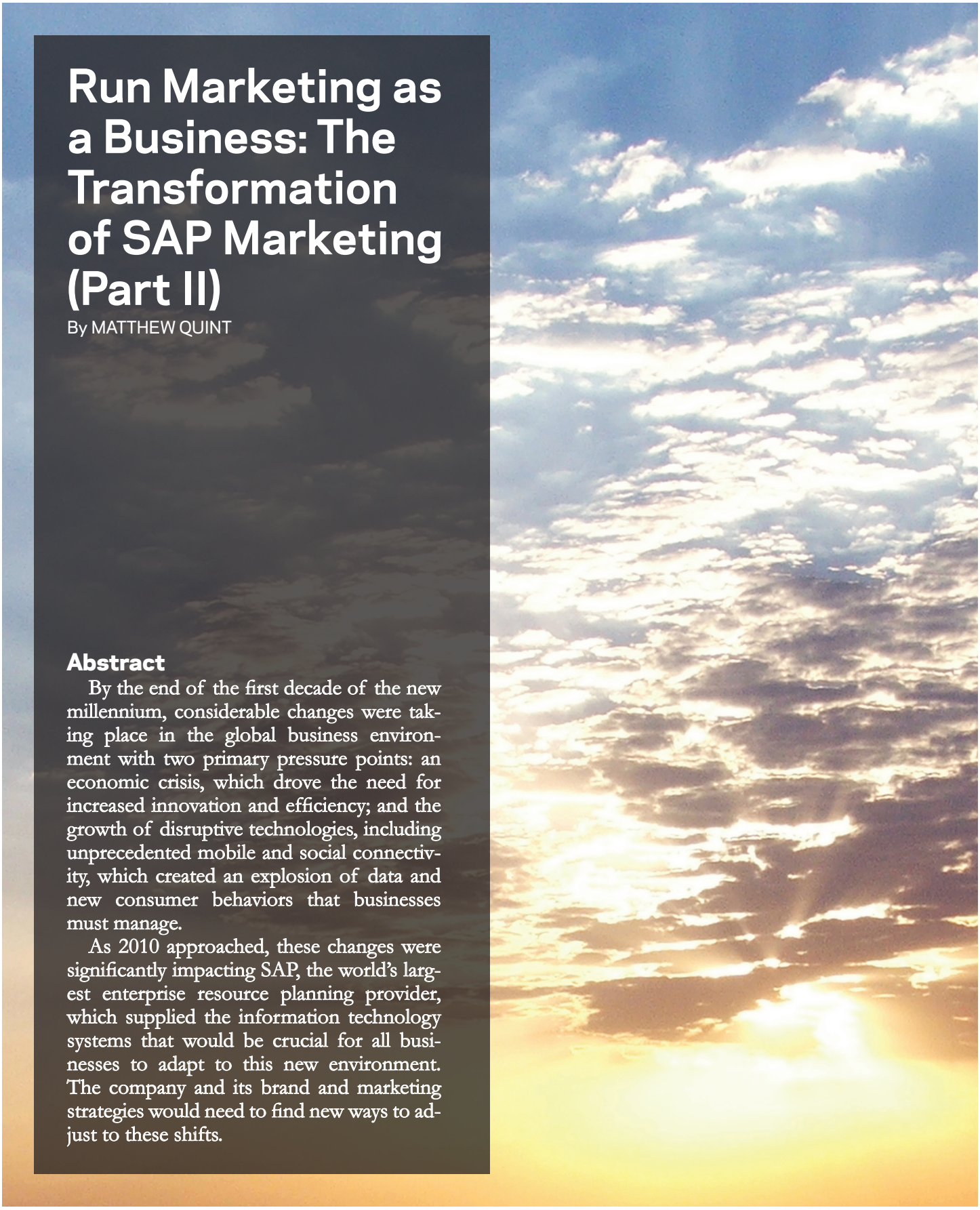
Columbia Business School
Center on Global Brand Leadership

Case Study Series

Run Marketing as a Business: The Transformation of SAP Marketing (Part II)

By MATTHEW QUINT



Abstract

By the end of the first decade of the new millennium, considerable changes were taking place in the global business environment with two primary pressure points: an economic crisis, which drove the need for increased innovation and efficiency; and the growth of disruptive technologies, including unprecedented mobile and social connectivity, which created an explosion of data and new consumer behaviors that businesses must manage.

As 2010 approached, these changes were significantly impacting SAP, the world's largest enterprise resource planning provider, which supplied the information technology systems that would be crucial for all businesses to adapt to this new environment. The company and its brand and marketing strategies would need to find new ways to adjust to these shifts.

Transforming SAP for a New Business and Consumer Environment

For all of SAP, the ambitious goals set by Bill McDermott and Jim Snabe—generating total revenue of 20 billion euro, creating a 35% operating margin, and reaching 1 billion people—were intended to act as a motivational kick-start to move past the company's first few rocky years in over a decade.

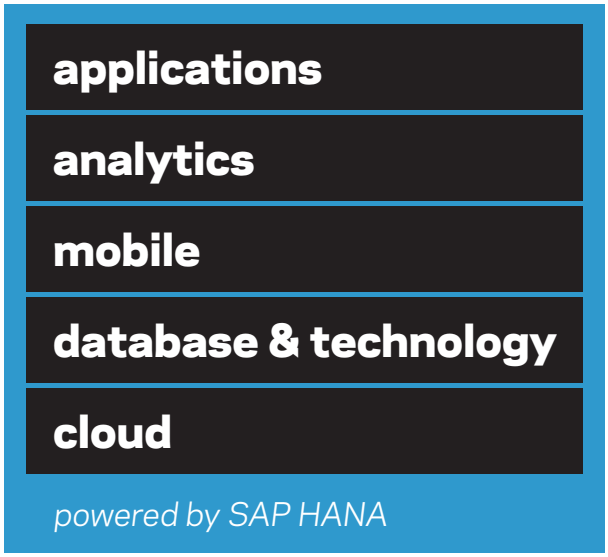
For SAP Marketing, the new vision led to an immediate redirection of thought about how to develop and portray SAP's image across all its marketing and communications activities. The team felt that its attempts in 2009 to develop the "clear new world" campaign, and the brand and communications efforts that accompanied it, hadn't gained much traction with their stakeholders. Luckily it was very easy at this point to stop any further investment in this messaging, and to rethink how they would move forward with new strategic thinking to meet Bill and Jim's goals.

Expanding SAP's Products: Bringing Authenticity to the Innovation and Customer-Centric Image

While SAP Marketing would be responsible for crafting a revised image for SAP, the co-CEOs and SAP's product teams continued to make good on their goals to expand SAP's portfolio of offerings to match the new world of business. Their next major M&A splash was the acquisition of Sybase, first announced in May 2010, for $5.8 billion. A provider of database software, Sybase's most important contribution was that it had specific technologies that allowed customers access to business software from any mobile device platform. While some argued that SAP was paying more for the company than it should,[i] the purchase was a crucial step for SAP to solidify mobile accessibility and applications as part of its product portfolio – a requirement in the new "on the go" world of business.

Another reason SAP valued Sybase so highly was its database architecture, which fit perfectly with a new in-memory computing system being developed within SAP. These new systems were expected to provide incredible advancements in the speed at which data could be analyzed. As SAP's CTO Vishal Sikka wrote, "our teams working together with the Hasso-Plattner-Institut and Stanford demonstrated how an entirely new application architecture is possible, one that enables real-time complex analytics and aggregation, up to date with every transaction."[ii] The system, which launched as SAP HANA in November 2010, now provides the company with a flexible technology that powers the development and redesign of all five of its growth platforms—applications, analytics, mobile, database & technology, and cloud—delivering results in real-time.

