SAP Channel Partner Marketing

(Frantz Group, April 2011)

EXECUTIVE SUMMARY

In March 2011, Frantz Group conducted its first survey of SAP channel partners regarding their marketing needs, tactics and challenges. Thirty-five partners participated representing a cross section of US-based SAP VARs, ISVs and implementation partners. We used two qualifying questions to improve the quality of the findings. Here are the top findings from this project.

- Top marketing challenges cited are:
  - → #1 is lead generation – it was mentioned twice as often as the next closest challenge. **It seems clear that SAP channel partners want to expand their business, and that starts with leads.**
  - → #2 is brand/market awareness.
  - → #3 is improving marketing efficiency.
  - → It's worth noting that only one partner mentioned the economy as one of their top challenges.

- Marketing – what's working, what's not working?
  - → The top two marketing tactics that are working are telemarketing and search marketing.
  - → The top two marketing tactics that are not working are search marketing and telemarketing.
  - → **We believe the most likely explanation for this apparent contradiction is the quality of execution** which includes messaging, data, knowledge, experience, timing, persistence and reaction.

- 2011 Marketing plans:
  - → **On the average, 75% of the marketing program budget will be spent looking for new customers**; 20% will be spent growing existing customers, and 5% will be devoted to other topics.
  - → The top marketing tactics are email, data, lists, telemarketing and webinars.
  - → The least favorite tactic is direct mail.
  - → The tactic with the most uncertainty is video. Interestingly, partners are keeping an open mind to video as only 3% have ruled it out.

- Use of third party marketing providers:
  - → 58% of the partners are currently using third party marketing providers.
  - → 39% indicated they are willing to consider using them.
  - → Only 3% said they would not use third party marketing providers.
  - → **Top selection criteria: #1 was quality, #2 was price.**
  - → Two in three buy services on a project basis rather than a calendar basis.

We thank all the participants for their frank and thoughtful responses. We believe they took their participation very seriously because **an astounding 83% of the participants said they would be willing to talk with us about their responses!**

If you have any questions or comments, contact Ken Heun (kenh@thefrantzgroup.com or 262-204-6021).

RESEARCH OVERVIEW & METHODOLOGY

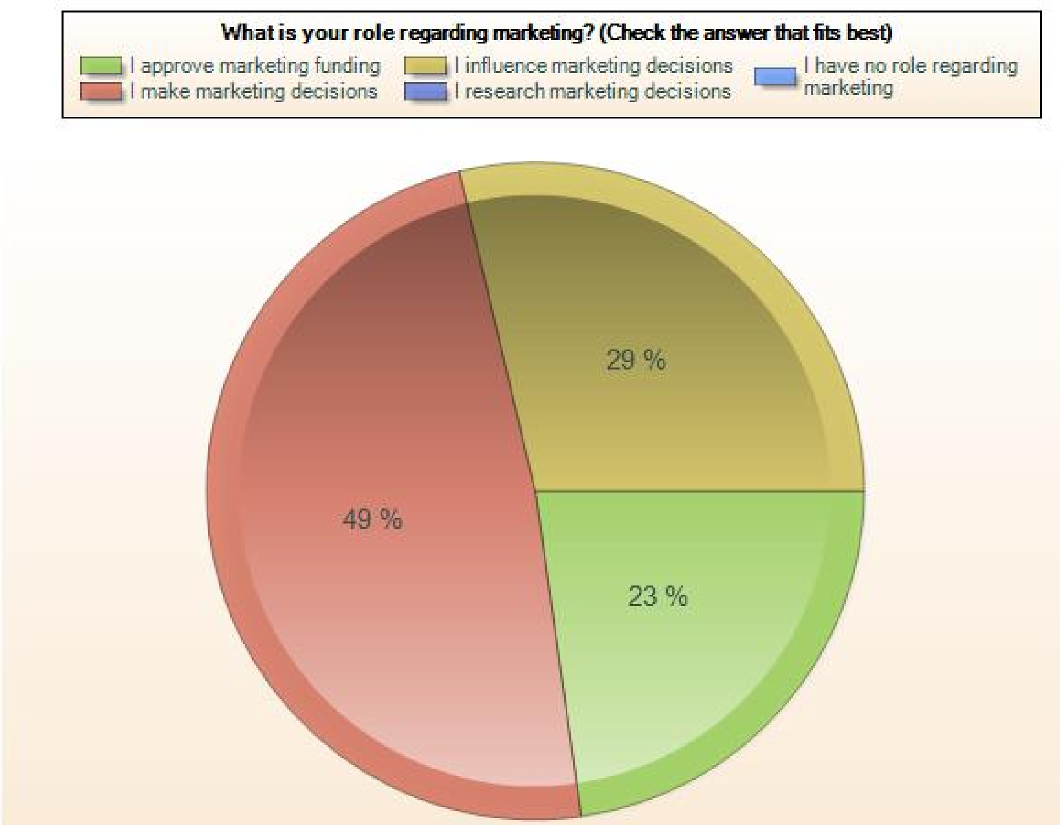
This market research project had these specific objectives:

