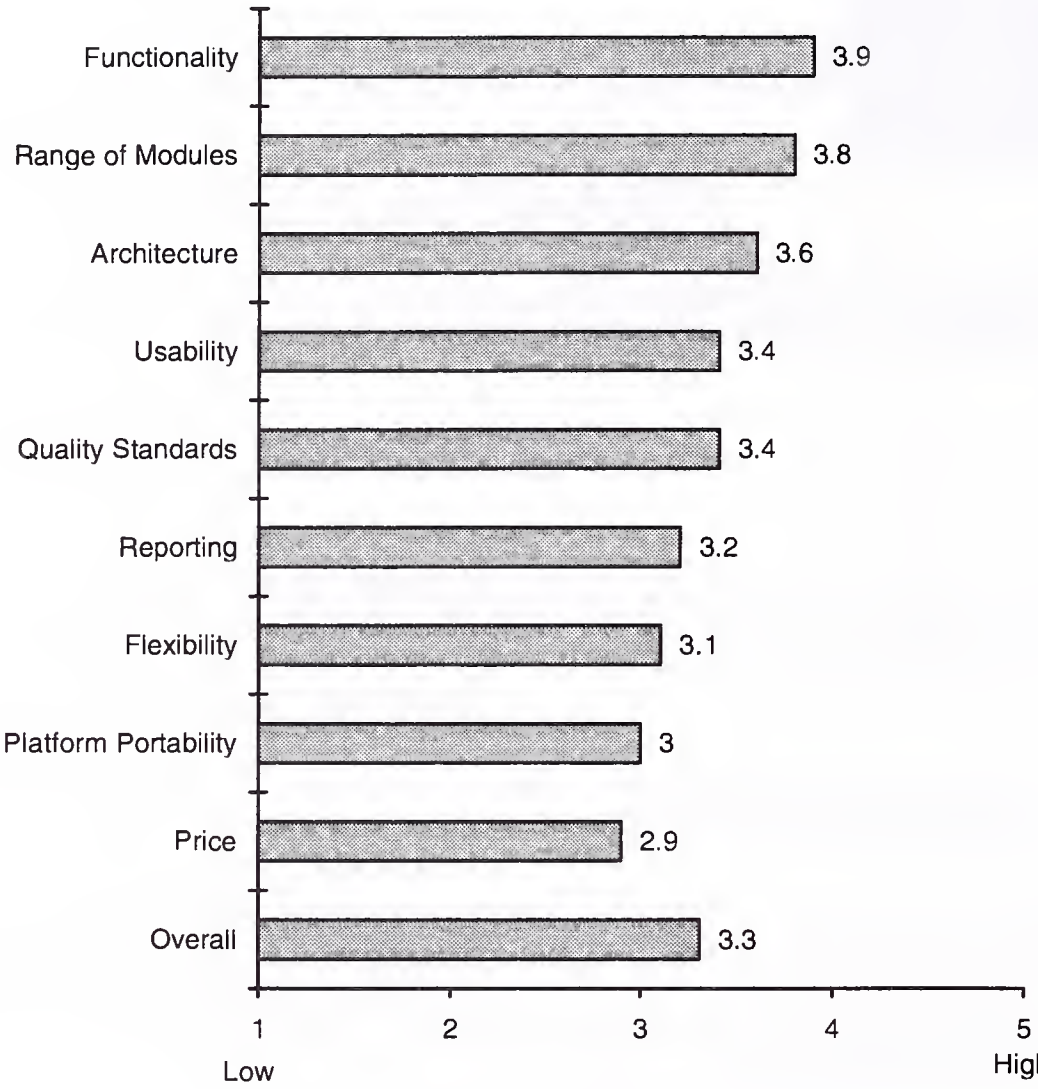
SAP's products are widely believed to improve efficiency and reduce costs within enterprises. Thus, increasing emphasis has been placed on functionality and the range of business processes that can be integrated into an SAP system.

Users were asked to indicate their levels of satisfaction with several elements of the SAP product that they had implemented.

Exhibit IV-1 reveals the satisfaction levels of R/2 users overall with the product and with discrete elements of the product.

Exhibit IV-1

User Satisfaction with R/2

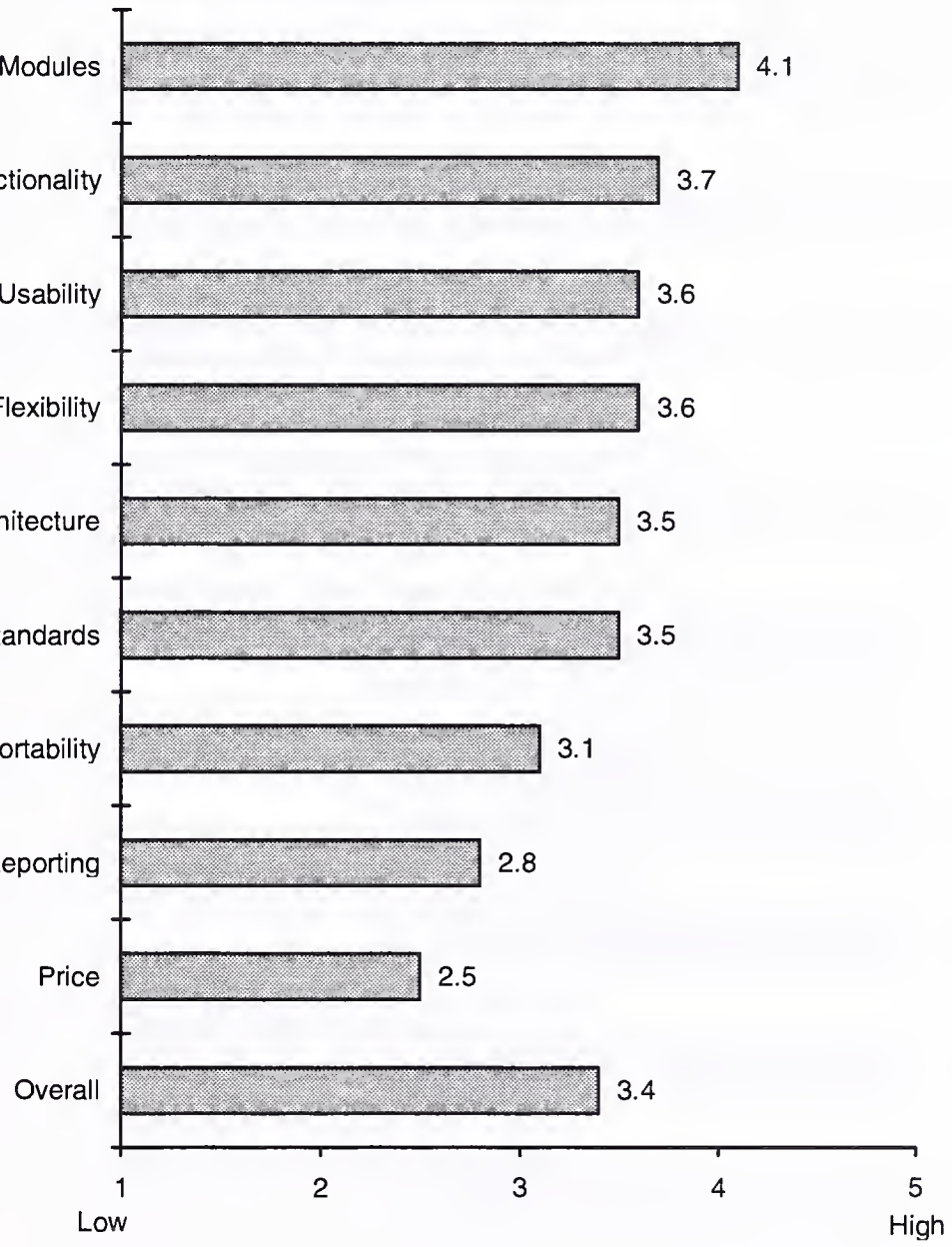


8 R/2 Users *Source: INPUT*

INPUT asked the same questions to R/3 users and found that the responses were broadly similar (see Exhibit IV-2). Interestingly, for both R/2 and R/3, price is the characteristic with which users are the least satisfied, which suggests that more emphasis on pricing would lead to positive results.

Exhibit IV-2

User Satisfaction with R/3



44 R/3 Users *Source: INPUT*

It is noticeable that satisfaction with reporting is particularly low among R/3 users which suggests that the packaged nature of R/3 may result in reporting facilities that do not match specific business needs.

User satisfaction with the prices of R/2 and R/3 is low. This is a serious threat to SAP. SAP and its partners are now targeting smaller organisations as well as large enterprises. Smaller organisations are much more price sensitive and low cost SAP alternatives will make inroads at this level. SAP will increasingly find that their competitors enjoy success on the basis of price as business applications become more commoditised.

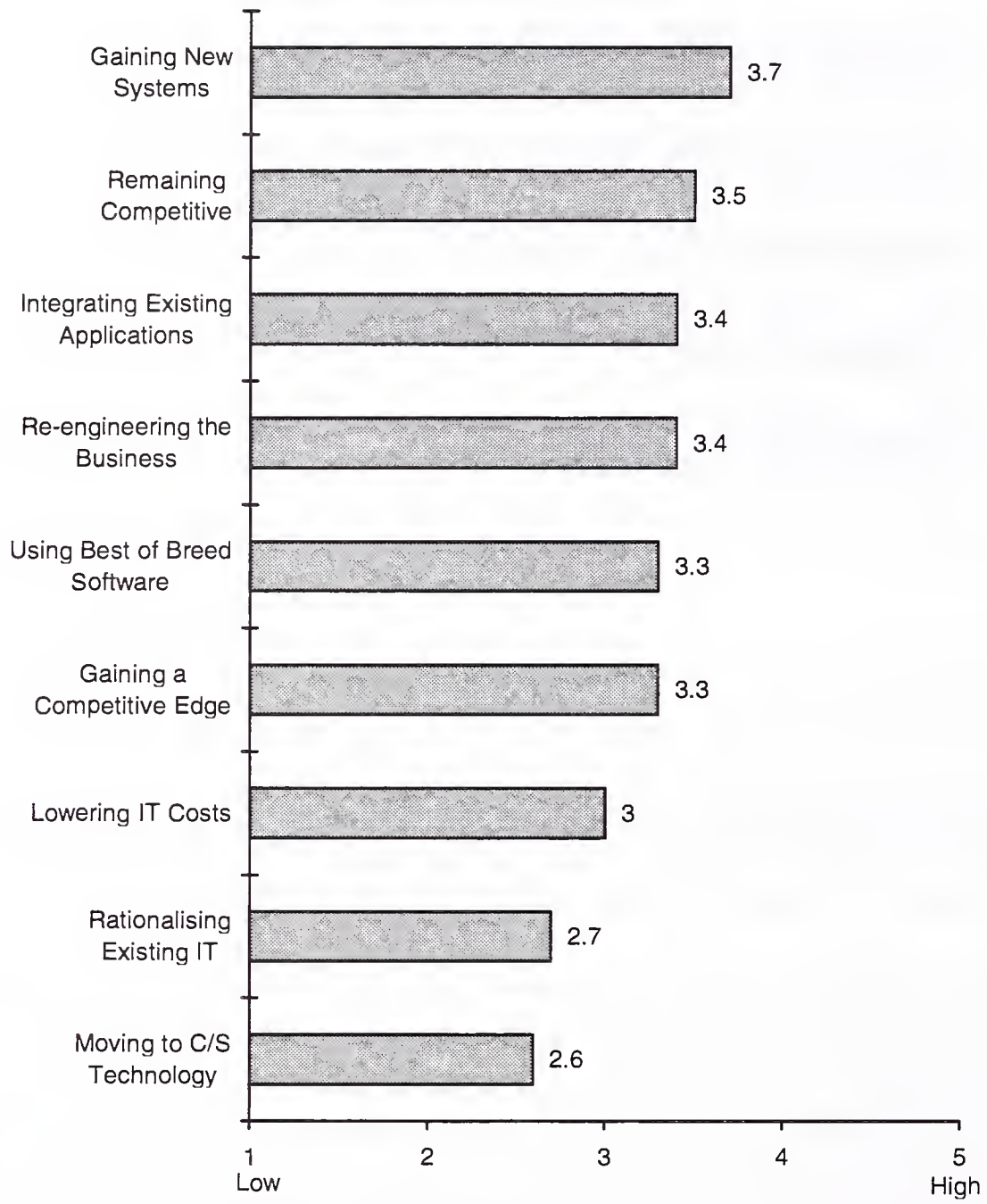
R/3 users, as may be expected, express much higher levels of satisfaction with the flexibility of the product than R/2 users. However, given that flexibility is one of R/3's major selling points, one would expect satisfaction levels with the product's flexibility to be higher.

B
Objectives Behind SAP Implementation

Exhibit IV-3 illustrates user objectives behind the implementation of SAP's R/3.

Exhibit IV-3

Major Objectives Behind R/3 Implementation



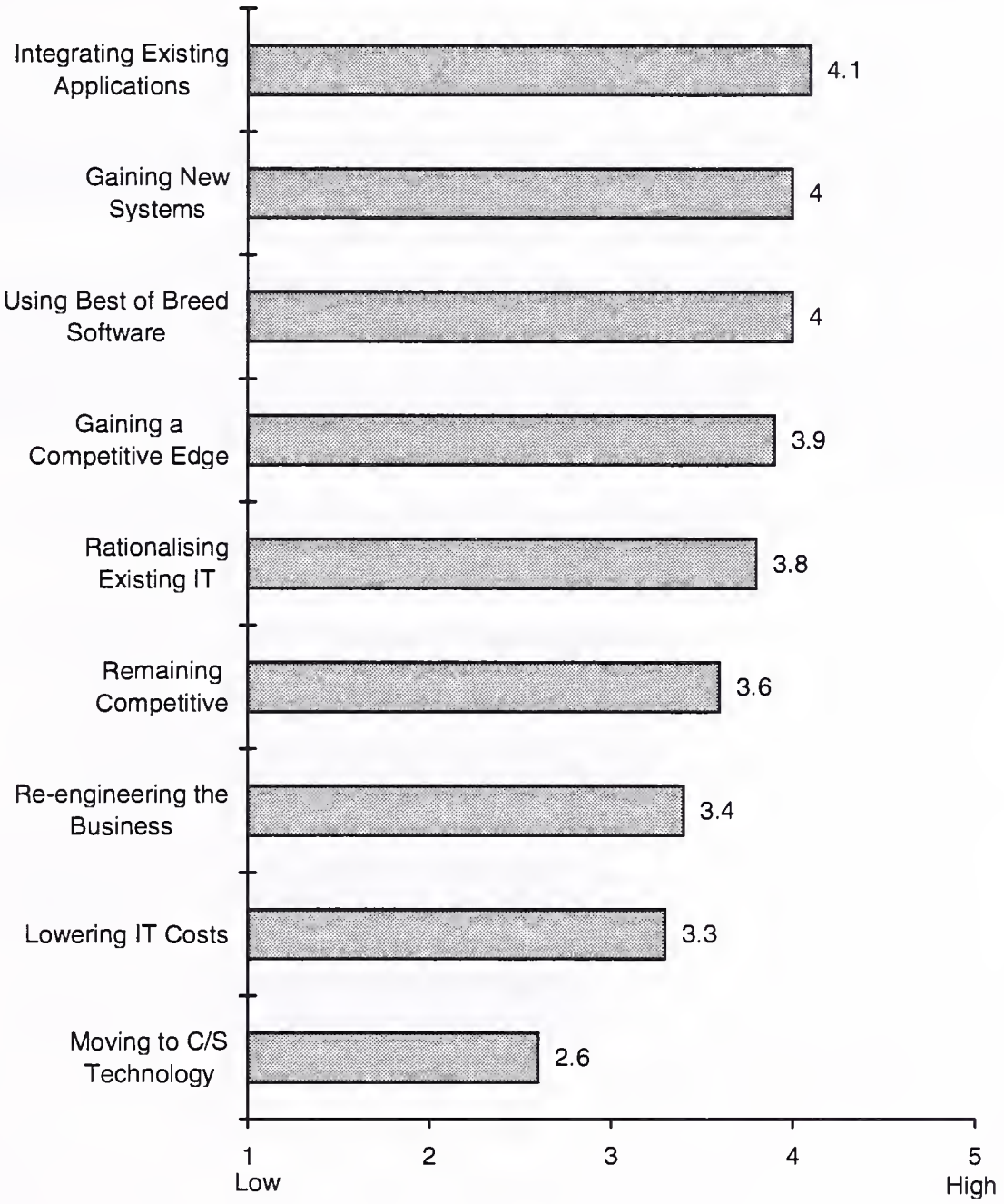
44 R/3 Users

Source: INPUT

Exhibit IV-4 illustrates the objectives behind the implementation of SAP's R/2.

Exhibit IV-4

Major Objectives Behind R/2 Implementation



8 R/2 Users *Source: INPUT*

As illustrated in Exhibit IV-3, the three major objectives behind the implementation of SAP's R/3 are:

- Gaining new systems functionality
- Remaining competitive
- Integrating existing applications.

For R/2, the three major objectives are not dissimilar:

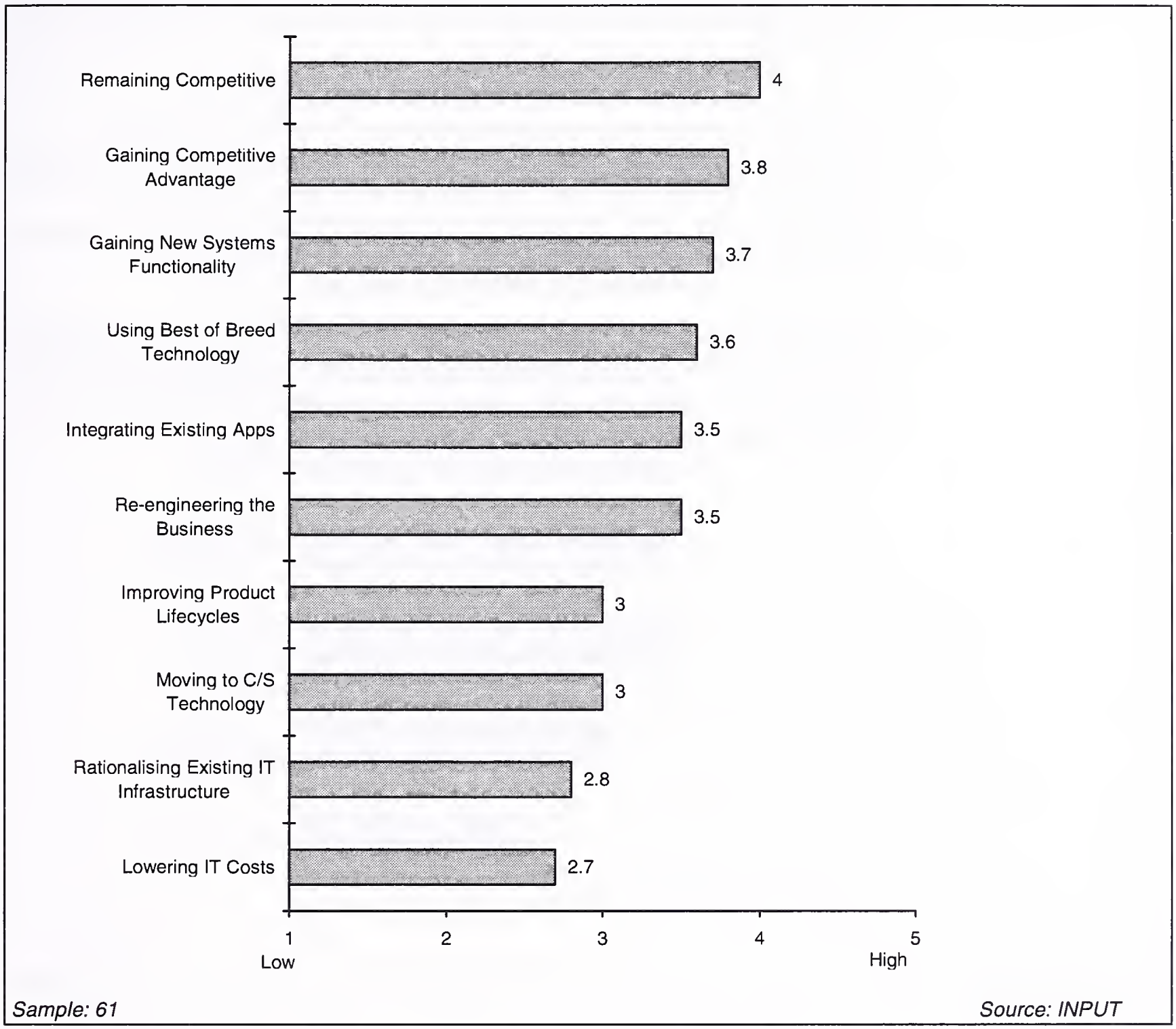
- Integrating existing applications
- Gaining new systems functionality
- Using 'best of breed' software.

The development of the SAP services market will be strongly influenced by the perceptions of users who are planning to undertake large scale systems development or integration projects over the next year.

INPUT asked 61 users, who would consider using SAP products in the next year, the major objectives behind such a project (see Exhibit III-5). Services vendors must find ways of assisting customers in meeting these objectives.

Exhibit IV-5

Major Objectives of SAP Implementation for Potential Users



Sample: 61

Source: INPUT

Users who are considering implementing SAP products view generic business-related issues such as gaining a competitive advantage and remaining competitive as the two main objectives behind SAP implementation.

Existing SAP users place greater importance on more IT-related issues such as integrating existing applications and gaining new systems functionality.

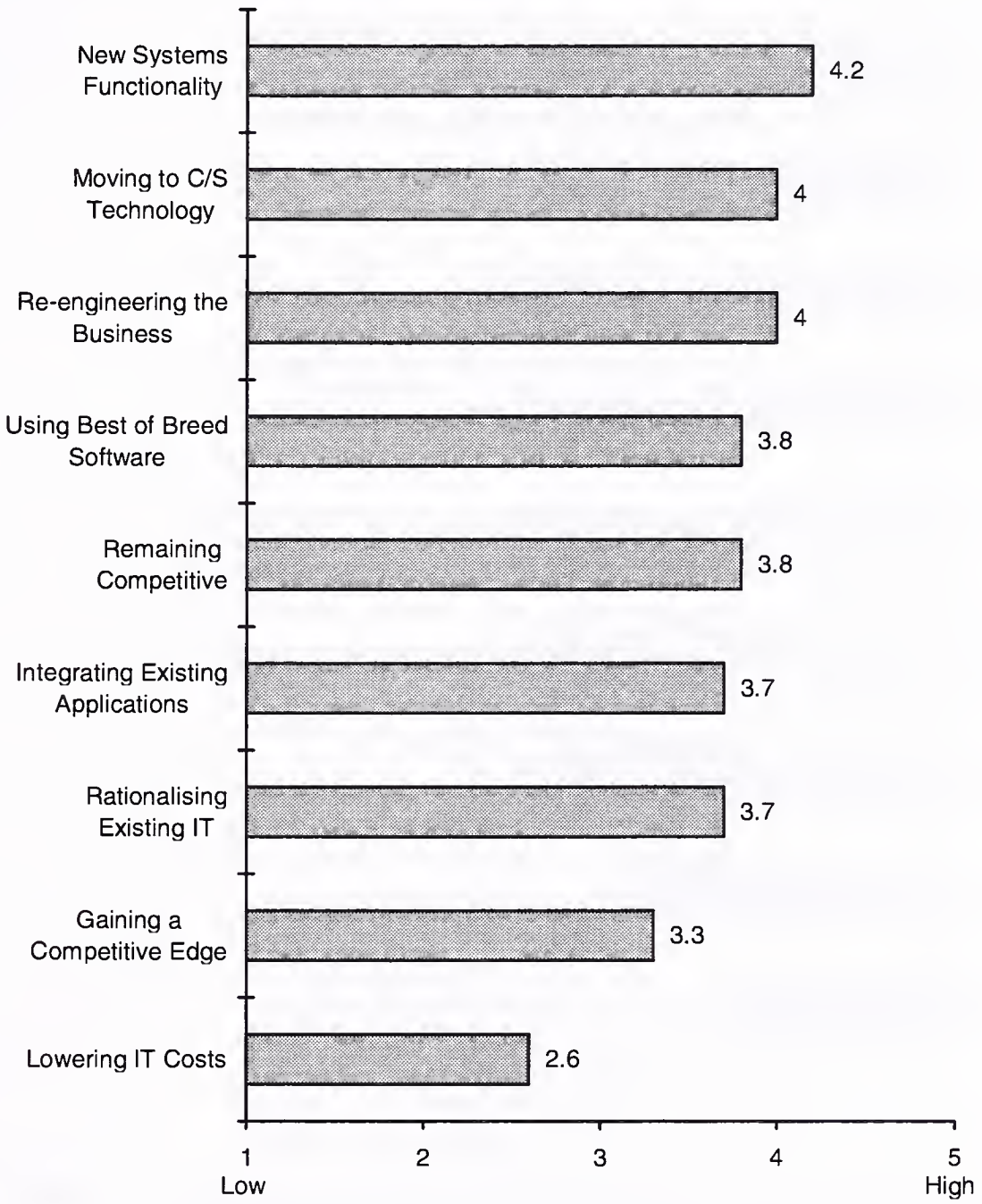
However, the differences between the objectives of the two groups are relatively minor which indicates that awareness of the capabilities of SAP products exists in target market areas. Furthermore, these differences can also be seen as lifecycle functions.

Lowering IT costs is not a major objective in the SAP marketplace. Systems integration (SI) projects involving the implementation of business applications are increasingly becoming perceived as increased IT expenditures. However, this additional expenditure is expected to lead to sizeable cost savings within other areas of the business.

Having established the major objectives behind SI projects involving the implementation of SAP products, INPUT asked SAP users to indicate the extent to which objectives had been met as a result of the implementation of SAP's products (see Exhibits IV-6 and IV-7).

Exhibit IV-6

Meeting Objectives with R/2 Implementation

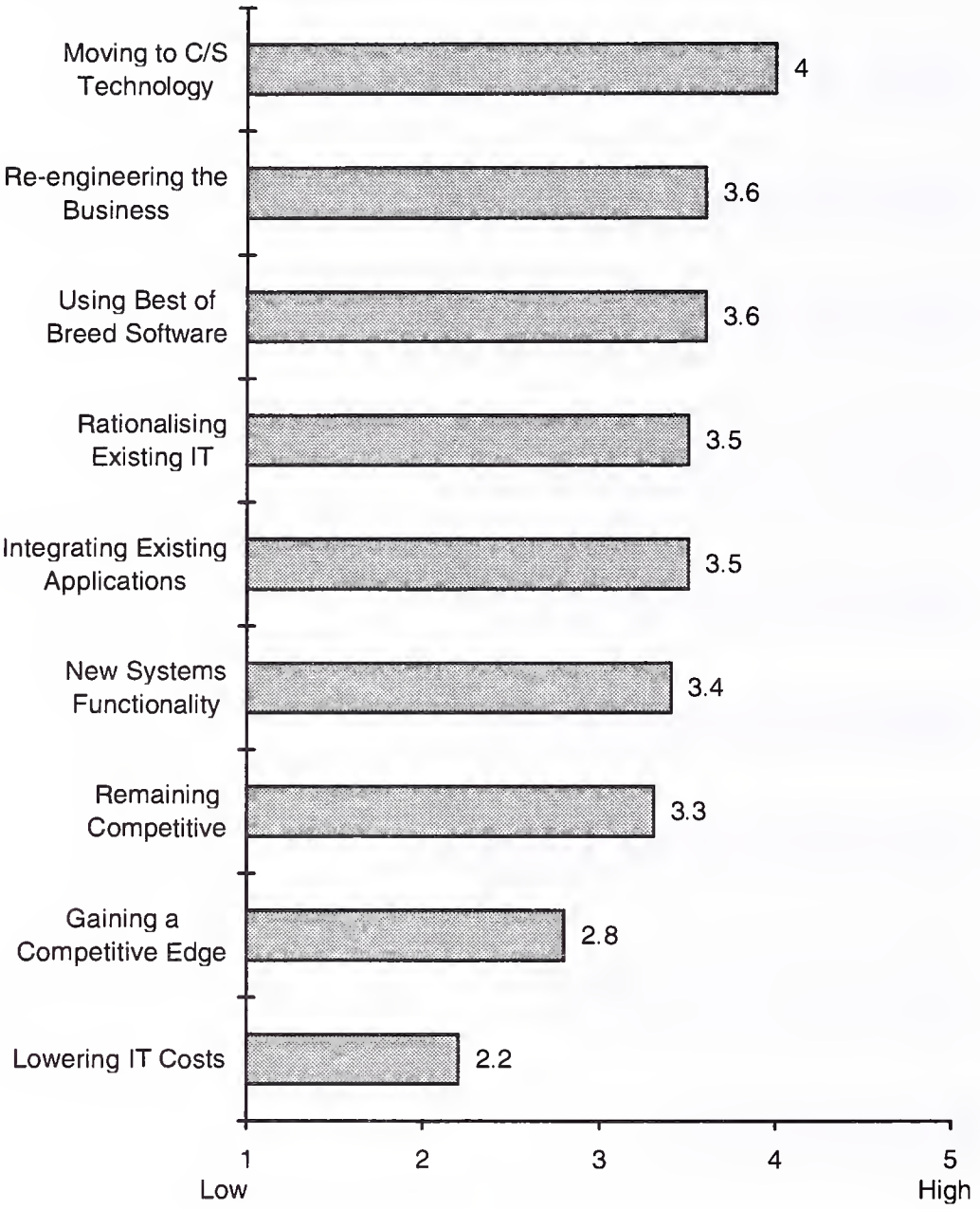


8 R/2 Users

Source: INPUT

Exhibit IV-7

Meeting Objectives with R/3 Implementation



8 R/2 Users

Source: INPUT

Many users purchase SAP products in order to gain a competitive advantage. However, most R/3 users do not believe that this objective is met to any significant degree. Instead, they have found that many of their competitors have also implemented R/3 or a similar product and that R/3 has been necessary just in order to remain competitive in their marketplaces.

One of the major user objectives is to gain new systems functionality from an SAP implementation. This objective has been satisfied for most SAP users.

INPUT's study reveals that the five major reasons why users choose SAP products are that they are perceived to offer:

- A more fully integrated solution than competing products
- Wider coverage of application areas than competing products
- Greater functionality than competing products
- Greater stability/robustness than competing products
- A global solution in terms of the multilingual, multicurrency capabilities.

Users indicated that the aforementioned reasons for choosing SAP products were also the five major strengths of the products.

The five major weaknesses of SAP products are perceived by users to be:

- Poor on-going support
- The cost of implementation
- The complexity of implementation
- Poor usability; the front ends are not considered to be user friendly by many customers
- The lack of SAP skills in the marketplace.

Interestingly, most of these perceived weaknesses do not relate specifically to SAP products. In fact, most of these weaknesses could be overcome by the actions of services vendors.

Services vendors would be well advised to focus on their abilities to deal with these perceived weaknesses when promoting their offerings.

