

# **EXHIBIT AA**

**Unknown**

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**From:** Wendell, Michael  
**Sent:** Thursday, February 03, 2005 8:29 PM  
**To:** McStravick, Gregory  
**Subject:** RE: "CLEAR SAILING" SYLT 2005

**Sensitivity:** Confidential

Greg, REDACTED  
No mention of Partners  
1. I've seen no progress on getting Partners engaged. REDACTED

Mike Wendell  
+1 215 283-4465

-----Original Message-----

**From:** Homlish, Martin  
**Sent:** Thursday, February 03, 2005 8:27 PM  
**To:** Kagermann, Henning; Agassi, Shai; APOTHEKER, Leo; Oswald, Gerhard; Zencke, Peter; Brandt, Werner; Heinrich, Claus  
**Cc:** Bradley, David; Mann, Steven; Popper, Susan; McCarthy, Anne; Wohl, William; Graf, Peter; McStravick, Gregory; McDermott, Bill; Gupta, Gitanjali; Baur, Thomas; Crean, Tim; Herzberg, Nils; Lutz, Scott; Ziemen, Thomas; Brice, C. Edward; Breuer, Martin; Rossius, Stephan; Sander, Edward; Prosceno, Michael; Cohen, Martin; Busse, Torsten; Tedesco, Costanza; Steinert, John; Peterson, Karen; Vaughan, Jane; Loisel, Heather; Wendell, Michael; Tseng, Stephen; Chou, Carlos; Clarke, Christopher; Bauer, Steve; Degler, Tara; Pleibel, Barbara; Brubaker, Brad  
**Subject:** "CLEAR SAILING" SYLT 2005  
**Importance:** High  
**Sensitivity:** Confidential

Dear Board Members:

Attached are four short documents for Sylt that will provide an overview of our Oracle competitive program management approach and current activities -- now called "*Clear Sailing*."

**Document 1** sets the stage for our next sustaining phase of activities, reprises our key competitive strategies (tactics for which will evolve rapidly), and describes our core team and project management approach. Our Global Marketing team will provide overall strategic and project management coordination, with Gita Gupta as project manager under Dave Bradley's direction.  
<< File: Clear Sailing Project Management.zip >>

**Document 2**, provided by the Global Communications team, effectively summarizes our US and worldwide communications strategies and activities.  
<< File: Clear Sailing Communications Recommendations.ppt >>

**Document 3**, provided by Shai and Peter Graf, identifies a set of focused questions that will trip Oracle up, since Oracle cannot answer these questions credibly. This document is intended as input into Communications strategy and tactics. It also contains facts about Oracle's technical weaknesses that we can use as background information for further activities. Finally, it summarizes the truth about SAP's

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SAP-OR 00126416-17 (COLOR 000001)

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
Case #: 07-cv-01658-PJH  
PLNTF EXHIBIT NO. 0171  
Date Admitted: 1/15/10  
BY: [Signature]  
Nichole Heuerman, Deputy Clerk

capabilities, should we have to set the record straight on Oracle's FUD.

<< File: Questions that get Oracle into trouble.ppt >>

**Document 4**, "*The Truth About Oracle V2*" is our rebuttal to the claims made by Oracle's Executive Leadership team at their Financial Analyst day on January 26. This is representative of what will be a continuous flow of facts and perspective to arm our Field and Partners in what is sure to be an ongoing war of words.

<< File: The Truth About Oracle's ClaimsVIIMannFinal.doc >>

This is just the beginning of a long term 18 -24 month effort, which is why it is critical that we are perfectly aligned, and speak with one voice through the entire project. We are confident that we have assembled the best team, and we are ready to win!

Regards,

Marty



**Clear Sailing:**  
Sustaining Our Momentum in Competitive Waters

**SAP Project Management Approach**  
**February 3, 2004**

CONFIDENTIAL

THE BEST-RUN BUSINESSES RUN SAP 

**Phase I: Our “Safe Harbor” positioning served us well as the hostile takeover played out and PeopleSoft’s customers were bombarded by Oracle with messages that had nothing to do with their success**

- We took the high road on messaging
- We executed our strategy
- We gained share

**Phase II: “Safe Passage” is a strong competitive offering and strong customer story, and a jumping-off point for SAP’s mobilization effort**

- Positive press and analyst reaction
- Strong initial customer response
- Immediate and enthusiastic engagement across SAP

**Phase III: Oracle has one competitive target and a war plan based on mistruth and arrogance; but SAP has the winning strategy, the leader’s momentum, and a course charted for sustained *Clear Sailing***

- Oracle’s story now is about unrealistic promises, lies and money
- SAP’s story is about customers, integrity and value
- We need to harness SAP’s desire to respond, keep the pressure on, stay on strategy, and stay on message