- Understand the marketing challenges facing SAP channel partners
- Gain insight into how they are addressing those challenges
- Understand their use of third party marketing services

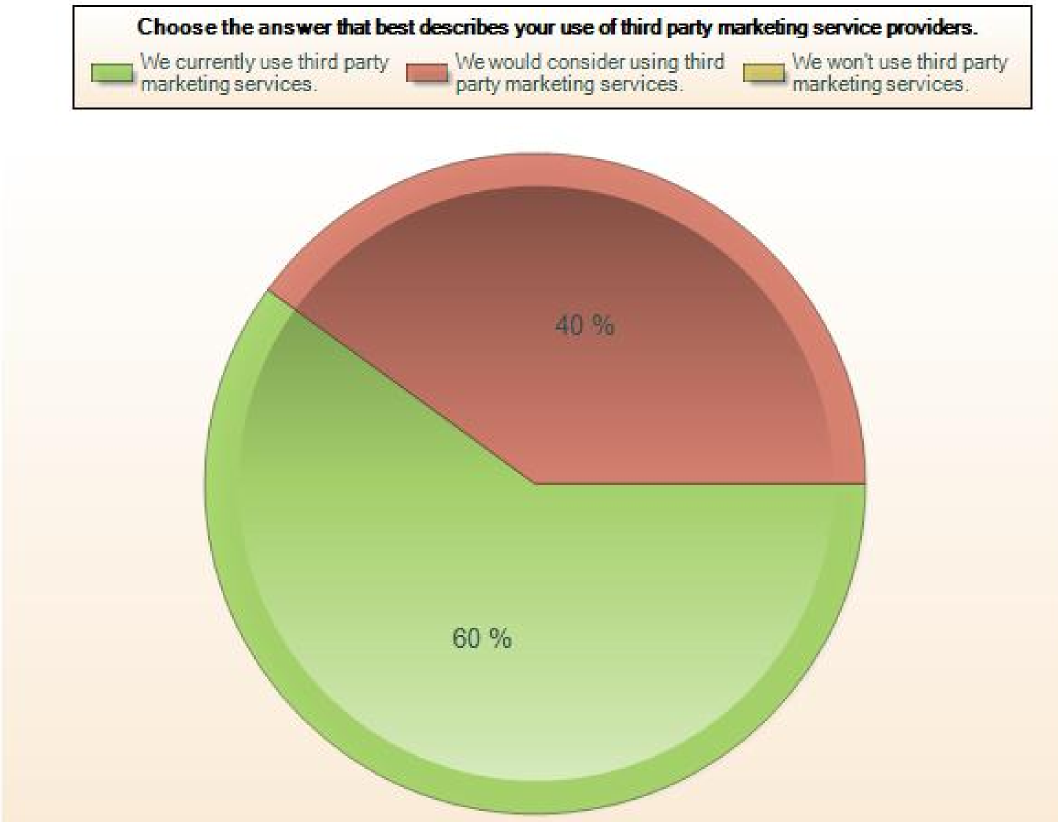
The research was conducted via an online survey. The first three questions were focused on collecting basic information so we could qualify participants:

1. Contact Information
2. Identify marketing role
3. Characterize use of third party marketing services

We wanted to collect data from knowledgeable marketing contacts. You can see that nearly 75% either approve marketing funding or make marketing decisions.



We wanted input from channel partners who were either using third party marketing services or who were open to using them. From the chart below, you can see the split is pretty even. A total of 35 partners participated in our survey and only 1 was screened out due to no interest in using third party marketing services. The overwhelming majority of partners see value in third party marketing services.