Rounding out SAP's crucial acquisition spree was a major purchase in the cloud computing space, a market Gartner estimated would grow from $68.3 billion in 2010 to $148.8 billion by 2014. In December 2011, the co-CEOs committed to purchase SuccessFactors for $3.4 billion. McDermott called the company the "crown jewel" of the category. While the core use of SuccessFactors was in human capital management—making employee hiring, retention, and salary decisions—the platform provided the capability to grow into a service for other business areas like logistics and supply-chain operations. McDermott also noted that the purchase would likely add about 1 billion euros to the 20 billion euro sales target he and Snabe established for 2015.[iii]



Deliver a Brand Perception for "The New SAP"

While the co-CEOs expanded SAP's core capabilities, SAP Marketing started tackling the perceptual change required to meet Bill and Jim's goals and vision—creating "the new SAP," as they called it internally. First, to have any chance to reach 1 billion people with SAP software, the brand would need to be perceived as customer-focused and accessible, since reaching these numbers would require SAP to be connected not only to its customers, but also its customer's customers. Second, SAP must cultivate a reputation for being innovative and dynamic, directly reflecting the expansion of its product and service offerings to meet the new needs of business. Tied into these two changes, the brand would also need to resonate as a global IT supplier to companies of all sizes. The "big German ERP" label needed to fade away.

The marketing team quickly set clear objectives to make its messages and images feel simpler and more compelling, incorporate more human stories into its communications, and create future brand experiences

that would inspire, empower, and include its stakeholders. The aim was to shake-up SAP's historic use of detailed, often technical, communications about the company's products and services, and shift instead to messages about how SAP helped businesses gain insights and solve problems. This led to immediate brand adjustments to SAP's logo, its color palette, its choices in photography and graphics, its advertising, and the structure and content of its conferences and events. [See Appendices A & B] All of these changes were done in a fashion that made SAP feel more contemporary, dynamic, and approachable.

A New CMO Driving the Art and Science of Marketing

While the SAP Marketing team was still undertaking its first successful steps to change the company's perception, they would face a major change from within. After a decade as SAP's chief marketing officer, Marty Homlish announced in April 2011 that he would depart SAP to become the CMO of HP. Snabe and McDermott quickly named Jonathan Becher, then-EVP of worldwide and regional marketing, to be CMO.

Becher knew that over the past decade SAP Marketing excelled at the *art* of marketing; creating clear messaging campaigns that elevated awareness, reputation, and purchase intent for the brand. But he was eager to more fully codify a strategy that would constantly guide SAP Marketing to support SAP's overall company goals. To do this, Becher knew that he must develop a platform that could effectively mix the art *and* the *science* of marketing. SAP Marketing would need to continue to improve its efforts to gather data and gain intelligence to better understand its customers and refine its outreach to them. Plus, given Bill and Jim's operating margin goal, Becher knew he must constantly monitor and adjust SAP's marketing initiatives based on a real understanding of what was working effectively and wasn't. [See Appendix C]

It was Becher's personal background as a CEO and entrepreneur—first coming to SAP through its purchase of Pilot Systems in 2007 while Becher was CEO—that drove his desire to constantly track the value of marketing to a business goal. "I've been lucky enough to be a three-time CEO," noted Becher, "and that's made me think 'business first, marketing second.' From that comes a mantra that marketing is a business, not just a division that supports a business. When you take this perspective within marketing, that you are the business, you must follow through and get to know more about what the business does and know what its drivers are. You must demo the product itself to really understand how it works. And finally, you have to develop metrics that allow you to measure, as precisely as you can, how you are affecting the overall business."[iv]

Another core of Becher's leadership style is his belief that "culture eats strategy for breakfast"—a phrase most commonly attributed to Peter Drucker. In this respect, he aligns perfectly with Bill and Jim's push for an "all-in" employee philosophy. Given SAP's latest challenges and Becher's commitment to build a new platform that would help SAP Marketing run like its own business unit, he knew team unity would be crucial. In addition, his leadership group must agree that their success would be measured by SAP Marketing's ability to contribute to the company's overall goals and growth.

The Five Pillars of Transformation

Given his emphasis on culture, Becher immediately brought together the leadership of SAP Marketing for a 4-day meeting in Calistoga, California. He tasked the entire group to craft, and agree to, a strategic model that would guide their future initiatives to support SAP's vision and goals and get everyone thinking about how to run SAP Marketing like a business.

As John Beisty, Becher's then-chief of staff, recalled, "We went into the meeting and talked about our challenges for the future driven by the changing IT business, consumer control, and the new product developments within SAP. Then we broke up into small groups and looked at each other and said, 'ok, just how are we going to do this?'"[v] Becher and Beisty had seeded the team with ideas for this new platform, many of which came out of the perspectives the team adopted after the recent CEO switch. "It was actually thrilling to see everyone work together so well," Beisty stated, "and to be satisfied as a whole unit with the core ideas we developed and which we are still using as 2012 comes to a close."

"I think 'business first, marketing second.' From that comes a mantra that marketing is a business, not just a division that supports a business."

What came out of the Calistoga meeting were five key "transformation pillars" which would act as guide posts for the future activities of SAP Marketing.

1. Humanize the SAP brand

Develop a customer-focused mentality that aims to: help SAP reach new audiences; demonstrate how SAP delivers tangible benefits to its users and society; build trusted relationships among its customers and stakeholders; and inspire advocacy.

2. Develop pull marketing

This represents a mindset shift to transform SAP from its traditional sales-driven perspective to a consumer-centric perspective. The aim is to understand how people want to buy SAP's products and services and to allow them to interact with SAP when, where, and how they choose.

3. Simplify marketing

Simplify the structure and operating platform for SAP Marketing in order to: create the most efficient use of its budget; improve the sharing of information and resources across the company; and, allow more bottom-up decision-making.

4. Tighten the links to business

Shift from a measurement model that gives credit to marketing activities to a model that credits the achievement of a business outcome, thereby creating clear connections between SAP Marketing and an overall return on investment (ROI) for SAP.

5. Invest in our people

An important internal effort to develop the skills and knowledge of SAP Marketing staff and create a culture with united visions and goals.

A main driver behind these pillars was the recognition that the world is now flooded with information—which gives consumers ever greater control and expectations from companies, but which also gives companies greater opportunities for customer insight. As Becher has phrased it, "people buy software, not big glass buildings." While SAP maintained a strong brand image, SAP's customer research showed Becher that, "people understood that SAP could make their company run better, but they didn't see how SAP directly *helped them* run better. With a larger and more user-oriented customer base, and a goal to reach 1 billion people with SAP software by 2015, this was a key perspective we needed to change."[vi]

How do these five pillars come to life operationally? Through a range of initiatives and program adjustments that were launched in the first year of this transformation. Some of the most interesting and innovative new approaches deserve a closer look.

Humanize the Brand

This pillar represented the core of SAP Marketing's external efforts to respond better to consumer needs and expectations, reach more and more people with SAP software, and shift the perception of SAP past its 'big German ERP' roots.

Becher and his team believed that an effective use of storytelling and narrative, from a range of constituents, would be a key in SAP achieving its business goals. As Becher told B-to-B Magazine shortly after becoming CMO, "We think about what we do not from a b2b or a b2c perspective—we actually internally talk about people-to-people: p-to-p—because [marketing] is all about people telling stories to other people. And I'm actually eliciting all 54,000 employees to be brand ambassadors and to change the way they tell the story of what SAP does. Because the mentality shift is, it's not about the corporate users of our software, it's about human beings who have their own stories, their own problems, things they want to do."[vii]

SAPPHIRE NOW

For SAP's key stakeholders, this new commitment was clear right out of the gate when when SAP Marketing reformatted and rebranded its annual flagship conference, SAPPHIRE NOW, in May 2010. A greater range of voices outside of SAP were incorporated to raise IT and business issues more organically, which SAP could then tie to its technology solutions. Renowned business and world leaders were given keynotes, with Al Gore and Colin Powell presenting at the May 2010 conference (later on Richard Branson, Michael Schrage, Dr. Michio Kaku, and Gabriel Byrnes would be a part of SAPPHIRE NOW).

