

## SAP BUSINESS ByDESIGN: SAP'S BEST-KEPT SECRET

### SAP Business ByDesign by the Numbers

- ✓ 3605 companies/  
customers
- ✓ deployed in 109  
countries in 9  
languages
- ✓ 2641 partner built add-  
on solutions
- ✓ 29 Industries including:
  - Professional Service  
organizations (PSO)
  - Wholesale  
distribution (WD)
  - High tech
  - Consumer products
  - Industrial machinery  
and components  
(IM&C)
  - public sector and  
higher education
- ✓ Usage analysis of  
productive tenants:
  - 85% Finance
  - 71% SRM
  - 68% Sales
  - 67% Asset  
management (mgt)
  - 44% Warehousing
  - 43% Project mgt
  - 42% Expense mgt
  - 40% Time recording
  - 27% CRM
  - 24% Production

*It has been almost 10 years since SAP Business ByDesign was first introduced. This enterprise resource planning (ERP) solution has always and only been offered as software as a service (SaaS). It was born in the cloud and launched in September 2007 with great fanfare. This came at a time when SaaS ERP solutions were still quite rare and just beginning to gain acceptance. Since then it has been deployed in more than 3,600 companies in 109 countries. And yet while customers seem very happy with their choice of solutions, in many ways SAP Business ByDesign is the [Rodney Dangerfield](#) of ERP – it just doesn't seem to get any respect. While some of its most direct competitors would be thrilled with the level of success it has achieved, somehow pundits and some industry observers just won't give SAP a break on the ByDesign front. Rumors of its death have surfaced periodically, and yet it lives on, but quietly. Perhaps that "quiet" is to blame for the apparent lack of respect. Perhaps it is time for SAP to raise the volume and build trust in the market, beyond its customer ranks.*

### THE EVOLUTION OF SAP BUSINESS ByDESIGN

Before SAP Business ByDesign was first introduced, SAP already had two ERP products and deep market penetration. SAP ERP (which has gone through its own evolution and several different names) targeted the large (and very large) enterprise, while SAP Business One was aimed at small to mid-size businesses (SMBs). There was (is) also SAP Business All-in-One, but in reality that was never a separate product, but rather SAP ERP packaged with "best practices" aimed at simplifying the (large enterprise) solution for mid-size businesses in specific industries.

In order to offer a SaaS solution, SAP could have taken a few different paths, including moving either of these products to the cloud. SAP ERP was the more robust solution, but to come down market, it would have had to shed some of that complexity or be overkill for an SMB or even for a subsidiary or division of a large enterprise.

Ultimately, starting over allowed SAP to architect the solution specifically for the cloud, drawing on acquired and organically developed leading edge infrastructure. And even more importantly, SAP was able to draw on the thousands of person-years of experience accumulated by its staff in addressing the needs of the large enterprise. After all, the needs of mid-size companies

### Multi-tenant versus Single-tenant SaaS

#### **Multi-tenant SaaS:**

*Multiple companies use the same instance of hosted software; configuration settings, company and role-based access personalize business processes and protect data security.*

**Single-tenant (or Multi-instance) SaaS:** *Each company is given its own instance of the software, but may share common services, such as an integration platform, and security.*

are not all that different from the needs of their larger counterparts. But they don't have the deep pockets of a large enterprise and can't afford the time it takes to wade through the complexities that had evolved with the large enterprise solution. The initial goal of SAP Business ByDesign was to simplify for the mid-market, while also delivering a 100% cloud-based solution, a clear differentiator at the time.

Both of those goals were achieved early on in its life, but that proved not to be enough. The earliest version of SAP Business ByDesign was a single-tenant solution. While the first charter customers were perfectly happy with this choice, SAP was not. Single tenancy proved to be an obstacle to the profitability needed to sustain a level of aggressive development of both the software and the market. This resulted in the need to re-architect the product, causing SAP to go quiet as it developed this new architecture.

The re-architected SAP Business ByDesign became the platform of choice for development of all cloud offerings at SAP – for a time. But then came the acquisition of SuccessFactors and the accompanying infusion of “cloud DNA”. All of a sudden the ByDesign platform wasn't important. The powers that be at the time (SapphireNow May 2012) said, “Customers don't care about platforms. They only care about beautiful applications.”

Then came Sapphire Madrid (November 2012) and there was a new platform in town: The HANA platform. It was decreed that SAP Business ByDesign must now run on HANA, SAP's “game changing” in-memory database and the basis for this cloud platform. From a database perspective, SAP Business ByDesign gained little from this since it already had in-memory powers built in. The real benefit would come later in conforming to SAP standards and therefore benefiting from technology being developed by other groups (under other budgets). And thus another quiet time ensued as the development team was (again) working under the covers.