The remaining questions are summarized below:

4. What are your top one or two marketing challenges for 2011?
5. For 2011, what is your marketing spend for new customers, existing customers or other?
6. What are your tactics for 2011?
7. When do you typically buy marketing services?
8. What's working for you?
9. What's not working for you?
10. What are your top criteria for selecting a marketing services provider?
11. Are you looking for in a third party marketing services provider?
12. What is your SAP partner category?
13. Which products do you sell?
14. How large is your company?
15. What is your 2011 marketing program budget?
16. What size companies do you target?
17. When does your fiscal year start?
18. Are you willing to have a short phone discussion about your survey answers?

The information was collected beginning Feb 7, 2011, with the last accepted response dated March 21, 2011. The primary marketing tactics were email and telemarketing. Two surveys were completed over the phone, with all the others completed online. Here are the pertinent statistics regarding participation:

- 300 SAP partners targeted
- 92 visits to the survey website
- 45 responses
- 7 partially completed surveys
- 3 responses were screened out
- 35 qualified surveys
- 35 different SAP channel partners represented

Qualified participants were entered into a drawing for an Apple iPad 2 (64GB).

MARKETING ENVIRONMENT

What's working?

When we asked partners what was working for them, we got a wide range of answers including "not much of anything." Telemarketing and search marketing were the top tactics producing results.

What's working for you, marketing wise?		
Tactic	**Count**	**Percent**
Telemarketing	8	21%
Website/SEO/SEM	5	13%
Events/tradeshows	3	8%
SAP campaigns including virtual agency	3	8%
Partners	3	8%
Integrated campaigns	3	8%
Email	3	8%
Personal marketing	3	8%
Social marketing	2	5%
Webinars	2	5%
Video	1	3%
Direct mail	1	3%
Not much of anything	1	3%

What's not working?

The top two "not working" tactics were the same top two on the "what's working" list. We believe the most likely explanation is the quality of execution which includes messaging, data, knowledge, experience, timing, persistence and reaction.

What's not working for you, marketing wise?		
Tactic	**Count**	**Percent**
SEM, SEO, Google Adwords, etc	7	25%
Telemarketing	6	21%
Direct mail	4	14%
Email	2	7%
3rd Party Marketing Firms	2	7%
Webinars	2	7%
Website	2	7%
Analytics	1	4%
Relying on SAP	1	4%
Single touch marketing	1	4%

2011 MARKETING FOCUS

Top Marketing Challenges for 2011

Partners want to grow their business, so the top challenge facing marketing is generating leads. Partners are also interested in increasing their brand awareness and they want to become more efficient at marketing.

What are your top one or two marketing challenges for 2011?		
Challenge	**Count**	**Percent**
Lead generation	15	38%
Building up brand/awareness	7	18%
Becoming more efficient and proactive in our marketing	5	13%
Using social marketing	4	10%
Nurturing, building relationships/referrals	3	8%
Website/SEO marketing	2	5%
Alignment with SAP	1	3%
Market saturation (local)	1	3%
Economy	1	3%
Marketing plan	1	3%