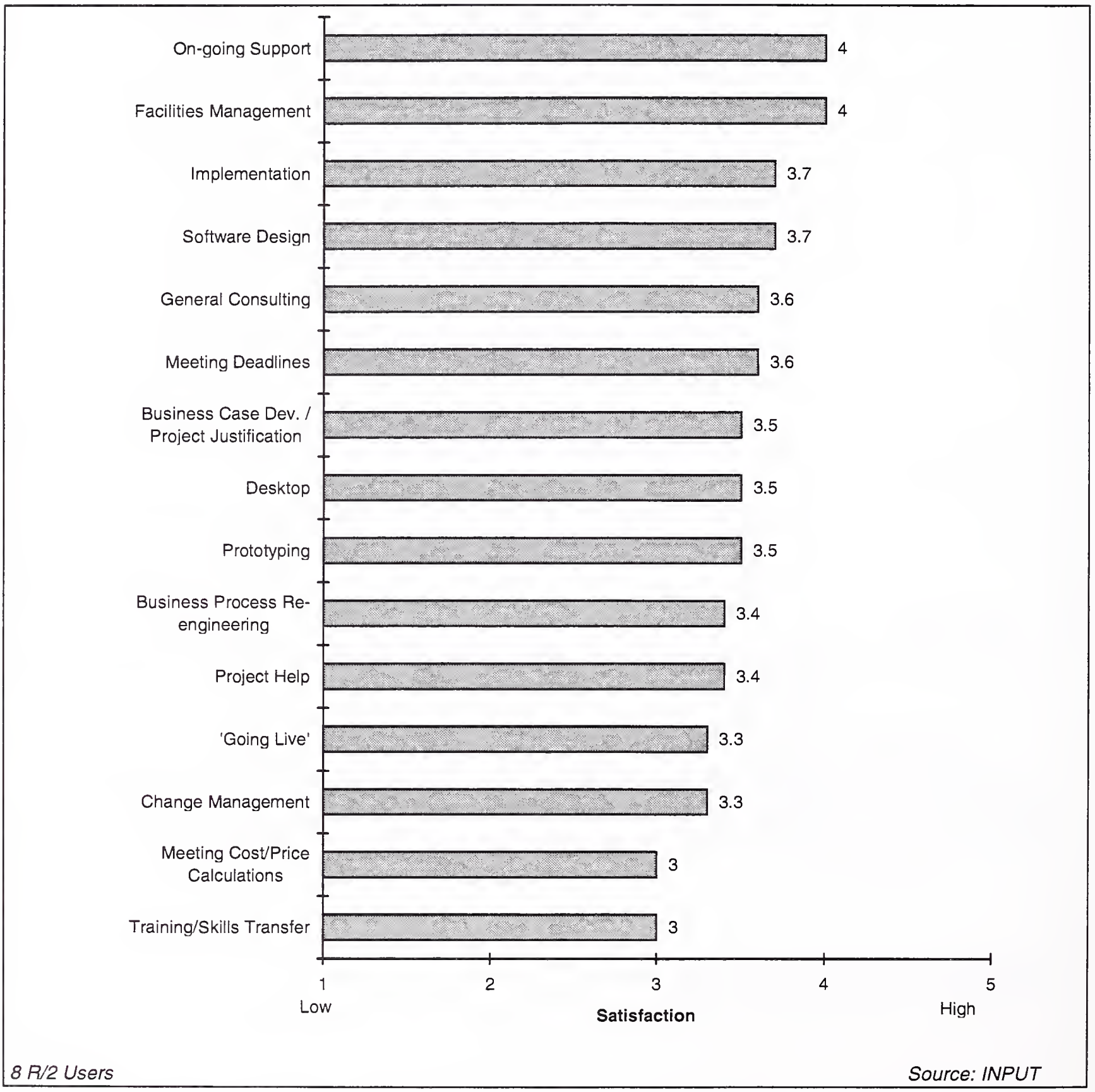
C

User Satisfaction with SAP Services Delivered by External Vendors

INPUT asked SAP users to indicate their levels of satisfaction with various aspects of services centred around R/2 and delivered by external services vendors (see Exhibit IV-8).

Exhibit IV-8

R/2 User Satisfaction with Services Delivered by External Vendors



8 R/2 Users

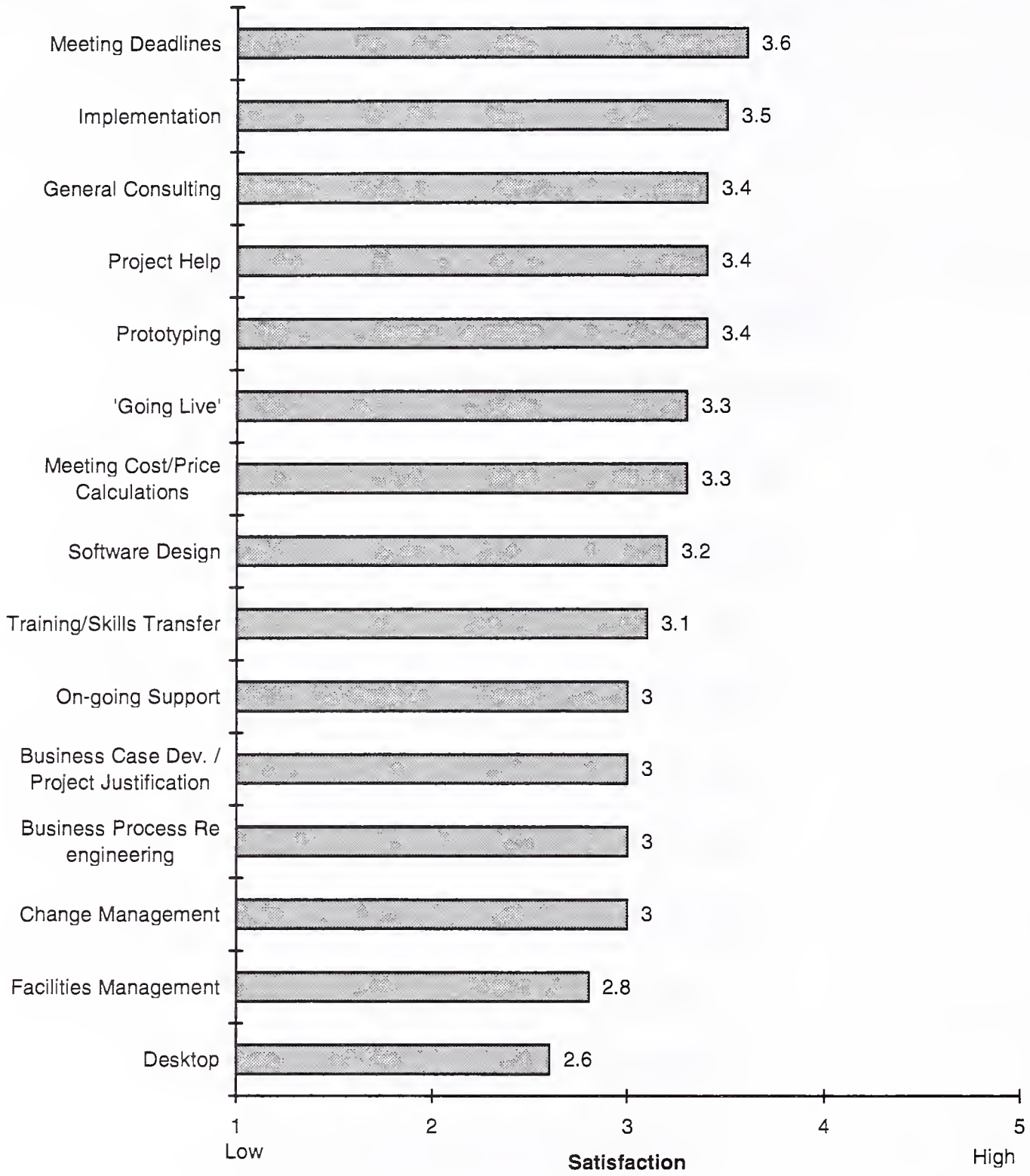
Source: INPUT

Despite the fact that many users mentioned on-going support as a weakness relating to SAP products, R/2 users express a high degree of satisfaction with the support provided by their services vendors. Although there is scope for improvement in the delivery of most aspects of the services centred around R/2, training/skills transfer and meeting cost/price calculations are the areas that are in particular need of improvement for R/2 services vendors.

INPUT asked R/3 users to express their levels of satisfaction with various aspects of services centred around R/3 and delivered by external services vendors (see Exhibit IV-9).

Exhibit IV-9

R/3 User Satisfaction with Services Delivered by External Vendors



44 R/3 Users

Source: INPUT

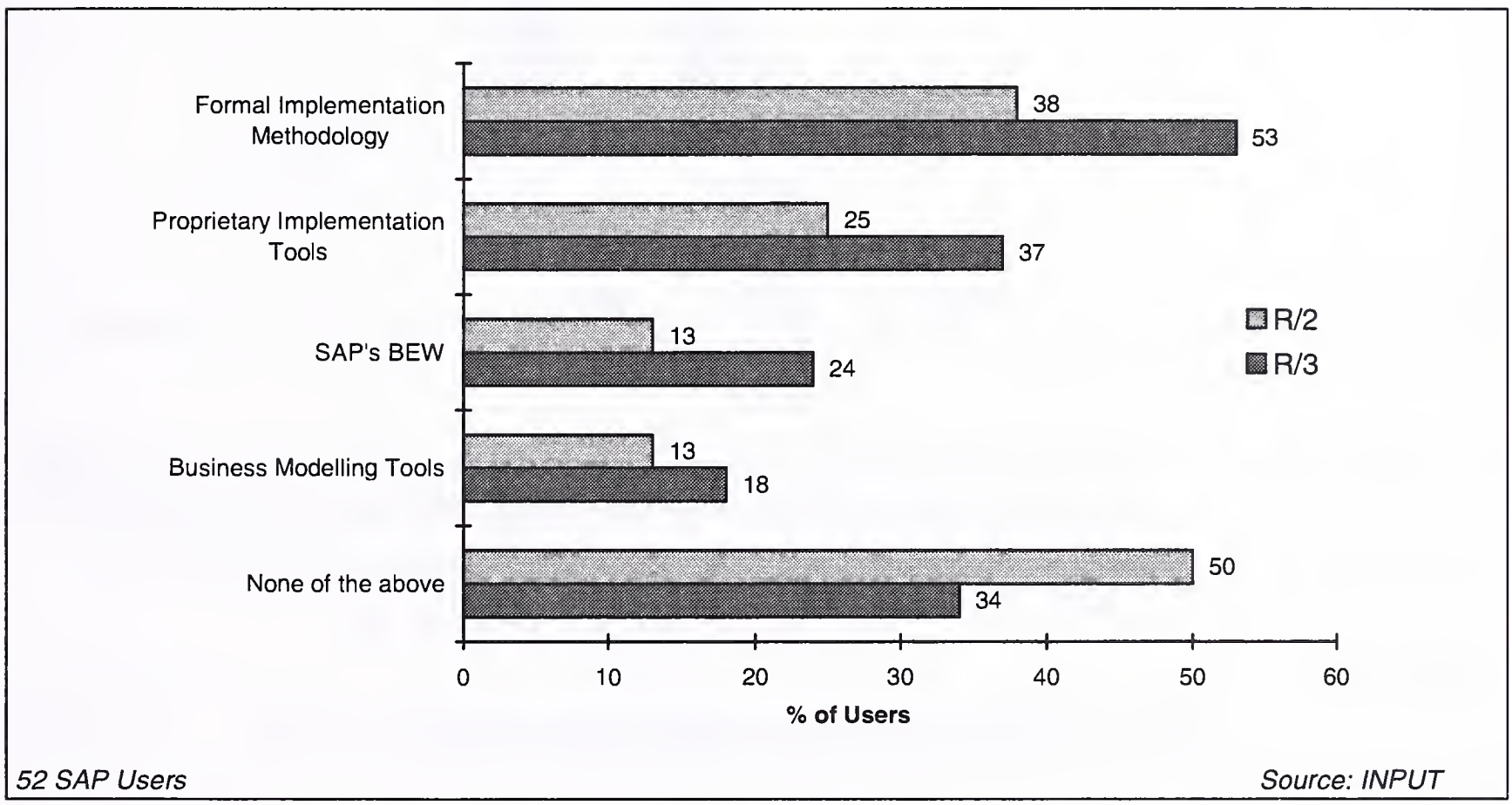
Satisfaction levels with the ability of external services vendors to meet deadlines and implement R/3 are relatively high. However, there is scope for improvement in most areas, notably in support, business-related services, facilities management and desktop-related services. On-going support is an area of particular importance, given that users mention it

most frequently as a weakness of SAP products and for R/3 at least, the average satisfaction level is modest at best.

D
Use of Tools and Methodologies

INPUT asked SAP users which methodologies or/and tools their services provider used (see Exhibit IV-10).

Exhibit IV-10

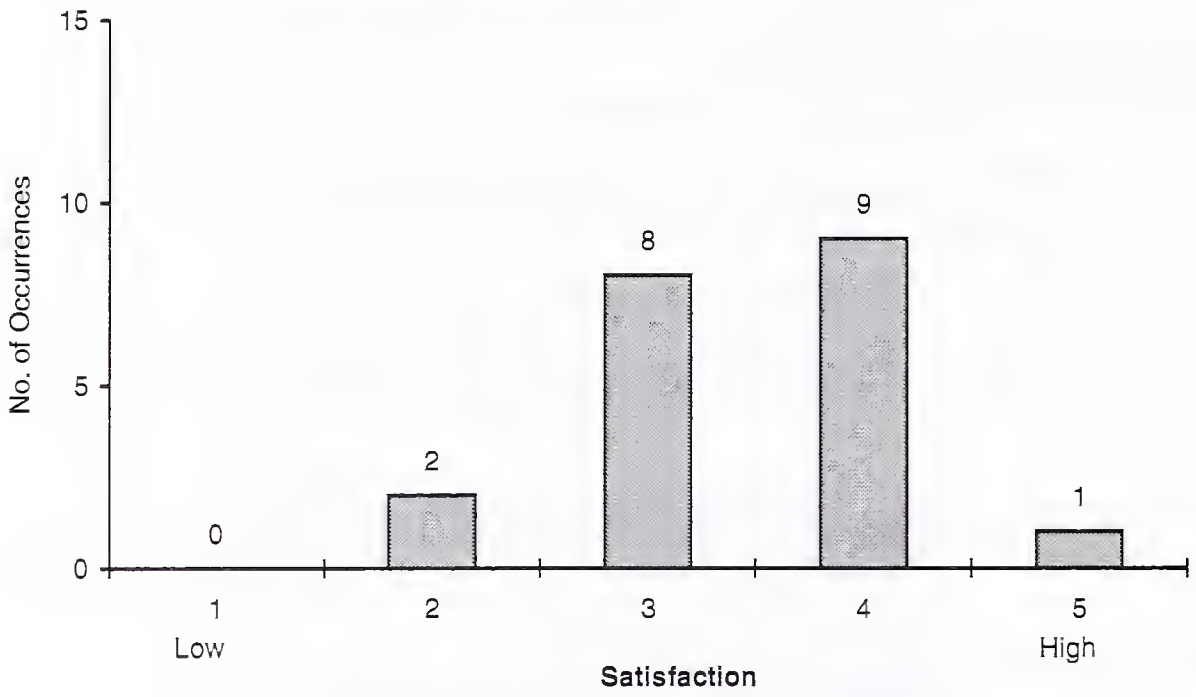


Formal implementation methodologies such as Structured Systems Analysis and Design Method (SSADM) were the most commonly used approaches to SAP implementation with over half of R/3 users opting for such an approach.

Users were asked to express their level of satisfaction with the methodologies/tools used by external services vendors for their SAP implementations (see Exhibits IV-11 to IV-14).

Exhibit IV-11

User Satisfaction with Formal Implementation Methodologies



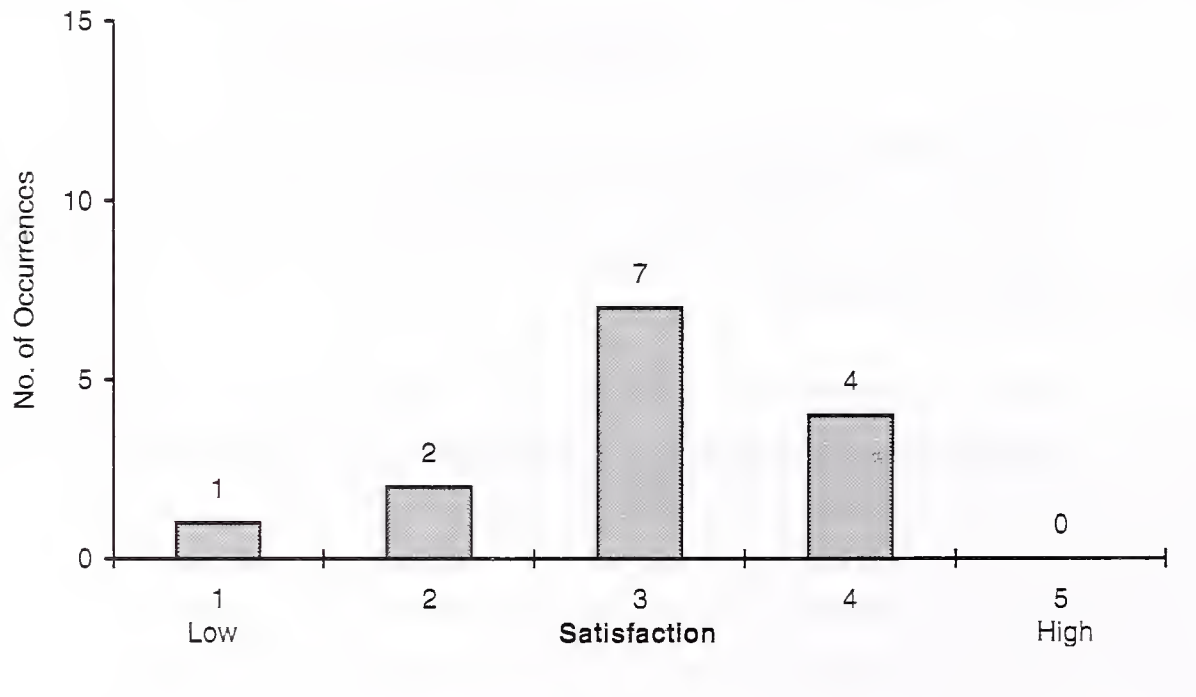
Sample: 20

Source: INPUT

Users are more satisfied with formal implementation methodologies than any other approach. Half of the user sample expressed a high degree of satisfaction with the use of formal implementation methodologies by external vendors.

Exhibit IV-12

User Satisfaction with Proprietary Implementation Tools



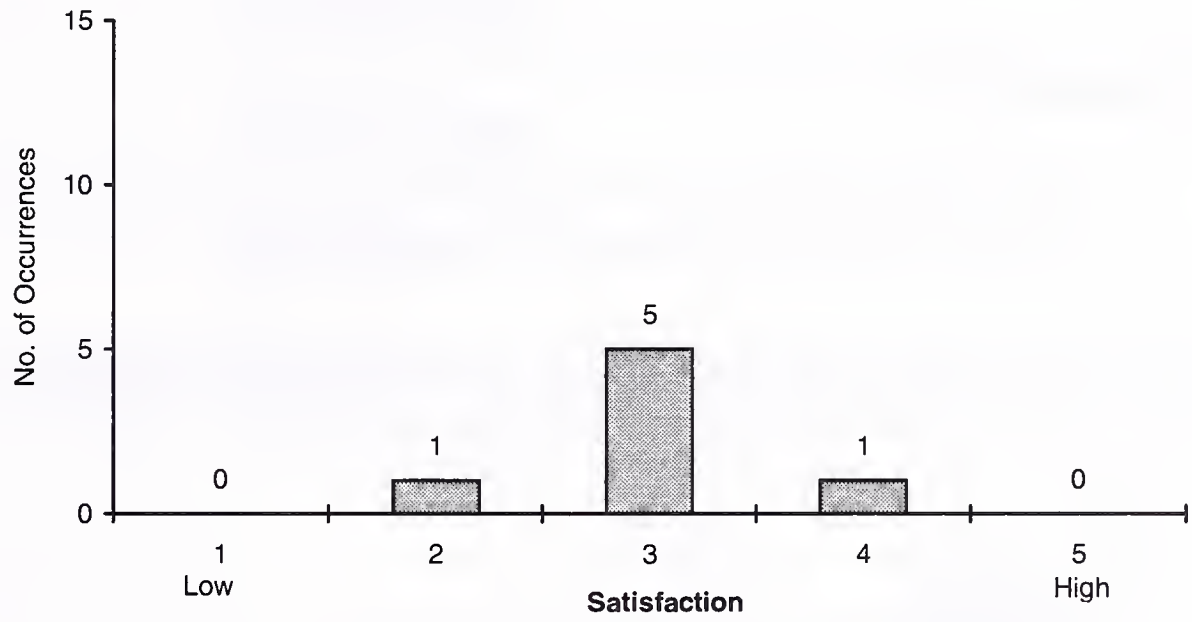
Sample: 14

Source: INPUT

Users expressed less satisfaction with proprietary implementation tools than with formal implementation methodologies. Nearly as many users expressed high levels of dissatisfaction as expressed high levels of satisfaction.

Exhibit IV-13

User Satisfaction with Business Modelling Tools

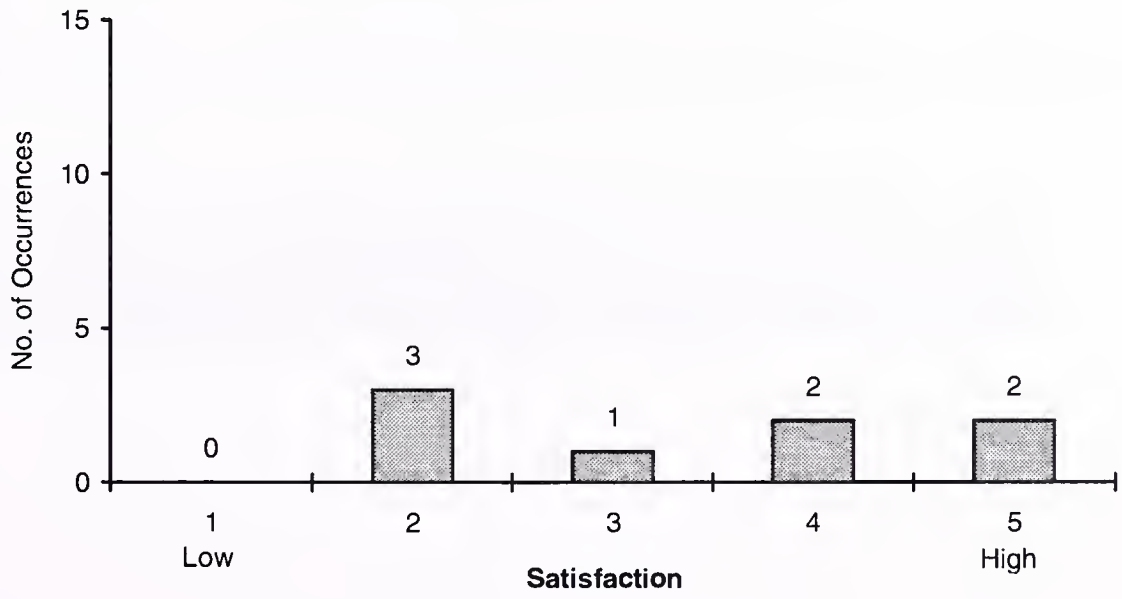


Sample: 7 *Source: INPUT*

Overall, users responded indifferently to the use of business modelling for SAP product implementations.

Exhibit IV-14

User Satisfaction with SAP's BEW



Sample: 8 *Source: INPUT*

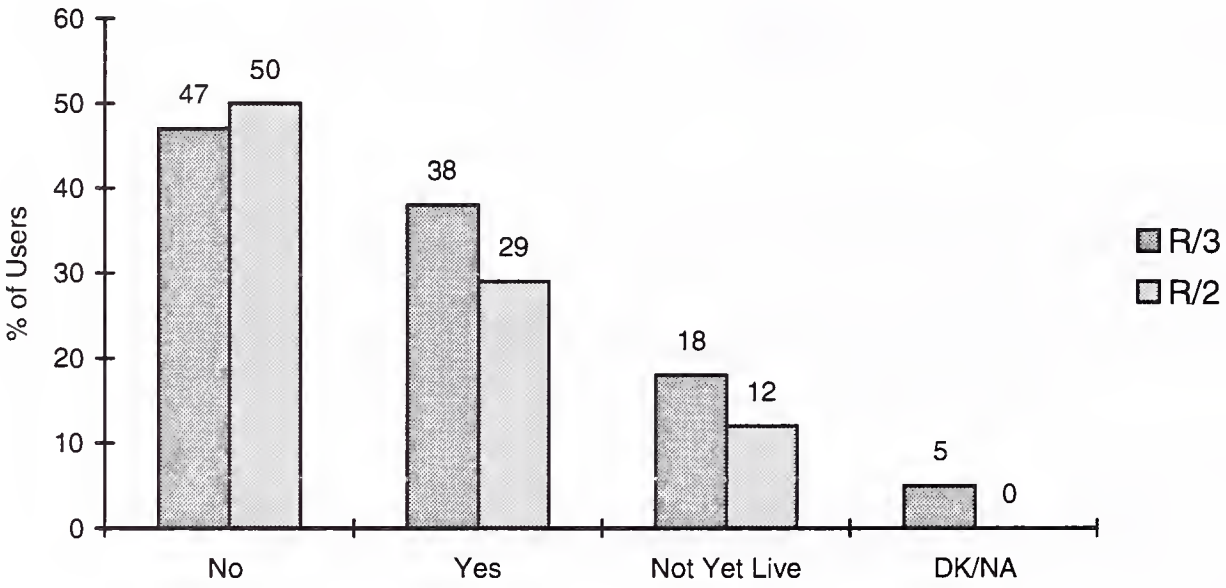
Users of SAP's Business Engineering Workbench (BEW) express differing satisfaction levels regarding this tool. Over half of the sample express high levels of satisfaction and nearly half express low levels of satisfaction. This indicates that some enterprises are using the tool to its full potential while others are not using it appropriately. Services vendors should ensure that users are aware of the full benefits of BEW and are able to realise its benefits.

E
Areas for Improvement

Nearly 40% of R/3 users revealed that they encountered significant problems with their systems (see Exhibit IV-15)

Exhibit IV-15

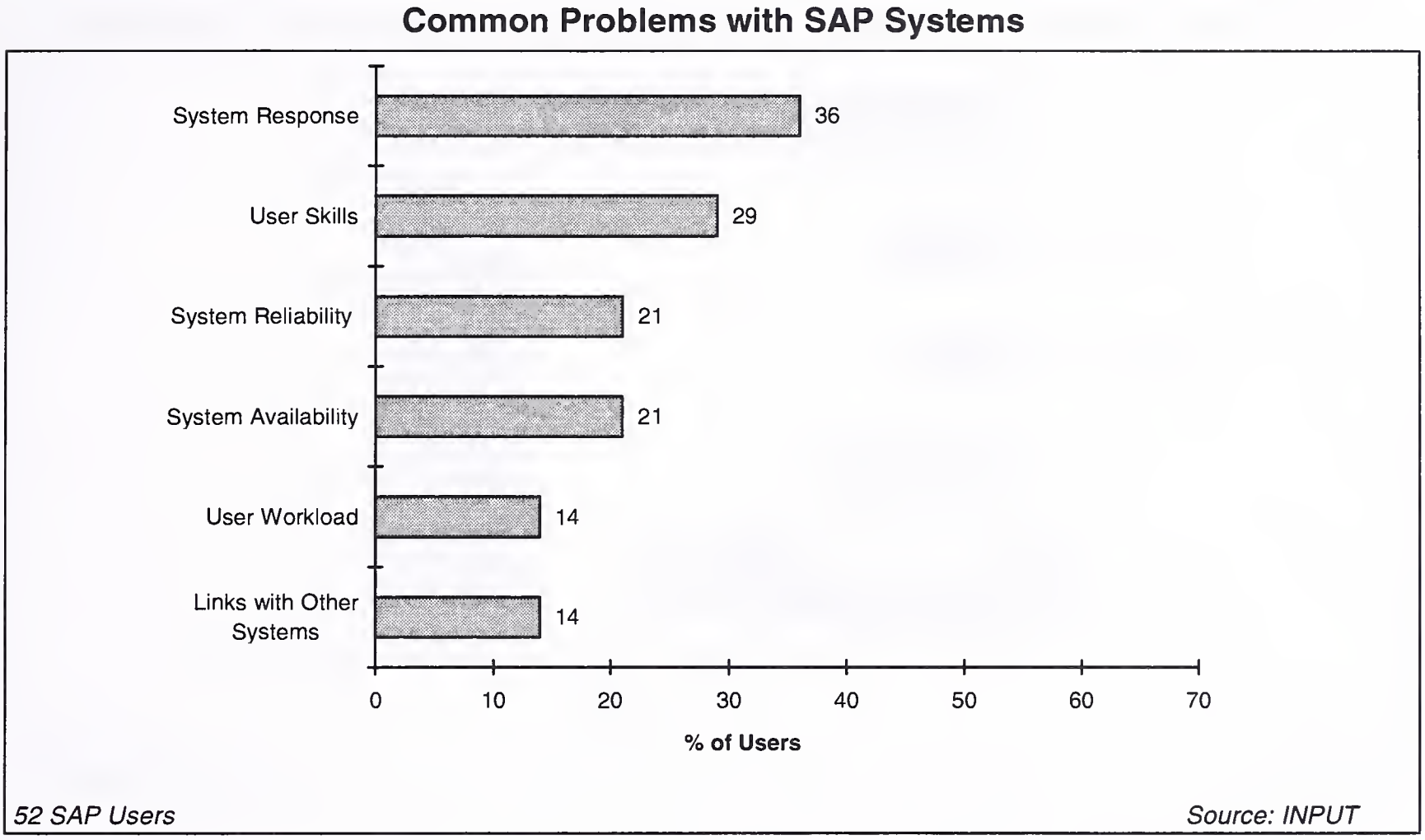
Proportion of Users Encountering Significant Problems with their Systems



52 SAP Users *Source: INPUT*

Over a third of users indicated that problems with their SAP systems are related to systems response (see Exhibit IV-16). Nearly a third of enterprises had difficulty finding users with appropriate SAP skills.

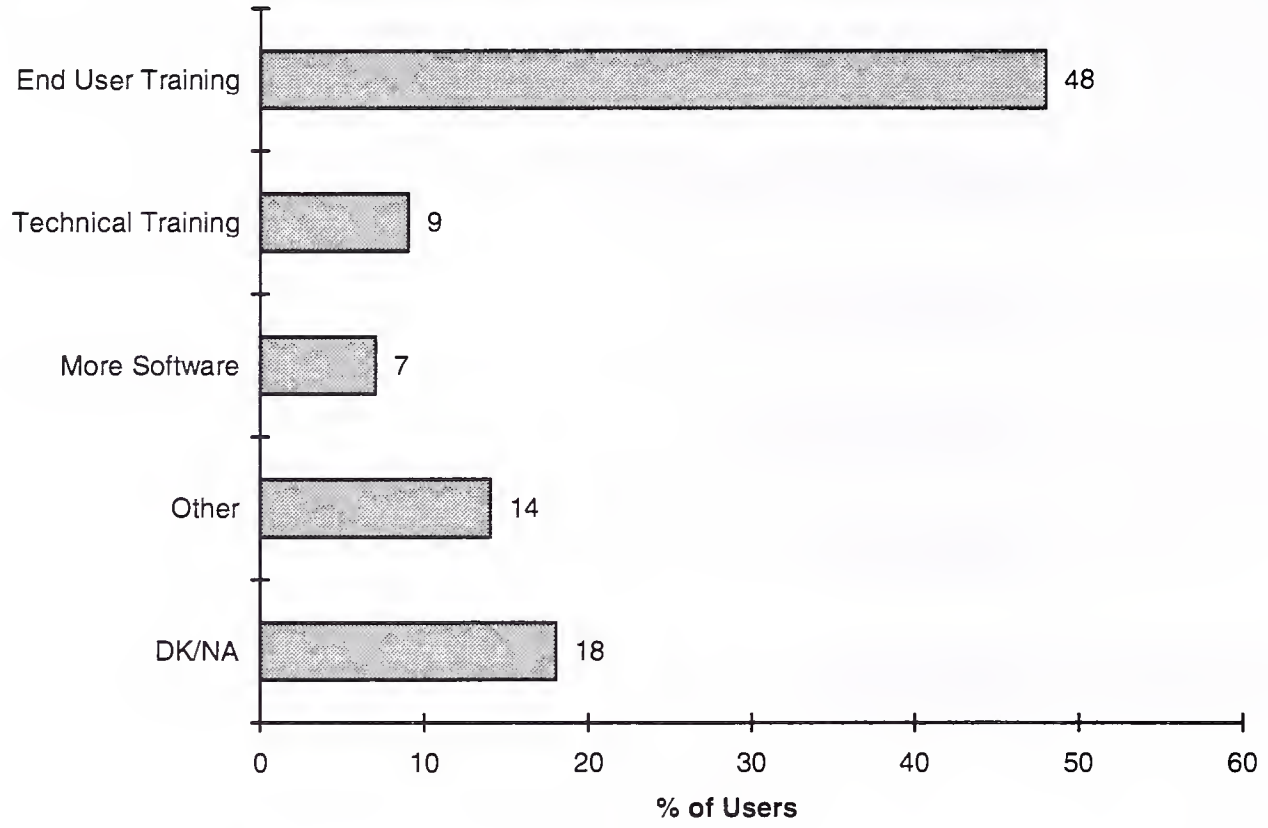
Exhibit IV-16



INPUT asked SAP users to indicate what areas they believed required further investment in order to improve the usage of their SAP systems (see Exhibit IV-17).

