



June 2007

Document **H38**

RESEARCH NOTE

SAP AND ORACLE: WHO'S READY FOR SMALL AND MEDIUM-SIZED BUSINESSES?

THE BOTTOM LINE

Who's delivering the greatest value to the SMB market? An in-depth analysis of 56 customers showed significant differences between the value delivered to SMBs by Oracle and SAP today.

With both Oracle and SAP ramping up their efforts to attract small and medium-sized businesses (SMBs) to their enterprise applications, many have wondered: can they deliver successful deployments to smaller customers? As Nucleus has found in the past, unless enterprise application projects are properly managed they can cause significant disruption and go over time and over budget. Although larger companies may be able to invest in consulting or additional personnel to support such a project, that's often not possible for a smaller business – and unexpected disruptions can have a greater impact.

Nucleus Research decided to investigate the success SMBs are having today with Oracle and SAP enterprise applications. Oracle customers included Oracle E-Business Suite, JD Edwards, Peoplesoft, Siebel, and Siebel on demand. SAP customers included R3, All in One, Business One, and mySAP Enterprise.

METHODOLOGY

As is normal Nucleus Research practice, this research was undertaken independently and was not commissioned by any company.

Nucleus Research contacted as many Oracle and SAP SMB customers as could be identified and conducted in-depth interviews about their deployments. Although many were willing to answer a questionnaire, only 56 were willing to participate in in-depth interviews with senior Nucleus Research analysts. The purpose of this type of research was to dig past the initial impressions to the facts surrounding the deployments. For example, one SAP customer indicated that it didn't think it had achieved a positive ROI – but in the course of the interview Nucleus uncovered enough benefits that it was clear that the customer had, in fact, achieved ROI. In all, 27 Oracle customers and 29 SAP customers participated in the study.

ANALYSIS

Although both companies have experience in the SMB market, Nucleus found their ability to deliver a successful solution to their customers differed.

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Achieving positive ROI

41 percent of SAP SMB customers had achieved a positive ROI from their deployments, while 93 percent of Oracle SMB customers had achieved a positive ROI.

Obviously the ability to achieve ROI depends on how long the applications have been delivering benefit as well as the size of the initial and ongoing investment to support them. One Oracle customer that had not yet achieved a positive ROI began deployment in 2006 and, based on the benefits currently being received, will achieve a positive ROI in less than a year. As a group, all Oracle customers were in line to achieve a positive ROI.

The story was somewhat different for the SAP customers: in some cases, customers expected they would have to spend more to achieve ROI:

- *"We are yet to see it... we'll probably get ROI but with more work, and we'll have to get some modules and do some more customization."*
- *"I'm not so sure about ROI. SAP is very expensive for what we are getting. I'd need more people to use the system but I can't justify the licenses because of the cost."*

Unfortunately, for many SAP customers the scale of ongoing costs was simply greater than the scale of benefits being achieved: 34 percent of SAP customers are unlikely to ever achieve a positive ROI without changes in their deployment, given that annual ongoing costs are greater than the value of benefits received.

Deployment time

69 percent of the SAP deployments were on time, while 78 percent of the Oracle deployments were on time.

A slightly greater percentage of the Oracle customers had a clear view of the time it would take to deploy; however, in this case the difference between the numbers is not significant. This is because it is really about the expectations of the time versus the actual time. It seemed that most customers went into the deployment with a clear understanding of the time it would take to deploy, and in both cases the average deployment times were similar relative to the scale of the projects.

Deployment budget

45 percent of the SAP deployments were on budget, while 63 percent of the Oracle deployments were on budget. It is clear from the analysis that the SAP customers had more difficulty accurately projecting the actual cost of their deployments. When Nucleus compared the customers that went over budget, there was a significant difference.

The Oracle customers that went over budget said they went "slightly over budget" with only one customer, at the high end, indicating that it went 30 percent over budget because of significant changes in the scope of the project. On the positive side, there were a number of Oracle customers that indicated they went under budget.

When looking at the SAP customers, Nucleus found that not a single customer went under budget, and of the 55 percent that went over budget, overruns ranged from a low of 20 percent to a high of nearly 100 percent.

Customer recommendations

66 percent of SAP SMB customers would recommend deploying SAP to their peers, while 89 percent of Oracle SMB customers would recommend deploying Oracle to their peers.

The ultimate litmus test for any deployment is whether a customer would do it again or recommend it to their peers. There was a substantial difference between SAP and Oracle customers, indicating at first pass that SAP has some significant steps to take in improving SMB customer experience.

When Nucleus probed the customers further, we found that 44 percent of Oracle customers felt strongly enough about their success that they were actively recommending Oracle, while only 10 percent of the SAP customers felt the same. Obviously, in the SMB market recommendations from peers are very important, and this data suggests that Oracle has an advantage over SAP.

Vendor support

When asked how they would rate the support they got from their vendor on a scale of one to five, SAP SMB customers rated SAP an average of 3.4 while Oracle SMB customers rated Oracle an average of 4.0.

Obviously such a rating is subjective, but it is interesting to note that two Oracle customers rated Oracle at more than five (those responses have been counted as five for calculation purposes) and two customers rated Oracle with high fours because they both said, "I would never give anyone a five."

When Nucleus probed further we found that six of the SAP customers don't get support from SAP – they either get support from a partner or from their parent company. Only one Oracle customer indicated that it gets support from a partner.

CONCLUSION

In the SMB market, risk becomes a critical factor in the IT decision making process, because SMBs have less access to capital and rely on speed and agility to differentiate themselves. Both Oracle and SAP have focused on the SMB market; today the results that their customers have achieved with their products differ.

This is clearly the first round of the SMB battle, as Oracle continues to announce products and partner initiatives to deliver more repeatable predictable success to SMBs and SAP continues work on its new product line specifically designed for the SMB market. The ultimate winner will be the vendor that can deliver the greatest value with the lowest risk to deployment and adoption. However, the data today shows Oracle has a clear lead over SAP in the SMB marketplace.

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