

SAP Business One under the microscope

By David Carter

As part of AccountingWEB's software Lab Test programme, consultant editor David Carter has been evaluating SAP's new mid-range package, Business One. Here he explains the background to the emergence of this new suite.

SAP is one of the world's biggest software companies, and with its mySAP package (formerly R/3) is THE largest supplier of application software (accounting, stock control, etc) to multinational corporations. When the biggest player in the corporate market decides to break into the small and medium-size (SME) sector, it is a serious matter. So the arrival of SAP Business One is a major event.

In fact, Business One has been around for two or three years, but has had very little marketing support in the UK. But Business One is extremely important to SAP. With the multinational corporate market pretty well saturated, major growth for SAP is going to come from the mid-range and here it has set itself some very ambitious sales targets.

It's not just the software

AccountingWEB's Lab Tests can tell you what the software does, and how well it tackles financial and operational tasks such as reporting, order processing, stock control and customer relationship management (CRM).

But successfully catering for SMEs is not just a question of software. Many top-level companies fail when they try to enter the SME market and SAP will have to get many other things right as well. To accompany our latest Lab Test on Business One's financials modules, this article examines the wider picture and SAP's overall strategy for SMEs. An extended version of this article, with more material on the software itself and looking at implications for the reseller channel, can be [downloaded here](#).

The first question to consider is why companies who are successful at the top level often struggle to repeat their success in the SME market?

For one thing, the customer is different. In big companies IT is run by a proper IT department, whereas in an SME it's usually one man and his dog, or there's no IT department at all. This makes it a different kind of sale. With a big system you are selling to IT professionals, whereas with an SME system you are selling to the end-users.

Now the IT people don't actually do accounting or stock control themselves, so they won't be using the software. And most of the time the IT people have only the haziest idea of exactly what the software is supposed to do anyway. So if you are selling to IT you keep away from nitty-gritty stuff like VAT rates, PAYE, balance sheets, which is only going to confuse them, and stick to things they are comfortable with like databases, networks, strategic IT, etc. It's a technical or high-level sell, often without any detailed discussion of what the software will do at all. Most of the time the users don't get a look in until the software has actually been installed, and by then it's too late.

But in small organisations there is "user-power". With IT less powerful or non-existent, it's the users themselves who dominate decision-making. Techno-babble turns them off and they are really only interested in one thing – will it help me do my job better? So when selling to an SME you have to talk the users' language and convince them that you understand their business. You must show that your software is intuitive and easy to use, and that it can do the job. It's a business sell rather than a technical sell.

This is the first point at which many of the "enterprise" developers fail. Written by IT technicians for other IT technicians, their software simply isn't very good. Usually it's klunky, slow and unintuitive. The ICAEW IT Faculty's research into business software consistently shows that software from enterprise vendors have the lowest satisfaction ratings. This was also the case in the 2004 survey

Top of the range software has to be able to handle hundreds of thousands, even millions, of transactions. This does not allow the designer to make the software as flexible as they would like: by contrast, mid-range designers can create the software any way they want. To make a naval comparison, it's like a battleship versus a destroyer. The battleship has the big guns and massive firepower, but it is slow and unwieldy compared with the small, nimble destroyer.

So if it's quality and ease of use you're looking for, the mid-range products are way ahead. For any one who has been used to working on a nimble, frisky mid-range accounts package, having to change to one of the top end corporate products is like going back into a time warp, as one user found when he had to go back to Oracle

Resellers and "the channel"

Another key difference for SAP is that in mid-market, it has to cater for not one customer to sell to, but two. There are so many SME that a vendor has to sell indirectly through third-parties. These resellers are small independent software companies who often serve a particular local area or vertical market and they hold the power in this sector. They talk with the customer, they who install the package and make it work. They can pick and choose which products they resell, often from competing manufacturers. SAP has to persuade them that it will be worth investing all the time and resource to take on Business One.

SAP's approach

To drive its move into the mid-market SAP acquired the Business One package in 2001 from an Israeli company and has been working on it since then. Rather than worrying about compatibility with mySAP, Business One carries no baggage in the form of an existing user base and SAP can concentrate its efforts on improving the software. The disadvantage is that developing a product from scratch takes several years, which has delayed SAP's entry into the market until now.

Now that we've had a close look at the application, the first surprise is that Business One's is reasonably priced. A distribution and accounting system with 10 full-time users costs around £26,000. This undercuts packages such as Microsoft Dynamics NAV (Navision) or SunSystems and competes more with Exchequer from Iris Enterprise and Pegasus Opera.

As regards functionality, there are sets of financial and distribution modules. The latter include sales and purchase order processing and stock control, as one would expect. But service management and (lightweight) manufacturing are there as well.

SAP stresses that Business One is not just another set of accounting ledgers, but a complete "business management" package designed to handle the whole operations of companies with between five and 500 employees. Currently most sales of Business One are for front office applications such as stock and order processing, rather than to the Accounts department.

SAP is also targeting existing SAP customers who run "big SAP" at HQ and larger plants, but also have numerous smaller subsidiary companies and factories. While big SAP is not suitable for these smaller operations, they may have a need for a mid-range package like Business One.

This strategy makes a lot of sense. In most SMEs the individual departments have already gone their own way and bought a PC or two for their own use. Finance in particular will have automated the accounting functions. But it's all been piecemeal and the packages are stand-

alone and don't talk to each other. The next stage of development has to be to integrate all the separate systems into a single, company-wide, system.

So if you're an FD and you get an approach from SAP, they won't be saying "It's time you bought a brand-new accounts package; buy from us". They'll be saying "It's time you pulled all your systems together into a single business management package; buy from us". Since this is just what we've been saying on AccountingWEB, this seems a pretty good one.

The final piece in this marketing jigsaw is the software itself. Can SAP write easy to use software? And can it attract resellers and work successfully with them in the channel?

On first sight, Business One looks like a very good piece of software. It closely integrates with Microsoft Office and is very customisable. Users can easily choose which fields they want displayed in their screens and can even invent new ones. Power users who know a bit of SQL can do even more.

Business One is brimming with new ideas and most of the latest concepts in accounting software - such as role-based user access screens - are here. SAP has turned the accepted notion of ERP software on its head and put customer communications rather than accounts at the heart of the suite. Any user can record a communication on the ERP system via Outlook. As a result the suite behaves as a transaction hub for the company, promises to deliver the holy grail of CRM - a complete 360 degree view of the customer.