## Objectives for *Clear Sailing* at SAP

**Leadership strategy that leverages and extends our position**

**Aggressive sustained competitive pressure and drumbeat**

**Mobilization of resources across SAP and with our Partners**

**Consistency and quality of our message**

**Single, integrated competitive strategy that leverages existing resources**

**Clear roles, established and guided by a single Governance Model**

**Lead project manager to coordinate and align activities**

**US as lead market, with global syndication**

**Stay focused on our winning customer-centered strategy of industry process best practices and innovation, with accelerated execution in key battleground markets, to maintain market share growth at the expense of Oracle**

**Interrupt Oracle's acquired maintenance income stream, making it difficult for them to invest in development of their Fusion platform**

**Win the "Technology War" versus Oracle in the opinions and recommendations of lead industry analysts, consultants and influencers**

**Stay focused on our winning customer-centered strategy of industry process best practices and innovation, with accelerated execution in key battleground markets, to maintain market share growth at the expense of Oracle**

- Global Manufacturers with JDE plant-level systems
- Global High Tech manufacturers Oracle e-business suite
- Other focus industries (TBD by US team)
- Net new mid-market customers, especially in emerging markets
- Convert targeted PSFT-JDE partners to shift practice focus

Interrupt Oracle's acquired maintenance income stream, making it difficult for them to invest in development of their Fusion platform

Win the "Technology War" versus Oracle in the opinions and recommendations of lead industry analysts, consultants and influencers

Stay focused on our winning customer-centered strategy of industry process best practices and innovation, with accelerated execution in key battleground markets, to maintain market share growth at the expense of Oracle

**Interrupt Oracle's acquired maintenance income stream, making it difficult for them to invest in development of their Fusion platform**

- "Safe Passage" offering to maintain PSFT/JDE systems and upgrade licenses
- Direct sales focus on top-500 joint SAP-PSFT customers
- Co-marketing to JDE mid-market customers in manufacturing/wholesale/retail
  - ▶ With IBM to reach AS/400 and iSeries installed base
  - ▶ Others TBD
- Aggressive and targeted direct marketing
- Highest level of Field Enablement and inbound response management

Win the "Technology War" versus Oracle in the opinions and recommendations of lead industry analysts, consultants and influencers

Stay focused on our winning customer-centered strategy of industry process best practices and innovation, with accelerated execution in key battleground markets, to maintain market share growth at the expense of Oracle

Interrupt Oracle's acquired maintenance income stream, making it difficult for them to invest in development of their Fusion platform

**Win the "Technology War" versus Oracle in the opinions and recommendations of lead industry analysts, consultants and influencers**

- Cultivate thought leading analysts and media, sustained by a continuing stream of technology leadership announcements (e.g., Mercury Interactive)
- Establish clear superiority for SAP's ESA strategy and Business Process Platform/productized services framework
- Establish consulting practice alliances around leading process and business design innovation strategies
- Promote ESA Roadmap "reinvestment scenarios" for key industry sub-segments

# Safe Passage Scorecard 2005 - DRAFT

KEY MESSAGES:

**WORK IN PROCESS - TO BE VETTED WITH US  
FIELD AND FMT**

Market Metrics	Target FY	Target YTD (Q1)	Actual YTD (Q1)	Status
Total Customers				Y
% of Global 500 customers				R
% of Mfg Leaders				R
% of Mid Mfg's (JDE)				R

Market Perception	Actual 2005	Target FY	Actual YTD (Q1)	Status
Analyst Coverage				
% Negative to a Safe Passage				G
% Negative to a of PSFT-JDE customer				Y
# of Articles that mention or quote SAP customers				G
# of Positive Analyst briefs				Y

Products	Target FY ##	Oracle Equiv. Revenue	Status
Maintenance Offerings			
TN Maintenance (10%)	25	\$	○
Safe Passage Maintenance (17%)	25	\$	R
Safe Passage Assessments	XX		○
mySAP ERP upgrade licenses	XX	\$	○

Customer Adoption	Target FY	Total #	Status
Active ERP upgrade implementations			Y
Active NetWeaver implementations			Y
Active PSFT HCM conversions			G
Active JDE conversions			Y
Conversion/Integration References			Y
			G