## WHAT'S NEXT? A 3-PRONGED STRATEGY

Now that the heavy lifting has been done in terms of re-architecting for the HANA platform, it's time to kick things into high gear. So, what's next? SAP has a three-pronged strategy for SAP Business ByDesign:

- Deliver best in class innovation
- Drive meaningful demand
- Develop successful partnerships

Sounds simple, but then the most successful strategies usually are. Interestingly enough, while it was the shifts in platform that kept the lid on SAP Business ByDesign in the past, Mint Jutras believes it will be the platform that could potentially blow the lid off, or at least provide a stronger voice in

*Innovation encompasses both technical strength and functionality. The underlying platform brings the technical muscle. But yes, functionality is also still important, and SAP is setting about enhancing the functionality built in to SAP ByDesign, specifically for the core verticals where it has enjoyed the most success, including:*

- ✓ professional service organizations
- ✓ wholesale distribution
- ✓ high tech and consumer products
- ✓ industrial machinery and components (IM&C)
- ✓ public sector
- ✓ higher education

*The conversion to the HANA platform is SAP Business ByDesign's ticket to other services as well, services that lead to more features and functions.*

the future. And the first part of the strategy (best in class innovation) is likely to play a very meaningful role in enabling the other two.

### **DELIVERING BEST IN CLASS INNOVATION**

Innovation encompasses both technical strength and functionality. The underlying platform brings the technical muscle. But yes, functionality is also still important, and SAP is setting about enhancing the functionality built in to SAP ByDesign, specifically for the core verticals where it has enjoyed the most success. While it has been sold into 29 different industries, its strongest presence is in professional service organizations, wholesale distribution, high tech and consumer products, industrial machinery and components (IM&C), the public sector and higher education. We expect to see the team place more focus on manufacturing and production in the coming months as well.

But SAP will choose where to invest within these industries carefully in order to fill gaps in the market. Higher education provides a good example. SAP has chosen not to invest in student management or student loans, simply because those needs are already well addressed by other solutions. The focus here instead will be on integration.

But integration swings two ways. Solutions for student management or loans are most likely to come from existing or potential partners. But SAP will also be integrating SAP Business ByDesign with apps and tools from its own portfolio. Some of the apps fall into the category of what SAP calls its own "best of breed line of business (LOB)" applications. These include SuccessFactors Employee Central for employee management and Concur for expense management and the Ariba supplier network. It will also take advantage of the business intelligence tools from the Business Objects side of the house and layer analytics on top of SAP Business ByDesign.

The user experience (UX) provides a good example of how the SAP Business ByDesign team is now able to leverage innovation developed by other SAP teams - one of the advantages of the prior work done "under the covers." The team was able to use the underlying UX libraries created by the teams developing the SAP Fiori apps for SAP ERP. SAP Business ByDesign doesn't have to develop any style guides. They simply use those developed by the Fiori team. This was how the SAP Business ByDesign team was able to completely renovate its user interface from Silverlight to HTML5 quickly.

The conversion to the HANA platform is SAP Business ByDesign's ticket to other services as well, services that lead to more features and functions. Like invoice as a service – the ability to take a picture of a document and turn it into an invoice with no optical character recognition (OCR) software required. To the business user, this conversion appears to be magic. The HANA platform is the pixie dust sprinkled on (or rather under) SAP Business ByDesign that makes the magic happen.

### Simplifying the data model

*The complexity of the data model largely resulted from anticipating the need for totals. The speed of HANA now allows you to eliminate many of those aggregates.*

*A simplified data model leads to added agility in the solution, which translates into added agility in your business.*

And the other advantage of the HANA pixie dust is the dramatic simplification of the data model. How is that possible? Doesn't the operational and transactional system of record of your business require the same level of complexity, perhaps even more complexity, as even the smallest companies deal in global markets and a digital economy? The simple answer is, "No."

Think about how and why the data in systems has become more complex. A single transaction needs to capture essentially the same pieces of data it always did. Getting this kind of transactional data into ERP has always been fairly easy. Getting insights, answers and decisions out? Not so easy. Just sorting through all the raw transactional data each and every time you had a question simply took too long, even with simple questions like, "How much inventory do I have?" You couldn't very well add up all the stock going in and out since the beginning of time. It would simply take too long.

So you had to anticipate what you would need up front and address those needs by adding aggregates (totals). But a single aggregate wasn't enough. Over time you learned you needed to know the total receipts and issues in a given month. And having monthly totals led you to ask for quarterly and annual totals. You anticipated that and added those aggregates in. It works for a while, but then you find you need those totals by country or region or business unit. But you didn't anticipate that, so you can't answer that question without long processing times (to find and add up the transactions), or an invasive and disruptive change to the system. And what happens when you reorganize territories or business units?

The speed of HANA now allows you to eliminate many of those aggregates. For very complex join operations it still makes sense for SAP Business ByDesign to pre-calculate rather than re-calculate each time (and it does). But why bother to keep track of simple transactional data month-to-date, quarter-to-date, year-to-date, by country, region or business unit, when in the blink of an eye you could add it all up? And if all of a sudden you need to slice and dice the data a different way? No problem. And think of the amount of code no longer needed just to maintain those totals. That is development time that can now be spent providing real and impactful innovation. A simplified data model leads to added agility in the solution, which translates into added agility in your business.