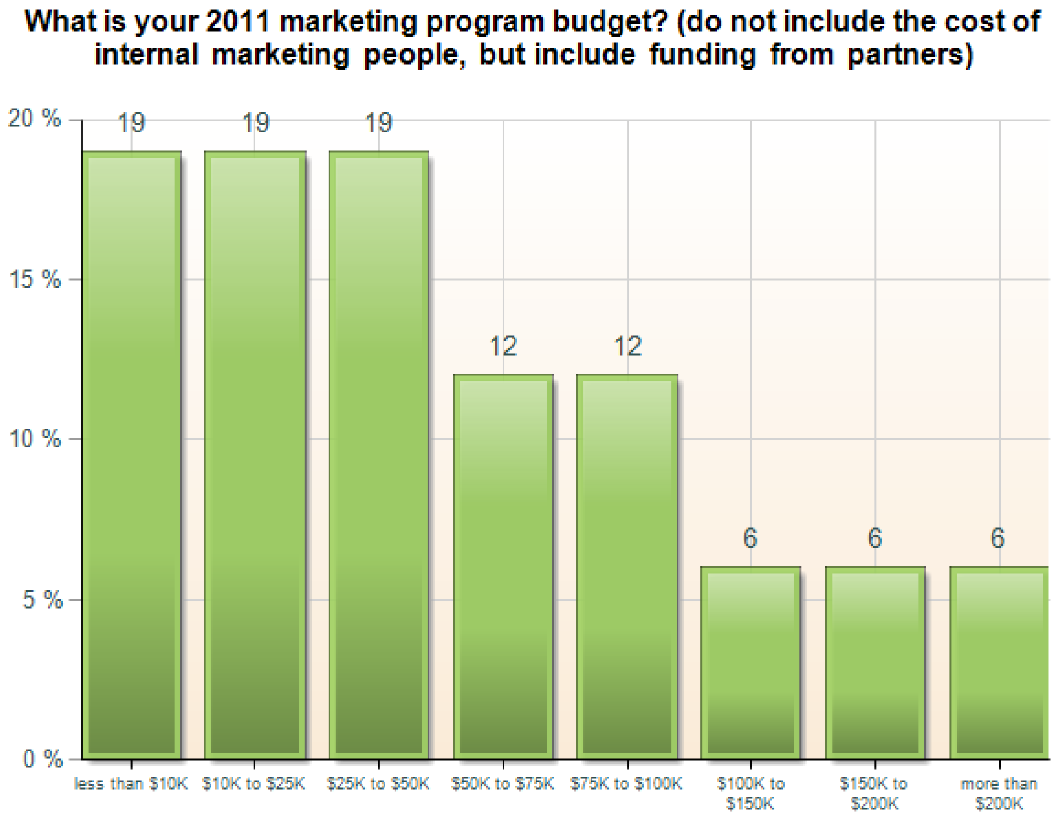
Marketing Program Focus for 2011

From the chart below, it's clear that partners see 2011 as an opportunity to expand their business. They are strongly biasing their spending toward finding new customers.

For 2011, what % of your marketing program spending will go toward finding new business, growing existing business or other?	
Finding new business	75%
Growing existing business	21%
Other	4%

2011 Marketing Program Spending

Approximately 60% of the partners will spend $50K or less on marketing programs during 2011. And nearly 20% will spend in excess of $100K.

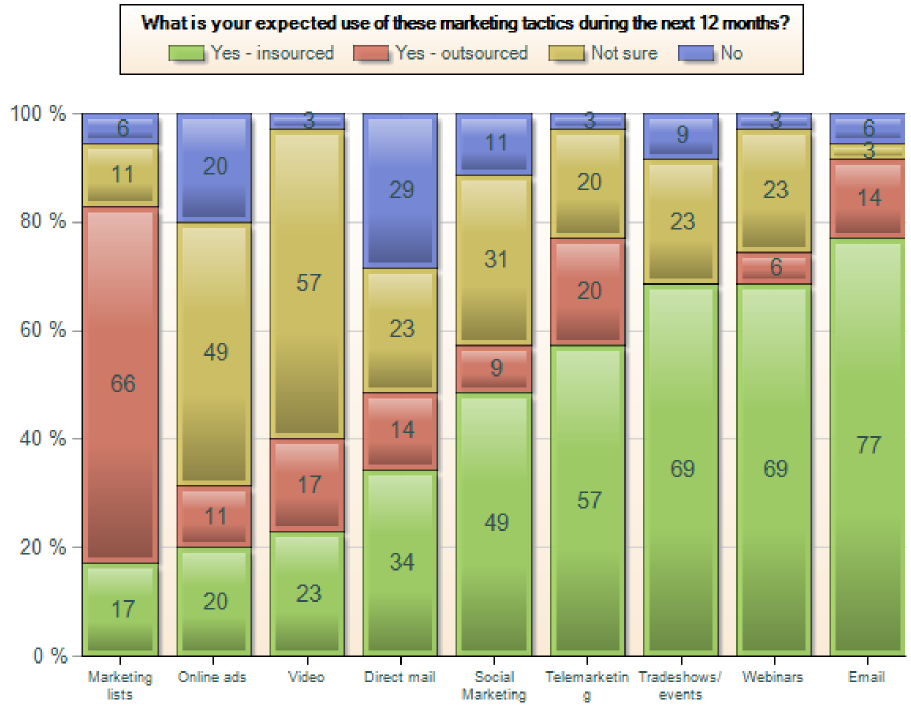


2011 Marketing Tactics

The table below shows that despite concerns about its overuse, email is the most common tactic planned for 2011. Lists, telemarketing and webinars are widely used as well. Many partners have decided they're not using direct mail or online ads. Video is the tactic where there's the most uncertainty, yet only 3% have said no to video.