Exhibit IV-17

Areas in which Further Investment would Improve Usage of SAP Systems



52 SAP Users

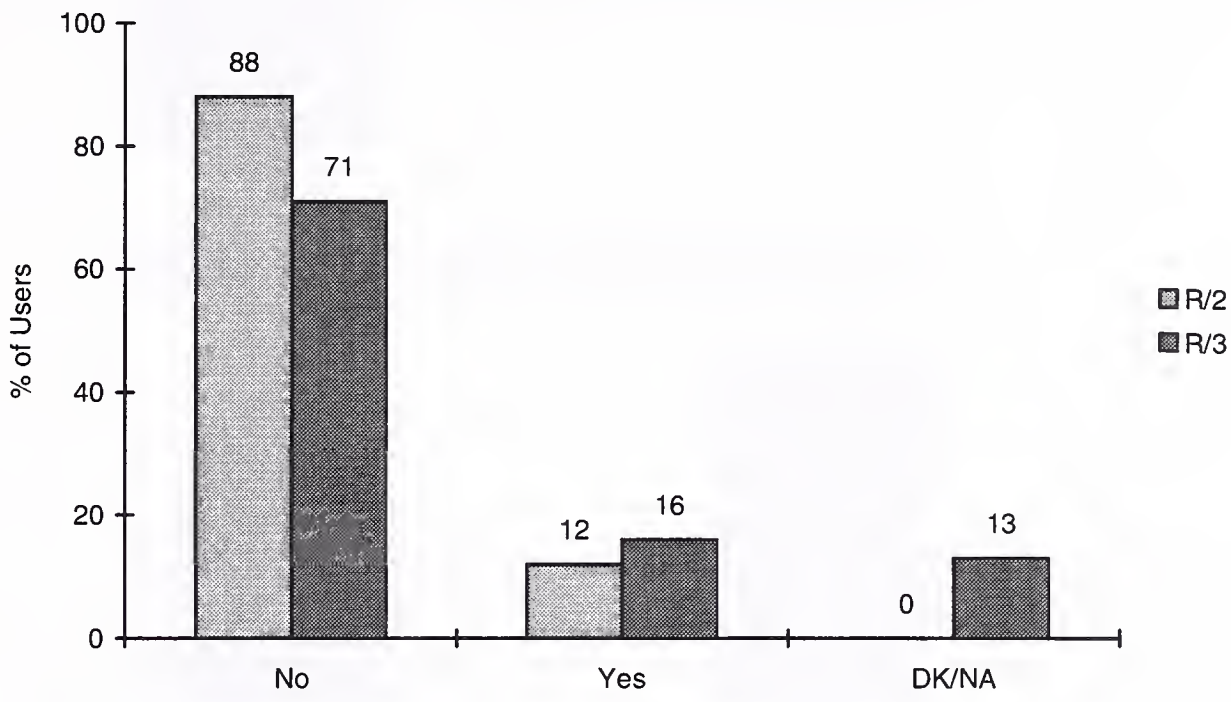
Source: INPUT

INPUT's survey reveals that there is a shortage of skilled users of SAP systems. There are insufficient skills in the marketplace relating to using SAP products for business purposes. Nearly 50% of users believe that further investment is required in the area of end user training. There is also a shortage of technical skills relating to SAP products.

Three-quarters of all SAP users believed that there were no unmet requirements from their SAP implementation processes (see Exhibit IV-18).

Exhibit IV-18

Proportion of Users with Unmet Requirements from the Implementation Process



52 SAP Users

Source: INPUT

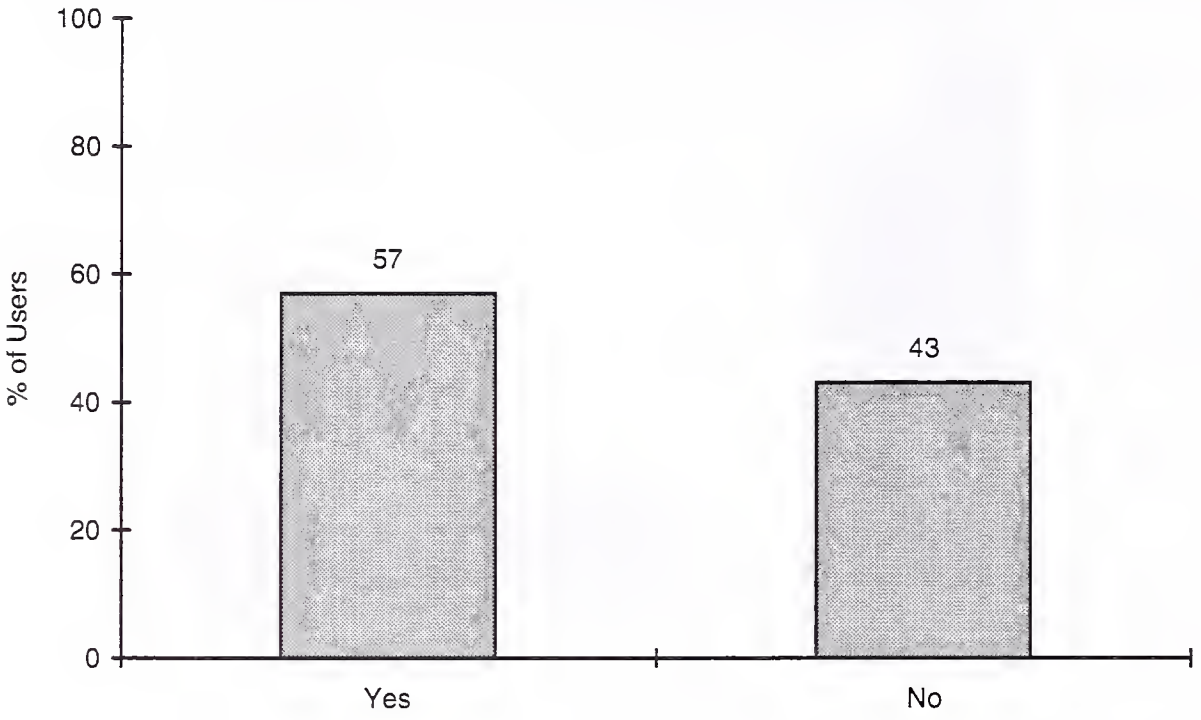
However, of those users that had unmet requirements, the three most commonly mentioned requirements were:

- Having a basis for on-going support
- Risk management
- Full integration of the system across the enterprise.

Over half of the users who mentioned that their services provider did not meet all requirements related to implementation believe that other SAP services providers offer the unmet services (see Exhibit IV-19).

Exhibit IV-19

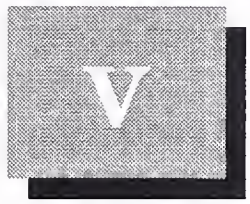
Proportion of Users who Believe that Alternative Services Providers Can Meet Their Unfulfilled Requirements



Sample: 8

Source: INPUT

The SAP services market is maturing rapidly in the UK. Vendors who do not offer a comprehensive suite of services that answer user concerns will increasingly lose custom to their competitors.



Market Development

This chapter analyses the development of the SAP services market. It examines the use of external services vendors by enterprises, the selection criteria used to select a services vendor and the type of contract preferred by users.

A Market Growth

SAP experienced phenomenal success with its enterprise-wide business applications products in the mid-1990's. The company's UK revenues grew by 84% between 1994 and 1995 from £23.8 million to £43.8 million. This growth slowed to 34% between 1995 and 1996 with UK revenues reaching £58.8 million in 1996. The slowdown in growth can be expected to continue for three major reasons:

- SAP had a relatively small installed base in the UK prior to 1995
- Its products have traditionally been targeted at large enterprises (typically with annual revenues in excess of £500 million) — there are a limited number of such organisations
- Increased competition.

SAP can still expect to experience growth in the UK from:

- The remaining large enterprises that have not implemented enterprise-wide business applications

- Smaller organisations that are increasingly demanding the rich functionality, the scalability, the range of applications modules, and the integrated attributes associated with SAP's products

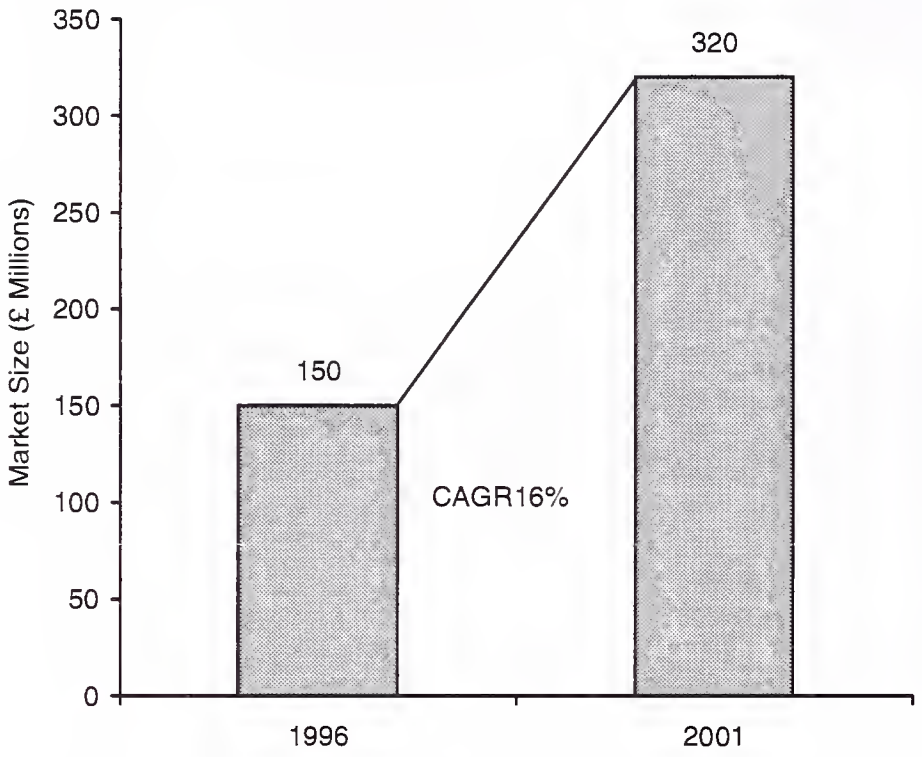
- Demand from both its existing customers and potential customers for the Internet-enabled version of R/3.

As a result of SAP's success, SAP services providers have also enjoyed success over the last few years and will continue to do so.

The market for SAP related services reached £150 million in 1996 (see Exhibit V-1). INPUT estimates that it will reach £320 million in 2001.

Exhibit V-1

UK Market for SAP-Related Services, 1996-2001



Sample: 118

Source: INPUT

In 1995, SAP's UK revenues grew by 84%. However, this growth has slowed to 34% in 1996 as a result of both stiffer competition in the business applications market and a larger installed base.

Services revenues are estimated to be three times the size of SAP's product revenues at present. However, this ratio is likely to fall to about 2.5:1 as the end of the century approaches. This is reflected in the modest (by SAP standards) CAGR for SAP-related services of 16% in the UK.

Influences on the SAP services market include:

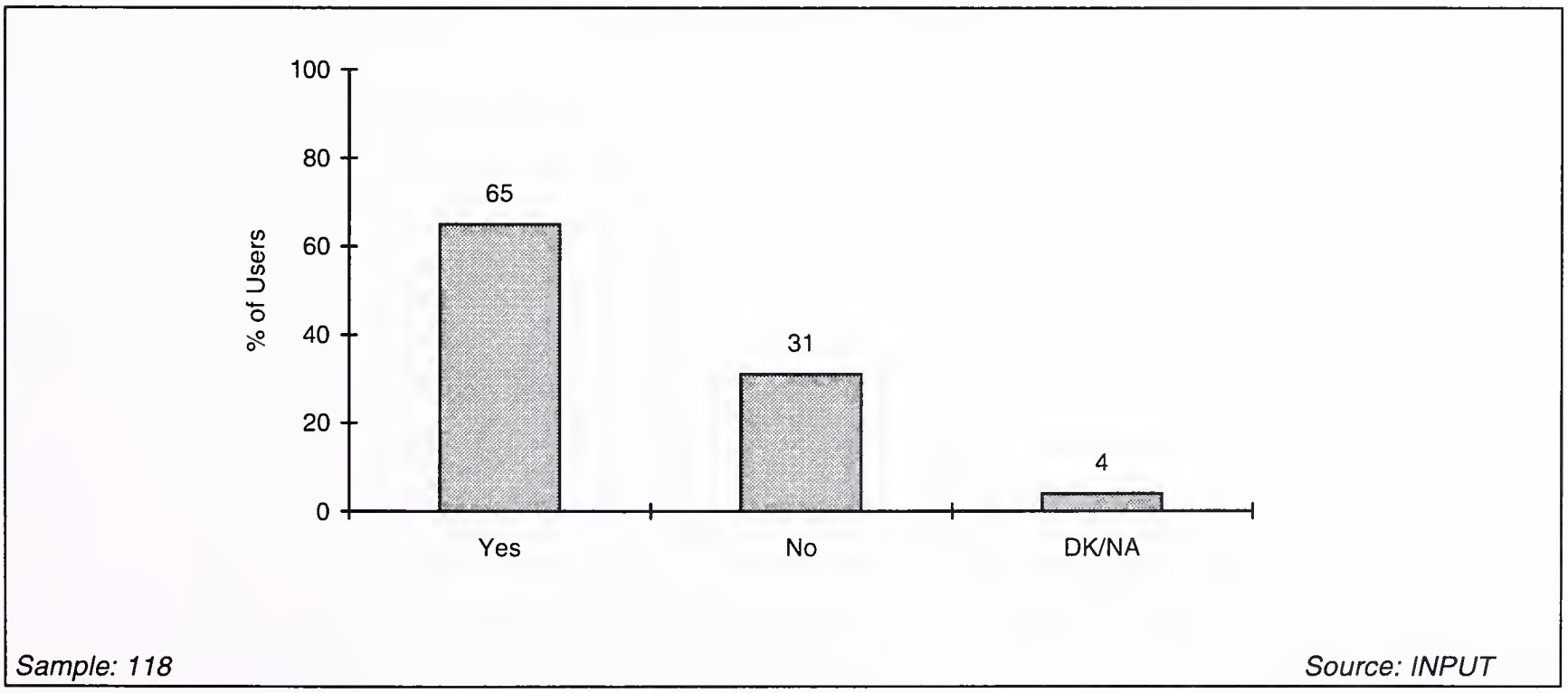
- Emphasis on reducing implementation times
- Efforts to reduce the complexity of R/3 for smaller organisations
- Moves away from time and materials contracts and towards fixed price contracts
- Pre-loading R/3 onto hardware; H-P now offer hardware with R/3 pre-installed
- Greater competition in the marketplace
- An increase in SAP-related skills.

Although SAP's phenomenal growth and the resulting growth of the market for SAP-related services can be expected to stabilise, the prospects for steady healthy growth are good.

Indeed, two-thirds of enterprises that will embark on a large-scale development project or SI initiative in the next 12 months revealed that they would use packaged business application software such as SAP's R/3 (see Exhibit V-2).

Exhibit V-2

Would Users Purchase Packaged Business Application Software for Large-Scale Development or Integration Projects?



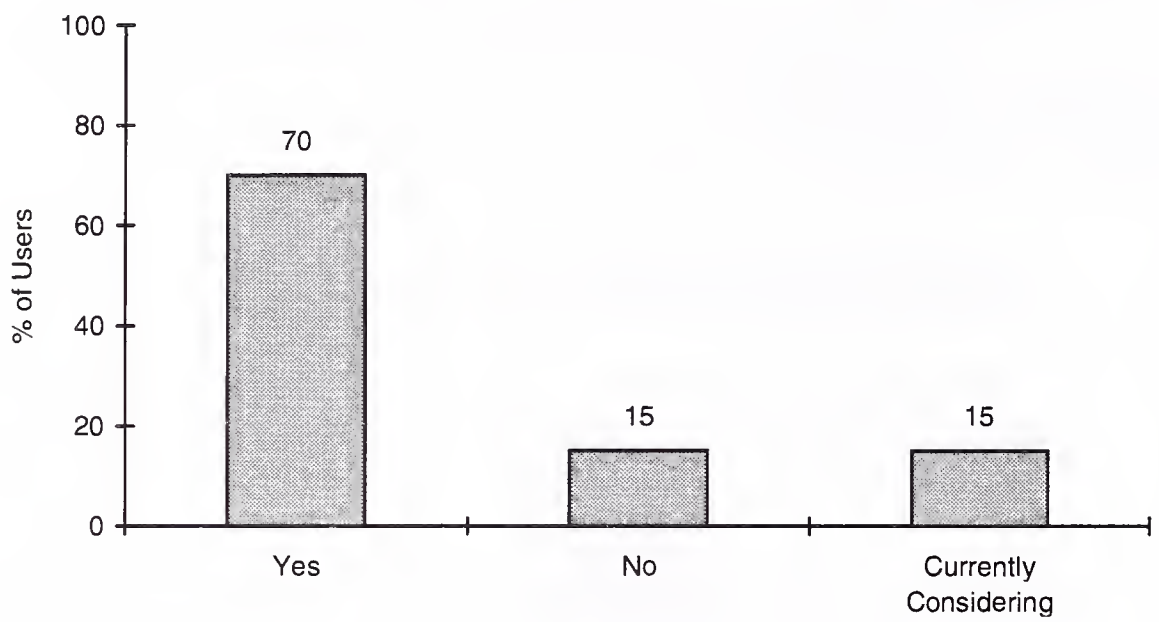
Sample: 118

Source: INPUT

70% of users who are planning to embark on a large scale development or SI project over the next year revealed that they would use external services vendors to assist them with their application development or SI initiatives (see Exhibit V-3).

Exhibit V-3

Would Enterprises Use External Services Vendors to Assist Application Development or SI Initiatives?



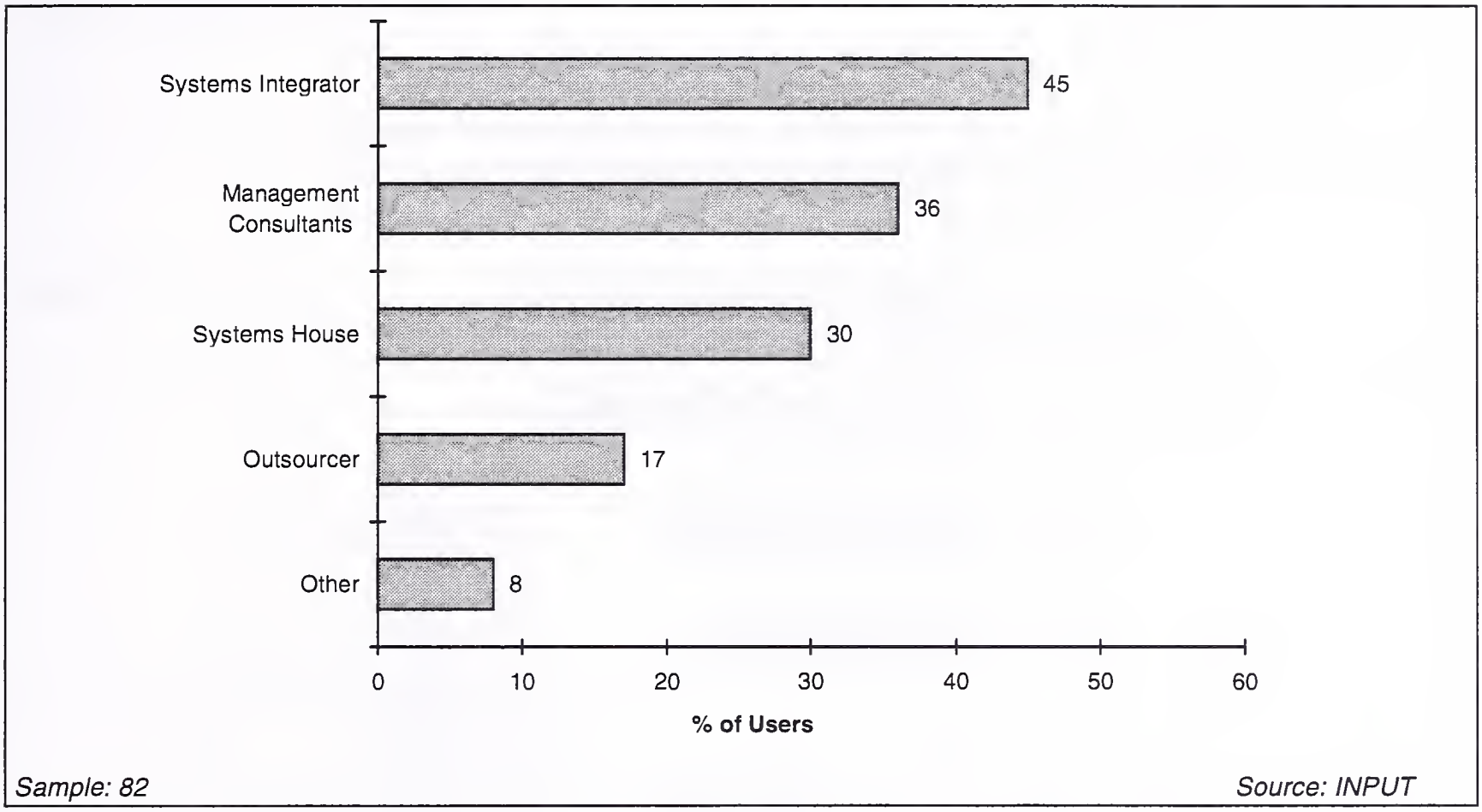
Sample: 118

Source: INPUT

Of those users that intend to use an external services vendors, most will source their services from systems integrators, management consultants and systems houses (see Exhibit V-4).

Exhibit V-4

Choice of Services Vendor by Vendor Type



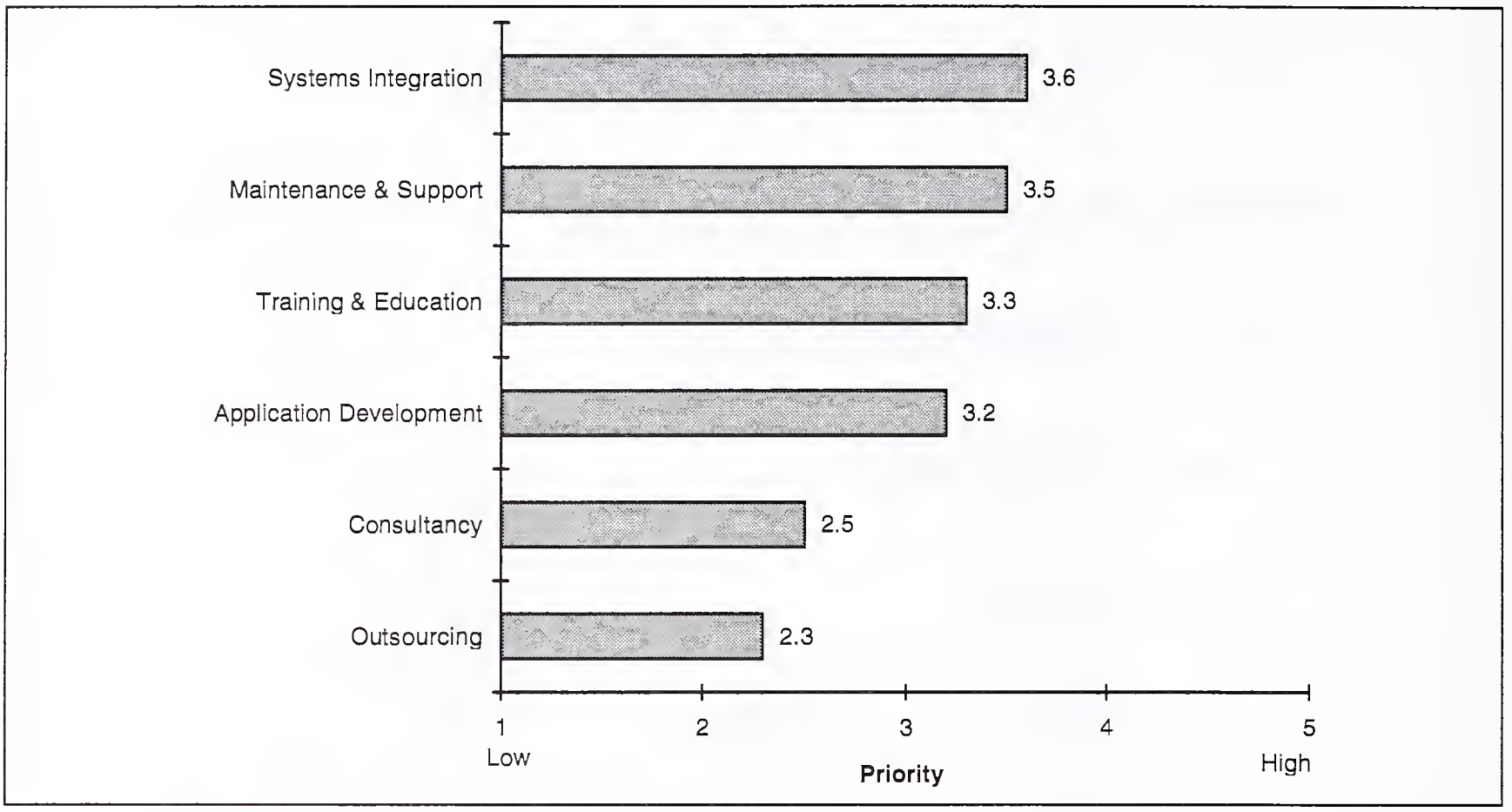
Sample: 82

Source: INPUT

In order to ascertain the areas in which potential SAP users spend most of their IT budgets, INPUT asked non-users of SAP products who are planning to undertake large scale systems development projects over the next year to indicate the priorities of their external spend (see Exhibit V-5).

Exhibit V-5

Priorities of External IT Spend for Potential Users of SAP Products



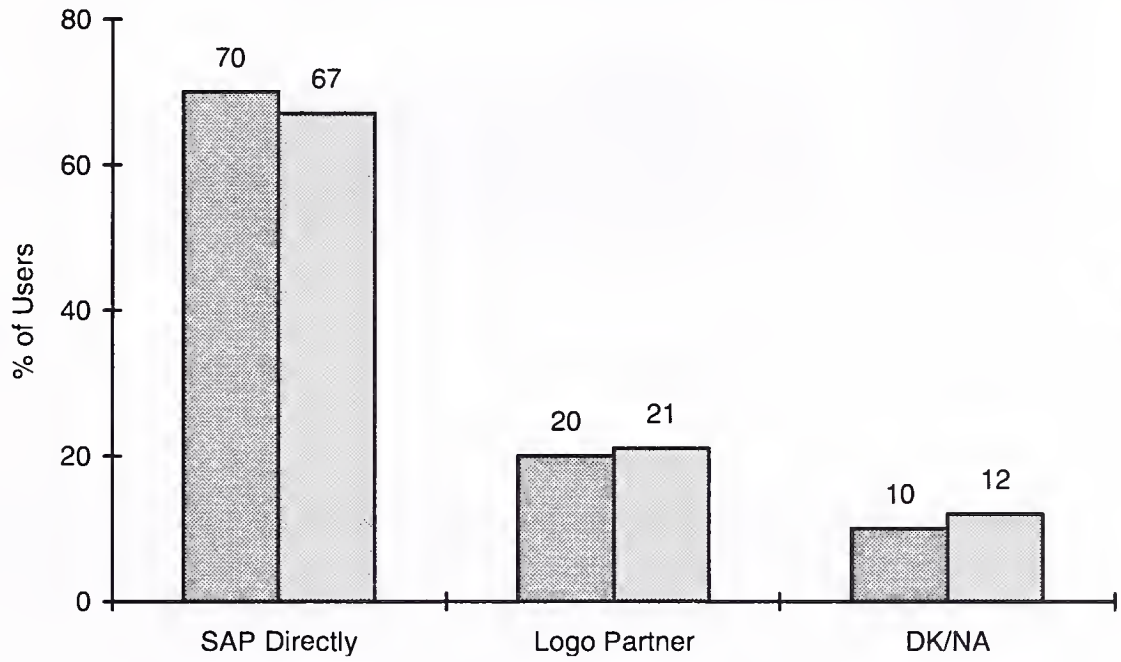
Systems integration, and maintenance and support are the main priorities in terms of IT spend for prospective SAP customers.

B
Use of External Vendors

Much of SAP's recent success can be attributed to its extensive use of partners for the provision of services centred around its products. However, most users approached SAP directly (70% for R/2 and 67% for R/3) in order to purchase SAP products (see Exhibit V-6).

Exhibit V-6

Who Did Users Approach to Purchase SAP Products?

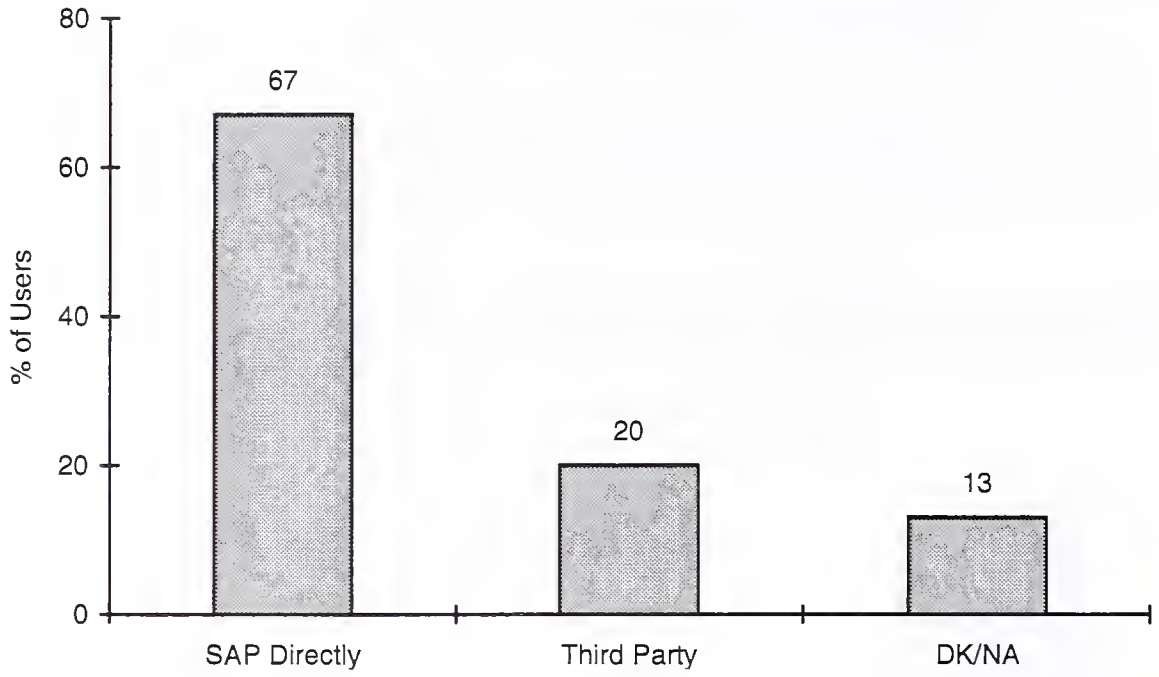


44 R/3 Users; 8 R/2 Users *Source: INPUT*

A similar proportion of users who are considering embarking on an SAP project over the next year stated that they would approach SAP directly in order to purchase SAP products (see Exhibit V-7).

Exhibit V-7

Who Would Potential SAP Users Approach to Purchase SAP Products?