Even more importantly, SAP's clients and partners were brought in to lead event sessions and interactive microforums, thereby showcasing the voice of SAP's customers. In addition, the layout, look, and feel of the convention space was also dramatically reconfigured. SAP's staff no longer dominated the floor, and new exhibit features, like touch screen displays, were used to subtly support the innovation image SAP Marketing aimed to portray for the company. [See photos on page 4]

Paul Greenberg, an author and expert in customer relationship management and technology, wrote after attending the debut of SAPPHIRE NOW, "SAP has transformed their company from what has been seen as a highly traditional, conservative, closed company, to an open, innovative, accessible organization who can play

BEFORE

"SAP has transformed their company from what has been seen as a highly traditional, conservative, closed company, to an open, innovative, accessible organization..."

AFTER

on the international enterprise stage as it progresses through the 21st century."[viii]

RUN LIKE NEVER BEFORE

To distill the broad messaging themes that would support these efforts, SAP Marketing and its long-time partner, Ogilvy, spun out new ideas from their tried and true "Best Run" positioning. The first campaign launched in October 2010, with the slogan "Run Better," and grew seamlessly out of the company's vision to "help the world run better and improve people's lives." To bring to life SAP's more diverse customer-base and its commitment to innovation and the needs of the customer, the campaign's message highlighted the value of data and how it can help companies of all sizes design and deliver better products and services for their customers and the world. This campaign now featured both companies in the Fortune 500 and small and mid-sized brands like Skullcandy and Pinkberry. Beyond the message, the editing and style of the ad was done in a more dynamic and modern fashion. **[Watch video]**

Spurred by the evolving ideas from the Calistoga meeting, the top-level advertising and marketing message was adapted again to make it clear that the people who run a business are beneficiaries of SAP's technology as much as their business is. As Spencer Osborn stated, "The idea behind the campaign came from conversations that SAP was having with CEOs and other clients. Those conversations went from 'how can we help your operations or your supply chain?' to 'what are your dreams for your business?'—and let's see what SAP can offer to help make those dreams happen. From that, was born 'Run Like Never Before' which we launched in April 2012."[ix] The ad was crafted to present the new solutions SAP is offering in the areas of analytics, mobile, and cloud computing, but in a fashion that shows how the technology

"Conversations went from 'how can we help your operations or your supply chain' to 'what are your dreams for your business' and let's see what SAP can offer to help make those dreams happen."

lets people be successful on their terms. **[Watch video]** To further reinforce the P2P mantra, the stories and content on the campaign's microsite are curated from SAP customers and industry experts. **[Visit microsite]**

A final messaging example, one designed to help build the foundation for SAP's software to be used, and recognized, by 1 billion people, was the creation of "fast facts" which note how broadly SAP impacts the world. For example, "Our customers fly more than 1.1 billion of the world's airline passengers," or, "Our customers produce more than 65% of the world's TVs." **[Watch video]**

THE SAP COMMUNITY NETWORK

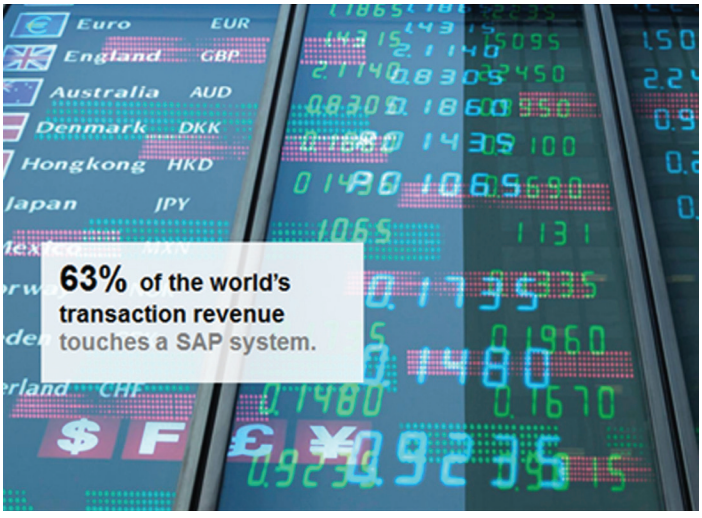
Years before Becher became CMO, SAP had already built a powerful one-to-one storytelling outlet, the SAP Community Network (SCN), the company's online community of developers and stakeholders. SAP is a leader in this space, starting a developers' community that was to become the SCN as far back as 2003. It was rebranded in 2007, and simultaneously opened up so any stakeholder could read and share information about SAP products and services, general IT and business issues, and purely social pursuits. By the time of Bill and Jim's appointment the SCN had over 2 million members, 28 million unique visitors, and received around 3,000 posts per day, and it continue to grow, amassing over 2.5 million members by the end of 2012. The SCN created a brand touchpoint where SAP users and other IT experts could gain knowledge and get solutions to their problems through not only SAP employees but also directly from the users of IT products and services.

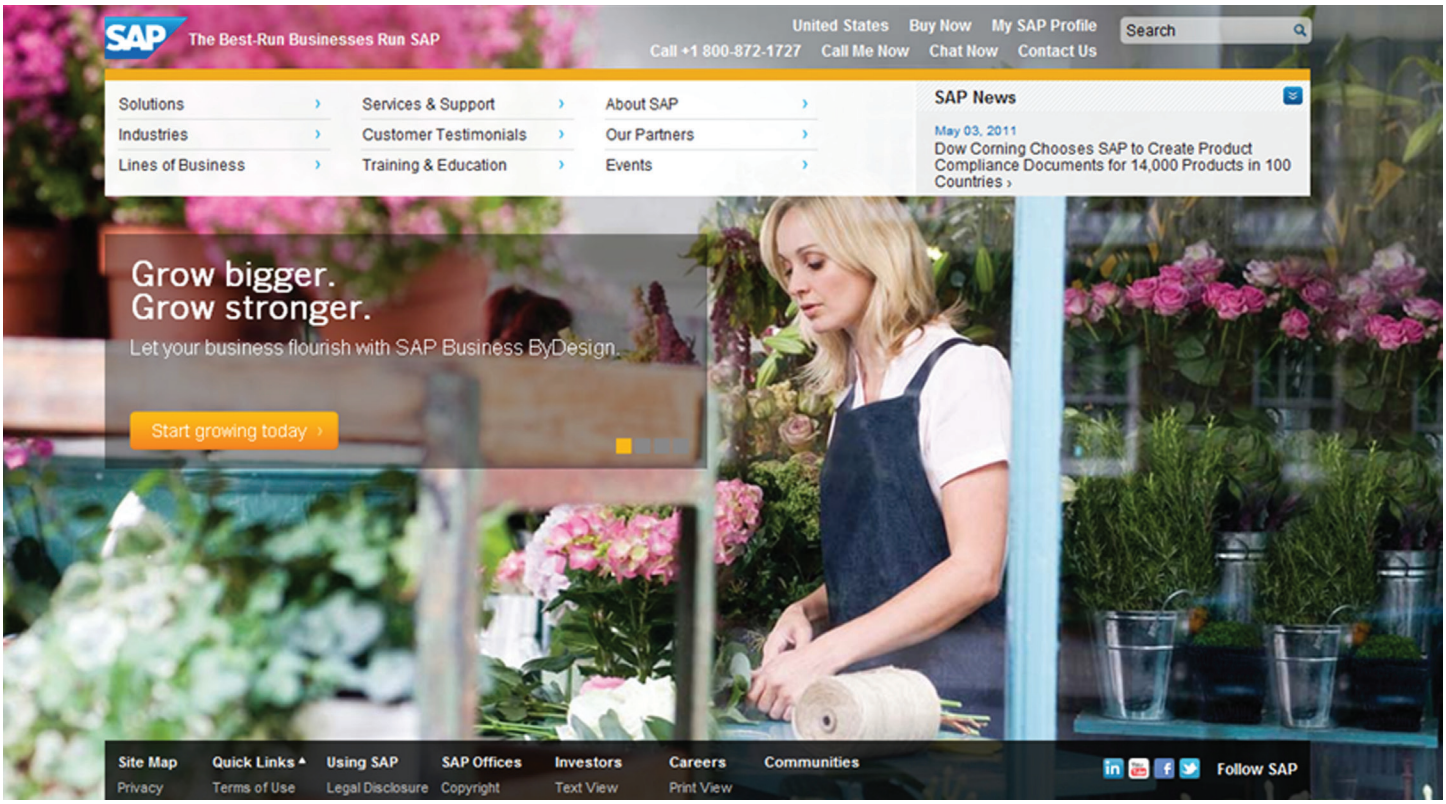
Spun out of these increasing opportunities to create one-to-one relationships, Becher and his team created an aspirational goal for themselves: 50% of all the storytelling content on SAP's websites should come from sources outside the company. Beyond merely posting customer testimonials, SAP is interviewing clients, partners, and users and incorporating their direct words and stories into its core online and offline marketing efforts. See for example this video of the Desmond Tutu HIV Foundation and how SAP could act as a partner to help it reach its specific business goals and dreams. **[Watch video]**