What is your expected use of these marketing tactics during the next 12 months?			
	Yes	No	Not sure
Email	91%	6%	3%
Marketing lists	83%	6%	11%
Telemarketing	77%	3%	20%
Webinars	74%	3%	23%
Tradeshows/events	69%	9%	23%
Social Marketing	57%	11%	31%
Direct mail	49%	29%	23%
Video	40%	3%	57%
Online ads	31%	20%	49%

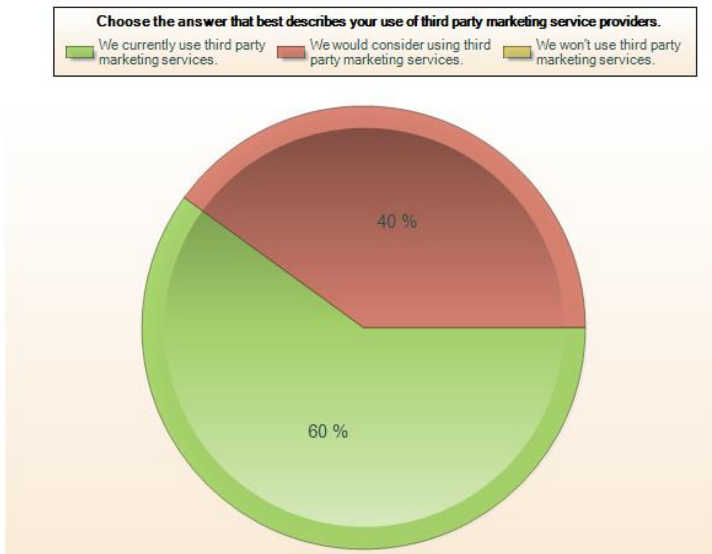
The chart below is the same data, but indicates whether the tactic will be done internally or outsourced.



THIRD PARTY MARKETING SERVICES

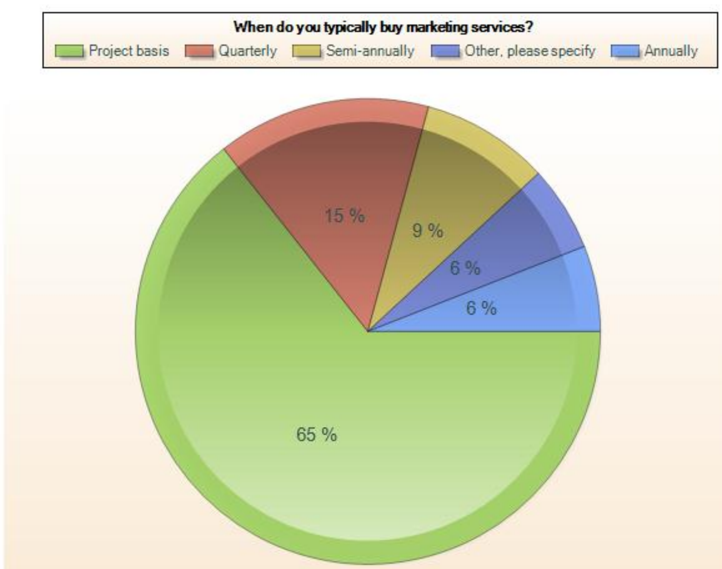
Use of Third Parties

As mentioned earlier, this research project was directed at partners who either used or were willing to use third party marketing services, so this question was a screen. Only 1 partner in 36 was screened-out, indicating that virtually all SAP partners are open to using third party services. 60% of partners use 3rd parties now, and 40% are open to using them.



