



SMB Chemical Companies May Be Able To Leap-Frog With SAP

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Colin Masson

Midmarket chemical companies don't have to deal with any fewer regulatory or competitive pressures than their larger counterparts. The top Chemical companies run **SAP R/3** as the corporate Enterprise Resource Planning (ERP) backbone, with one notable exception that runs *R/2*. Small and Midsize Businesses (SMBs) are often forced into dealing with equally complex supply networks and trading relationships, while still having to compete with the economies of scale of their larger brethren's plants and distribution networks. As existing *R/3* customers are following the inevitable path of relicensing for *mySAP ERP* or *mySAP Business Suite*, few have yet embarked on another upgrade cycle to take advantage of SAP's latest business process platform and more flexible ERP platform, *mySAP ERP 2004*.

The Bottom Line: SMBs have an opportunity to leap-frog their larger competitors in the Chemical industry by adopting the *mySAP ERP 2004*-based *Chemicals Packaged Solution*, deploying it at up to 50% lower cost and in a fraction of the time of previous *SAP R/3* implementations.

SAP growth opportunity in Chemicals SMB market

SAP started in Chemicals, and quickly captured companies in the Fortune 500. Claiming 1,400 customers in the Chemical industry, only 10% of these have revenue greater than \$1B, so despite the market perception that SAP is only for large enterprises, SAP already has a substantial presence in the midmarket. However, SAP has barely scratched the surface, having identified more than 5,000 subsidiaries of the large chemical companies already in SAP's installed base, and about 40,000 chemical SMBs (25 000 in Europe, according to VCI) as its new market opportunity. SAP already owns the top tier of the Chemical industry, but it's going to have to compete for the Chemicals SMB market with vendors such as **Oracle**, **Ross Systems**, **Infor**, and **SSA Global**. The SAP Chemicals Industry Business Unit (IBU) is also aware that that it has to overcome a significant legacy of midmarket perceptions of high *SAP R/3* cost and complexity.

SAP ERP Packaged Solution for Chemicals deals with market perceptions

SAP has enhanced *R/3* to overcome many doubts about its fit for the process industries, but it has done so at the expense of perceived complexity and high cost of ownership. Over the last two years, the SAP Chemicals IBU and SAP Best Practices teams have methodically worked through these market perceptions and internal barriers to deliver an SAP ERP product to SMB chemical companies, at price and volumes that make it attractive to both SAP and SMB customers. The *SAP ERP Packaged Solution for Chemicals* is a substantial investment by SAP and many of its implementation and consulting partners that offers the following:

- A completely updated and revised *SAP Best Practices Template for Chemicals* built on *mySAP ERP 2004*
- Bundled components of *SAP BW (Business Warehouse)*, *SAP RM (Recipe Management)*, and *SAP EH&S (Environmental Health and Safety)* to support 24 preconfigured business scenarios defined jointly between SAP and 18 of its partners
- *SAP Business Configuration Set* and *eCATT* technology, which provides a structured methodology and infrastructure for SAP and its partners to deliver preconfigured processes and product extensions that dramatically reduce the risk of having to reimplement after an upgrade of the baseline *mySAP ERP* technology
- Detailed documentation on the *SAP Best Practices Template for Chemicals* settings and processes
- Clear, consistent, step-by-step implementation methodology
- An 11-step qualification process for SAP partners
- New regional and midmarket partners to sell, implement, deploy, and support the *Packaged Solutions*
- The potential for a 15-week turnkey implementation
- A common ERP platform on which SAP will deliver core Chemical industry functionality and its partners can create additional sustainable extensions
- A dedicated SAP sales and marketing team

The early results from SAP consulting engagements are promising, with implementations in less than 20 weeks and implementation effort slashed 30% to 50%. The *Packaged Solution for Chemicals* approach should win support from SAP's consulting, development, and implementation service partners, which need a sustainable methodology and platform to justify their own investments in industry extensions, as well as hosting, financing, training, and offshore services. It will undoubtedly win over many Chemical industry executives with the combination of *SAP Best Practices Template for Chemicals*'s proven functionality, and lower risk, implementation, and lifecycle costs than they've come to expect from *R/3* implementations.

Conclusion: SAP has done more than systematically address most of the objections of midmarket executives to deploying ERP from the same vendor that powers their top-tier competitors in the Chemical industry. SAP has provided the Chemicals midmarket with its latest business process platform, *mySAP ERP 2004*, and a packaged product that will allow early adopters to leap-frog more conservative competitors with a stable and scalable platform that will be the target for SAP and partner extensions for the rest of the decade.

To understand more about SAP's dominance of the Chemicals ERP landscape, read the following *Alert* articles:

- "SAPPHIRE 2003: Time To Reassess Process Manufacturing Assumptions"
- "SAP Tests Midmarket Strategy in Chemicals"
- "The CIO's Dilemma, Part 1: Harvest Value of SAP R/3 or Upgrade to mySAP ERP?"
- "The CIO's Dilemma, Part 2: The Unexpected mySAP Relicensing Barrier"
- "SAPPHIRE 2005: A Chemical Industry Perspective"

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