### THE VALUE OF AGILITY

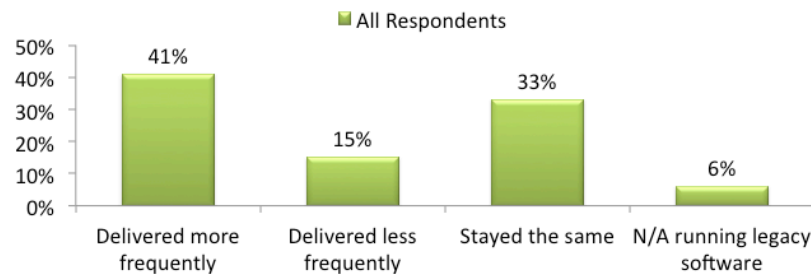
We live in disruptive times. The 2016 Mint Jutras Enterprise Solution Study found 88% of companies believe they face some level of risk in their businesses and/or industries being disrupted by new innovative products, new ways of selling or pricing existing products or services, entirely new business models, or some combination of all of the above. And then of course there are still the more traditional disruptive factors like expansion and growth, organizational restructuring and regulatory changes, just to name a few. All

*Disruption can have a cascading impact on business application requirements, making agility - the ability to easily innovate, evolve and change - even more important than current functionality.*

this disruption can have a cascading impact on business application requirements, making agility - the ability to easily innovate, evolve and change - even more important than current functionality.

Our 2017 Enterprise Solution Study confirmed many solution providers have increased the pace and volume of upgrades (Figure 1).

**Figure 1: How has the pace of innovation delivered changed?**



Source: Mint Jutras 2017 Enterprise Solution Study

But Mint Jutras knows of no other solution provider other than SAP that has gone down the path of removing aggregates to simplify the data model and the associated code – certainly not to this extent.

### **DRIVING MEANINGFUL DEMAND**

So will this innovation immediately drive meaningful demand? Not necessarily and not if SAP remains quiet. It must raise the volume with new and different ways of marketing the solution, new ways that are reflective of how searches for new software are conducted today. Like other functions in any organization today, marketing must go through a digital transformation.

The SAP Business ByDesign team is responding by building out a Digital Demand Generation Engine (DDE). They understand people don't respond to the same efforts that used to work. They know the majority of B2B potential buyers conduct research outside of the normal 9-to-5 workday. Search engine optimization (SEO) is critical. Does SAP Business ByDesign even show up in online searches? And what happens when it does? The speed with which SAP responds and acts on any inquiries will have a direct impact on whether it is even invited to the party. The goal is to respond immediately 24/7.

This of course, will have a significant impact on its success in the third prong of its strategy. By developing a "virtual agency" that delivers all components of a campaign (emails, landing pages, supporting materials for telemarketing and social media), SAP can provide real (and much needed) marketing support to its partners.

### **DEVELOPING SUCCESSFUL PARTNERSHIPS**

Much of SAP Business ByDesign's early success was achieved through direct sales efforts. But that has changed. In 2016 partners wrote 70% of SAP

*SAP Business ByDesign has 2,641 partner-built add-ons available today.*

*SAP plans to double the SAP Business ByDesign partner capacity in the next year.*

Business ByDesign contracts. Indeed it would appear the platform has continued to bolster this transition, as evidenced by the 2,641 partner-built add-ons available today.

This is necessary in order to get to the next level, and if successful could lead to explosive growth. A partner strategy is at the very root of SAP's prior success in the SMB market with SAP Business One. That means building a successful indirect channel. It may indeed tap into the existing SAP Business One channel, which has grown that installed base to over 55,000 customers, supporting over a million users. Or it could recruit from its competitors. Either way, SAP plans to double the SAP Business ByDesign partner capacity in the next year.

## CONCLUSIONS

It's about time for SAP Business ByDesign to leave its Rodney Dangerfield image behind. SAP's three-pronged strategy for SAP Business ByDesign...

- Deliver best in class innovation
- Drive meaningful demand
- Develop successful partnerships

... seems to cover all the bases. It will continue to invest in the core functions of ERP. In fact SAP has vowed to add an additional 100 developers to the team. It will begin to leverage its investment in the underlying architecture to improve the user experience and integrate to other "best of breed" functionality within its own portfolio, in its partner community and perhaps even beyond.

And it plans to raise the volume of its marketing beyond the whisper that it has been, with the hope of attracting new partners and even more new customers.

In combining these three, Mint Jutras would contend that the platform - the very thing that caused SAP to go quiet in the past - should now be the reason to shout. A word of advice to SAP: Shout loud and clear.

**About the author:** *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 11 years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras LLC ([www.mintjutras.com](http://www.mintjutras.com)), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*