SAP: Building a Leading Technology Brand (A)

BY BERND H. SCHMITT* AND DAVID ROGERS†

ABSTRACT
Hasso Plattner, co-CEO of software firm SAP AG, has hired Martin Homlish to develop a strong brand image for the firm, a B2B company whose culture has always focused more on product engineering than on marketing.

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This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.
Part A: The Situation

Background

At the start of 2000, Hasso Plattner and Henning Kagermann, co-CEOs of software giant SAP AG, realized their firm needed new direction for its brand. SAP’s global messaging – from advertising, to logo, to website – was sprawling, inconsistent, and confusing. In the hot new marketplace of the Internet, SAP was seen as being left behind. The buzz in the press was not on SAP.

The reality of SAP was much more impressive than its perceptions. The Germany-based company, founded in 1972, was already the leading enterprise software provider in every major market, with sales in more than 50 countries worldwide. SAP was the world’s largest enterprise software company and the world’s third-largest independent software supplier overall, with 12,500 customers and 25,000 software installations, predominantly within large companies.

SAP had a long history of market success, based on innovative product development. Founded by five engineers from IBM, SAP fostered an organizational culture that was highly product driven. Its first product in 1972 was a real-time data processing software which was later named R/1. By the end of the decade, examination of SAP’s IBM database and dialog control systems led to the birth of its big next-generation product, SAP R/2. In the 1990s, a new product using the client-server model and the uniform appearance of graphical interfaces was developed. It was named R/3. By its 25th anniversary in 1997, the company employed nearly 13,000 people, with foreign sales accounting for the majority of customers. In 1998, SAP was listed on the New York Stock Exchange for the first time. As the company grew, SAP’s reputation was built on its products and its heritage of market leadership and reliability.

By contrast, branding and marketing had never been a strong focus of the company’s culture. Sales people and other employees spoke in complex jargon that often confused outsiders. Marketing had grown into a decentralized function, organized at the country-level. Multiple advertising agencies produced independent local campaigns with inconsistent company and product messaging, and advertising was extremely product-focused. Inside and outside of the company, there was no consistent way to answer the question, “What does SAP do?”
Weak Perceptions and Brand Image

In 2000, marketing fell under the board area of Hasso Plattner. It had become clear to him that strong marketing and brand management were key to maintaining the company’s position in the marketplace. SAP was perceived as a late-comer to the Internet. The marketplace had changed drastically; SAP found itself fighting for share with new “best-of-breed” Internet vendors such as I2 and Siebel. The Internet had led to a wave of hot new products, and companies of all sizes were entering the market looking for enterprise software. The Wall Street Journal wrote: “SAP was late to recognize the e-commerce boom, even as the Internet was transforming every aspect of its business.” BusinessWeek asked, “What’s sapping SAP? … It has been left out of a flurry of deals.”

It was in the face of this pressure that the company’s new Internet-enabled suite of products, mySAP.com, was launched. The new product suite was strong. But there was concern that the company itself was viewed as passé. In light of hot new competitive products, this perception was so feared, that the decision was made to replace the corporate brand altogether with the new product brand. It was believed that this would be a strong signal to the market that the company was part of the Internet Generation. A sweeping overhaul in 1999 led to the replacement of the SAP logo with the new mySAP.com logo on the company’s website, brochures, product packaging, vehicles, and signage. By allowing a new product line to stand for the entire company, this change put SAP’s own brand equity at risk. It also caused confusion. When the world looked for the SAP company website, viewers were redirected to www.mySAP.com. Instead of finding SAP, the corporation, they found themselves at what appeared to be a product website.

SAP also faced other branding problems. Its logo appeared in a profusion of variations across the world. Branding taglines were similarly numerous and constantly shifting, from “We Can Change Your Business Perspective” (1997) to “A Better Return on Information” (1997-1998) to “The City of ‘e’”(1999) to “The Time of New Management” (2000) to “You Can. It Does.” (2000). Advertising campaigns in different markets resulted in inconsistent positioning for the company. The company was represented on the Internet by one global website, more than 30 local country sites,
and numerous subsidiary company sites – with a total of 9,000 web pages with no consistent governance, design or content creation across them.