Sample: 61

Source: INPUT

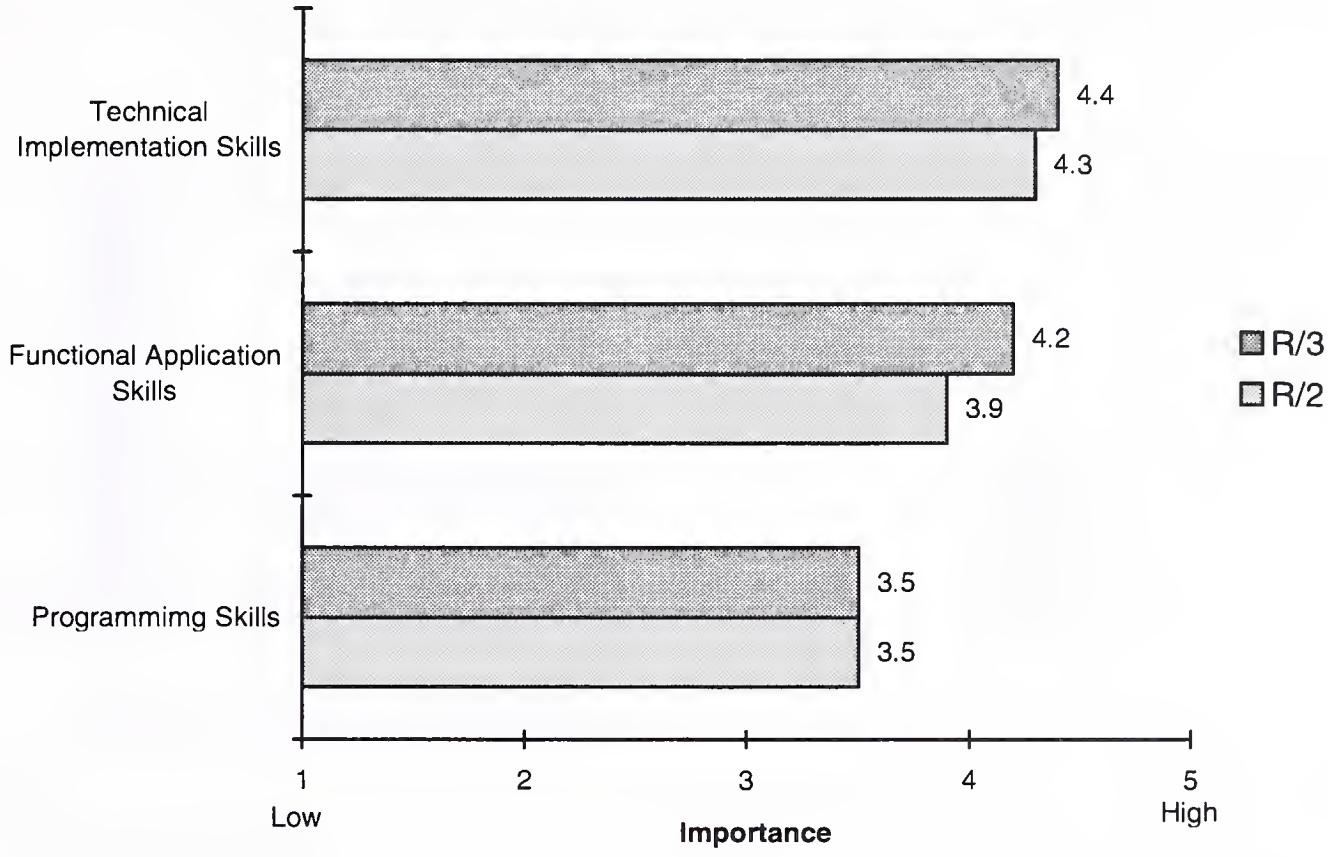
These findings suggest that the capabilities of SAP's services partners must be publicised more widely as small and medium-sized firms increasingly demand integrated business applications such as SAP's R/3.

Alternatively, services vendors could attempt to develop an even closer relationship with SAP, in effect making themselves preferred services vendors.

The major reasons for choosing external services vendors are related to technical issues. The complexity of SAP's products has resulted in a shortage of technical skills centred around the products. Users are therefore keen to involve external vendors with technical implementation skills, functional application skills and programming skills (see Exhibit V-8).

Exhibit V-8

Major Reasons for Choosing External Assistance



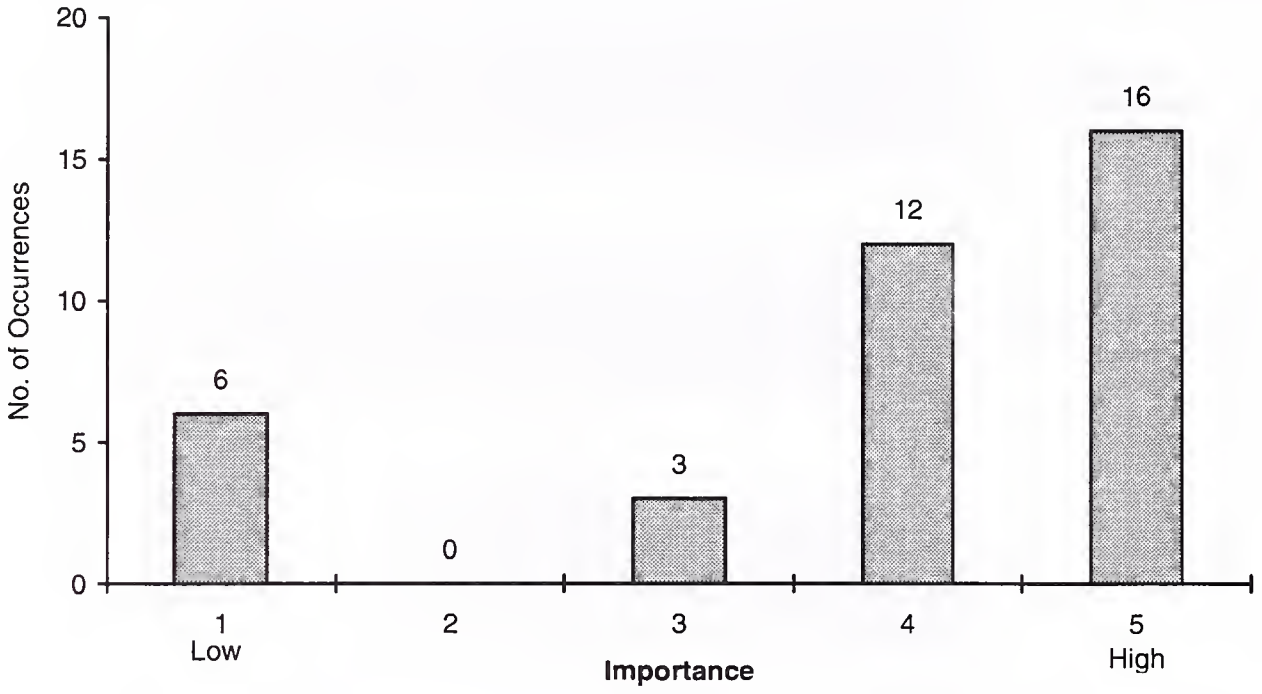
Sample: 44

Source: INPUT

Most users believe that Logo Partner accreditation is important for external vendors who wish to be successful in the SAP services market. Logo Partner accreditation was very important to around three-quarters of enterprises when selecting their SAP services vendor (see Exhibit V-9).

Exhibit V-9

Importance of Logo Partner Accreditation in Services Vendor Selection



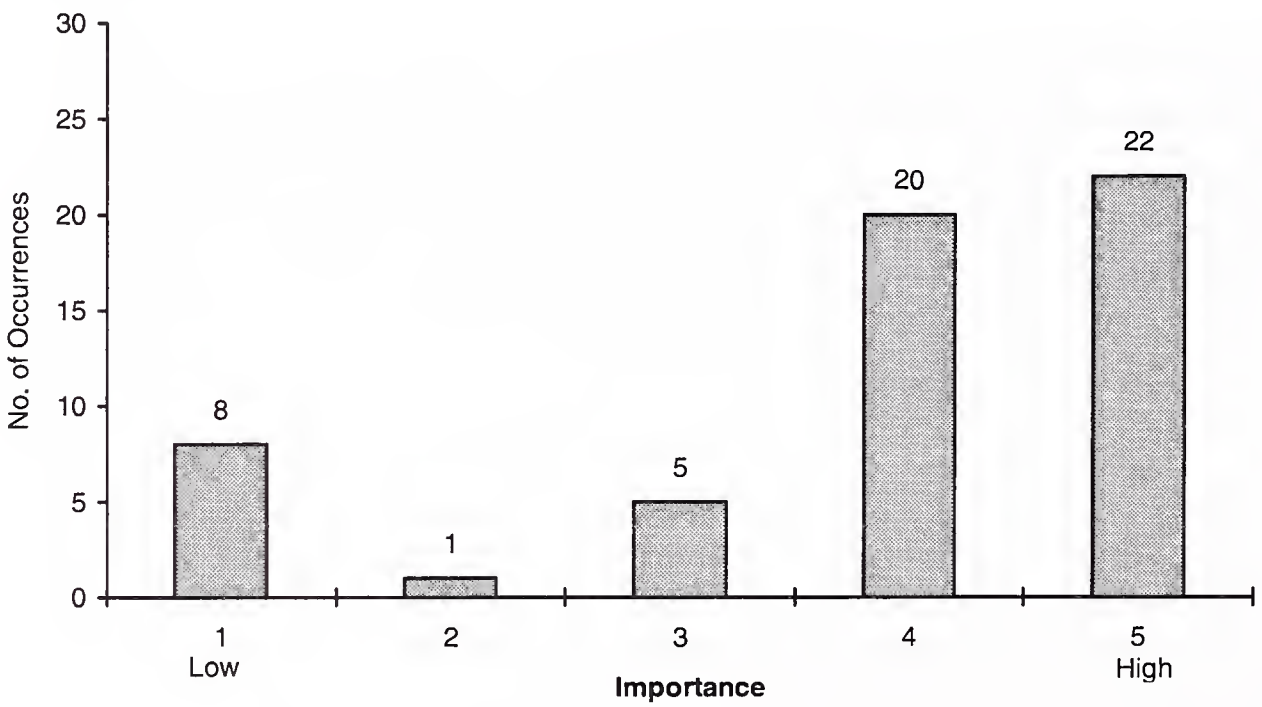
Sample: 37

Source: INPUT

Furthermore, three-quarters users who are considering embarking on an SAP project within the next year will seek Logo Partner accreditation when choosing an external services vendor (Exhibit V-10).

Exhibit V-10

Importance to be Logo Partner Accreditation to Potential SAP Users



Sample: 56

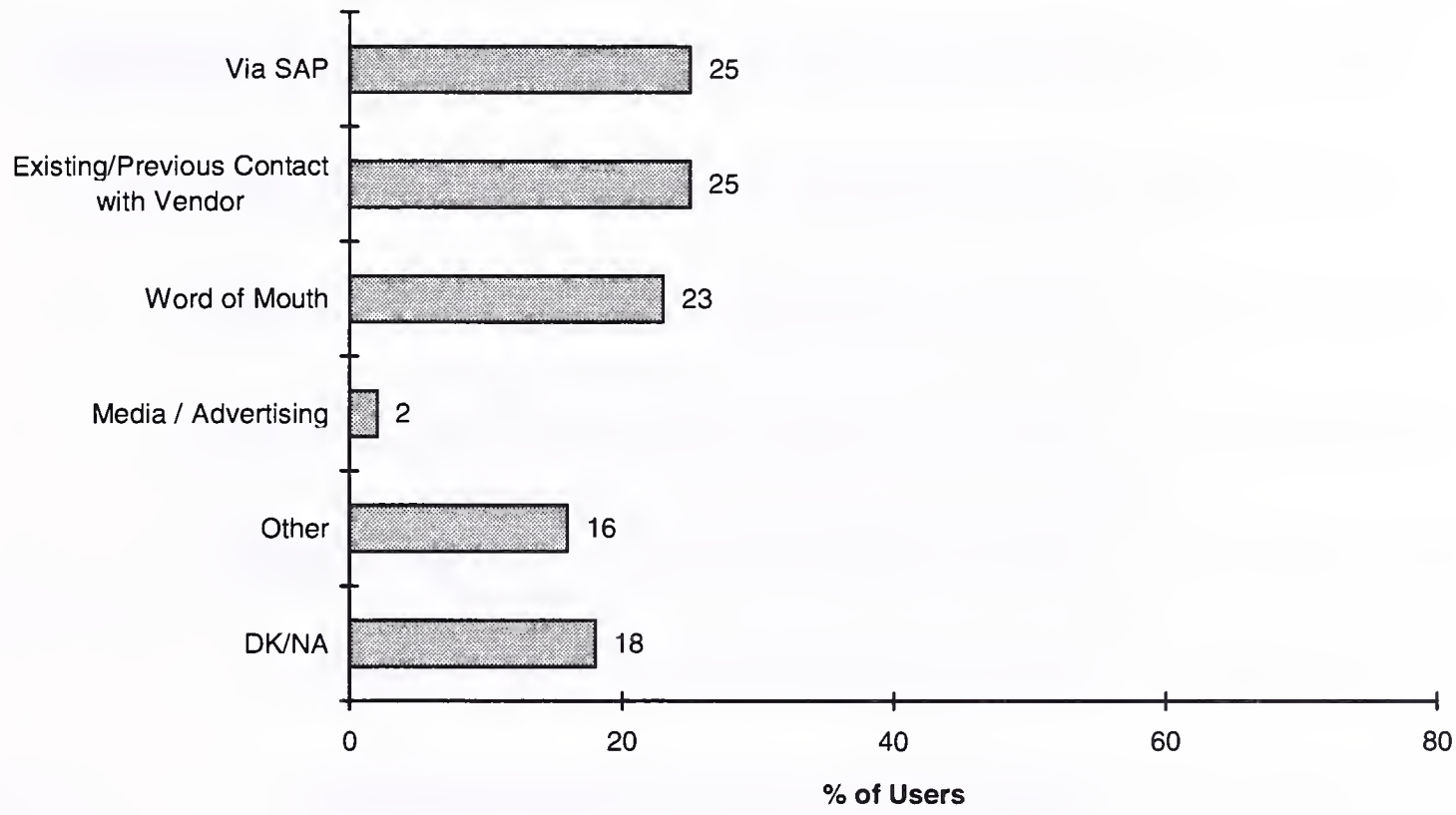
Source: INPUT

A quarter of users found out about their services partners via SAP (see Exhibit V-11). An equal proportion had worked with their services vendor previously. Only 2% of SAP services customers found out about their services vendor from the media.

Services vendors have an opportunity to gain a competitive edge by using carefully targeted media vehicles to promote their SAP-related activities.

Exhibit V-11

Exposure of Services Vendors



Sample: 44

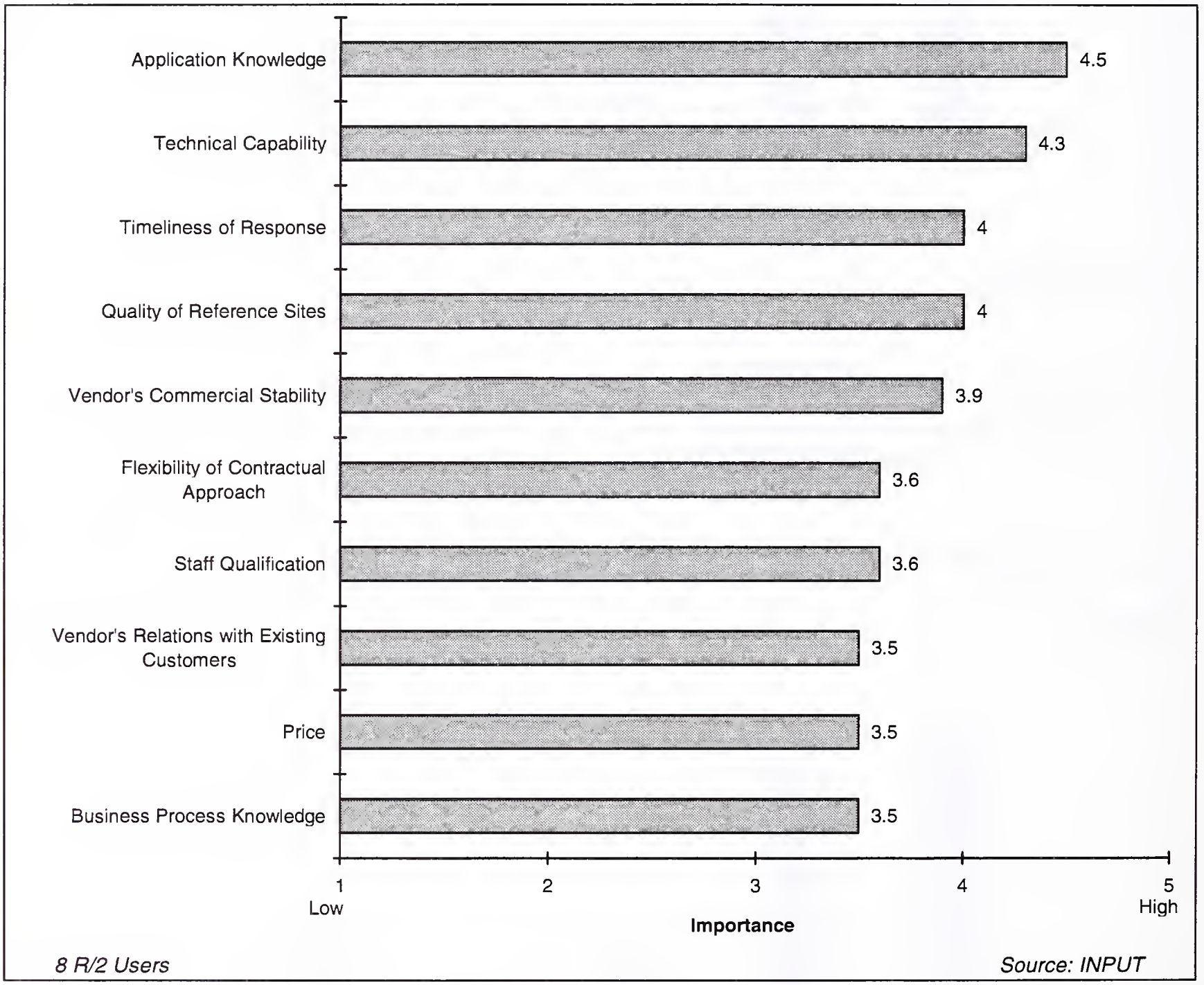
Source: INPUT

C
Vendor Selection/Decision Criteria

When asked to reveal the most important selection criteria in their choice of services partner, SAP users believe that the application knowledge and technical capability of their services partner are key (see Exhibit V-12 and Exhibit V-13).

Exhibit V-12

Most Important Criteria for R/2 Services Vendor Selection

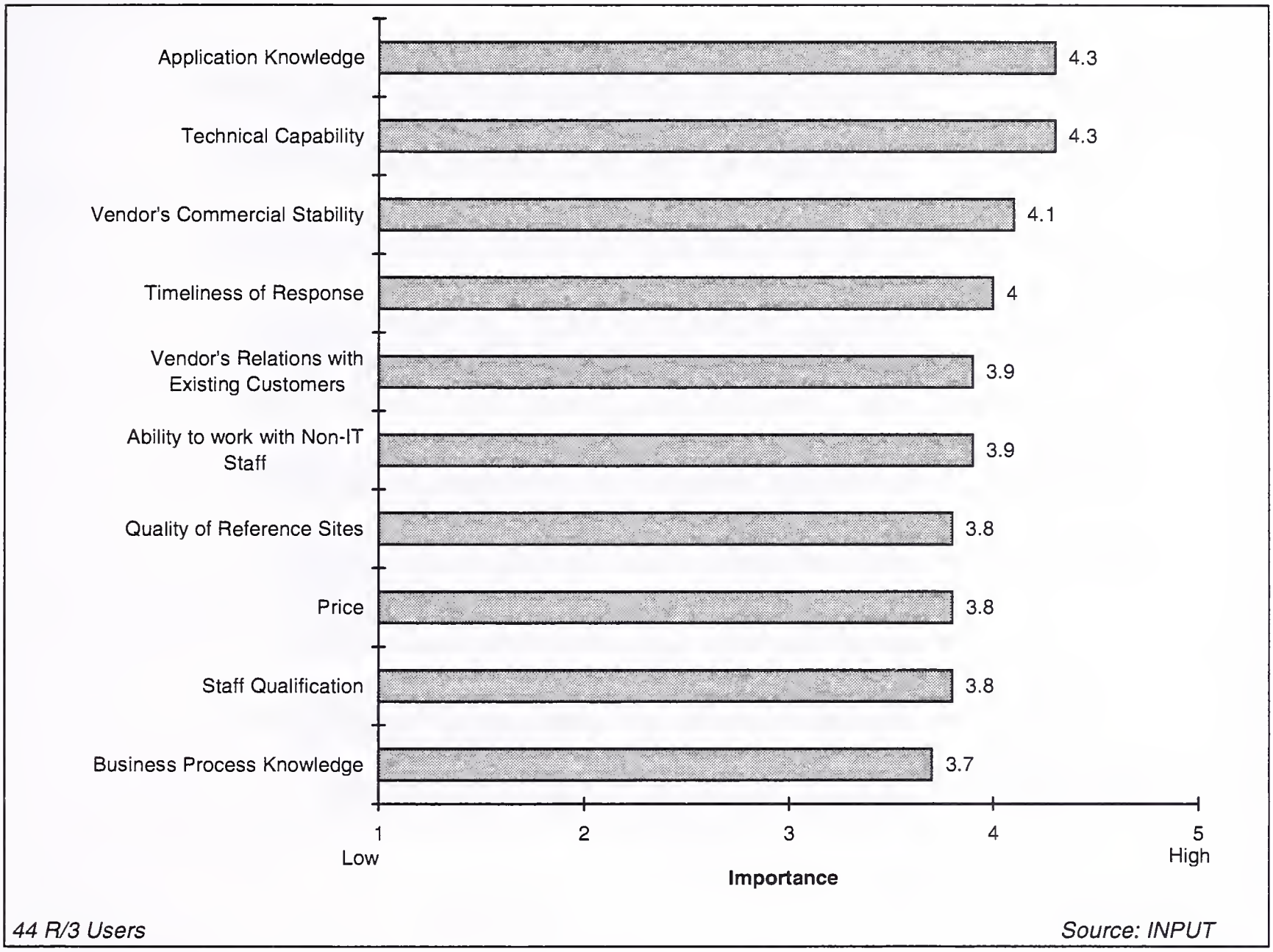


8 R/2 Users

Source: INPUT

Exhibit V-13

Most Important Criteria for R/3 Services Vendor Selection

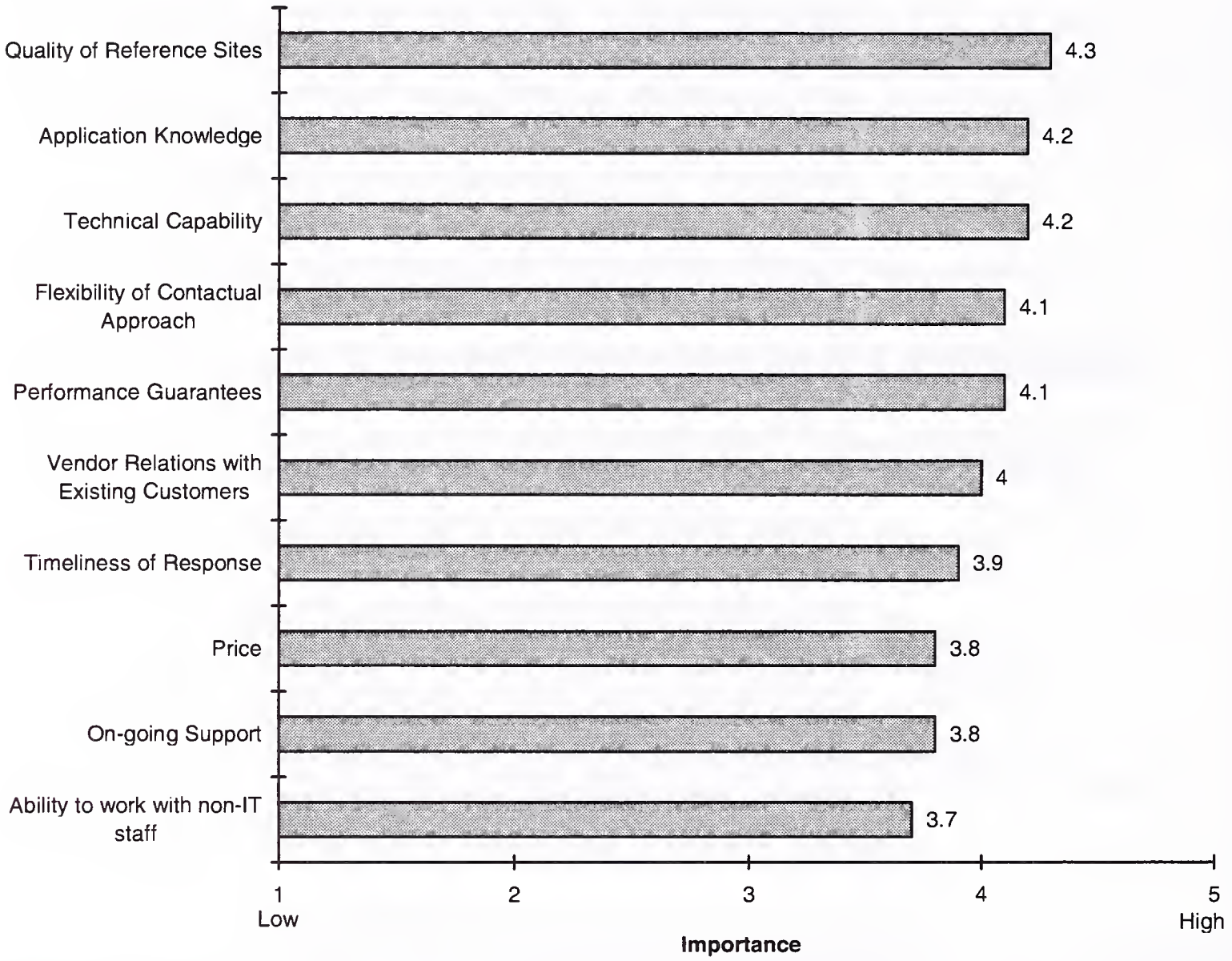


44 R/3 Users *Source: INPUT*

More importantly for SAP services vendors, potential SAP users view the quality of reference sites as the most important criterion in the selection of a services partner (see Exhibit V-14).

Exhibit V-14

Most Important Criteria for the Selection of Services Vendors by Potential SAP Users



Sample: 61

Source: INPUT

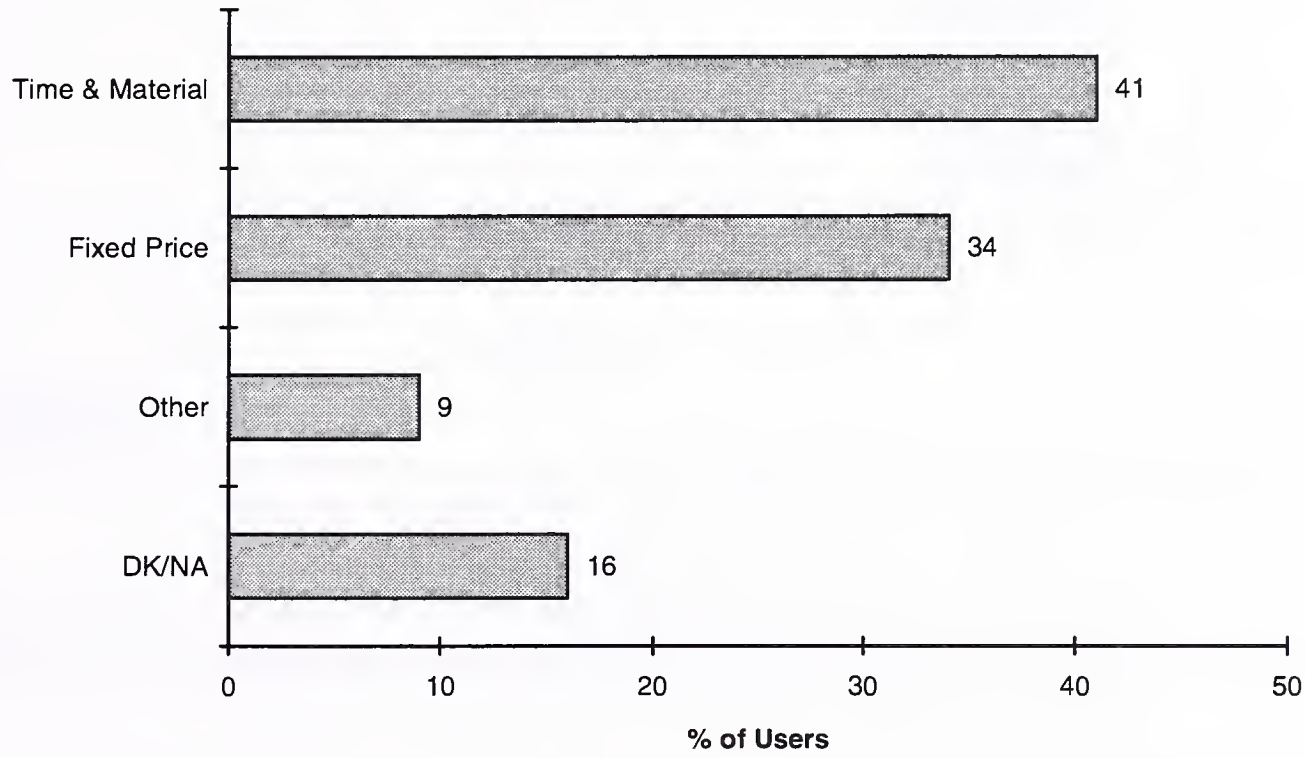
Offering potential users case studies and positive feedback from existing customers is critical in order to win SAP services contracts.

D
Contract Types

In order to enjoy continued success in the SAP services market, services vendors must offer fixed price contracts. Over 40% of SAP users purchased contracts on a time and materials basis (see Exhibit V-15).

Exhibit V-15

SAP Services Contract Type

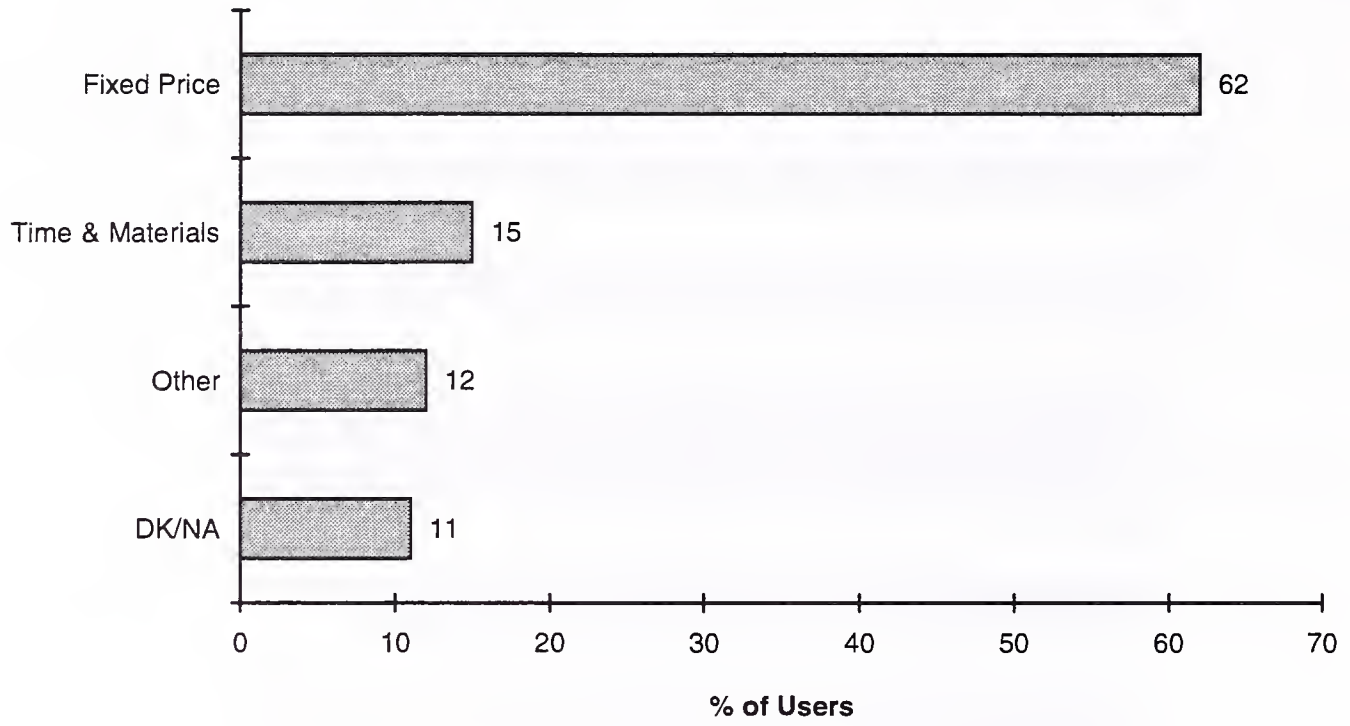


Sample: 52 *Source: INPUT*

However, nearly two-thirds of users who are planning to undertake large-scale systems development or integration projects over the next year favour paying a fixed price to a services vendor (see Exhibit V-16).

Exhibit V-16

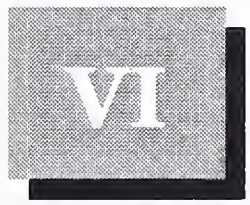
Preferred Contract Type for Potential SAP Users



Sample: 118

Source: INPUT

Given the complexity and therefore the risk involved in SAP projects, services vendors would be well advised to introduce fixed price contracts wherever possible.



Industry and Competition

This chapter analyses user perceptions of vendors of products competing with SAP products, and user perceptions of SAP services partners.

A
SAP Partnering

With the introduction of the R/3 product range, SAP has developed an extensive partner program.