Pull Marketing

To bring added authenticity to its humanizing efforts, SAP knew it needed to do a better job at developing *pull* in addition to *push* marketing. This was a follow-through on Becher's sentiment that marketers need to move from controlling to orchestrating the conversation. SAP Marketing now planned to build and use marketing outlets that would allow people to interact with SAP and share that experience in whatever ways they prefer.

To get started, the team first focused on bringing more interesting content into all its online platforms. Mark Yolton, SVP of Digital, Social, and Communities at SAP, describes the concentric rings—a bulls-eye, if you will—that make up SAP's web presence.[x] At the core is SAP.com, which is highly controlled and is, by nature, still part of a broadcast message and a clear touchpoint for lead generation. But to create a pull element, SAP Marketing stopped using content purely designed to tout SAP's expertise and instead added more external stories. One example is a new branded content site, Business Innovation. **[Visit site]** Like many companies, SAP is developing a themed website, connected to the company's core business, but filled with content that is a mix of SAP staff writing and curated content written by outside experts and clients. The outside voices can help draw in new audiences to SAP.com, and also brings people into contact with SAP through organic web searches for more generalized information on innovation, IT solutions, and business processes.





One ring outside of SAP.com is its aforementioned community network, SCN. This platform not only provides one-to-one interaction and support for, and among, key SAP stakeholders, it also offers a content farm for SAP to harvest interesting writing and ideas that it can incorporate into SAP.com and other marketing efforts. As a sign of SCN's strength in providing a place where stakeholders can interact with SAP on their own terms, in 2012 its user community gave the platform a Net Promoter Score of 32. A score above 10 represents a world "best-in-class" level.[xi]

SCN's importance to the pull marketing pillar led SAP to bring it into the SAP Marketing fold, from its former stand-alone SAP Global Ecosystems division. This spurred further integrated strategies to bring together the best content from SCN into SAP.com as well as the next ring outside of SCN—open social networks like LinkedIn, Facebook, and Twitter.

Obviously in using these broadly public social networks, a company has a much lower level of control in regards to the sharing and posting of information, but these networks also offer the broadest audience. SAP takes these channels seriously and has, as an example, created over 35 official SAP Twitter accounts,[xii] plus additional brand ambassador support made up from a few dozen employee personal accounts. Becher is even acknowledged as a 'top CMO in social media' in a few places.[xiii] But beyond their own accounts, SAP Marketing has also expanded the SAP Mentor program within SCN (generally these are customer experts who use SAP products) into the world of social media, promoting a list of over 100 Twitter members who acknowledge their SAP Mentor status and bring a supportive voice outside of the company into the broad social sphere.[xiv] As Becher notes, these are authentic and uncensored voices: "This group is essentially the technical liaison between SAP and the greater community. These people are advocates, but they're also our critics. We use them to get the word out about our products, but more importantly, to get the word back to us as to what works and what doesn't."[xv]

Becher and his team are also developing pull via an innovative application of sports sponsorships. Becher discusses the impetus for this effort: "Our major growth area has been in analytics, and we are now trying to sell to more and more small-sized and family-run businesses. The problem is that the owners of these small-market leaders have relied on gut instinct for so long, they don't believe they need data to tell them how to run their business. So, how do you pull in these companies? We knew we had to connect analytics to more emotional and human stories and realized sports was an ideal opportunity. Unlike most sports sponsorships, we view the brand association as a secondary benefit. Our main goal is to connect SAP, and its analytics capabilities, to the fan fascination with the statistics of sports. We also know this effort will connect us with potential customers at all levels of business, and through fan use it will drive us towards our goal of having 1 billion people use SAP software."[xvi]

Sports with a more niche fan base, namely sailing and Formula 1 racing, were the first to be sponsored in this

way. In 2012, however, they announced sponsorships with the NY Yankees, Inter Milan, the San Jose Sharks, the San Francisco 49ers, as well as becoming the official sponsor of league stats for both the NBA and the NFL.[xvii] The technology roll-out is still underway, but basketball and football fans will soon have SAP to thank for greater access to player and team statistics, and capabilities to slice and dice them, than they have ever had before. SAP Marketing first tested these ideas in 2011 through a "baseball experience" in which registrants could play with team statistics and make predictions to win StubHub gift certificates. The video promoting the contest speaks directly to how SAP plans to drive interest, accessibility, and a sense of value to analytics through how data can support the joy of sport. **[Watch video]** This is a pitch made even easier by the popularity of the movie *Moneyball*, released in September 2011, which dramatized the true story of how Oakland Athletics General Manager Billy Beane committed to evaluate baseball players with new types of data to successfully win ball games despite having a smaller payroll than other playoff teams.

Simplify Marketing

The simplify pillar combines a greater mix of both internal and external aims. Its primary goal is to create a more efficient internal operating structure for marketing, driven in part by SAP Marketing's awareness of the challenge all marketers face to build "insight-driven marketing" platforms. For SAP, this effort involves gathering and mining the data generated when customers interact with any SAP marketing touchpoint (live events, webinars, web content, social content). The challenge is to derive customer insights from these data that spur more precisely targeted and customized communications for each potential SAP customer. To do this effectively, Becher challenged his team to simplify the process through the development of an automated system that begins its insights-processing effort the moment someone supplies contact information through an SAP marketing channel.

In the past, every one of these potential leads required staff review to determine the likelihood of that contact becoming a potential customer. Now, SAP automates this process through algorithms that filter out low probability contacts – like, for example, an academic researching information for a case study. The system also compiles any SAP information source it knows the contact looked at to determine the appropriate follow-up information it should automatically send to the contact. Actual staff review and a follow-up call will only occur if the algorithm flags a contact as having extra-high interest and potential.

Even without being supplied contact information, the system also looks at other analytics data supplied from website and social media visits. Such efforts may lead to an analysis that a range of SAP content was viewed from a particular ISP address. If that ISP is registered to a specific company, it will be flagged for a follow-up cold call from SAP Marketing to tease out whether the organization may actually be in the market for a particular SAP product or service.