The result was a weak and unclear brand promise. The challenge, as Plattner identified it, was how to transform SAP from a product-driven company into a market-driven company. To rebuild the SAP brand, he would need to change the mindset of the entire organization.

The Global Marketing Office

Plattner began by radically changing the way marketing was led and organized within the company. In picking a leader for the new marketing mission, he broke several taboos: going outside the company, outside the software industry, and outside Germany. He hired an American, Martin Homlish, from Sony, to serve as SAP’s new Global Chief Marketing Officer. Many were surprised by the appointment of Homlish, the man who launched the hit Sony Playstation, to lead marketing at a traditional B2B company. But Plattner was looking for a new vision.

At a board meeting in the Spring of 2000, Plattner and Homlish presented guiding principles for the repositioning of SAP. The brand would have a clear, relevant promise for customers; the promise would be communicated consistently; it would be delivered not just in advertising but at every customer touchpoint; and the brand promise would have total alignment with the company’s business strategy. Research indicated the brand possessed some very positive attributes that were consistent across all audiences – customers, prospects, analysts, and employees. More than anything, the new positioning would need to make SAP relevant to its customers and clearly convey the value of SAP’s products and services. This new positioning would not manufacture hype, but would tell the truth about SAP.

“I saw SAP as a marketer’s dream. We already had great products, a strong history of innovation, and a loyal customer base – all we needed to do was transform marketing.”

– Martin Homlish, SAP Global Chief Marketing Officer

In 2000, Homlish had a mandate for dramatic change as the new Global Chief Marketing Officer. He knew SAP had the potential for a great brand. “I saw SAP as a marketer’s dream. We already had great products, a strong history of innovation, and a loyal customer base – all we needed to do was
transform marketing.” Based on the company’s history, it is easy to see how SAP had gotten so far on the strength of its products. SAP transformed business, enabling companies across the world to leverage technology to improve efficiency, accountability, visibility, and ultimately, profitability of their businesses. Customers knew the value they received from SAP.

Homlish faced three large challenges in repositioning the brand for a global organization: communicating the brand consistently, aligning the organization, and creating a brand flexible enough to support changing business objectives within a dynamic industry. These three challenges could be further broken down into several issues:

**Discussion Questions**

- What should the SAP brand stand for? What is its brand promise?
- To what degree should SAP position itself as an “Internet” or “e-business” brand?
- What should be done with the SAP brand architecture, and what should be done with the logos?
- What should Homlish change first: the advertising, website, logos, etc.?
- How will SAP know if it has succeeded in its rebranding? What measures should be used to gauge success?
### Appendix A

**SAP Consolidated Balance Sheets**

<table>
<thead>
<tr>
<th>Balance Sheet Summary (In thousands)</th>
<th>12/31/1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>£1,523,976</td>
</tr>
<tr>
<td>Short-term Assets</td>
<td>2,966,945</td>
</tr>
<tr>
<td>Deferred Taxes</td>
<td>284,293</td>
</tr>
<tr>
<td>Prepaid Expenses &amp; Deferred Charges</td>
<td>51,675</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>£4,826,889</strong></td>
</tr>
<tr>
<td>Shareholder's Equity</td>
<td>£2,559,355</td>
</tr>
<tr>
<td>Minority Interests</td>
<td>8,737</td>
</tr>
<tr>
<td>Special Reserves for Capital Investment</td>
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</tr>
<tr>
<td>Subsidies &amp; Allowances</td>
<td>166</td>
</tr>
<tr>
<td>Reserves and Accrued Liabilities</td>
<td>1,278,149</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>670,498</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>309,984</td>
</tr>
<tr>
<td><strong>Total Shareholder's Equity &amp; Liabilities</strong></td>
<td><strong>£4,826,889</strong></td>
</tr>
</tbody>
</table>

*Source: SAP Annual Report, 1999*