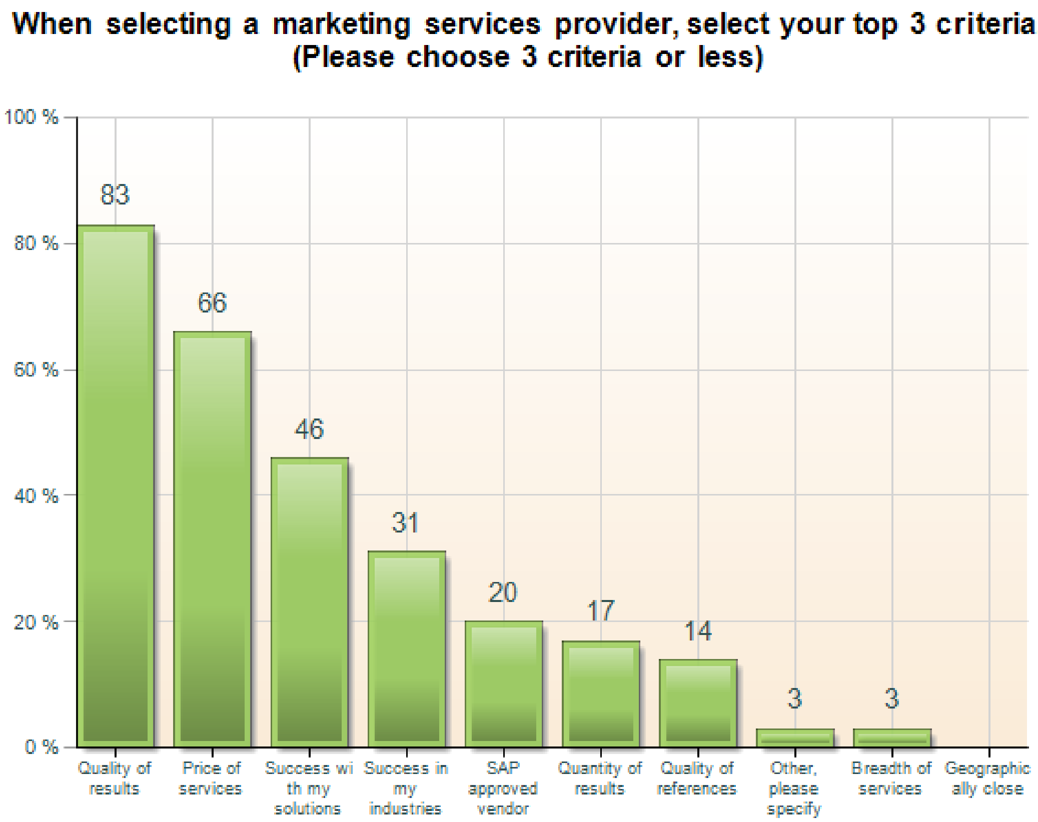
How are services purchased?

About 2/3rds buy services on a project basis. The others use time-based contracts. A few use both.



Selecting a Third Party Provider

From the chart below, there are two dominant criteria – quality and price. In 2008 we surveyed a cross section of hardware and software technology marketing executives and asked the same question. Their number one criterion was quality (67%) as well. Their number two criterion was industry knowledge (65%), followed by price (54%) and success with their solutions/technology (48%).



Looking for a Marketing Services Provider

A little over half of the partners indicated they were looking. Of the 15 who said no, three said they might be; two said they would if they had budget, and three said not now but later this year.

Are you looking for a marketing services provider?		
Yes	18	55%
No	15	45%

PARTNER CHARACTERISTICS

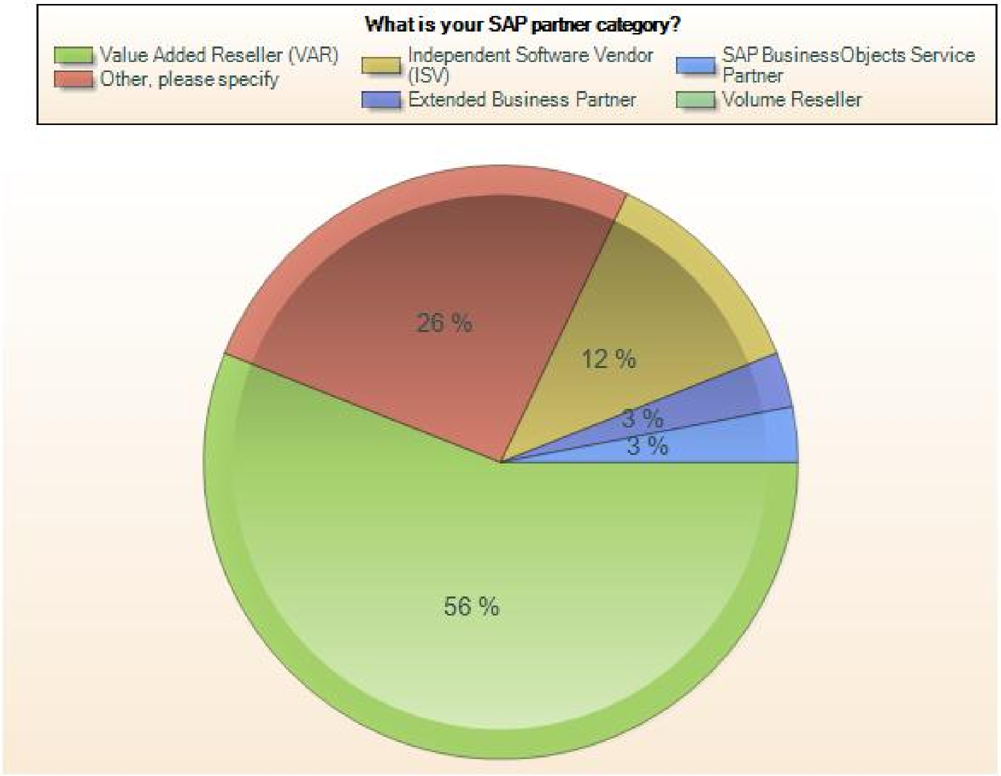
Partner size (revenue)