# Business Owners and Project Management Overview

**CORE TEAM**

Program Team	Business Owner	Global Lead	US Lead
Executive Sponsorship	Leo Apotheker	Leo Apotheker	Bill McDermott
Overall program management	Marty Homlish	David Bradley (Gita Gupta)	Jane Vaughn (Heather Loisel)
Industry and segment focus battlegrounds	Nils Herzberg	David Bradley (Sol Mktg VPs)	Greg McStravick (ISPs)
mySAP ERP upgrade and maintenance offering management	Martin Breuer	Thomas Baur	Mike Wendell
Maintenance services management	Gerd Oswald	Thomas Ziemer	Steven Tseng
Technology evangelism	Shai Agassi	Peter Graf	Peter Graf
Partner management	John Robertson	Stephan Rossius	Carlos Chou
Field enablement	Ed Brice	Ed Sander	Chris Clarke and Heather Loisel
Public Relations	Anne McCarthy	Bill Wohl	Steve Bauer
Analyst Relations		Mike Prosceno	Mike Prosceno
Investor relations		Marty Cohen	Mike Prosceno
Internal communications		Torsten Busse	Tara Degler
Integrated marketing communications	Susan Popper	Costanza Tedesco and John Steinert	Chris Clarke
Market intelligence	Steve Mann	Karen Peterson	Barbara Pleibel
Legal	Tim Crean	Tim Crean	Brad Brubaker
Sales KPI Reporting	Martin Breuer		Mike Wendell

## Project Management System

Management System Element	Process Owner	Frequency	Participants
Core Team Kick-off – Roles and Responsibilities	Gupta for Apotheke	Once at beginning	Global Leads
Steering Committee Review	Gupta for Homlish	Monthly Bd Mtg Week	Steering Committee Team Leads
Global Project Lead Meeting	Gupta	Weekly	Global Leads
North America Project Core Team Meeting	Wendell	Weekly	NA Core Team Global Leads
Legal Review	Gupta and Mackey	Ongoing process	Offering, Comms and IMC Leads
Reporting	Gupta	Bi-Weekly	Project Leads
Offering Management and Global Sales Syndication		Weekly	Global Leads
...			

**WORK IN PROCESS**

# Clear Sailing: Positioning SAP for the Market Leadership Battle

Communications  
Recommendations

Sylt Discussion Slides

***Clear Sailing Core Team***

THE BEST-RUN BUSINESSES RUN SAP 

**PURPOSE OF THE DECK:** This deck is focused on recommendations for communications that address the broad market. It recommends communications strategy and tactics required to position SAP for Market Leadership vis-à-vis Oracle, and discusses the following:

- Situation analysis
- Risks that could impact SAP's brand position, and risk mitigation
- High level communications goals
- Messaging Guidelines
- Communications Tactics and Event Calendar

**NOTE:** In a separate deck, "Questions that get Oracle into trouble", you will find content that clearly identifies Oracle's weak spots. This content is intended as input into communications strategy and tactics.

## Situation Analysis

⇒ **Market consolidation has changed the competitive landscape.** Oracle is positioning itself to aggressively challenge SAP for leadership in business software solutions.

⇒ **Oracle is highly motivated to drag SAP into a PR battle,** and we can expect a relentless campaign over the next 24 – 36 months to de-position SAP. In the wake of the 18 month PS takeover news cycle, Wall Street is watching journalists are on the sidelines waiting to write the next and chapter.

⇒ **Media interest is high** – provocative statements from Oracle, and simple statements from executives will drive the news cycle in most key markets.

⇒ Recent **SAP share price drop** caused mainly by disappointment on SAP operating margin guidance coupled with Oracle projections of strong top line and margin targets. Some possible selling by hedge funds and long-term holders taking profits due to "lack of a catalyst" to drive near term SAP share price and SAP trading at highest valuation in peer group.

Internal pressure at SAP is high to **"take on Oracle"** in response to public provocation from Oracle. We are emboldened by strong financial performance, especially after nine good quarters in the US market, which is the key battleground.

## We Have an Opportunity to Extend SAP's Market Leadership

- ⇒ **Oracle is distracted** – attempting to integrate three companies, maintain margins, reduce people assets, and deliver a 3-7 year roadmap for a new platform, apps and new tools, while maintaining its customer base.
- ⇒ **SAP needs to maintain the high ground** - SAP can avoid a costly and dangerous PR battle with Oracle by learning from its successful Safe Harbor plan. SAP can position itself as the market leader, and discipline itself to avoid a fight with Oracle, by staying focused on the customer.
- ⇒ **SAP's focus on the customer de-positions Oracle's competitive threat** - Customer focus drives positive perception of SAP for key audiences – investors, customers, prospects, media.
- ⇒ **There is opportunity in this situation for SAP to extend its market leadership.** The long-term prize is not beating Oracle – SAP is already the market leader. The goal is successfully positioning SAP against IBM and Microsoft.