Much of this automation process runs on SAP's Business Intelligence software. As John Beisty stated, "We made the commitment to use the technologies we were selling. In other words, 'SAP Marketing runs SAP'."[xviii] The automation system, and other elements of the insights-driven marketing effort, help SAP Marketing build its own stories about SAP's innovation, and its efforts to prove SAP is working to understand and meet the needs of a new business world.

> ***"The problem is that the owners of these small-market leaders have relied on gut instinct for so long, they don't believe they need data to tell them how to run their business."***

Tighten the Links to Business

This pillar was established to drive the idea that SAP Marketing must run like a business, constantly measuring its marketing activities against the achievement of SAP's overall business and revenue goals. Accurately measuring and attributing the exact effects of marketing activities on sales remains a hurdle for all marketers. And yet, most marketers believe that their marketing efforts are under more scrutiny than ever, with increased pressure to prove that they deliver a return on investment (ROI).[xix]

Becher and his team knew that implementing this would be challenge, but one that they must pursue. At the same time, Becher was confident that SAP's core expertise in data gathering and analytics would give SAP Marketing an advantage in developing systems to measure these impacts. The team knew this would be an ongoing process, but it was necessary to start the process of linking the data SAP collects from all of its departments, so that SAP Marketing could truly understand what dimensions of SAP's business could be impacted by marketing activities, and how cost effective these impacts could be.

"We made the commitment to use the technologies we were selling. In other words, 'SAP Marketing runs SAP'."

In order to reinforce the importance of creating these links, Becher and his team planned to add SAP's overall revenue growth, measured by its overall software and software-related services (SSRS) revenue, as a performance metric for SAP Marketing. They committed to this with the knowledge that SAP Marketing would have a key, but only partial, influence on SSRS growth.

As confidence in these metrics grew, the department planned to introduce new procedural elements that would help streamline and ensure the most efficient returns on its marketing investments. These would include the transfer of more authority and profit and loss responsibility to mid-level management leaders with regional or line-of-business responsibilities and a re-adjustment of marketing spend on a quarterly basis as SAP Marketing gathered information and measurement on its business outcomes.

Invest in Our People

At its core, this pillar is aimed to promote effective cultural change within SAP Marketing, and over time throughout all of SAP. Knowing the importance of narrative to affect such change, Becher incorporated animal stories and myths into his discussions with the staff. "I find that animal stories help illustrate specific points, reinforce behaviors, or provide colorful rallying cries, as they are easy to remember and therefore more likely to be repeated. The heart of good communication is repetition."[xx]

In one example, to help push SAP from a mindset of silos to teams—historically SAP's global divisions and regional divisions did not always act in an integrated fashion—Becher regaled his staff with Aesop's fable of The Four Oxen and a Lion. Working together the oxen could deter the lion by standing back-to-back and showing only their horns, but as they quarreled and moved to separate pastures, the lion easily picked them off one by one.[xxi]

To truly build an "all in" mentality throughout SAP Marketing, the leadership team knew it would be crucial for its staff to gain new knowledge and skills, which would give them the confidence and capability to effectively implement all of SAP Marketing's pillars and SAP's business goals.

A job rotation schedule was created so that SAP Marketing employees could become more familiar with activities outside their core responsibility, and a mentoring program was introduced to spread expertise around the organization and help new employees speed their learning curve. SAP Marketing also took inspiration from the SCN and created its own internal online community to promote interaction and knowledge sharing. Becher and his team knew that such programs would help staff become better storytellers about the entirety of SAP and its ability to impact businesses and people who want to "run better." Other smaller programs under this pillar included a boost to SAP's internal "Marketing Best Practice" awards and dedicated development days that permit employees to spend a work day on their personal and professional development.

Measuring Outcomes, Not Activities: Developing Key Performance Indicators

Following the creation of the pillars, the leadership team knew its next step was creating key performance indicators (KPIs) that would allow SAP Marketing to measure progress on its marketing initiatives and the overall success of each pillar. This was the linchpin to merging the art and science of marketing and moving forward to truly run SAP Marketing like a business.

The team gathered again in February 2012 with a plan to create metrics that would measure the effects of SAP's marketing efforts. Out of that meeting came ten (10) top-level KPIs, two for each pillar, with dozens of additional, more specific second- and third-tier KPIs. The aim was to establish these KPIs within an analytics system run with SAP tools (and other software as appropriate), that would be accessible in the cloud and optimized for mobile so that the team could track its progress and react to successes and failures on a quarterly, monthly, weekly, and sometimes daily basis.

By creating KPIs tied to business goals, Becher and his team aimed to reward outcomes rather than activities The success of SAP Marketing's initiatives and decisions would be determined by their ability to deliver sales and revenue benefits, as opposed to historic metrics which primarily measured reach,

"Most marketers believe that their marketing efforts are under more scrutiny than ever, with increased pressure to prove that they deliver a return on investment (ROI)."

awareness, and the number of activities undertaken..

Beyond the benefit of measuring its own performance, Becher also knew that SAP Marketing's use of SAP products would create great stories externally about the innovative efforts of the company and its transformation. Since the KPIs are built with SAP's analytics tools and incorporate mobile connectivity, the company started to show off its new technologies and its transformation at live events. While presenting at the SiriusDecisions 2012 conference, Becher recalls, "the highlight of my presentation, for most, was when I demonstrated our SAP Marketing pillars and KPIs from my iPad and discovered live that we had an issue with one of our KPIs in North America. (My colleague was in the audience and jumped up to go solve the problem!)"[xxii]

For SAP Marketing to truly run like a business Becher knew that at all its activities must be evaluated in an integrated fashion. This meant that the KPIs included some interconnected elements, but it also meant that every one of the KPIs had a crucial role in the complete evaluation of SAP Marketing's performance. Thus, Becher told his leadership team that he would consider the year a success only if they hit 90% or better on their targets for at least 8 of the 10 top-tier KPIs—over-exceeding on one KPI couldn't make up for a lack of success on another.

Following through on his belief that culture trumps strategy, Becher knew that he needed the entire marketing leadership team to fully buy into his vision of success. He wanted to do something that would motivate his team to view every area of SAP Marketing as equally important, rather than being solely focused on areas with their direct responsibility. As John Beisty recalls, "Once we'd agreed to the KPIs, Jonathan said, 'ok, what do you say to betting our bonuses on them.'"[xxiii]

Madhur Aggarwal, Jonathan's head of strategy, also has vivid memories of this moment: "The 90 minutes during the Feb 2012 meeting were by far the most critical in SAP Marketing's transformation to running it as a business. This was the moment when Jonathan's strategy and push for running marketing as a business went from a theoretical concept to something very personal for each and every member of his leadership team. They were being asked to bet a significant portion of their year-end bonuses on the collective (not individual) success of the 10 KPI's. As Hernan Marino, head of ecosystem & channel marketing, mentioned during the session "I love the idea, except that it's my money.""[xxiv]

"Once we'd agreed to the KPIs, Jonathan said 'ok, what do you say to betting our bonuses' on them.'"

In the end, the team trusted the path Becher laid out and agreed to his proposal. Having his leadership team bound together in this common vision was an important step toward continuting to break down SAP silos, leading to a staff that would be motivated to share information, knowledge, and support to any KPI.

What Do the KPIs Measure?

Some examples of the specific top-level KPI measures are detailed below, and a top-level chart is provided in the appendices. In each case, the top-tier KPI includes sub-components broken down by geographic area, line-of- business units, industries, or product technologies that SAP's KPI dashboard application can drilldown to.

Return on Marketing Effectiveness: This measures the total expenses of marketing (people and program costs) against the revenue generated from marketing-initiated, qualified leads that were passed on to sales and became actual purchases. In this KPI some marketing measures that may influence revenue generation are not credited, e.g. a case where a customer saw an SAP video or other marketing content and then made first contact directly with an SAP sales representative rather than coming through an SAP Marketing channel.