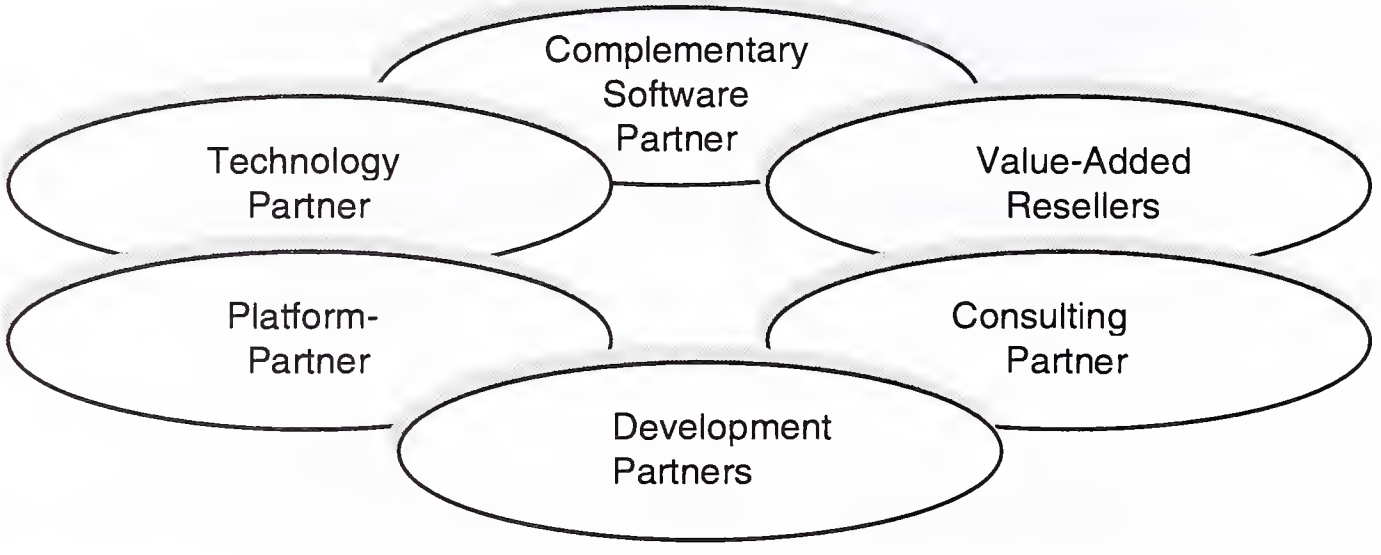
SAP is leveraging the skills of its partners to provide an extensive range of services to support SAP projects.

These partners allow enterprises to choose services offerings that match their business needs most closely.

SAP has established a partnering model based on six different types of partner (see Exhibit VI-1).

Exhibit VI-1

SAP Partner Program



Source: INPUT

Platform Partners

Platform partners are hardware manufacturers who through their collaboration with SAP, provide a platform for the operation of R/3.

SAP's hardware partners in the UK are: Bull, Compaq, Data General, Dell, DEC, Fujitsu, H-P, Hitachi, IBM, Intergraph, NCR, NEC, Sequent, SNI (Pyramid) and Sun.

Technology Partners

Technology partners include vendors of databases, operating systems, networking software and other software with which SAP software can interface. These alliances encourage partners to co-ordinate their activities with SAP in order to ensure that their products can support SAP products.

SAP's technology partners in the UK are: Apple, H-P, IBM, IDS, Intel, Informix, iXOS, Microsoft, Oracle and Software AG.

Consulting Partners

Consulting partners are business and technology firms that offer assistance in all phases of an R/3 product lifecycle from planning and design to on-going support.

SAP groups its consulting partners into three categories:

- Global Logo Partners are the largest and most experienced consulting partners. These firms are typically multinationals that can offer services across all major vertical industries. SAP's Global Logo Partners are: Andersen Consulting, Coopers and Lybrand, CSC, DEC, EDS, Ernst and Young, H-P, IBM, ICS (Deloitte and Touche), KPMG, Origin, Price Waterhouse and SNI.

- National Logo Partners are firms with the resources to provide SAP services throughout one country. SAP's National Logo Partners in the UK are: 121 Consulting, Axon, Bull, CMG (UK) Ltd, Data Sciences (UK) Ltd, Diagonal, Druid, Easams, IBS, Interim, Morse, PA Consulting, Plaut (UK) Ltd, and Softlab.

- Implementation Partners are firms that provide more localised or specialised SAP services. In the UK at present, Access Consulting is the only Implementation Partner.

Value Added Resellers

SAP UK has launched its Reseller Programme for R/3. The objective of this programme is to tap the low end of the market consisting of small and medium-sized companies. Firms who have achieved the appropriate accreditation from SAP and joined its Reseller Programme in the UK include: Apex Systems, MX Business Systems and PS Industries.

Complementary Software Partners

SAP's Complementary Software Program is designed to integrate third party products with SAP's product line. SAP co-operates on a product by product basis with software publishers who wish to integrate their products with the R/3 system via either standardised or certified interfaces. SAP certifies products that can interface with R/3.

Development Partners

SAP's Development Partners are firms that work with it to develop future releases of its products. These firms offer business, technical, or industry expertise that complements and extends SAP's existing capabilities.

B
User Perceptions of Partners

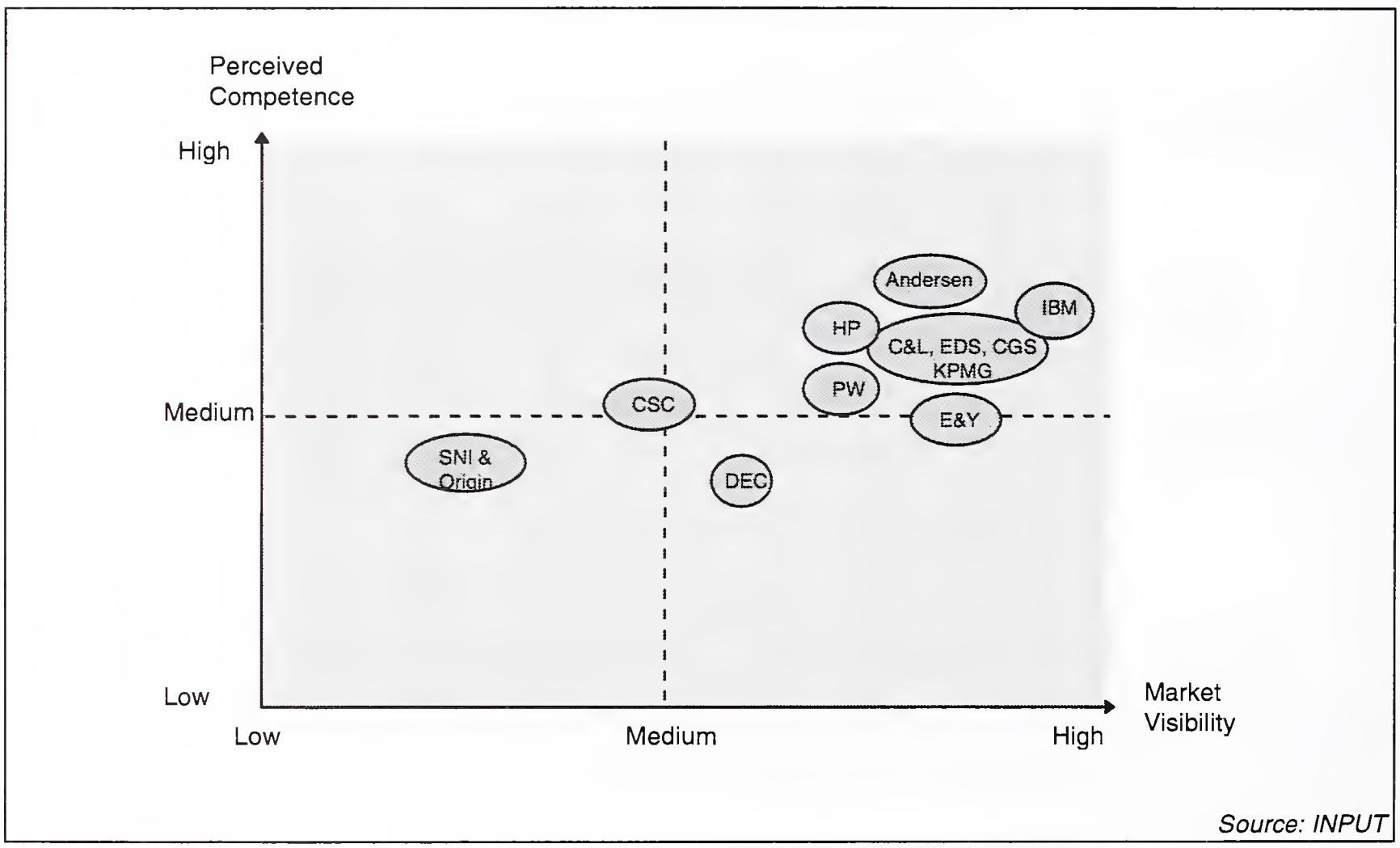
As services providers attempt to capitalise on R/3 implementation, market visibility and user perceptions of vendor competence are critical.

INPUT asked potential users of SAP products to indicate their perceptions of a number of SAP services providers. Appendix A illustrates user responses in detail for each vendor.

Exhibit VI-2 illustrates potential user perceptions of SAP's Global Logo Partners.

Exhibit VI-2

Market Perceptions of SAP Global Logo Partners



Source: INPUT

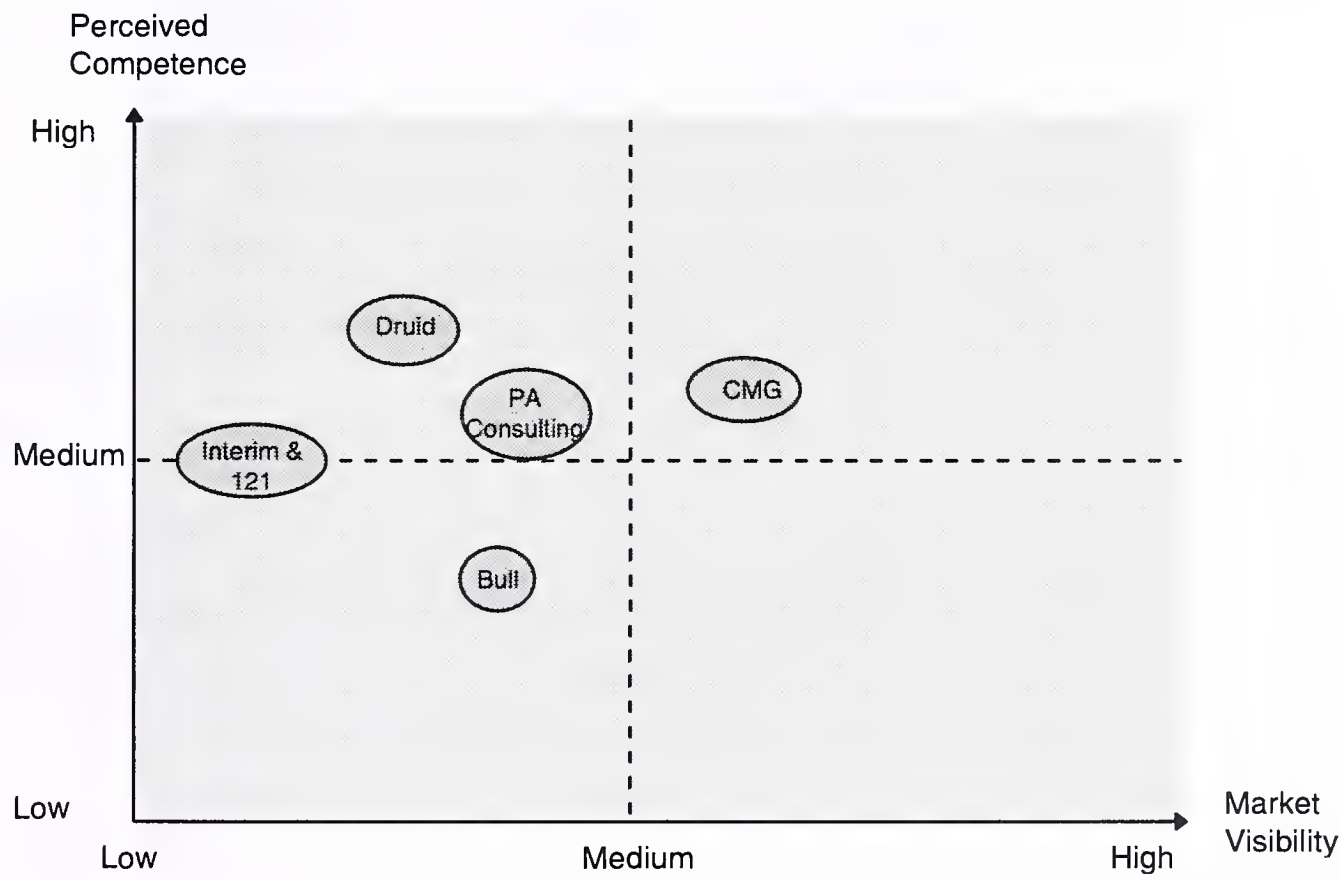
Users are aware of the SAP-related activities of most of SAP's Global Logo Partners. Awareness of the activities of IBM, Andersen Consulting, Cap Gemini, Coopers & Lybrand, EDS, KPMG, Price Waterhouse and H-P is particularly high. Most of these services vendors are considered to offer high levels of competence in the delivery of services centred around SAP products.

DEC has reasonably high market visibility but, users do not rate it highly in terms of competence. CSC is literally in the middle both in terms of market visibility and perceived competence. Interestingly, few potential users in the UK are aware of SNI's SAP services activities and those that are do not perceive its as a capable SAP services vendor. This is surprising, given that in Germany it is a well known and highly regarded SAP services vendor. Origin must also work to enhance its image in the UK market as an SAP services provider.

SAP's National Logo Partners in the UK are, on the whole, less well known to potential users (see Exhibit VI-3).

Exhibit VI-3

Market Perceptions of SAP National Logo Partners



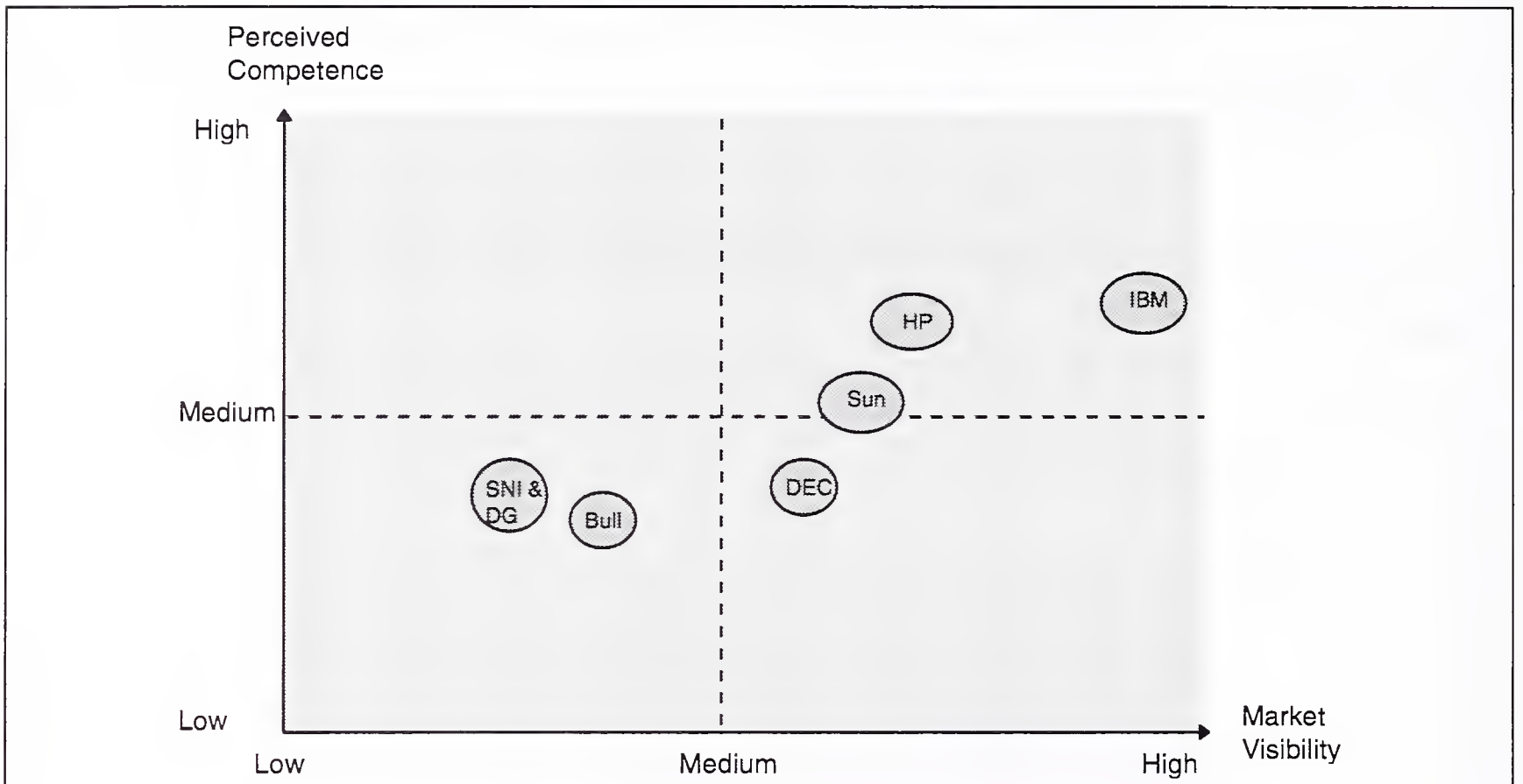
Source: INPUT

CMG are an unusual National Logo Partner in the sense that over 50% of potential SAP users were aware of both it and its SAP services activities. All the National Logo Partners were perceived to offer reasonably high competence levels with the exception of Bull. Druid have been the most successful vendor in terms of engendering an image of SAP-related competence in the user community.

Many of SAP's Platform Partners are also Logo Partners. Exhibit VI-4 illustrates potential users' perceptions of SAP's Platform Partners.

Exhibit VI-4

Market Perceptions of SAP Platform Partners



Source: INPUT

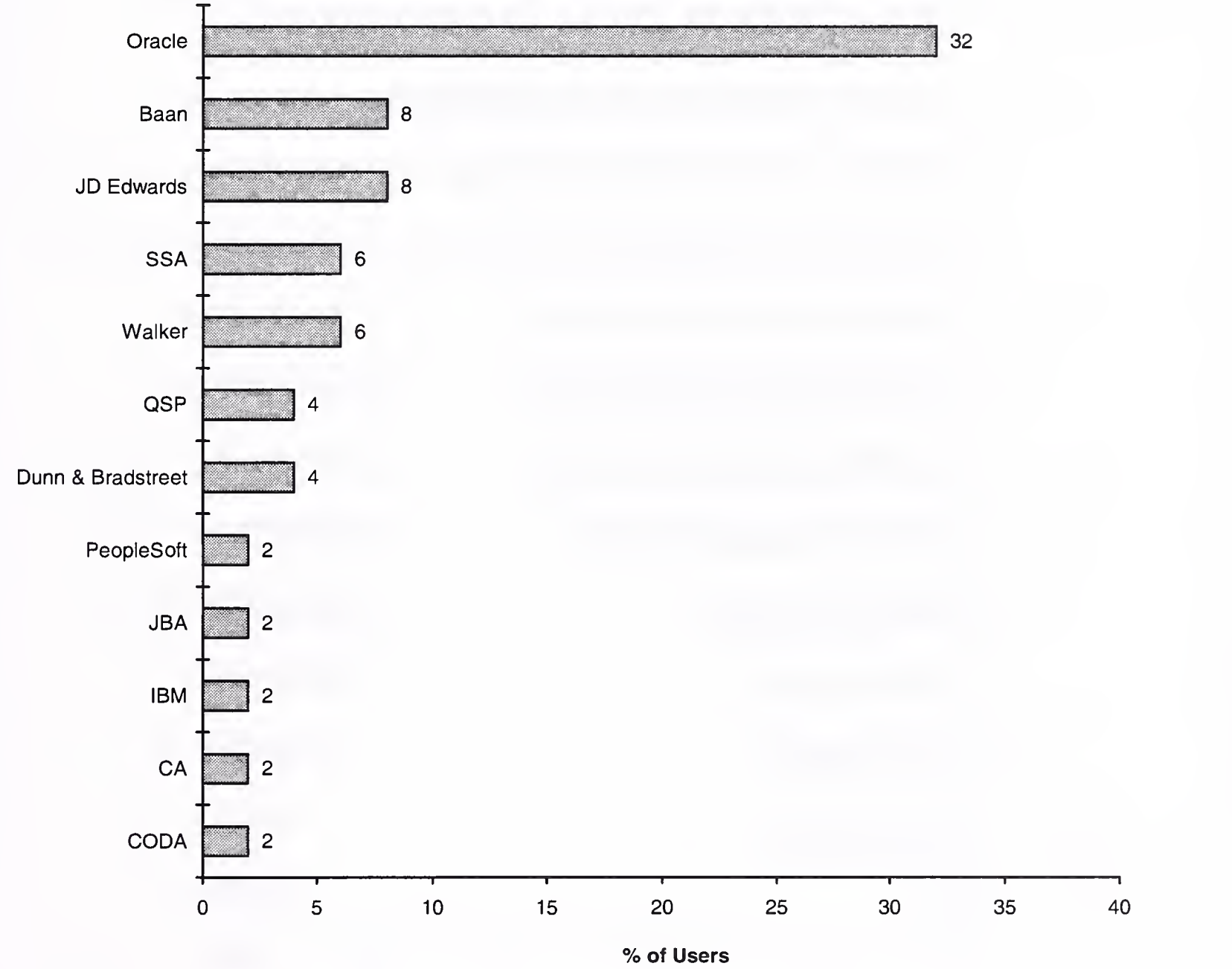
IBM, H-P and Sun are perceived as competent SAP services vendors and enjoy relatively high market visibility. However, SNI, Data General, and Bull must work to increase market visibility and potential user perceptions of their abilities to provide SAP services.

C
SAP's Competition

A third of SAP users reveal that Oracle applications were considered as an alternative to SAP products (see Exhibit VI-5).

Exhibit VI-5

Vendors Considered as SAP Alternatives

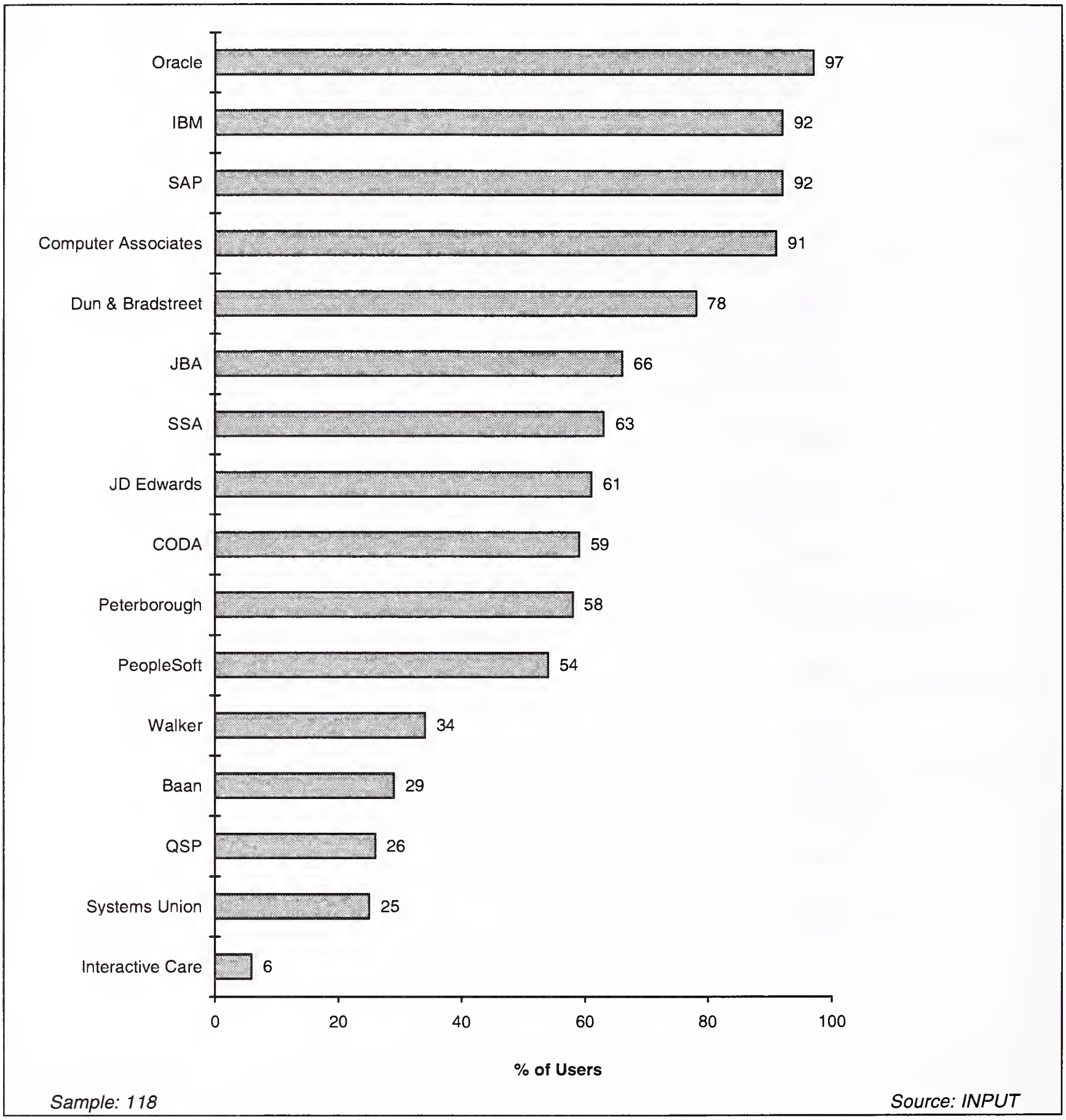


Sample: 52 *Source: INPUT*

Moreover, when users who are planning to undertake large-scale systems development or integration projects over the next year were asked to indicate whether or not they had heard of the business applications activities of a number of vendors, nearly all of them were aware of Oracle as a business applications vendor.

Exhibit VI-6

Prospective SAP Users' Awareness of Business Applications Vendors



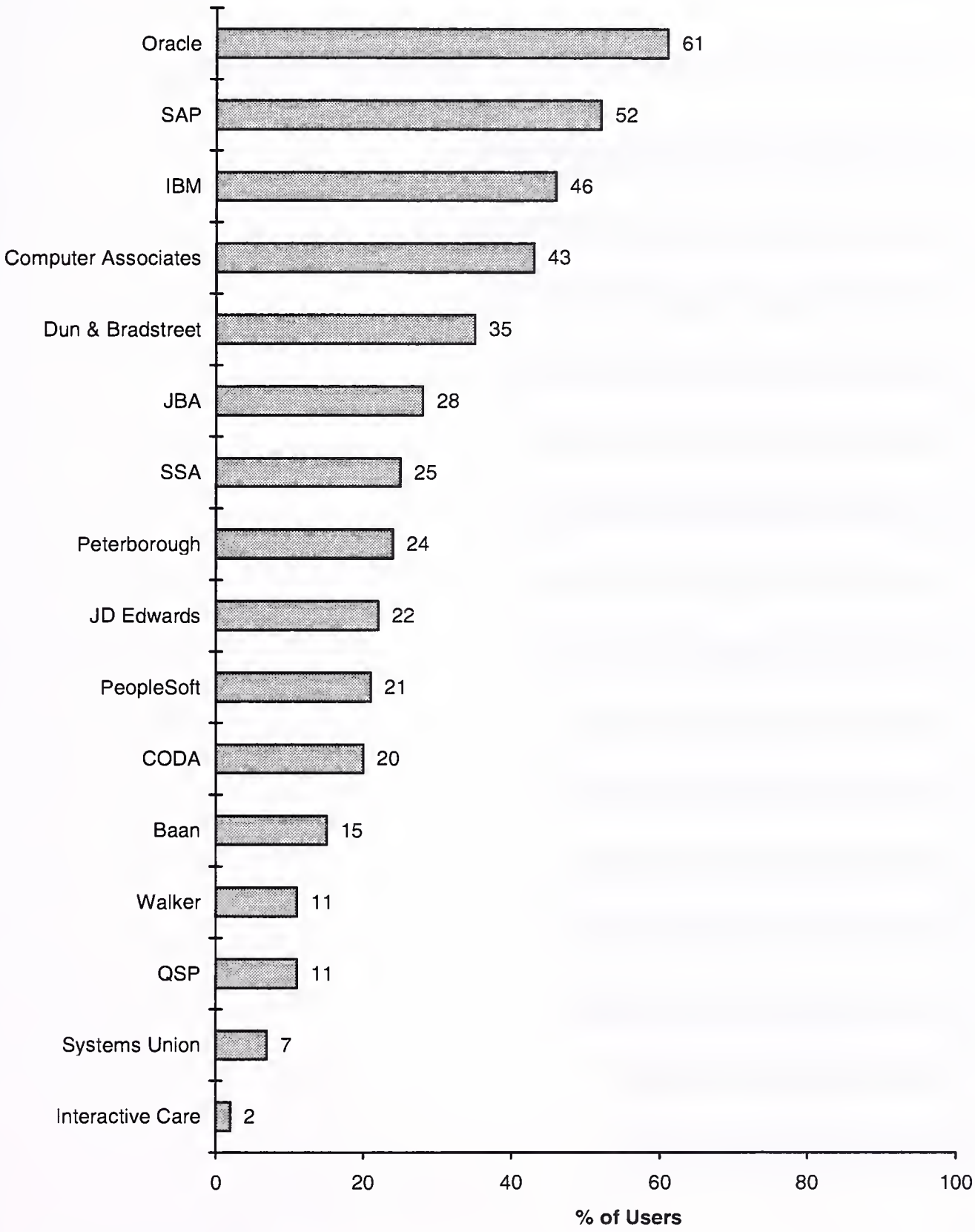
Sample: 118

Source: INPUT

Perhaps disturbingly for SAP, over 60% of potential users indicated that they would consider using Oracle Applications whereas just over half indicated that they would consider using SAP products.

Exhibit VI-7

Business Applications Vendors Considered by Potential Users



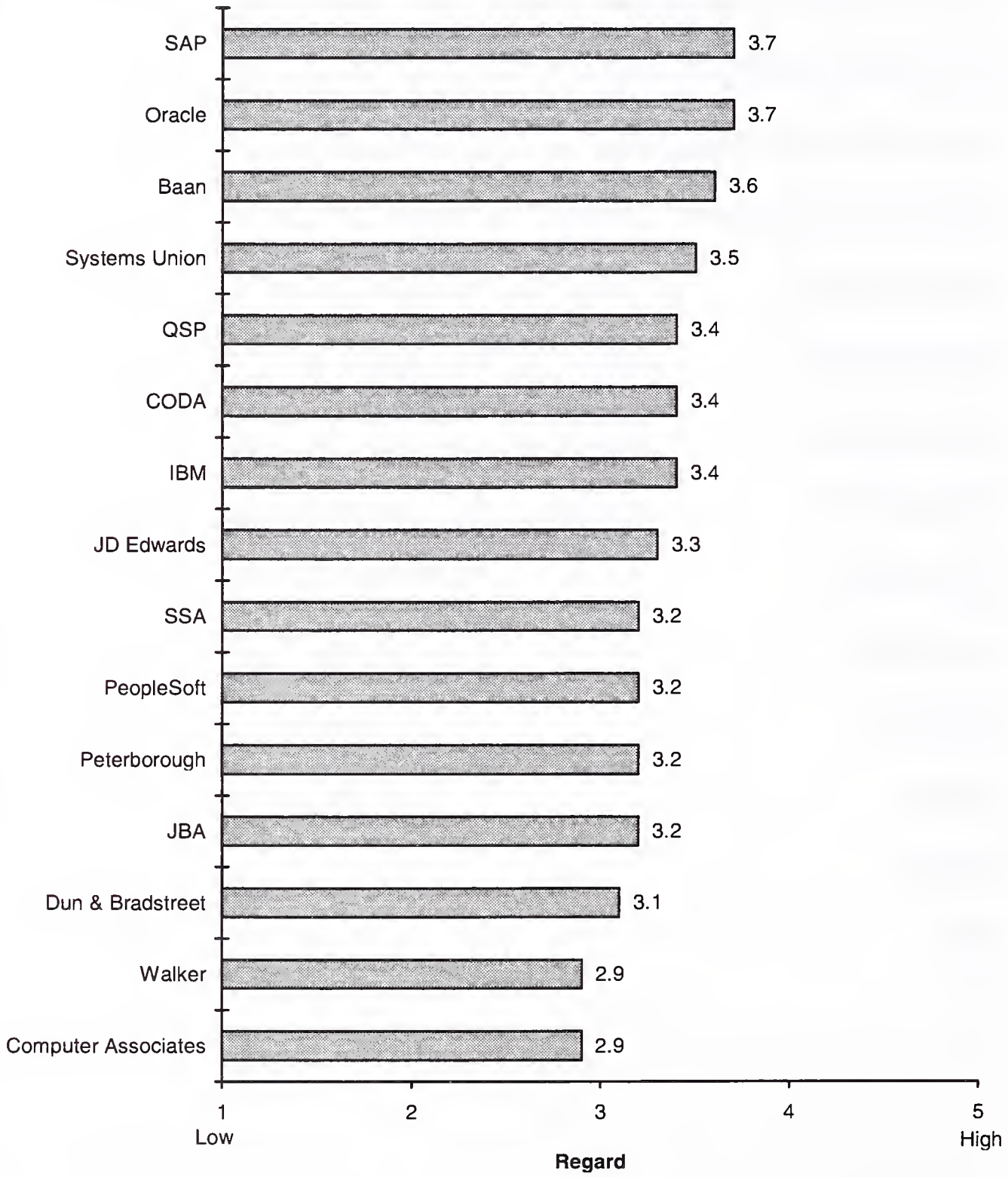
Sample: 118

Source: INPUT

However, when prospective users were asked to rate their perception of each vendor as a supplier of business applications (1=low regard, 5=high regard), SAP and Oracle were rated equally. Interestingly, several vendors who have relatively low visibility in the marketplace, were rated highly in terms of user perception of their capability as a business applications vendor, notably Baan, Systems Union and QSP.