Most partners are $10M or less in annual revenue, at least for now.

How large is your company? (annual revenue)		
Less than $5M	16	47%
$5M to $10M	10	29%
$10M to $25M	4	12%
$25M to $50M	2	6%
$50M to $75M	1	3%
$75M to $100M	0	0%
greater than $100M	1	3%

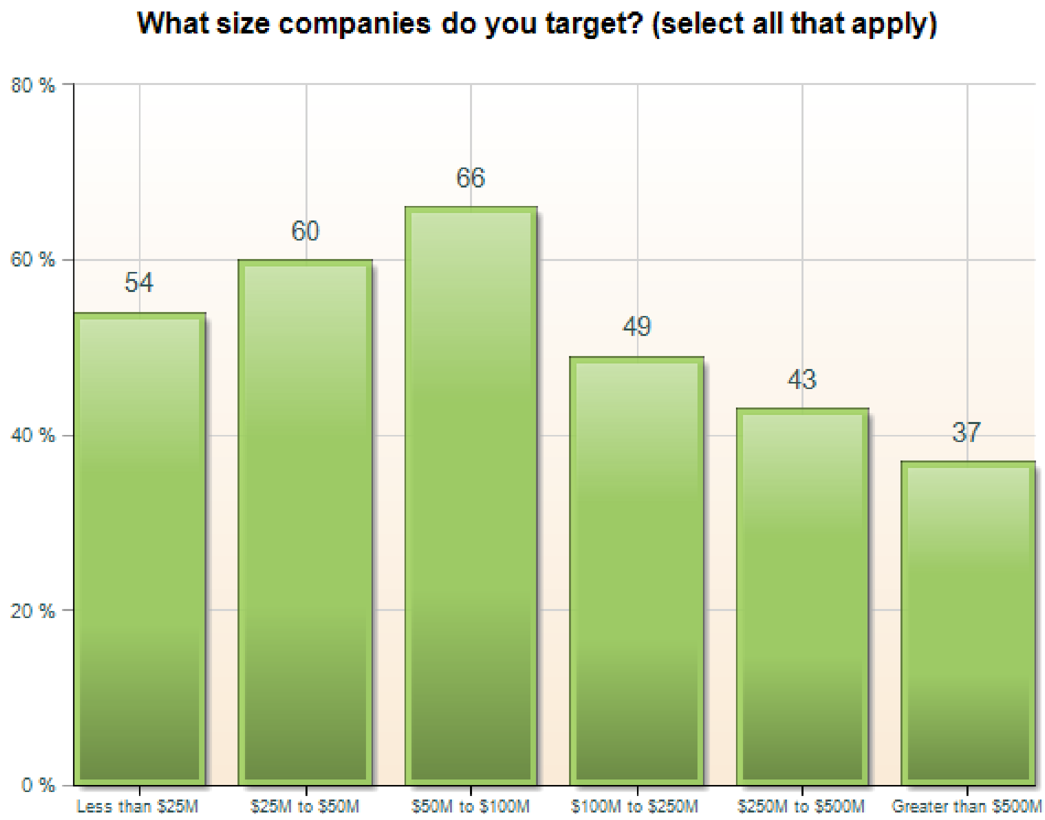
Partner Category

Most partners are VARs. The "Other" category is large primarily because of uncertainty in their SAP partner category.



Target customer size (revenue)

While the focus is greatest on companies $100M or smaller, there are quite a few partners that target companies over $500M in revenue.



Questions or additional information

If you would like to know who won the iPad 2 or if you have any other questions or comments, please contact Ken Heun, Senior Manager of Business Development at 262.204.6021 or kenh@thefrantzgroup.com