Conversion Rate: A measure of the total number of qualified leads generated by marketing and passed on to sales compared against the total number of those leads that were actually booked and won. This provides a measure of the rate at which marketing is generating good sales opportunities, independent of the amount of revenue generated by the committed purchases.

Audience Engagement: A measure designed to track interactions with SAP content (e.g. Facebook Likes, comments on social platforms, shares, etc.). This measure includes content that creates an engagement reaction from both push (e-mail, direct marketing, advertising, etc.) and pull sources (social media posts, organic visits to SAP.com, the SCN).

Return on Interesting: A measure that credits all marketing-generated opportunities created from pull marketing activities that lead to actual booked deals. This is essentially a sub-metric that ties to the overall contribution measured by Return on Marketing Investment.

Marketing Cost as a Percentage of Software and Software-Related Services (SSRS): This is part of the tighten-the-links-to-business pillar, as it is a measure of the overall revenue generation of SAP relative to the cost of marketing.

Pillar Scorecard at 2012 Year End

Pillar	KPI	% Achievement
Simplify Marketing	Return on Marketing Investment	121%
Simplify Marketing	Conversion Rate	90%
Humanize the Brand	Brand Training	108%
Humanize the Brand	Audience Engagement	180%
Invest in People	Development Plans	100%
Invest in People	Enthusiasm Score	120%
Pull Marketing	Percent Deals from Pull	55%
Pull Marketing	Return on Interesting	119%
Tighten the Links	% Growth of SSRS	107%
Tighten the Links	Marketing Cost % of SSRS	100%

The Proof of the Pudding Is in the Eating

SAP's transform under Bill and Jim was clearly on the right track. From a pure branding perspective, SAP had increased its value 77% between 2009 and 2012 in Interbrand's Best Global Brands valuation [See Appendix D]. On the financial side, the company had increased its revenue by 66% between 2009 and 2012, partly due to the recovery from the 2008 crisis, but also due to the new software and support services that were being offered [See Appendix E].

For SAP Marketing, however the crucial measure of success was their measurement against the new KPI goals they set for themselves. Throughout the course of 2012 the KPIs inevitably demonstrated ebbs and flows at all levels. Given the brand-new territory that the leadership team had set out to conquer, there were moments throughout the year when they debated whether the KPI goals they had set were realistic or not.

Further complicating matters was an organizational change in the middle of the year that caused some departments to stop reporting directly to Jonathan. As a result, SAP Marketing lost budgetary control on some initiatives that were intrinsic to the KPIs. This led to repeated public and private requests from his leadership team members to modify the targets, but Jonathan stayed true to course and refused to immediately change what had been established in February. He believed that the financial markets do not afford most CEOs the luxury of adjusting company expectations in response to fluctuations in the macro environment – CEOs are expected to manage through them. Therefore, SAP Marketing should be no different. After all, these departments had merely shifted and were still part of SAP.

The moment of truth had finally arrived when 2012 wrapped up and Jonathan had to judge himself and his leadership team against the 10 KPIs. Nine of the ten KPIs achieved more than 90%; Pull Marketing, which had an aggressive goal of 50% year-on-year improvement, was the lone KPI that missed the mark [See Pillar Scorecard graphic].

In terms of the KPIs that most directly connect marketing to SAP's broad business goals, the team was satisfied that the overall growth of revenue of SAP's software and services (SSRS) was better than their target goal. In addition, they had also hit their goal for "marketing cost as a percentage of SSRS," which links SAP's overall revenues to their marketing budget.

When considering KPIs that show a directly-attributable impact of marketing on sales, the team did even better. Its Return on Marketing Investment KPI pushed beyond its target at 120%. It was also encouraging to the team that an important contribution to this effort came from pull marketing, as demonstrated by its 119% mark on the Return on Interesting KPI target. However, as noted, the pull marketing effort was also the one area where SAP Marketing significantly missed a target, only generating a little over half of the percent deals from pull that they aimed to create.

SAP Marketing was most successful in its effort to increase audience engagement, nearly doubling its target goal. This was a clear sign that the department's commitment to humanize the SAP brand was on the right track. Stakeholders were increasing their interaction with SAP's marketing and communications content as the language of the brand was simplified and stories from the stakeholders themselves became part of SAP's core marketing content.

Still, when Becher considered the total KPI results outside of any individual strong component, the February criteria set the department at a "Meets Expectations" level. This would kick-in a bonus payout of 95-105% -- towards the low end of the curve in SAP's culture. At the same time, Jonathan

"All of marketing is struggling to...utilize a range of new marketing dualities like traditional and digital marketing, developing culture and strategy, mixing content creation and content curation."

personally recognized that his team had embraced the transformation and worked tirelessly to run SAP Marketing as a business in this 12- to 18-month period.

How to effectively communicate these "results vs. commitment" evaluations weighed on Becher as he prepared to announce his view of SAP Marketing's success throughout the organization. Madhur Aggarwal recalls a vigorous discussion on this point with Jonathan and his chief operations officer, Ron Carolan, late one evening in January 2013 at SAP's Field Kick-off meeting in Las Vegas. "We did not want to demotivate the team that had embraced the transformation and championed it through their departments, but we wanted to stay true to the facts and our initial expectations," said Aggarwal. "In the end, Jonathan stuck with the facts and ranked his team on the high-end of 'meets expectations.' He then openly and boldly communicated this to all of his organization with pride, clearly calling out the actions we need to take to move to 'exceeds expectations' in 2013."[xxv]

The Ongoing Journey

Throughout 2012, Becher felt that his leadership team and the entire SAP Marketing staff had a lot to be proud of. But he also knew that this transformation, an aspirational goal to "be the best marketing department in the world," was an ongoing effort.

In the middle of 2012, when the burdens of all these efforts were taking hold, and some of the KPIs were below target, Becher brought his leadership team together again to inspire them to stick with this commitment. He again used a fable, *The Chicken and the Pig*, to exemplify his hopes for the team. The basic story begins with a pig and a chicken walking down the road. The chicken says, "Hey Pig, I was thinking we should open a restaurant!" The pig replies, "Hm, maybe, what would we call it?" The chicken responds, "How about 'Ham-n-Eggs'?" The pig thinks for a moment and says, "No thanks. I'd be committed, but you'd only be involved!" Becher sought to challenge his team to look themselves in the mirror and decide if they were pigs or chickens; fully committed to executing on these wide transformational changes or just staying involved.

As 2012 concluded, Becher and his team could look to their KPIs and see some clear success. But this only drove them to continue to improve the KPIs, aiming to make them more connected and linked to business success. For example, the team knows that a KPI like Audience Engagement isn't yet fully tied to revenue generation. And they were already thinking about how to incorporate more SSRS revenue goals directly into the success measures of most of the pillars, beyond its stand-alone placement in "tightening the links to business."

Tied into the concentrated effort to work on KPIs and improve the art and science of marketing is a desire on Becher's behalf to better understand and gain expertise in all the challenging 'ands' of marketing. "We are not alone at SAP, of course. All of marketing is struggling to better understand how to prioritize and efficiently utilize a range of new marketing dualities, like traditional and digital marketing, developing culture and strategy, mixing content creation and content curation."[xxvi]

Moving forward, Becher is excited to continue to use stories and fables to help spread the cultural metamorphosis of SAP Marketing throughout the entire organization. "I feel that the culture change and measurement changes we are undertaking at SAP Marketing are becoming more known among some outside the company, and we must strive to make our transformation more widely understood within SAP, as our goal is to train all of our employees to be effective ambassadors of the SAP brand."[xxvii]

In considering how far his team had come in its 15 months, Becher stated, "I feel that we are probably at the top of the fifth inning right now in terms of our change process, and we will need the help of all of SAP as we strive to reach a full 27 outs. I can't wait to continue the journey!"[xxviii]

What's Next?