Exhibit VI-8

Prospective Users' Perception of Alternative Vendors



Sample: 118

Source: INPUT

INPUT's findings reveal that Oracle has now emerged as a direct competitor for SAP. Given Oracle's recent acquisitive activity (e.g. the acquisition of Datalogix) and its increased applications focus, competition from Oracle will become more intense.

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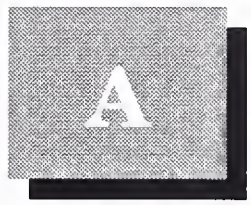


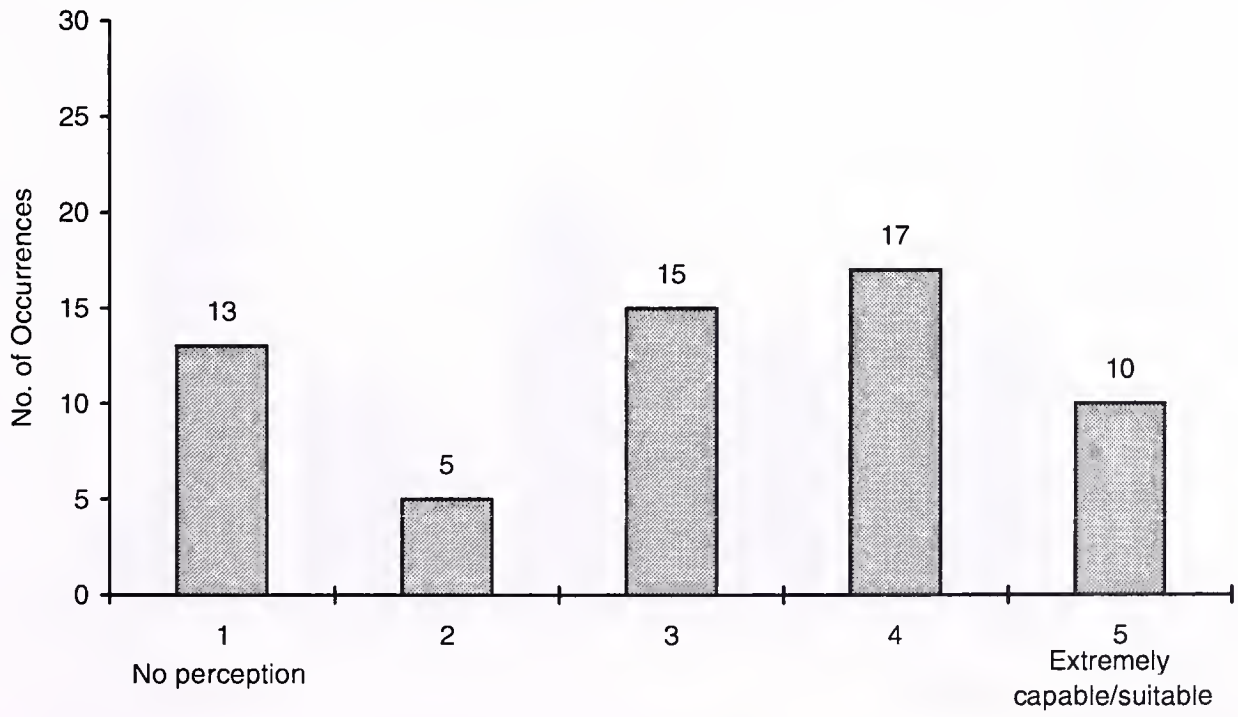
Appendix A

This appendix illustrates the perceptions of services vendors held by 61 users who would consider embarking on an SAP project in the next year.

Potential users were asked to indicate their perceptions of a list of vendors as SAP services vendors where 1=no perception and 5=extremely capable/suitable as an SAP services vendor.

A
Andersen Consulting

Exhibit A-1

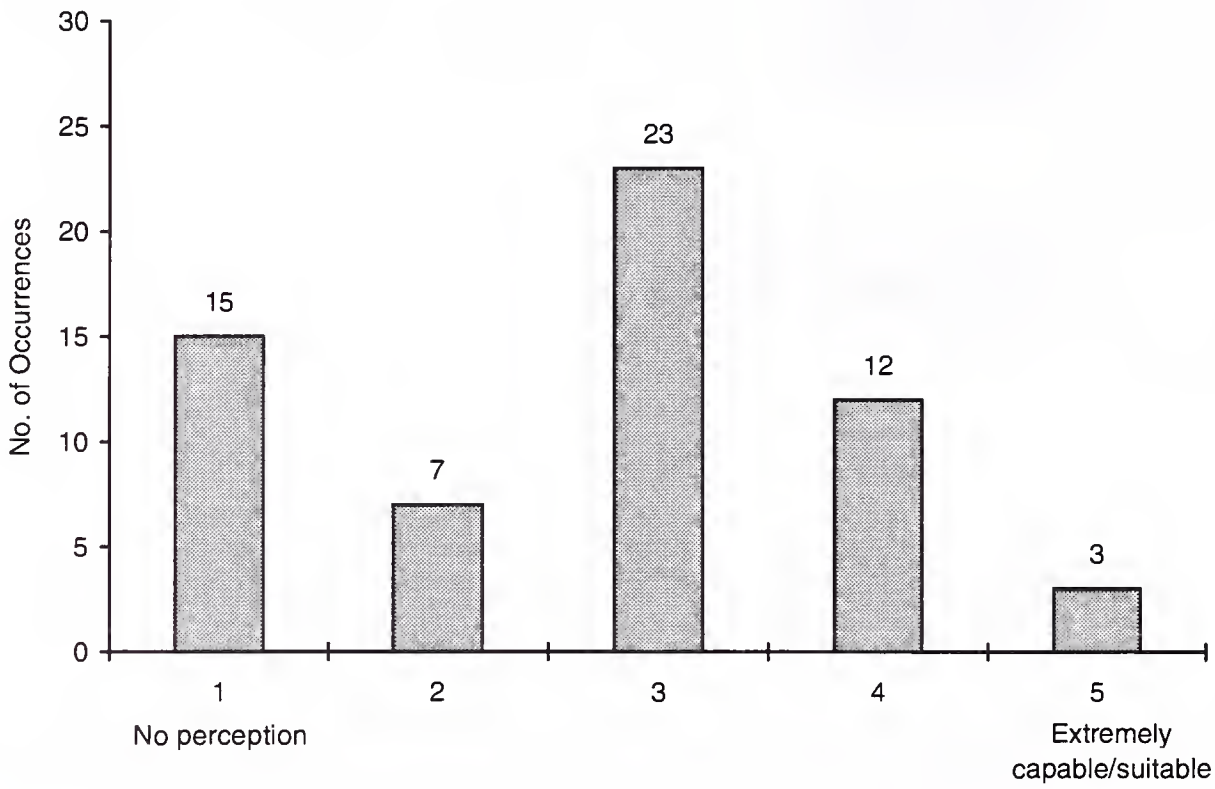


One user responded 'don't know' or 'not applicable'

Source: INPUT

B
CGS

Exhibit A-2

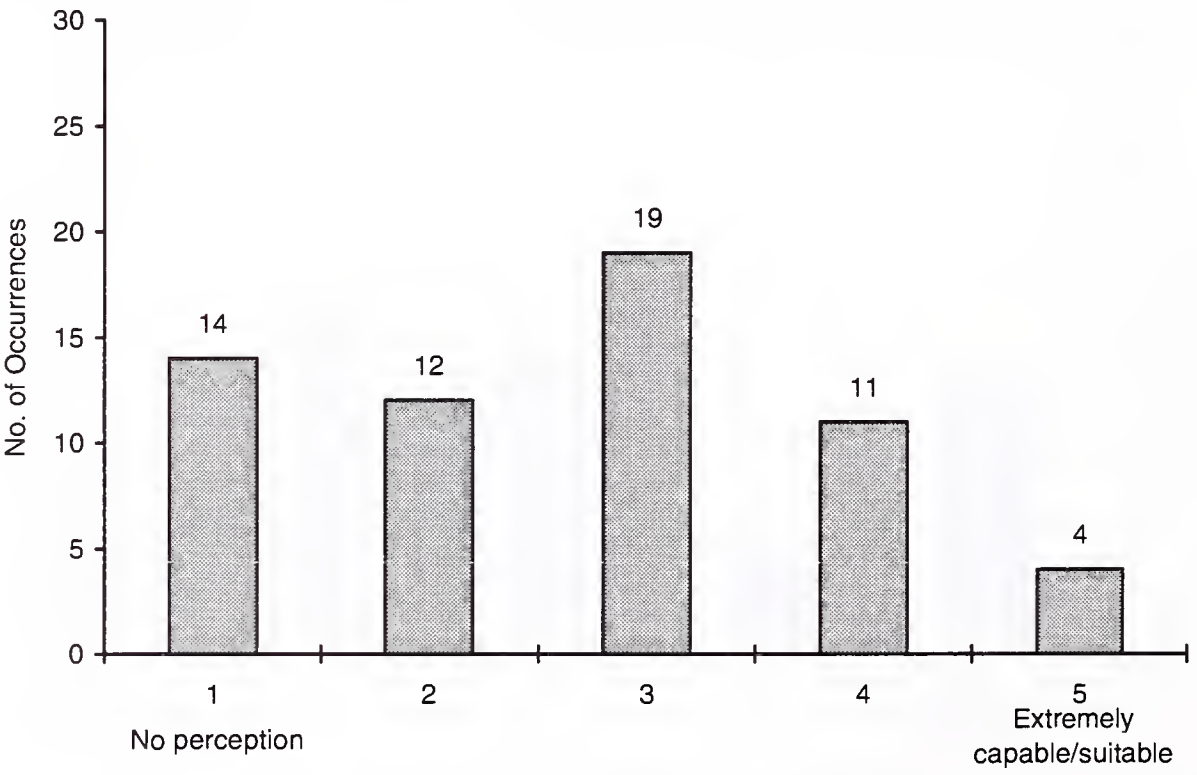


One user responded 'don't know' or 'not applicable'.

Source: INPUT

C
Coopers and Lybrand

Exhibit A-3

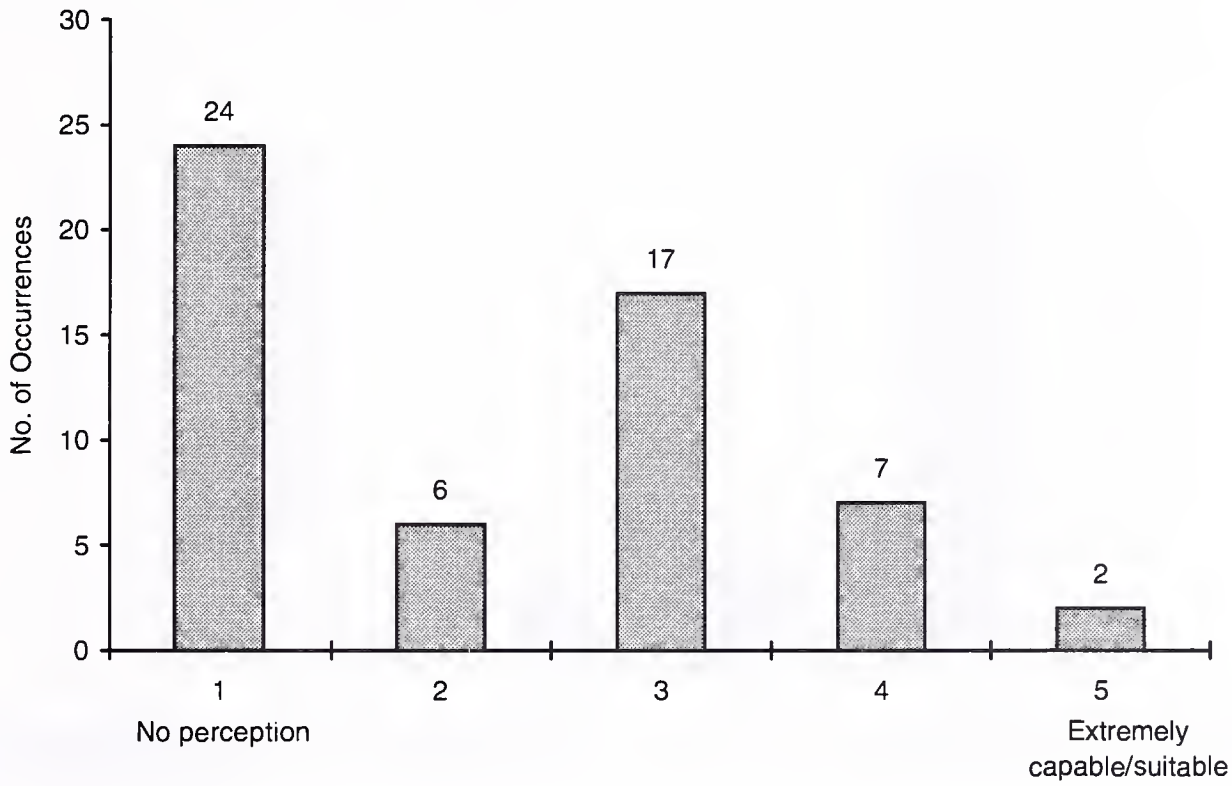


One user responded 'don't know' or 'not applicable'.

Source: INPUT

D
CMG

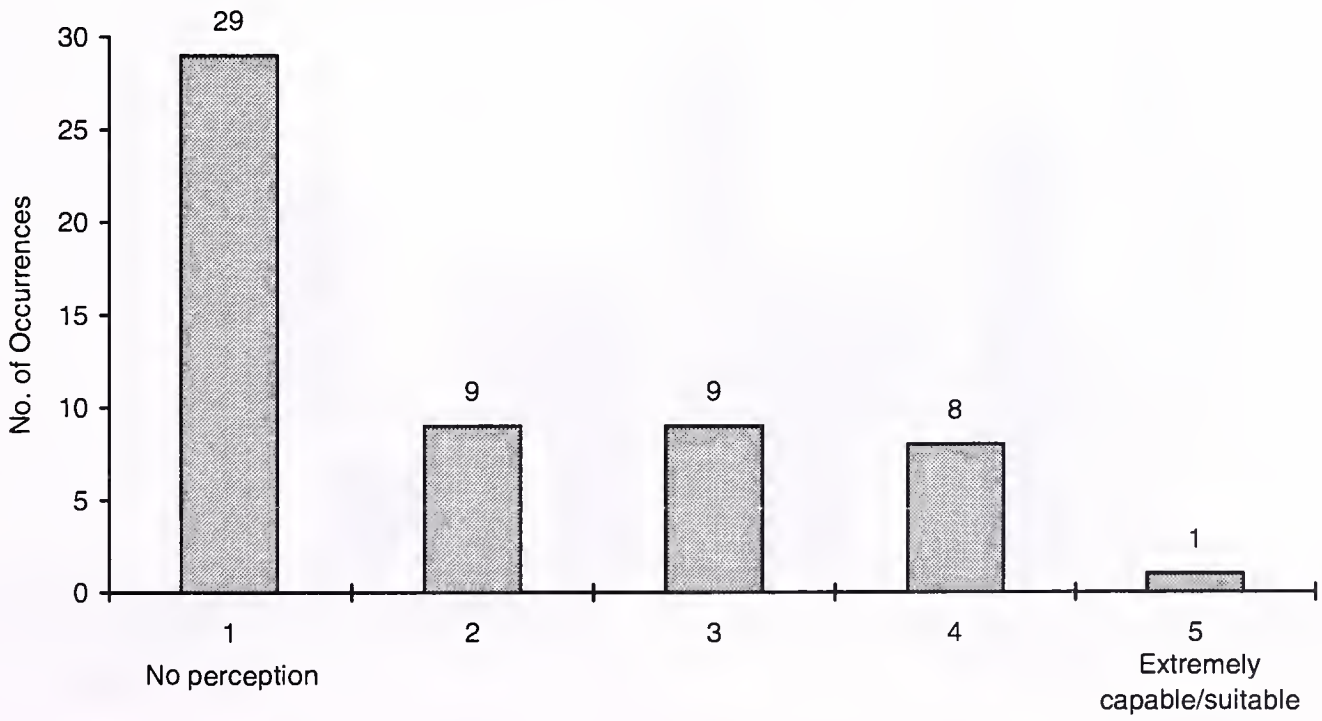
Exhibit A-4



Five users responded 'don't know' or 'not applicable'. *Source: INPUT*

E
CSC

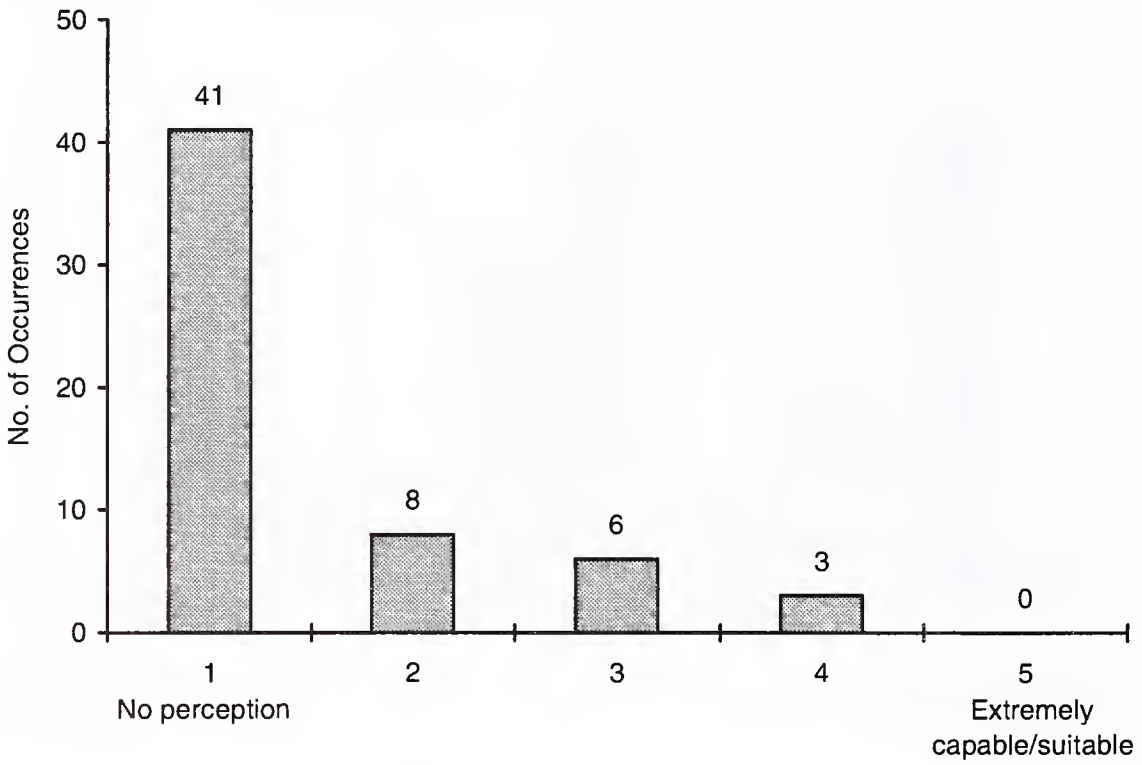
Exhibit A-5



Five users responded 'don't know' or 'not applicable'. *Source: INPUT*

F
Data General

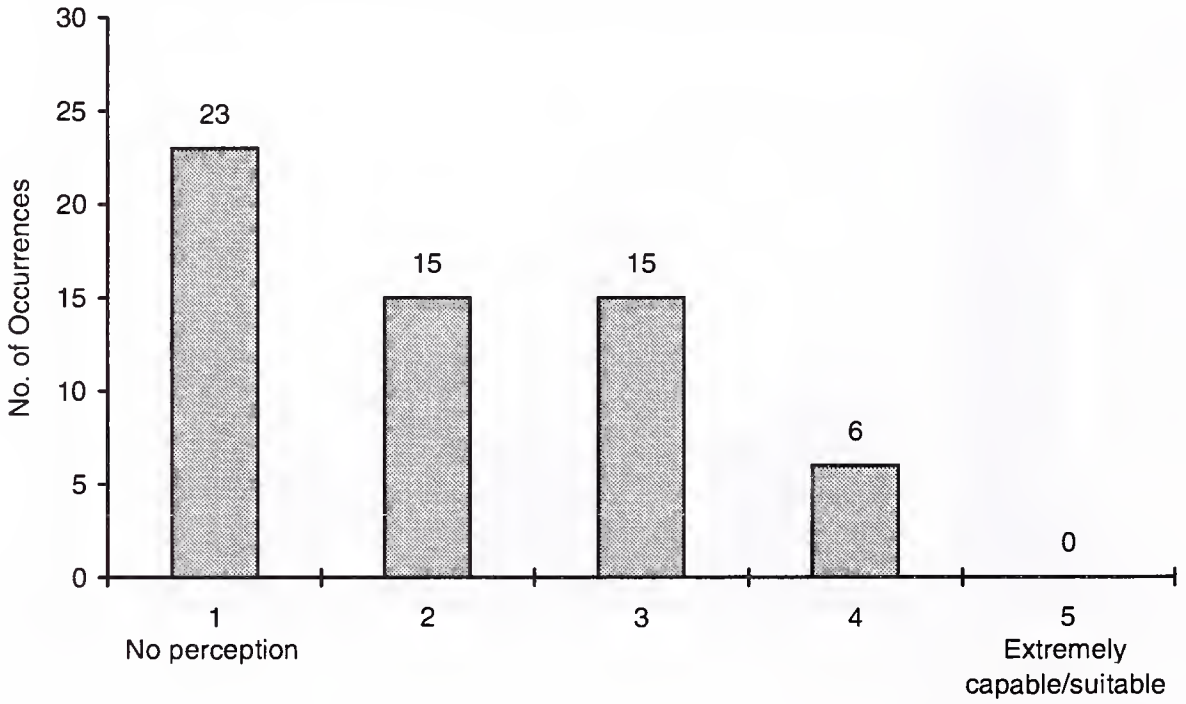
Exhibit A-6



Three users responded 'don't know' or 'not applicable'. *Source: INPUT*

G
DEC

Exhibit A-7

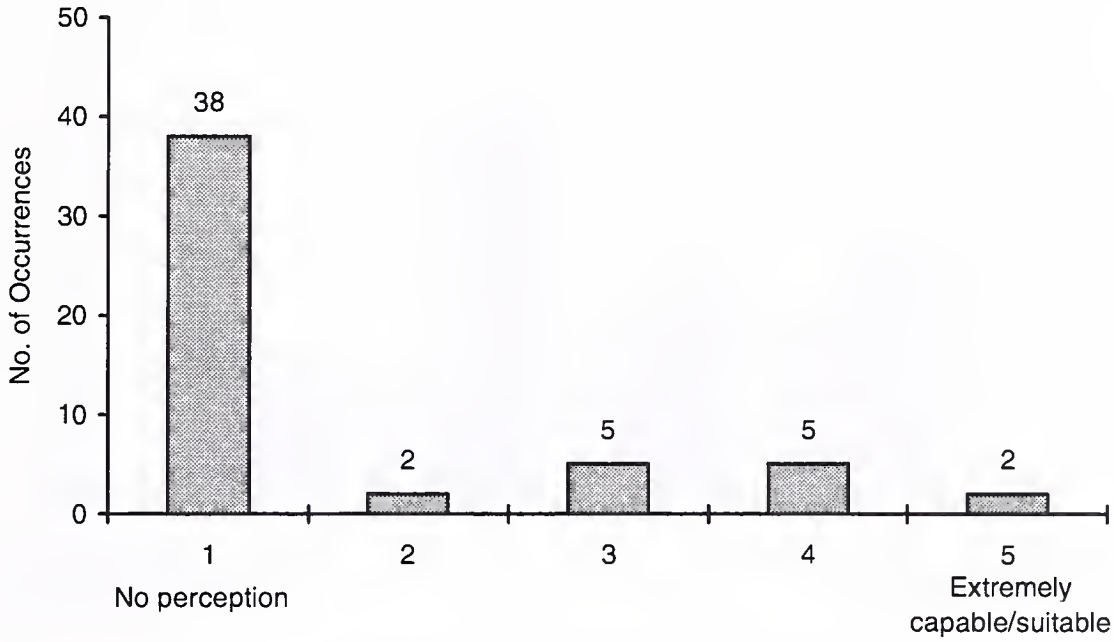


Three users responded 'don't know' or 'not applicable'. *Source: INPUT*

H

Druid

Exhibit A-8



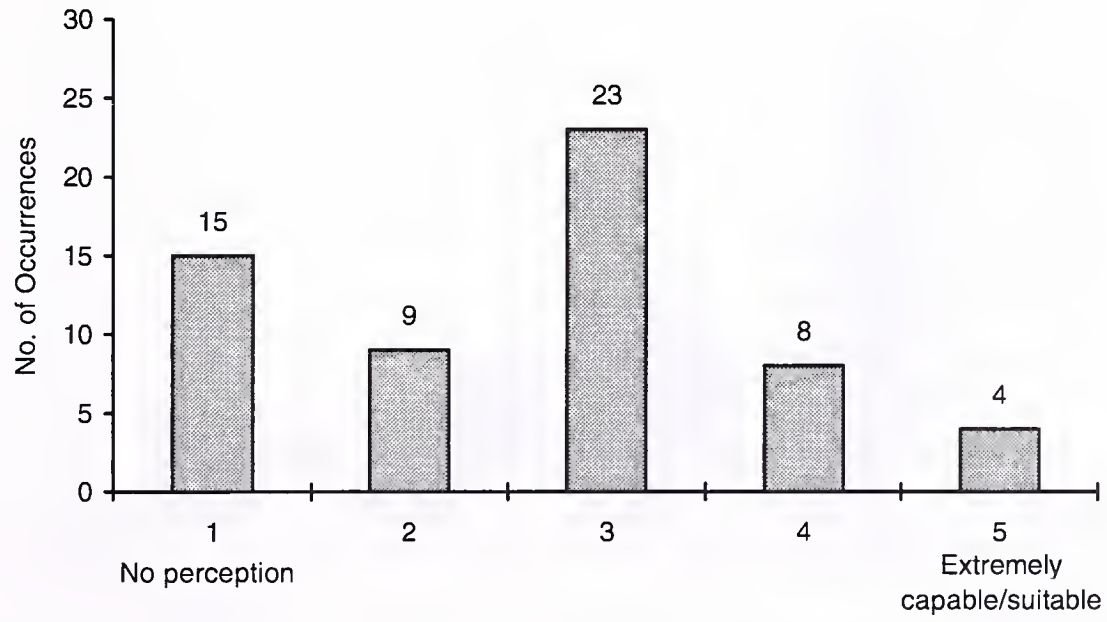
Nine users responded 'don't know' or 'not applicable'.

Source: INPUT

I

EDS

Exhibit A-9



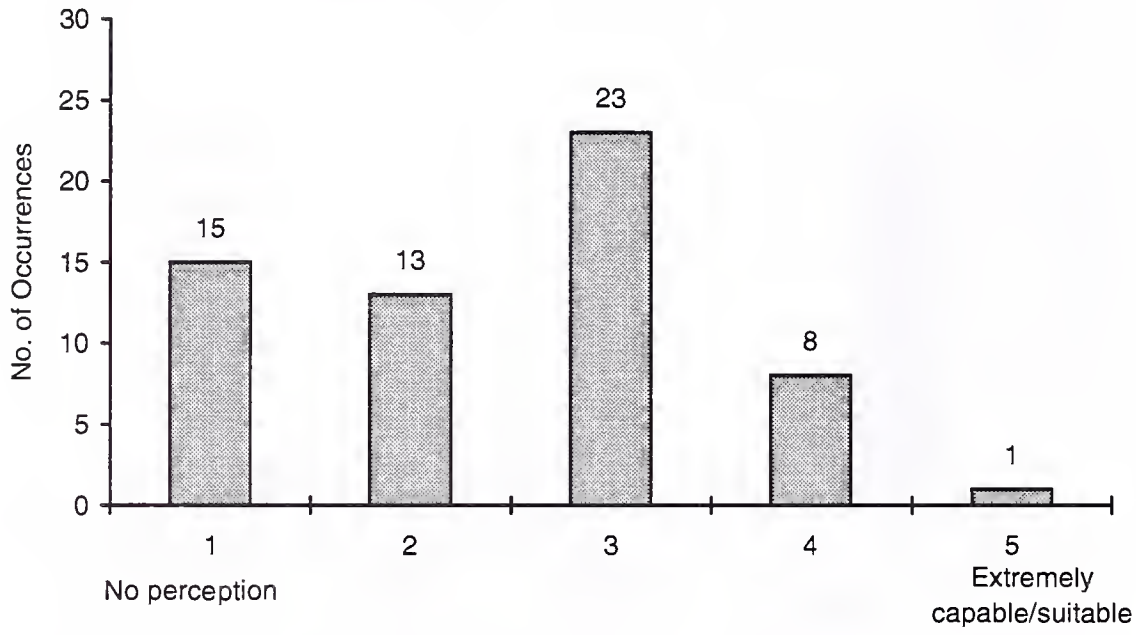
Two users responded 'don't know' or 'not applicable'.

Source: INPUT

J

Ernst & Young

Exhibit A-10



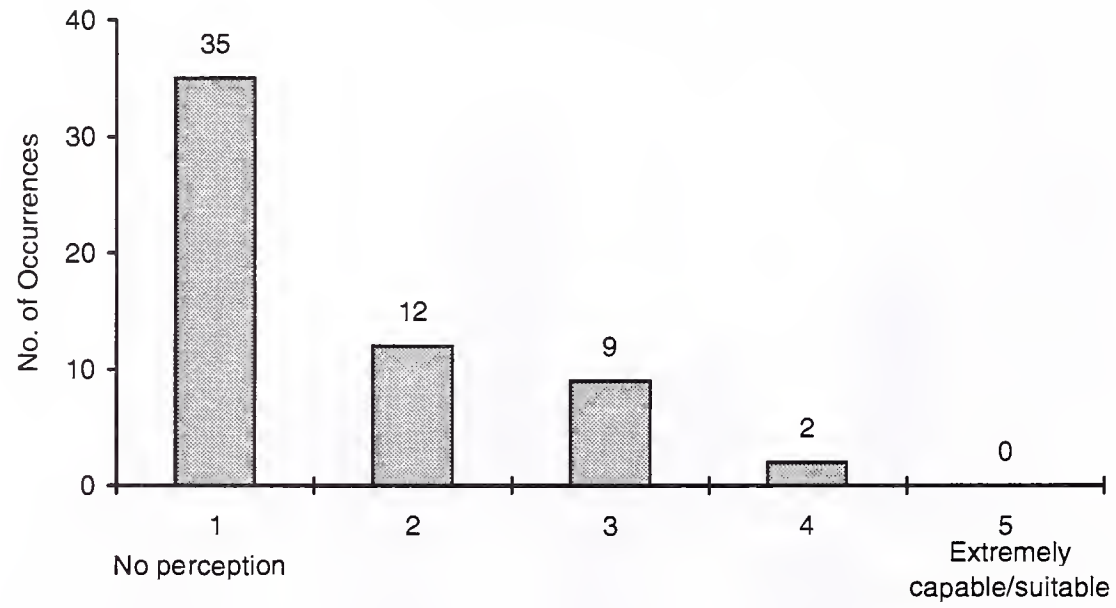
One user responded 'don't know' or 'not applicable'.

