Research Note
Events
R. Desisto, J. Golterman

SAP's CRM Field Sales Strategy: Big Freeze or Benefits?

SAP has announced its CRM strategy, called FOCUS. Users will find FOCUS' sales force application functionality limited, while front-office application vendors will now find they have a more dangerous competitor.

Core Topic
Business Applications: Technology-Enabled Selling and Relationship Management - Market Dynamics
Key Issue
Which vendors will thrive, despite the marketplace turmoil, to emerge as leaders in technology-enabled selling and technology-enabled relationship management by 2002?

At Sapphire '98, SAP announced its Front Office CUstomerS (FOCUS), which is positioned as a set of offerings for sales, marketing, and customer service. Other facts related to these announcements include first customer shipment (FCS) in 4Q98, with general availability in 2Q99 (R/3 release 3.1 i,h and 4.5a). SAP anticipates 20 worldwide FCS customers through 4Q99. SAP has fully absorbed Kiefer & Veittinger GmbH, a Germany-based sales force automation (SFA) software provider (see Note 1). Additionally, SAP has stated its strategy is to support directly the initial FCS SFA FOCUS customers, and eventually turn these resources to educating and training external service providers (ESPs) for SFA FOCUS implementations. SAP states that it plans to market FOCUS as not just an add-on to R/3, but also as a stand-alone set of offerings. Pricing was not announced. SAP has announced no plans to alter Business Application Programming Interface (BAPI)-certified partner shipments previously established among front-office enterprise players.

Note 1
Related SLS Research
See *Research Notes* E-03-4129, E-04-2968, and E-981-343, 26 September 1997.

While users will like its Microsoft Outlook-emulating graphical user interface, SAP's FOCUS field sales functionality falls into the category of a third-generation (see Note 2), technology-enabled selling (TES) solution. SAP's key competitors vary from one to two generations ahead, depending on vertical industry (see Note 3), and it is important to note that third-generation TES solutions lack a significant contribution to return on investment, as compared to fourth and above TES generation solutions. Functionality within SAP (see Note 4) field sales is best described as an account/opportunity/contact management system, a marketing encyclopedia system, order entry, calendaring, and sales configuration (see Note 5).

Note 2
TES Generations
See SLS *Research Notes* M-060-246, M-060-247 and M-060-248, 1 July 1996.

Note 3
SAP Focus Vertical Functionality
For the targeted industries of consumer goods and pharmaceuticals, SAP field sales functionality lacks key functionality, such as retail call reporting, team selling, trade promotions management, category management, sample management, complex physician targeting, contracts management, campaign management, and workflow. The system administration tools and customization tools will be reviewed in future research.

Note 4
SAP Focus Functionality for FCS
Supported in fFCS, the SAP FOCUS offering includes a proprietary data synchronization engine for remote users and support for networked users. Due to a lack of production sites, these functions will be reviewed in future research. SAP has demonstrated front-end functionality that will give R/3 users access to back-office data, and an untethered field sales client through which users can input data into R/3 from the field. The market value for FCS functionality is below $1,200 per user; and revenue contribution from initial functionality deliverables will be low through 4Q99.

Note 5
SAP's Sales Configuration Functionality
SAP's sales configuration engine is SAP's next generation of its product configuration functionality, has been under development since 1996, and has less than three production references. Prospective SAP clients have cited functionality gaps to support sales organizations and poor system administration tools as the primary reasons for selecting other SCS vendor alternatives. SAP's pricing configuration engine is equivalent to the functionality found

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in SAP's R/3 Sales and Distribution module executing in a disconnected environment. It still falls short of pricing configuration features and user interface capabilities found in leading products such as Trilogy Development Group's SC Pricer.

From a strategic perspective, the FOCUS initiative announcement puts SAP in direct competition with the leading TES vendors, such as Siebel, Sales Technologies/Walsh, Dendrite, and Baan/Aurum, and further competes with the likes of Trilogy, Concentra, Calico Technology, Firepond (formerly CWC), and other sales configuration system (SCS) providers. Additionally, the customer service and support offerings put SAP in direct competition with the leading customer service system providers, such as Clarify, Siebel, and Vantive. At Sapphire '98, none of the front-office vendors was in the exposition hall, with Trilogy taking demonstration space in a building opposite the Los Angeles Convention Center, where Sapphire '98 was held. This was in contrast to Sapphire '97, where several of the vendors in the customer relationship management (CRM) space were allowed to exhibit. Trilogy sponsored a simultaneous event nearby in Los Angeles called Softworld, which included such Trilogy partners as Baan, Symix, JBA, SSA, and other software companies and ESPs. The SAP FOCUS initiative will make it more difficult for other CRM vendors to gain cooperation from SAP to integrate with R/3.

Bottom Line: At this time, SAP's FOCUS initiative for SFA can best be described as being in alpha stage. SAP has not demonstrated to GartnerGroup a working system administration and customization environment. SAP will find it difficult to compete on functionality with SFA competitors, such as Siebel, Aurum, Sales Technologies/Walsh, Dendrite, Trilogy, CWC, Calico, and others in the first tier, as well as against second-tier leaders, such as Pivitol and Onyx, through 2Q00 (0.8 probability). Users should not freeze field sales automation project decisions due to SAP's FOCUS announcements. Instead, users seeking third-generation and below field sales automation functionality willing to take the risk of supplementing functionality through customization and R/3 customers should evaluate SAP field sales automation functionality, along with alternatives, under the following conditions: if they are Type A users (which generally would not consider a third-generation offering), when SAP field sales has proven successful in beta testing in similar production environments; and if they are Type B and C users, when a significant number (i.e., five to six) of customers have moved past pilot and into rollout, which is anticipated in 2Q00 (0.6 probability). Users making fourth-generation and above field sales automation solutions through 4Q99, regardless of R/3 customer status, should evaluate alternatives.

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