1. Are there still pitfalls to consider within this transformation? What challenges do you feel SAP Marketing or SAP still needs to address?

2. Can you think of additional emerging trends in marketing that SAP will need to continue to tackle in the years ahead?

MATTHEW QUINT is the director of the Center on Global Brand Leadership at Columbia Business School, a worldwide forum for executives and researchers addressing the challenges of building and sustaining great brands. He offers thanks to Alison Abodeely, Alena Chiang, Tegan Culler, David Rogers, Bernd Schmitt, and James Wu for their support in writing this case, and Hanley Hoang for designing it. Stephen Wilkes took the Run Like Never Before campaign photos. The case study was made possible with the generous support of SAP, and deep assistance from Krista Ruhe and Madhur Aggarwal.

© 2013 by The Trustees of Columbia University in the City of New York

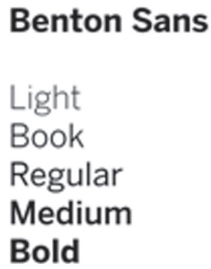
i. Nicola Leske and Jim Finkle, "SAP pays dearly with $5.8 billion Sybase purchase," Reuters, May 13, 2010, http://www.reuters.com/article/2010/05/13/us-sybase-idUSTRE64B5OT20100513.
ii. Sikka, Vishal. "Timeless Software". http://vishalsikka.blogspot.com/2008/10/timeless-software.html (personal blog). Retrieved 19 January 2012.
iii. Ragnhild Kjetland & Aaron Ricadela, "SAP Sheds M&A Shyness as Oracle Rivalry Moves to the Cloud," Bloomberg, October 5, 2011, http://www.bloomberg.com/news/2011-12-04/sap-sheds-m-a-shyness-with-successfactors-as-oracle-rivalry-moves-to-cloud.html.
iv. Jonathan Becher personal interview, September 2012.
v. John Beisty personal interview, October 2012.
vi. Becher personal interview.
vii. Sean Callahan,"CMO Close-Up with Jonathan Becher, CMO of SAP," B to B Online, September 28, 2011, http://www.btobonline.com/article/20110928/CMO_NEWSLETTER/309279991/cmo-close-up-with-jonathan-becher-cmo-of-sap#.
viii. Paul Greenberg, "SAP: The Culture Leads the Products," ZDNet, May 24, 2010, http://www.zdnet.com/blog/crm/sap-the-culture-leads-the-products/1862.
ix. Spencer Osborn personal interview, October 2012.
x. Brent Leary, "The Social Customer Engagement Index," The Social Customer, July 2011.
xi. SAP, internal survey.
xii. https://twitter.com/SAP/sap-on-twitter/members
http://www.huffingtonpost.com/vala-afshar/the-top-social-cmos_b_2754385.html?utm_source=Alert-blogger&utm_medium=email&utm_campaign=Email%2BNotifications
xiii. Mark Fidelman, "Meet The Top 20 Most Social CMOs Of The Fortune 100," Forbes, November 29, 2012, http://www.forbes.com/sites/markfidelman/2012/11/29/the-top-20-social-cmos-of-the-fortune-100-visuals/.
Kent Huffman, "Top CMOs on Twitter," Social Media Marketing, http://www.smmmagazine.com/exclusives/top-cmos-on-twitter/. Retrieved, January 8, 2013.
xiv. https://twitter.com/SAPMentors/sapmentors/members
xv. Jonathan Becher, "Active Social Listening Turns Critics into Mentors at SAP," eMarketer.com, January 25, 2013, http://www.emarketer.com/Article/Active-Social-Listening-Turns-Critics-Mentors-SAP/1009627.
xvi. Becher personal interview.
xvii. SAP,"Global Sponsorships- Sports," http://sapsponsorships.com/sports. Retrieved January 10, 2013.
xviii. Beisty personal interview.
xix. Columbia Business School and the New York American Marketing Association, Marketing ROI in the Era of Big Data: The 2012 BRITE/NYAMA Marketing in Transition Study, March 2012.
xx. Becher personal interview.
xxi. Jonathan Becher, internal employee post, July 17, 2012.
xxii. Jonathan Becher, "Market Like Never Before," SAP blog, July 23, 2012, http://blogs.sap.com/jonathanbecher/2012/07/23/market-like-never-before/.
xxiii. Beisty personal interview.
xxiv. Madhur Aggarwal personal interview, January 2013.
xxv. Aggarwal personal interview.
xxvi. Becher personal interview.
xxvii. Becher personal interview.
xxviii. Becher personal interview.

Appendix A: Brand Visual Elements

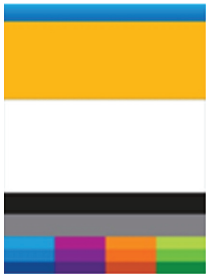
EVOLVED ASSETS

NEW ASSETS

Logo
Brighter
More contemporary
Dynamic
Fresh
Flexible
Less corporate
More accessible



Typeface
Friendlier
Clear
Professional



Color
Brighter
More approachable

Photography
Bold
Inspiring
Storytelling focus

Illustrations
Proprietary
Engaging
Bring stories to life

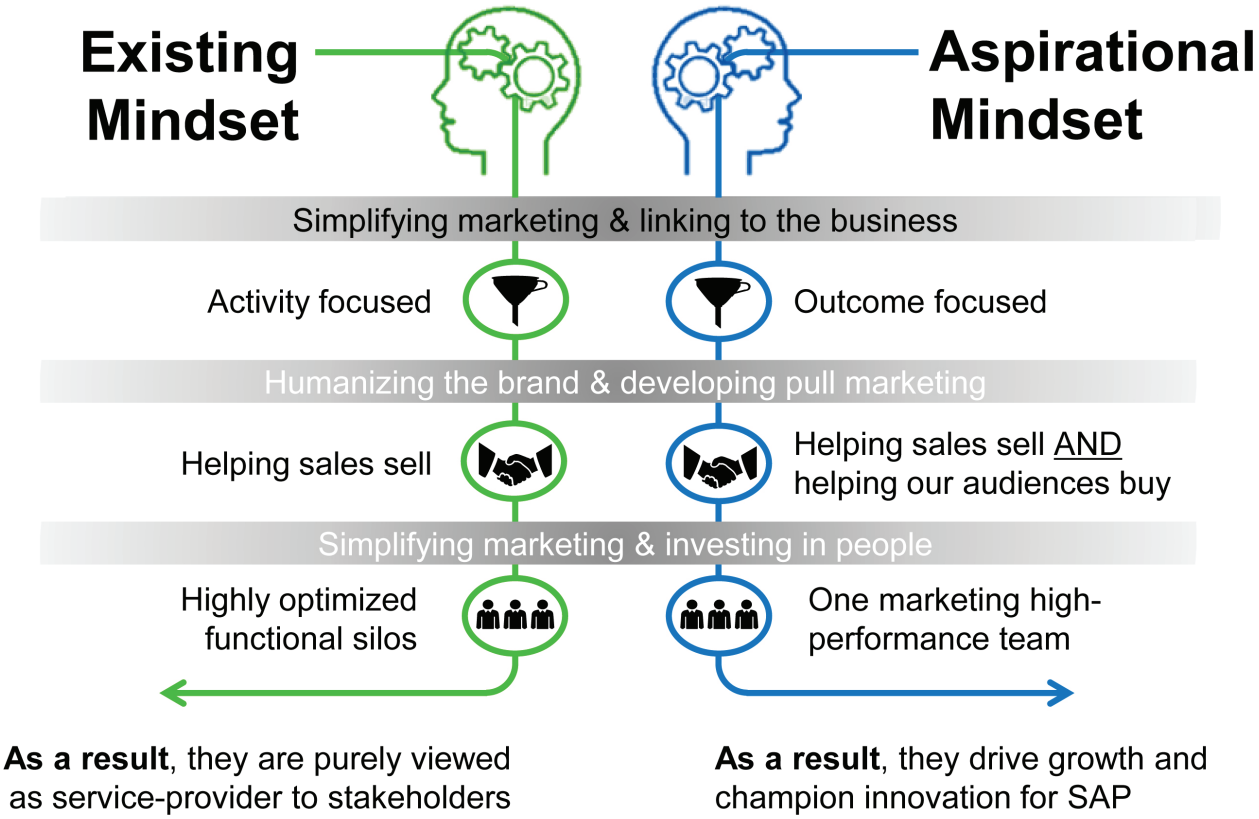
Infographics
Illustrate info
Friendly
Easy to interpret
From delivering info
To help reveal insight