Source: INPUT

K

Group Bull

Exhibit A-11



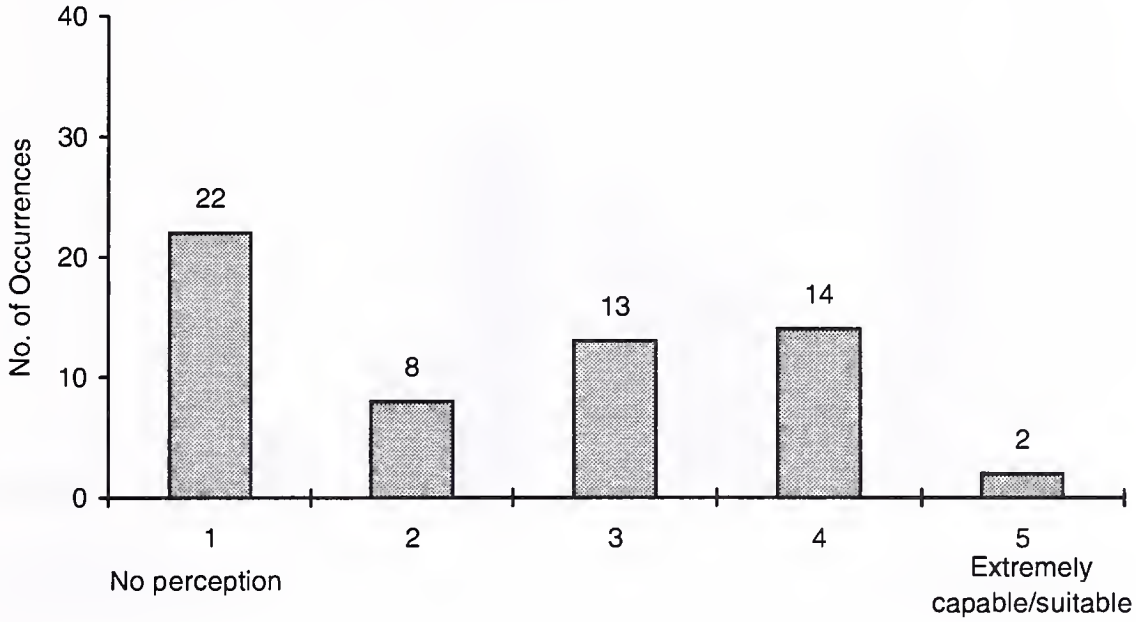
Three users responded 'don't know' or 'not applicable'.

Source: INPUT

L

Hewlett-Packard

Exhibit A-12



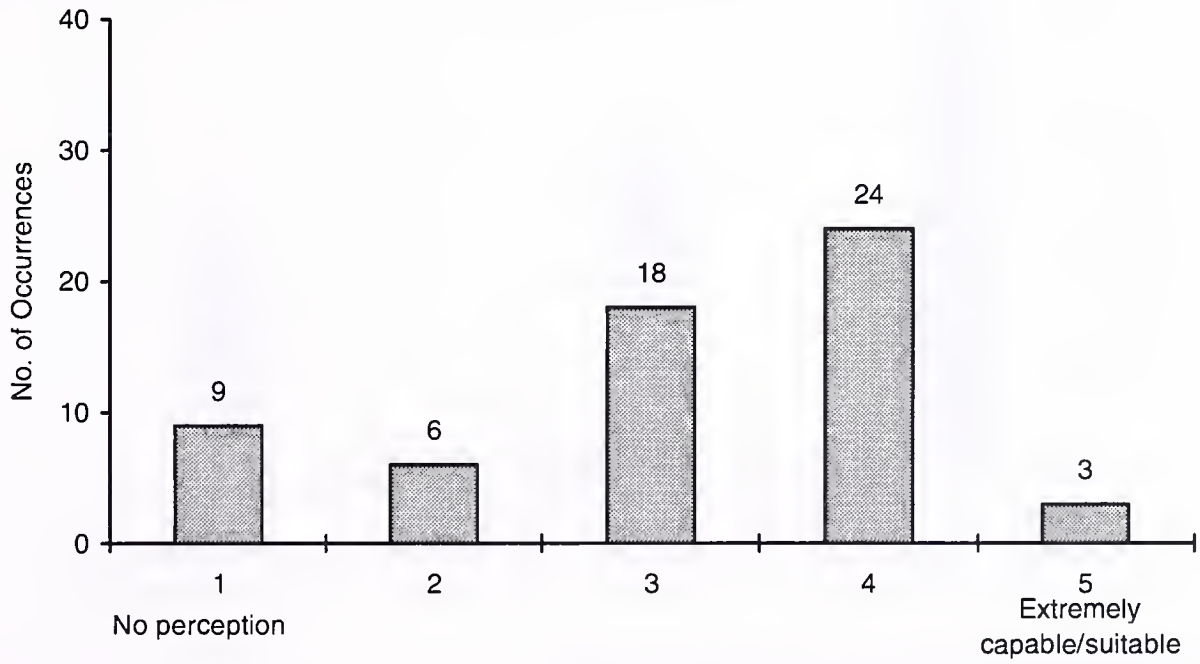
Two users responded 'don't know' or 'not applicable'.

Source: INPUT

M

IBM

Exhibit A-13



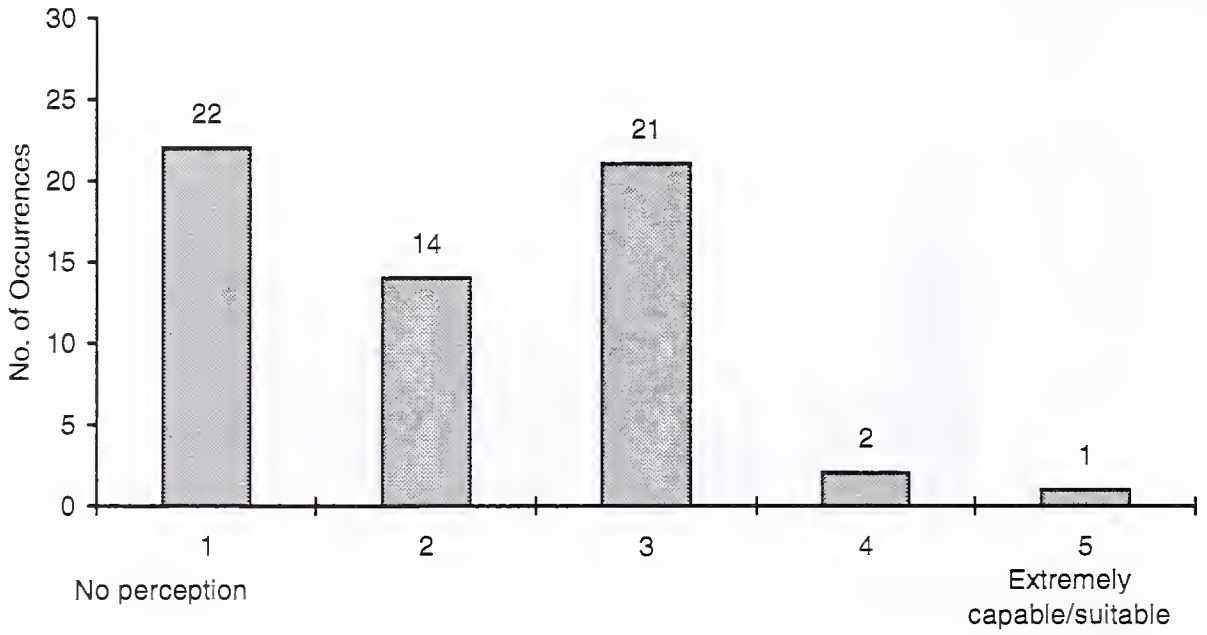
One user responded 'don't know' or 'not applicable'.

Source: INPUT

N

ICL

Exhibit A-14

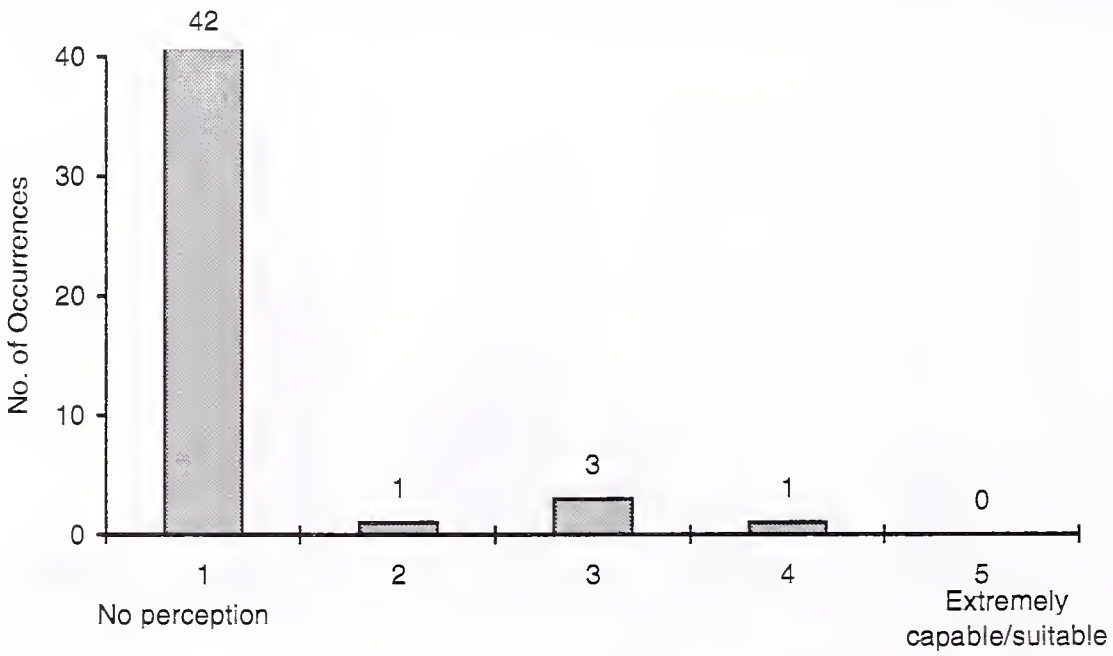


One user responded 'don't know' or 'not applicable'. *Source: INPUT*

O

Interim

Exhibit A-15

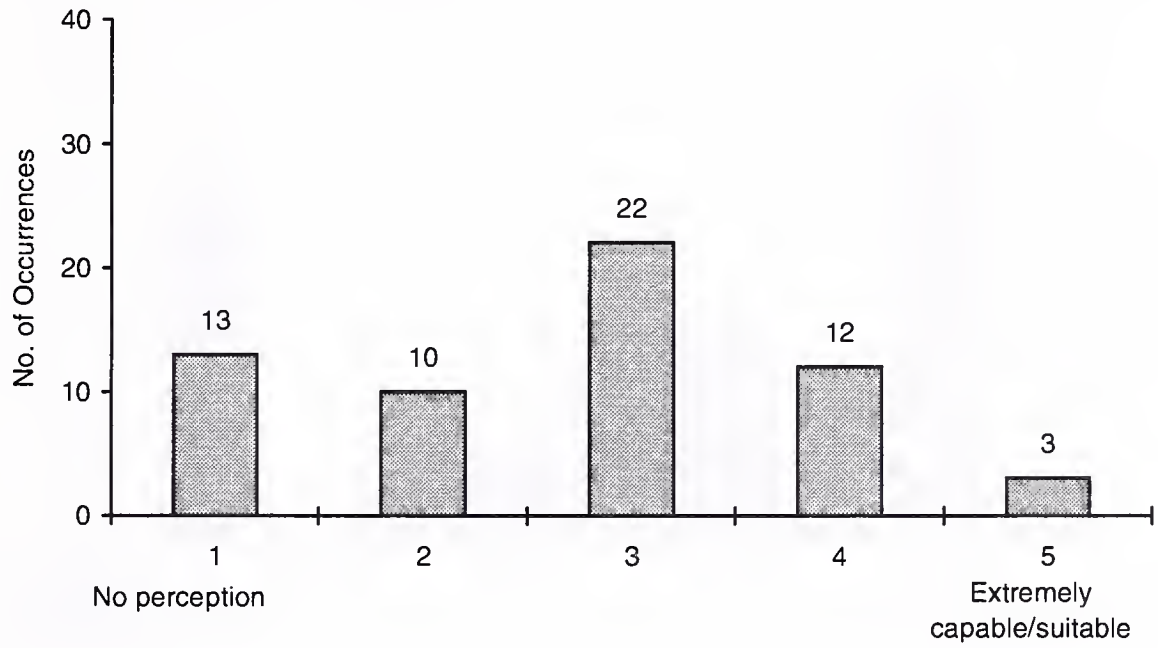


Fourteen users responded 'don't know' or 'not applicable'. *Source: INPUT*

P

KPMG

Exhibit A-16

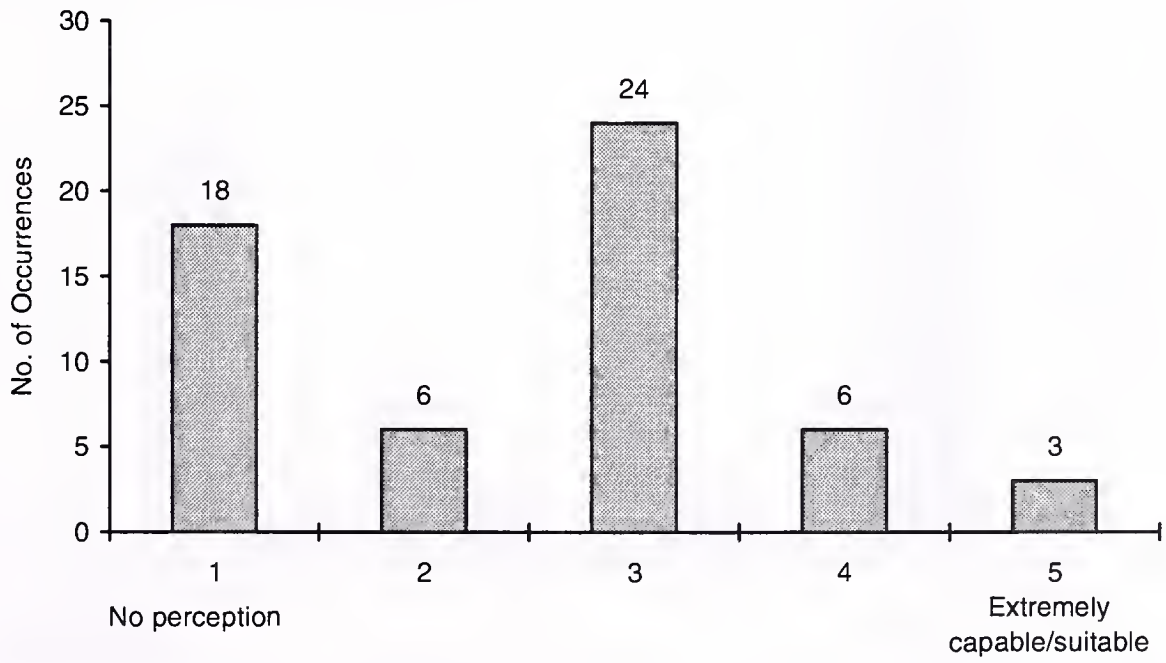


One user responded 'don't know' or 'not applicable'. *Source: INPUT*

Q

Logica

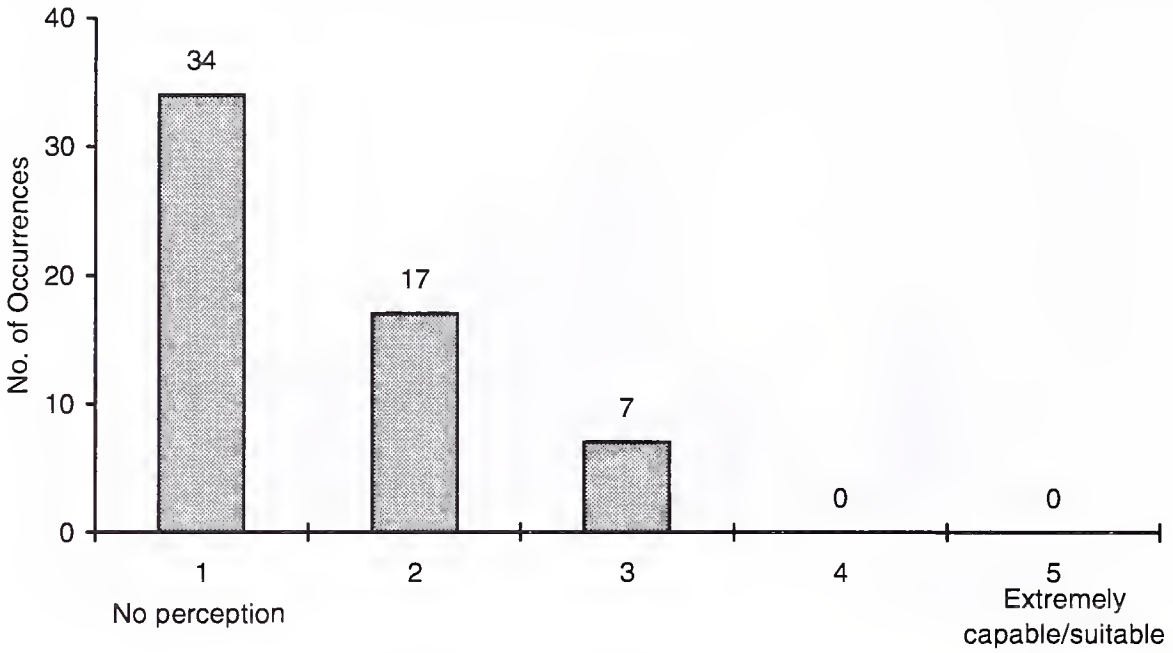
Exhibit A-17



Four users responded 'don't know' or 'not applicable'. *Source: INPUT*

R
Olivetti

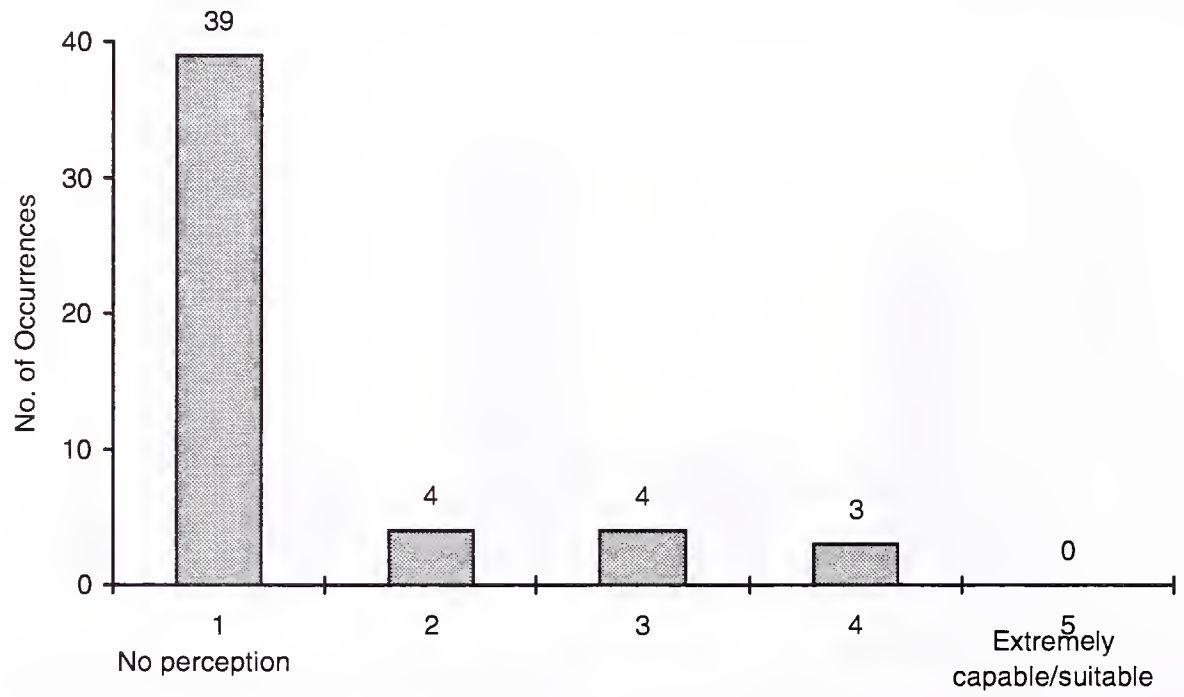
Exhibit A-18



Three users responded 'don't know' or 'not applicable'. *Source: INPUT*

S
Origin

Exhibit A-19

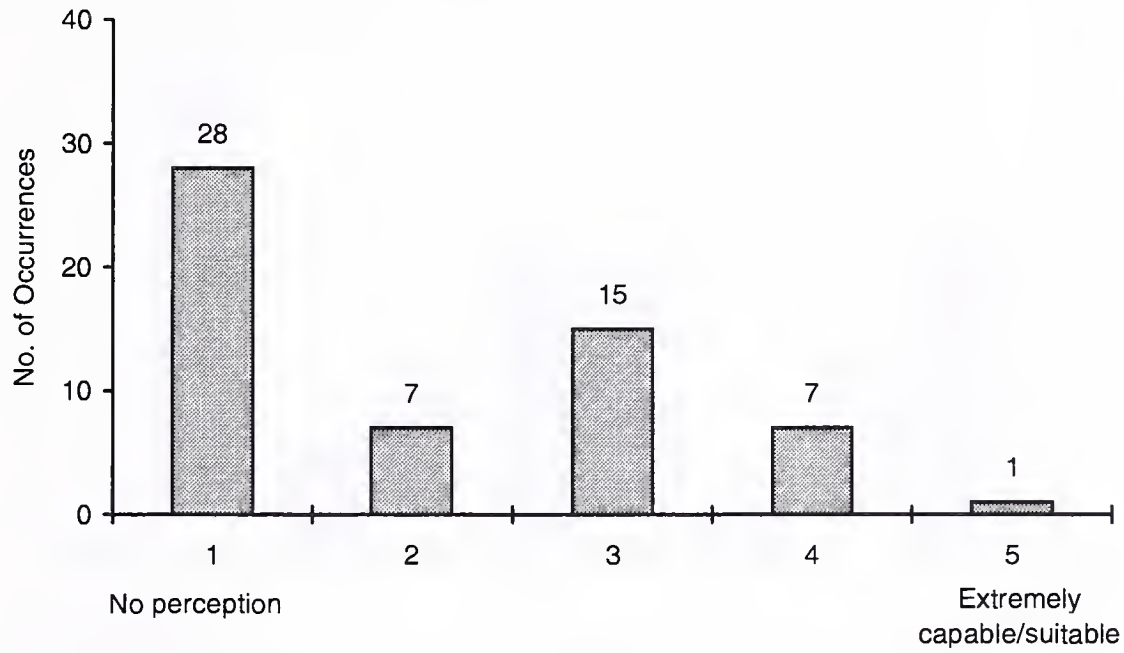


Eleven users responded 'don't know' or 'not applicable'. *Source: INPUT*

T

PA Consulting

Exhibit A-20



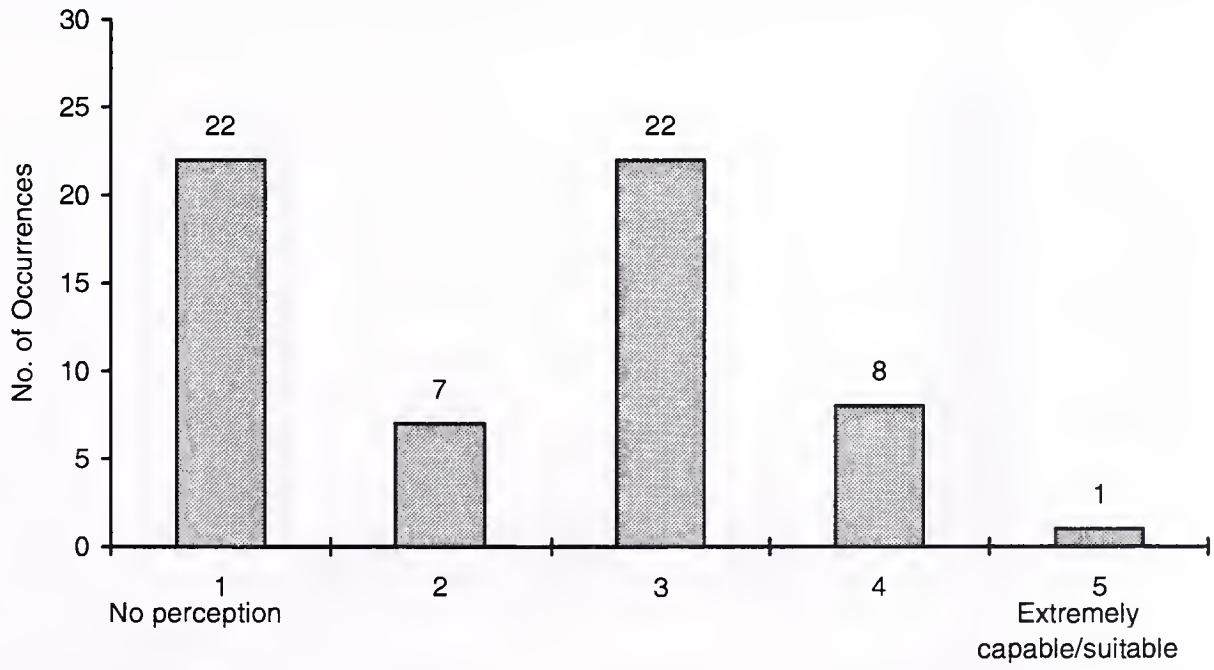
Three users responded 'don't know' or 'not applicable'.

Source: INPUT

U

Price Waterhouse

Exhibit A-21

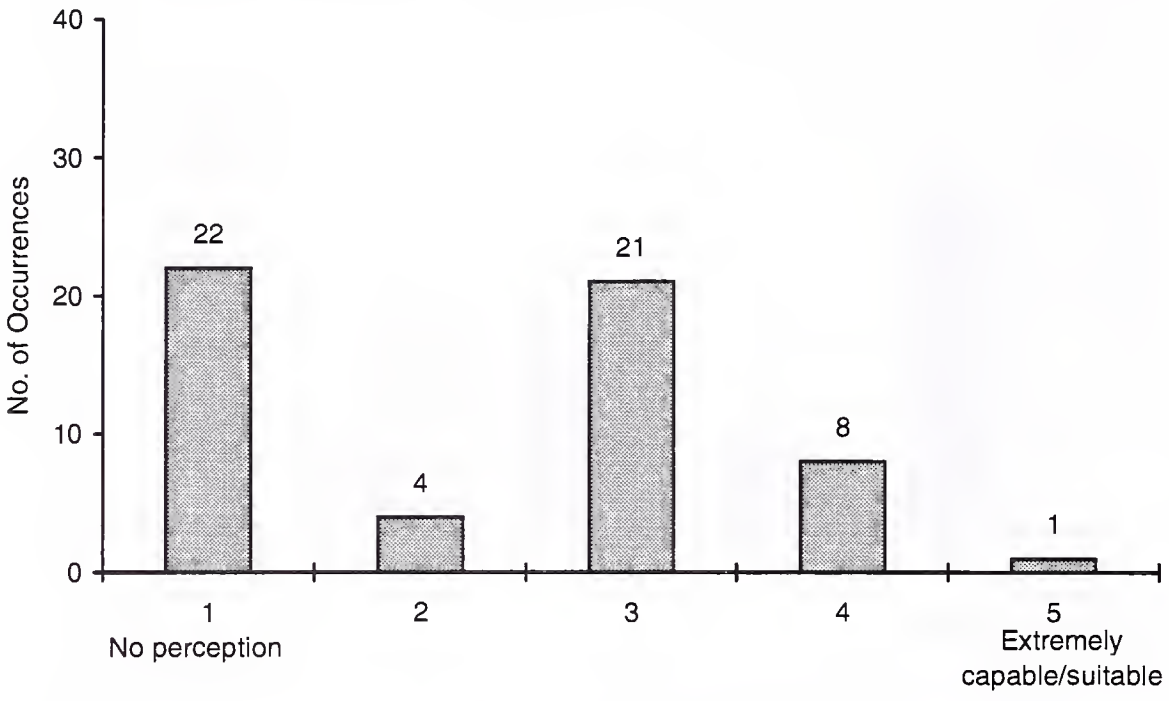


One user responded 'don't know' or 'not applicable'.