Appendix B: SAP Experience

BEFORE

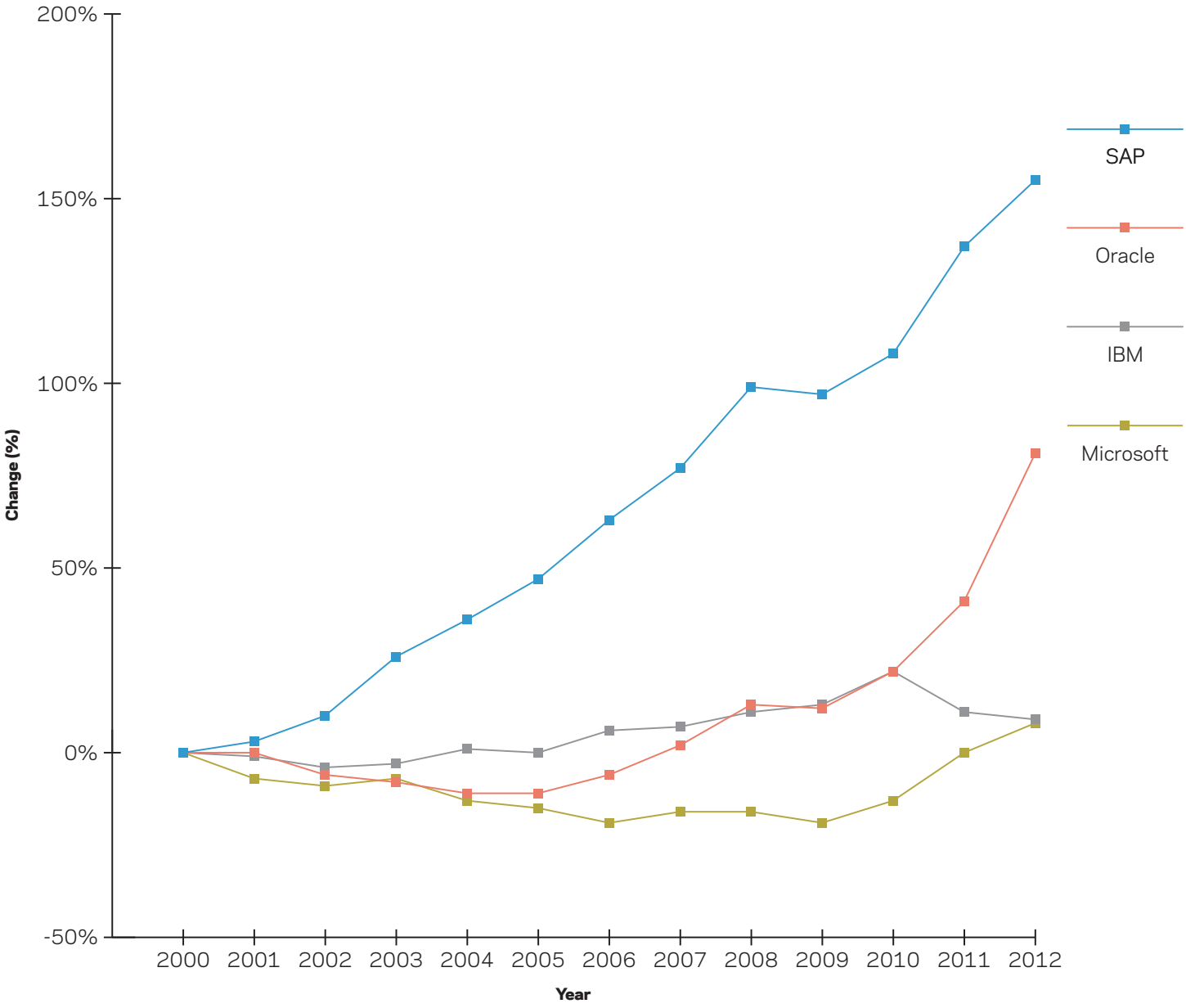
AFTER

Appendix C: SAP Marketing Mindset



Appendix D: Brand Value (2000-2012)

Company	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Overall Change 2000 – 2012
Microsoft	70,197	65,068	64,091	65,174	61,372	59,941	59,926	58,709	59,007	56,647	60,895	69,905	75,532	5,335
IBM	53,184	52,752	51,188	51,767	53,791	53,376	56,201	57,090	59,031	60,211	64,727	59,087	57,853	4,669
Oracle		12,224	11,510	11,263	10,935	10,877	11,459	12,448	13,831	13,699	14,881	17,262	22,126	9,902
SAP	6,136	6,307	6,775	7,714	8,323	9,006	10,007	10,850	12,228	12,106	12,756	14,542	15,641	9,505



Appendix E: SAP Consolidated Income Statements

For the years ended December 31st	2012*	2011	2010	2009
€ millions, unless otherwise stated				
Software revenue	4,658	3,971	3,265	2,607
Support revenue	8,236	6,967	6,133	5,285
Subscription and other software-related service revenue	270	381	396	306
Software and software-related service revenue	**13,164**	**11,319**	**9,794**	**8,198**
Consulting revenue	2,442	2,341	2,197	2,074
Other service revenue	616	573	473	400
Professional services and other service revenue	**3,058**	**2,914**	**2,670**	**2,474**
Total revenue	**16,222**	**14,233**	**12,464**	**10,672**
Cost of software and software-related services	-2,476	-2,107	-1,823	-1,658
Cost of professional services and other services	-2,522	-2,248	-2,071	-1,851
Research and development	-2,268	-1,939	-1,729	-1,591
Sales and marketing	-3,935	-3,081	-2,645	-2,199
General and administration	-970	-715	-636	-564
Restructuring	-8	-4	3	-198
TomorrowNow litigation	0	717	-981	-56
Other operating income/expense, net	21	25	9	33
Total operating expenses	**-12,158**	**-9,352**	**-9,873**	**-8,084**
Operating profit	**4,064**	**4,881**	**2,591**	**2,588**
Other non-operating income/expense, net	**-173**	**-75**	**-186**	**-73**
Finance income	107	123	73	37
Finance costs TomorrowNow litigation	-1	8	-12	0
Other finance costs	-174	-169	-128	-117
Finance costs	-175	-161	-140	-117
Financial income, net	**-68**	**-38**	**-67**	**-80**
Profit before tax	**3,823**	**4,768**	**2,338**	**2,435**
Income tax TomorrowNow litigation	0	-281	377	20
Other income tax expense	-996	-1,048	-902	-705
Income tax expense	-996	-1,329	-525	-685
Profit after tax	**2,826**	**3,439**	**1,813**	**1,750**
– Profit attributable to owners of parent	0	3,438	1,811	1,748
– Profit attributable to non-controlling interests	2,826	1	2	2
Basic earnings per share, in €	**2.37**	**2.89**	**1.52**	**1.47**
Diluted earnings per share, in €	**2.37**	**2.89**	**1.52**	**1.47**

* These represent preliminary 2012 results reported on January 23, 2013