Source: INPUT

V
Sema Group

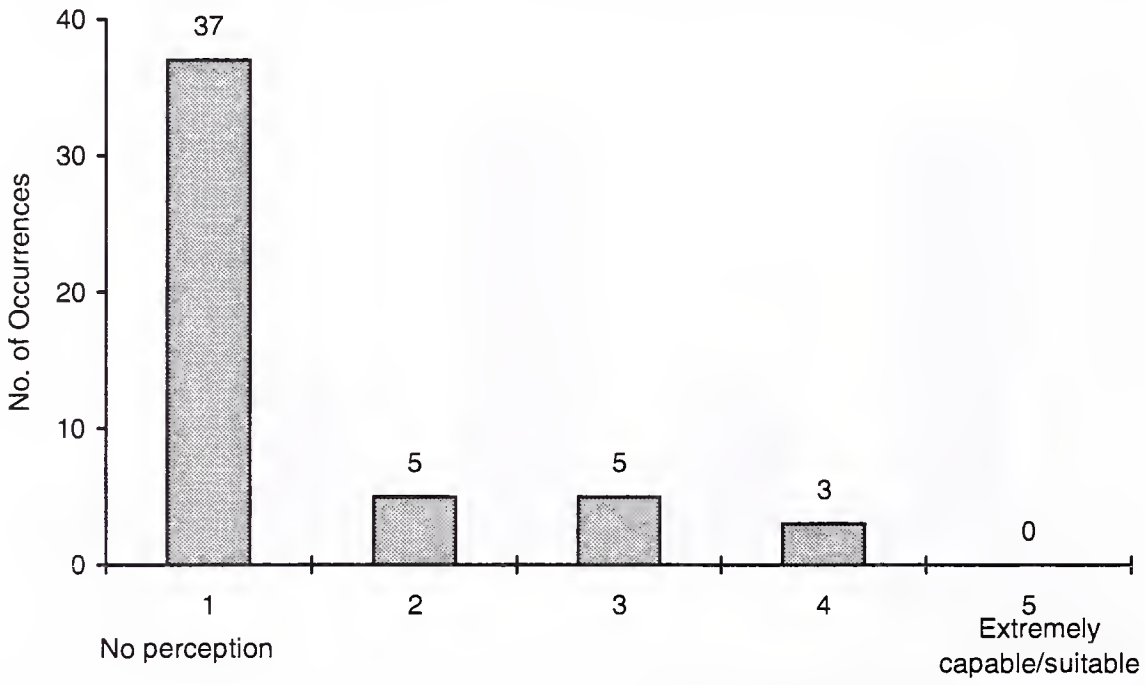
Exhibit A-22



Five users responded 'don't know' or 'not applicable'. *Source: INPUT*

W
SNI

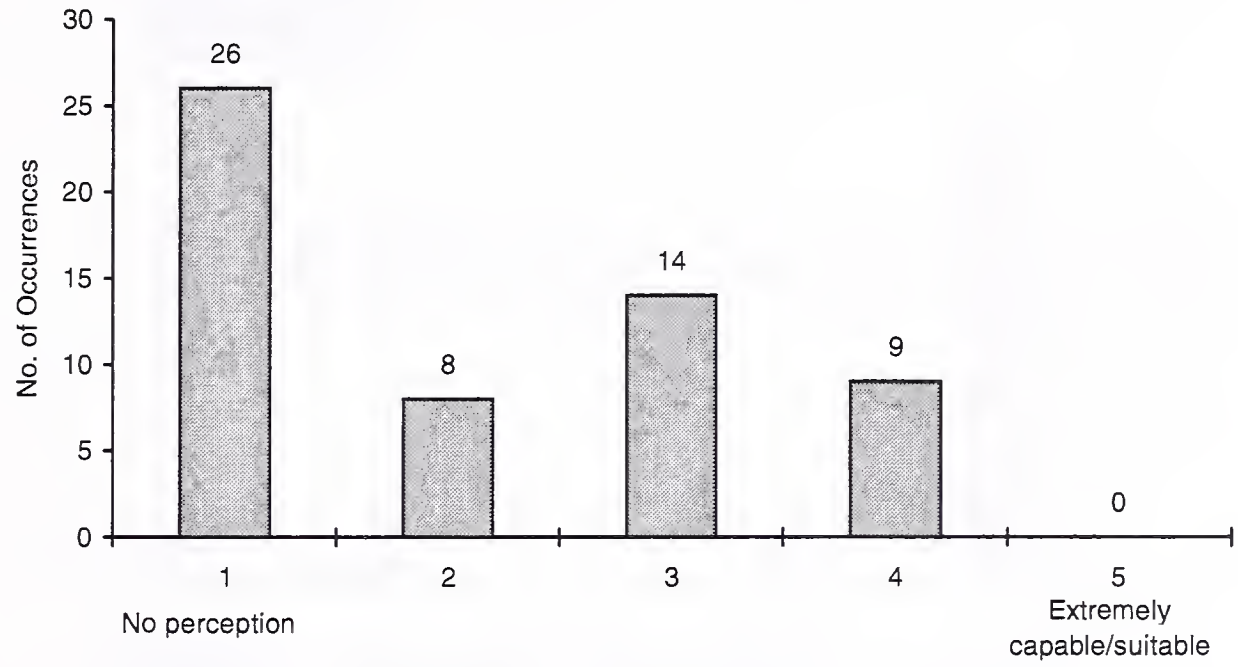
Exhibit A-23



Eleven users responded 'don't know' or 'not applicable'. *Source: INPUT*

X
Sun

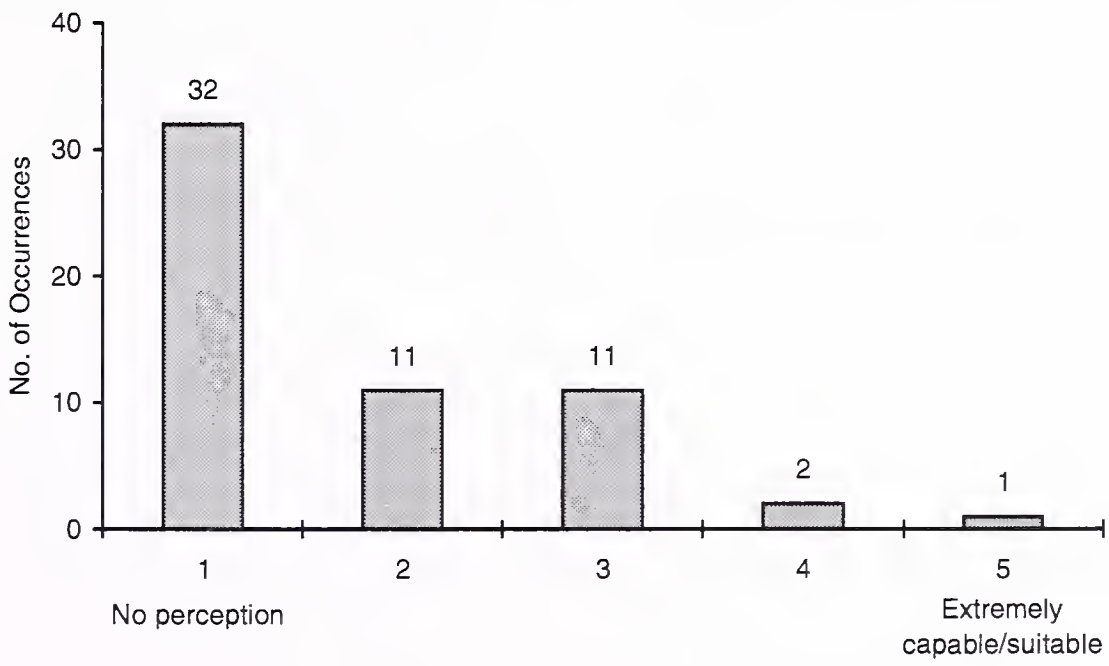
Exhibit A-24



Four users responded 'don't know' or 'not applicable'. *Source: INPUT*

Y
Unisys

Exhibit A-25

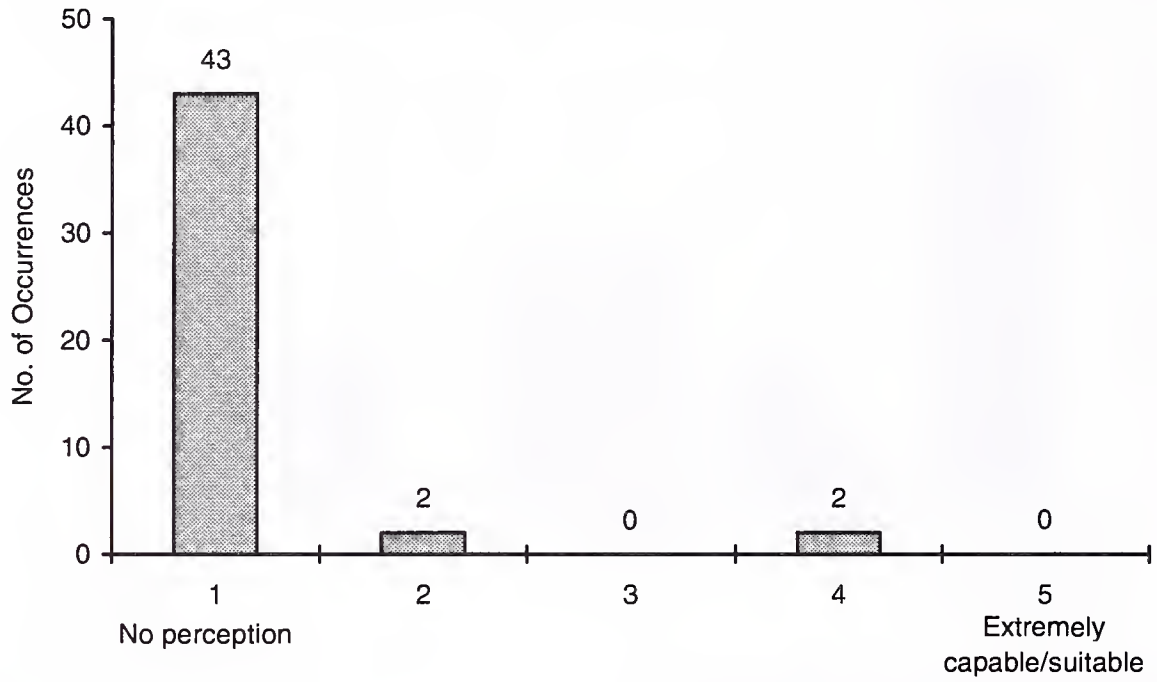


Four users responded 'don't know' or 'not applicable'. *Source: INPUT*

Z

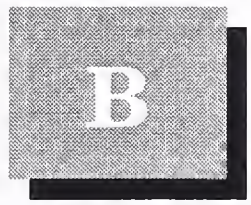
121 Consulting

Exhibit A-26



Fourteen users responded 'don't know' or 'not applicable'.

Source: INPUT



UK SAP User Questionnaire

Section A

Questionnaire Respondent Details

Company Name _____

Respondent Name _____

Job Title _____

Total Annual Turnover _____

Total Number of Staff _____

Total IT Budget _____

Total Number of IT Staff _____

Section B - Questions Regarding the Actual SAP Product

1 What SAP software do you have installed in your organisation and how long has it been operational ?

	Version	Date Installed
R/2		
R/3		
Combination		

2 Can you indicate whether you have implemented a total SAP product or just certain modules ? *(Multiple ticks allowed)* Can you also indicate the number of users typically utilising a particular module ?

	SAP Module Implemented	Number of Users
Total Product		
Financials (all)		
Financials (components)		
General Ledger		
Accounts Receivable		
Accounts Payable		
Financial Controlling		
Investments		
Legal Consolidation		
Asset Management		
Management Accounting		
Logistics		
Payroll		
Human Resources		
Manufacturing		
Sales & Marketing		
Other (Please Detail)		

3 Can you outline the IT infrastructure supporting your SAP products ? *(Multiple ticks allowed)*

R/2

Hardware	IBM	Fujitsu	HDS	Other *(Detail)*
Operating System	VSE/SP	MVS	MVS/XA	MVS/ESA
Data Comms	CICS	IMS/DC		
Database	VSAM	DL1	Adabas	IMS/DB

R/3

Hardware	Bull	Digital	HP	IBM	SNI	Sun	Sequent	Other *(Details)*
Operating System	BOS	OSF/1	HP-UX	AIX	SINEX	Solaris	Other	
Database	Oracle	Informix	Other					
Presentation	OSF/MOTIF	Other						

4 Can you briefly outline your SAP related history; i.e. have you *(Multiple ticks allowed)*

Been and still are, purely a R/2 site ? _____

Migrated from R/2 to R/3 ? _____

Outsourced your R/2 ? _____

Gone straight to R/3 ? _____

Outsourced your R/3 ? _____

Other _____

_____

5 How satisfied are you with the following elements of the actual SAP product you have implemented ? (Please rate on a scale of 1-5 where 1 = extremely dissatisfied and 5 = extremely satisfied) *Answer relevant sections*

	R/2	Version	R/3	Version
Usability				
Flexibility				
Functionality				
Reporting				
Architecture				
Range of Modules				
Quality Standards				
Platform Portability				
Price				
Overall				

6 Can you indicate what the major objectives were behind your SAP implementation and to what extent have these been met ? (Please rate both on a scale of 1 - 5 where 1 = low objective/ objectives not met at all and 5 = high objective/objectives completely met)

	Objective	Objective Met
Rationalising existing IT infrastructure (s)		
Moving to client/server technology		
Using best of breed software		
Integrating existing applications		
Improving product lifecycles		
Gaining new systems functionality		
Gaining competitive edge		
Remaining competitive		
Reengineering the business		
Lowering IT costs		
Other (s)		

7 Why did you choose SAP products ?

8 What other company's products did you consider ? *(Multiple ticks allowed)*

Oracle _____

JBA _____

CODA _____

Computer Associates _____

Dun & Bradstreet _____

Walker _____

IBM _____

Systems Union _____

JD Edwards _____

Hoskyns _____

Peoplesoft _____

SSA _____

Baan _____

Peterborough _____

Interactive Care _____

QSP _____

Other *(Please detail)*

_____

_____

9 Can you detail the total cost of your UK SAP implementation in terms of the following categories?

PLEASE AIM TO OBTAIN HARD NUMBERS - %'S ARE A FALLBACK POSITION

Implementation Categories	Project Cost (£,000 or %)
Software Licence	
Central Hardware	
Desktop Hardware & Networking	
BPR Services	
Systems Configuration Services	
Systems Tailoring/Enhancement Services	
ABAP, Interfaces, etc.	
Education & Training	
Direct Consulting from SAP	
Other (Please Detail)	
Total	

10 Can you indicate how long your SAP implementation period was ?

Under 3 months _____

Between Three and Six Months _____

Between Six and Nine Months _____

Between Nine Months and a Year _____

Between One and Two Years _____

Over Two Years _____

11 How long do you expect the payback period for your implementation to be ?

At implementation _____

After 12 months _____

After 1-5 years _____

After 5 years _____

12 Was your decision to adopt SAP

	Yes	No
An independent decision ?	_____	_____
Discussed with Management Consultants ?	_____	_____
Discussed with your auditors ?	_____	_____

13 If your decision was discussed with Management Consultants were these consultants an SAP Logo Partner ? Can you state who they were ?

Yes _____

No _____

Name of Consultants

_____

_____

14 In purchasing SAP Products did you

Approach SAP directly ? _____

Via an SAP Logo Partner ? _____

15 What do you consider the three main strengths and weaknesses of SAP's products ?

	Strength	Weakness
1		
2		
3		

Section C - Questions Regarding the IT Services Assistance you Received in your SAP Implementation Project

16 What were the main three main reasons you sought external SAP services assistance ? *(Please rank 1, 2, 3, where 1= most important)*

Technical Implementation Skills _____

Project Management Skills _____

Business Consulting Skills _____

Industry Knowledge _____

IT Architecture Knowledge _____

Systems Integration Expertise _____

BPR Skills _____

Functional Applications Skills _____

Programming Skills _____

Prime Contractor Management of the Project _____

Business Process Expertise _____

End User Training _____

Access to a development/implementation methodology _____

Change Management _____

Other (Please detail below)

_____

_____

Did not Utilise External Services _____

IF YES TO THIS LAST PART OF QUESTION 16 - TERMINATE INTERVIEW

17 In your selection process how important was it that the IT services provider was an SAP Logo Partner ? *[Detail Global or National] (Please rate on a scale of 1-5 where 1 = very unimportant and 5 = very important)*

18 Can you rate the importance of the following criteria in your initial selection of the external SAP services vendor ? (Please rate on a scale of 1 - 5 where 1 = unimportant and 5 = very important)

Ability to offer a broad range of services from consulting to maintenance

Size of the supplier _____

Quality of reference sites _____

Quantity of reference sites _____

Industry specialisation _____

Geographical presence _____

Price _____

Flexibility of contractual approach _____

Vendor's commercial stability _____

Vendor's relations with existing customers _____

Your existing relationship with the vendor _____

Vendor's commitment to partnering _____

Culture of the vendor _____

Technical capability _____

Staff qualification _____

Timeliness of response _____

Performance guarantees _____

Application knowledge _____

Process knowledge _____

Independence _____

Staff attrition rate _____

Quality Certification (ISO9000) _____

18 (Continued)

Process reengineering skills _____

Ability to demonstrate IT's business benefits _____

The management of risk _____

Ability to work with non-IT staff _____

On-going support _____

Other *(Please detail)*

_____

_____

19 How did you find out about your SAP services partner ? *(Multiple ticks allowed)*

Via SAP _____

Word of mouth _____

Media/Advertising _____

Directories _____

World-Wide-Web _____

Other (Please detail)

_____

_____

20 How influential were each of the following in selecting an SAP services providers ? (Please rate on a scale of 1 to 5 where 1 = not influential and 5 = very influential)

Managing Director/Chief Executive Officer _____

Financial Director/Chief Financial Officer _____

IT Director _____

Other Director (please specify)

_____

User Representative _____

External Audit Representative _____

Internal Audit Representative _____

External Consultancy _____

Internal Consultancy _____

Other

_____

_____

21 What contractual approach did you use for your SAP implementation project and how satisfied have you been with this approach ? *(Tick in appropriate Contractual Approach Box and then rate on a scale of 1 - 5 where 1 = extremely dissatisfied and 5 = very satisfied))*

	Contractual Approach	Satisfaction
Systems Integration		
Fixed Price for Services		
Time and Material		
Other *(Please explain)*		

22 Overall, how satisfied are you with your SAP services provider ? Can you name them ? (Please rate on a scale of 1-5 where 1 = extremely dissatisfied and 5 = extremely satisfied)

Name (s)	Satisfaction Rating

23 How satisfied are/were you with your SAP services provider with regards to the following issues ?: (Please rate on a scale of 1-5 where 1 = very dissatisfied and 5 = very satisfied)

Business case development/project justification _____

Business process reengineering _____

General consulting _____

Change management _____

Meeting cost/price calculations _____

Meeting deadlines _____

Software design _____

Prototyping _____

Implementation _____

Training/Skills transfer _____

"Going Live" _____

Facilities Management _____

Maintenance _____

Project Help _____

Desk Top _____

24 Did your external IT services firm utilise any of the following; if they did how satisfied were you with them ? *(Please score satisfaction on a scale of 1 - 5 where 1 = very dissatisfied and 5 = very satisfied)*

	Yes/No	Satisfaction Rating
Formal Implementation Methodology		
Proprietary Implementation Tools		
Business Modelling Tools		
SAP's Business Engineering Workbench (BEW)		

25 What implementation approach did your organisation adopt in your SAP project ?

Big Bang _____

Phased By Modules _____

Pilot/Roll Out _____

Other (Please Detail)

_____

_____

26 (a) Which elements of your SAP project were you particularly satisfied with and why ?

_____

_____

(b) Which elements of your SAP project were you particularly dissatisfied with and why ?

_____

_____

27 (a) In your SAP implementation process were there any requirements which you had which were unmet by the services organisation assisting you ?

Yes _____

No _____

(b) If Yes, what were these ?

_____

_____

(c) Do you believe other SAP services providers offer these services ?

Yes _____

No _____

28 (a) Since going live with SAP have you experienced significant problems with the system ?

Yes _____

No _____

Not yet live _____

(b) If yes, have these been in:

User skills _____

User workload _____

System reliability _____

System availability _____

Links with other systems _____

Systems response _____

Other (Please detail)

_____

(c) To improve the usage of your SAP systems, do you think your best investment would be in:

Technical training _____

More hardware _____

More software _____

End user training _____

Technical support facilities _____

Other (Please detail)

_____

29 (a) How much have you spent in total on external SAP services in the last 12 months ? How much do you intend to spend on SAP services in the next year ?

Last 12 Months _____

Next 12 Months _____

(b) In percentage terms, can you apportion this spend across the following areas ?

	Last 12 Months	Next 12 Months
Technical Implementation Skills		
Project Management Skills		
Business Consulting Skills		
Systems Integration Expertise		
BPR Skills		
Functional Applications Skills		
Programming Skills		
Change Management		
End User Training		
Other (Please detail below)		

30 Do you currently have an agreement in place for development/maintenance of your system ?

Yes _____

No _____

31 Do you feel the that the external IT services vendor you engaged to assist you with your SAP implementation has delivered value for money ? (Please rate on a scale of 1 - 5 where 1 = you strongly believed they have not and 5 = you strongly believe they have)

---

32 (a) Would you act as a reference site for the SAP services provider ?

Yes _____

No _____

Possibly _____

(b) Would you recommend the company's SAP services offering to other organisations ?

Yes _____

No _____

Possibly _____

33 Over the next two years do you have plans to do any of the following ? *(Multiple ticks allowed)*

Develop new SAP applications _____

Upgrade the system _____

(IF CURRENTLY AN R/2 SITE) Migrate to R/3

Outsource your SAP systems _____

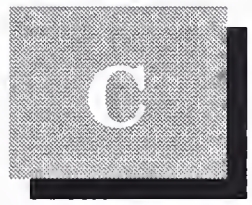
Use the Internet as an SAP application platform _____

Other *(please detail)*

_____

_____

Thank you very much for your time and assistance with this questionnaire



UK Non - SAP User Questionnaire

Questionnaire Respondent Details

Company Name _____

Respondent Name _____

Job Title _____

Total Annual Turnover _____

Total Number of Staff _____

Total IT Budget _____

Total Number of IT Staff _____

1 Are you planning to undertake large scale systems development or integration projects over the course of the next year ?

Yes _____

No _____

Currently Considering _____

IF "NO" - PLEASE TERMINATE INTERVIEW

2 What applications do you intend implementing over the course of the next year ?

_____

_____

3 What are the current priorities of your **external** IT spend *? (Please rate on a scale of 1 - 5 where 1 = low priority and 5 = high priority)* If possible, can you detail what percentage of your overall IT spend is on these external services ?

	Priority (%)	of Spend
Systems Integration		
Application Development		
Outsourcing		
Training & Education		
Consultancy		
Maintenance & Support		
Other (please describe)		

_____

4 To what extent is your IT operation currently focused on the following issues ? *(Please rate on a scale of 1-5 where 1 = not at all and 5 = very strongly)*

Integrating systems _____

Cutting IT costs _____

Changing IT platforms _____

Creating a new information architecture _____

Improving systems development processes _____

Developing cross-functional information systems _____

Reengineering business processes using IT _____

Developing decentralised systems _____

Educating non-IT staff on IT _____

Establishing IT connectivity to suppliers/customers _____

Using IT for competitive advantage _____

Using leading edge technology _____

Improving IT Human Resources _____

Integrating IT and corporate aims _____

Other (please describe)

_____

5 (a) To what extent is your IT spend directed towards the following business functions ?

(Please rate on a scale of 1-5 where 1 = not at all and 5 = very strongly)

Customer Service _____

Finance/Accounting _____

Delivery/Logistics _____

Sales _____

Marketing _____

Manufacturing _____

Operations _____

Merchandising _____

Inventory _____

Administration/Support Functions _____

Logistics _____

IT Infrastructure _____

Research and Development _____

Other (please describe)

_____

(b) Which of these business processes do you most need implementation or integration assistance with both presently and for planned (next 12 months) projects ?

(Please rate on a scale of 1-5 where 1 = not at all and 5 = very strongly)

	Presently	Planned
Customer Service	_____	_____
Finance/Accounting	_____	_____
Delivery/Logistics	_____	_____
Sales	_____	_____
Marketing	_____	_____
Manufacturing	_____	_____
Operations	_____	_____
Merchandising	_____	_____
Inventory	_____	_____
Administration/Support Functions	_____	_____
Logistics	_____	_____
IT Infrastructure	_____	_____
Research and Development	_____	_____

Other (please describe)

_____

6 (a) Do you intend using packaged business application software, such as SAP's R/3 software product in a systems development or systems integration project ?

Yes _____

No _____

(b) If no, will the application be a custom development ?

Yes _____

No _____

(c) If no, please explain ?

_____

_____

7 In regard to the following suppliers of enterprise-wide business application software can you detail (a) whether you have heard of them (b) whether you would consider using them and (c) how you would rate them using a scale of 1 - 5 where 5 = Highest Regard. *(Multiple ticks allowed)*

	Heard of as Supplier of Enterprise-Wide Business Applications Software		Would Consider Using		View of Vendor as Supplier of Enterprise-Wide Business Applications Software					
	Yes	*No*	*Yes*			*No*	*1*	*2*	*3*	*4*
Oracle										
JBA										
JD Edwards										
IBM										
Coda										
Computer Associates										
D&B										
BAAN										
Peterborough										
SSA										
Peoplesoft										
SAP										
Walker										
Systems Union										
Interactive Care										
QSP										
Other (Please detail)										

8 Would you intend to use external IT service vendors to assist you in application development or systems integration initiatives ?

Yes _____

No _____

Currently Considering

IF NO, GO TO QUESTION 10

9 If "yes" or "currently considering" what type of external service vendor will you use ?

System Integrator (e.g. IBM, EDS, CSC, A/C) _____

Outsourcer (e.g. ITNet, FI, CFM) _____

Systems House (e.g. Logica, Hoskyns/CGS) _____

Management Consultancy (e.g. C&L, PW) _____

Other (please describe)

_____

10 In large scale systems development/integration projects what form of contract pricing does your organisation favour ?

Fixed price _____

Time & materials _____

Value based _____

Other (please describe)

_____

ONLY ASK THE FOLLOWING QUESTION IF THE RESPONDENT HAS ANSWERED POSITIVELY TO QUESTION 7 REGARDING SAP. IF NOT GO STRAIGHT TO QUESTION 22

11 In regard to SAP, which you indicated you would consider using, what do you consider as the three main strengths and weaknesses of SAP's products ?

	Strength	Weakness
	1	
	2	
	3	

12 If you would consider implementing a product such as SAP can you indicate whether this would be a "total product" or just certain modules ? *(Multiple ticks allowed)*

Total Product _____

R/2 or R/3 _____

Financials (all) _____

Financials (components) _____

General Ledger _____

Accounts Receivable _____

Accounts Payable _____

Financial Controlling _____

Investments _____

Legal Consolidation _____

Asset Management _____

Management Accounting _____

Logistics _____

Payroll _____

Human Resources _____

Manufacturing _____

Sales & Marketing _____

Other ----------

Don't Know _____

13 Can you indicate whether you would consider using any of the following equipment manufacturers' technology as the main platform for a SAP systems development or integration project. *(Multiple ticks allowed)*

Equipment Manufacture	Consider Using
Amdahl	
Data General	
Digital	
Groupe Bull	
Hewlett Packard	
Hitachi Data Systems	
IBM	
ICL	
NCR	
Pyramid	
Sequent	
Siemens Nixdorf	
Sun Microsystems	
Stratus	
Unisys	
Other (Please Detail)	
Don't Know	

14 Can you indicate what your major objectives would be behind an SAP business application development project ? (Please rate on a scale of 1 - 5 where 1 = low objective and 5 = high objective)

	Objective
Rationalising existing IT infrastructure (s)	
Moving to client/server technology	
Using best of breed software	
Integrating existing applications	
Improving product lifecycles	
Gaining new systems functionality	
Gaining competitive edge	
Remaining competitive	
Reengineering the business	
Lowering IT costs	
Other (s)	

15 If you were going to adopt SAP Software would your decision be

	Yes	No
An independent one ?	_____	_____
Discussed with Management Consultants ?	_____	_____
Discussed with your auditors ?	_____	_____

16 If you were intending to purchase SAP Software would you

Approach SAP directly ?	_____	_____
Use a third party ?	_____	_____

ONLY ASK THIS QUESTION IF RESPONDENT ANSWERED "YES" TO QUESTION 8 - IF RESPONDENT ANSWERED "NO" TO QUESTION 8 GO DIRECTLY TO QUESTION 18

17 What are the three main reasons you would utilise an external services organisation to assist you in implementing SAP software ? *(Please rank 1, 2, 3, where 1= most important)*

Technical Implementation Skills _____

Project Management Skills _____

Business Consulting Skills _____

Industry Knowledge _____

IT Architecture Knowledge _____

Systems Integration Expertise _____

BPR Skills _____

Functional Applications Skills _____

Programming Skills _____

Prime Contractor Management of a Project _____

Business Process Expertise _____

End User Training _____

Access to a development/implementation methodology _____

Change Management _____

Other (Please detail below)

_____

18 Can you indicate how capable or suitable you consider the following IT services organisations are, or would be, in assisting your organisation with an SAP related systems development or integration projects ? (Please rate on a scale of 1-5 where 1 = no perception and 5 = extremely capable/suitable)

Vendor	Perception of Capability
Andersen Consulting	
Hoskyns/CGS	
Coopers & Lybrand	
CMG	
CSC	
Data General	
Digital	
Druid	
EDS	
Ernst & Young	
Groupe Bull	
HP	
IBM	
ICL	
Interim	

Vendor	Perception of Capability
KPMG	
Logica	
Olivetti	
Origin	
PA	
PW	
Sema Group	
SNI	
Sun Microsytems	
Unisys	
121	
Other (Please Detail)	

19 If you were intending to implement SAP with the assistance of an external IT services supplier how important would it be that the IT services provider was an SAP Logo Partner ? *(Please rate on a scale of 1-5 where 1 = very unimportant and 5 = very important)*

_____

20 If you were choosing an external SAP services vendor how important would the following criteria be in your selection ? (Please rate on a scale of 1 - 5 where 5 = very important)

Ability to offer a broad range of services from consulting to maintenance _____

Size of the supplier _____

Quality of reference sites _____

Quantity of reference sites	_____
Industry specialisation	_____
Geographical presence	_____
Price	_____
Flexibility of contractual approach	_____
Vendor's commercial stability	_____
Vendor's relations with existing customers	_____
Your existing relationship with the vendor	_____
Vendor's commitment to partnering	_____
Culture of the vendor	_____
Technical capability	_____
Staff qualification	_____
Timeliness of response	_____
Performance guarantees	_____
Application knowledge	_____
Process knowledge	_____
Independence	_____
Staff attrition rates	_____
Quality Accreditation (ISO9000)	_____
Process reengineering skills	_____
Ability to demonstrate IT's business benefits	_____
The management of risk	_____
Ability to work with non-IT staff	_____
On-going support	_____

Other *(Please detail)*

---

21 How important would an SAP services vendor's skills in the following areas be to you in your selection ? (Please rate on a scale of 1-5 where 1 = very unimportant and 5 = very important)

Business case development/project justification _____

Business process reengineering _____

General consulting _____

Change management _____

Meeting cost/price calculations _____

Meeting deadlines _____

Software design _____

Prototyping _____

Implementation _____

Training/Skills transfer _____

"Going Live" _____

Facilities Management _____

Maintenance _____

Formal Implementation Methodology _____

Proprietary Implementation Tools _____

Business Modelling Tools _____

Knowledge of SAP's Business Engineering Workbench (BEW) _____

IF THE INTERVIEW HAS GONE DOWN THE SAP ROUTE

(i.e. QUESTIONS 11 - 21) TERMINATE INTERVIEW HERE

Thank you very much for your time and assistance with this questionnaire

THESE ARE QUESTIONS FOR RESPONDENTS WHO ANSWERED NEGATIVELY TO THE SAP QUESTION IN QUESTION 7

22 Can you indicate what your major objectives would be behind an enterprise-wide business application development project ? (Please rate on a scale of 1 - 5 where 1 = low objective and 5 = high objective)

	Objective
Rationalising existing IT infrastructure (s)	
Moving to client/server technology	
Using best of breed software	
Integrating existing applications	
Improving product lifecycles	
Gaining new systems functionality	
Gaining competitive edge	
Remaining competitive	
Reengineering the business	
Lowering IT costs	
Other (s)	

23 If you were going to utilise packaged Business Application Software would your decision be

	Yes	No
An independent one ?	_____	_____
Discussed with Management Consultants ?	_____	_____
Discussed with your auditors ?	_____	_____

24 If you were intending to purchase Business Application Software would you

Approach the Business Application Software vendor directly ? _____

Use a third party ? _____

25 Can you indicate whether you would consider using any of the following equipment manufacturers' technology as the main platform for an enterprise - wide business application software product systems development or systems integration project. *(Multiple ticks allowed)*

Equipment Manufacture	Consider Using
Amdahl	
Data General	
Digital	
Groupe Bull	
Hewlett Packard	
Hitachi Data Systems	
IBM	
ICL	
NCR	
Pyramid	
Sequent	
Siemens Nixdorf	
Sun Microsystems	
Stratus	
Unisys	
Other (Please Detail)	
Don't Know	

ONLY ASK THIS QUESTION IF RESPONDENT ANSWERED "YES" TO QUESTION 8 - IF RESPONDENT ANSWERED "NO" TO QUESTION 8 GO DIRECTLY TO QUESTION 27

26 What are the three main reasons you would utilise an external services organisation to assist you in implementing an enterprise-wide business applications software product ? *(Please rank 1, 2, 3, where 1= most important)*

Technical Implementation Skills _____

Project Management Skills _____

Business Consulting Skills _____

Industry Knowledge _____

IT Architecture Knowledge _____

Systems Integration Expertise _____

BPR Skills _____

Functional Applications Skills _____

Programming Skills _____

Prime Contractor Management of a Project _____

Business Process Expertise _____

End User Training _____

Access to a development/implementation methodology _____

Change Management _____

Other (Please detail below)

_____

_____

27 Can you indicate how capable or suitable you consider the following IT services organisations are, or would be, in assisting your organisation implement enterprise-wide business applications software product (Please rate on a scale of 1-5 where 1 = no perception and 5 = extremely capable/suitable)

Vendor	Perception of Capability
Andersen Consulting	
Hoskyn/CGS	
Coopers & Lybrand	
CMG	
CSC	
Data General	
Digital	
Druid	
EDS	
Ernst & Young	
Groupe Bull	
HP	
IBM	
ICL	
Interim	

Vendor	Perception of Capability
KPMG	
Logica	
Olivetti	
Origin	
PA	
PW	
Sema Group	
SNI	
Sun Microsytems	
Unisys	
121	
Other (Please Detail)	

28 If you were choosing an external services vendor to assist you implement enterprise-wide business applications software product how important would the following criteria be in your selection ? (Please rate on a scale of 1 - 5 where 1 = unimportant and 5 = very important)

Ability to offer a broad range of services from consulting to maintenance _____

Size of the supplier _____

Quality of reference sites _____

Quantity of reference sites _____

Industry specialisation _____

Geographical presence _____

Price _____

Flexibility of contractual approach _____

Vendor's commercial stability _____

Vendor's relations with existing customers _____

Your existing relationship with the vendor _____

Vendor's commitment to partnering _____

Culture of the vendor _____

Technical capability _____

Staff qualification _____

Timeliness of response _____

Performance guarantees _____

Application knowledge _____

Process knowledge _____

Independence _____

Staff attrition rates _____

Quality Accreditation (ISO9000) _____

Process reengineering skills _____

Ability to demonstrate IT's business benefits _____

The management of risk _____

Ability to work with non-IT staff _____

On-going support _____

Other *(Please detail)*

_____

29 How important would an enterprise-wide business applications software product services vendor's skills in the following areas be to you in your selection ? (Please rate on a scale of 1-5 where 1 = very unimportant and 5 = very important)

Business case development/project justification _____

Business process reengineering _____

General consulting _____

Change management _____

Meeting cost/price calculations _____

Meeting deadlines _____

Software design _____

Prototyping _____

Implementation _____

Training/Skills transfer _____

"Going Live" _____

Facilities Management _____

Maintenance _____

Formal Implementation Methodology _____

Proprietary Implementation Tools _____

Business Modelling Tools _____

Thank you very much for your time and assistance with this questionnaire

(Blank)