- **SAP has the opportunity to extend market leadership.**
- **However, communications risks exist.**

## Communications risks exist, but can be mitigated

### Risk: SAP gets into a PR battle, weakening the brand

- ❑ SAP succumbs to temptation and gets dragged into the mud by Larry Ellison and his PR team.
- ❑ A PR battle between Oracle and SAP ensues, widely covered by media.
- ❑ Distracted by the PR battle, the press begin to de-position SAP's market leadership perception, and view everything through the "filter" of the battle with Oracle for first place.

### Risk: SAP perception by other key audiences weakens

- ❑ **Customers** - SAP market-leading perception erodes, as customers see SAP going toe-to-toe with Oracle, devaluing the brand position built over last 18 months; customers raise questions about success of NetWeaver; SAP faces risks in the Public Sector as Oracle waves the "Buy US" banner
- ❑ **Investors/Financial Analysts** – Oracle continues to gain in market cap battle as investors focus purely on Oracle's short term financial targets instead of SAP's platform vision and SAP's resulting potential market victory

### How we can mitigate the risks

▪ **Take the High Road:** Leverage the success of 18 months of Safe Harbor and stay above the fray in market messaging

▪ **Focus on Key Battleground Channels:** Investors & Media

▪ **Follow Consistent Communication Principles:** Everyone at SAP, from the Board level onwards, adopts a common set of communications principles

▪ **Channel all efforts through a central team:** We execute on the strategy through a clear project management structure with clear KPIs, monitoring and accountability





Communications Strategy,  
Messaging Guidelines and  
Tactics

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## Clear Sailing - High Level Goals for Communications

### ➤ **It's All About the Customer**

- Differentiate the customer relationship by sharing valuable knowledge and delivering extraordinary service
- Full transparency on the Oracle vs. SAP Strategy

### ➤ **Expose the Competition's Achilles' heel**

- Disrupt Oracle's planned maintenance income stream from PSFT customers, making it more difficult for them to deliver their promises to the Street and the customer base
- Win the "technology war" in the minds and writings of the most respected analysts and influencers

### ➤ **Own the News Cycle** by taking it away from the competition

- Leverage the calendar to drive SAP messages into competitive news flows
- Develop a steady stream of news hooks for Wall Street and Main Street

### ➤ **Drive Investor Confidence** (market cap/market share)

- Consistently meet or beat expectations, highlight and be more specific on medium term targets, reinforce the traditional base of investors while seeking new investors, increase the interest among the sell-side with new ideas for research

### ➤ **Protect and offset SAP's potential "vulnerabilities"**

- Pre-empt Oracle's spin campaign by executing aggressive M&A plan (industries/regions/products)
- Wrap SAP in the red, white and blue, especially in Washington, DC

## Clear Sailing – Messaging Guidelines

- ⇒ **Maintain the high ground** by keeping the focus solely on the customer
- ⇒ Primary channel for Clear Sailing is through the press.
- ⇒ Global program, but **key battleground will be the US market.**
- ⇒ **Critical channel for success: investors & financial analysts**
- ⇒ **Drive Clear Sailing messaging in SAP events** and activities going forward (investor tours, press meetings, customer engagements, Business Forums, SAPPHIREs, executive thought leadership programs, etc.) – establish an on-going drumbeat that will resonate for 24 months
- ⇒ **Ratchet up “guerrilla marketing activities”** to leverage news for SAP that disrupts competitive news cycles – keep the media focus on SAP



## Clear Sailing – Messaging Guidelines

- **Exploit geographies and vertical markets where Oracle has “given up,”** and demonstrate SAP’s broad solution map and global reach. Position these areas with financial analysts and media/analysts.
- **Demonstrate SAP wins/success in key markets where Oracle has declared their emphasis** – this will undermine their credibility (like Banking, High Tech, Healthcare, etc.). Position these wins aggressively with financial analysts and press/analysts.
- **Find ways to set the record straight, and balance the Oracle PR machine** without waging a PR war directly. Consider static methods – like web sites or blogs, rather than direct PR statements. Commission surveys. Leverage credible 3<sup>rd</sup> parties.
- **Keep the field informed** – drive a consistent flow of information to the regions and to the Global sales organization. Keep sales educated on SAP initiatives and SAP’s response to competitive thrusts.
- **Key success factor:** Clear Sailing succeeds only with consistent flow of customer conversions/success stories from Safe Passage, US market and globally. Introduce new “welcome” program for new customers to drive participation in Clear Sailing public relations efforts.



## Risk Mitigation – “High Road” Principles for Communications

Leverage the success of 18 months of Safe Harbor, when SAP was widely acclaimed for consistent, leadership behavior – staying above the fray, not engaging in a public battle and staying focused on the customer.

A key success factor for Clear Sailing is getting everyone at SAP, from the Board level to the sales person on the street, to adopt a common set of principles:

- ➔ **Be the Customer Advocate** -- Leverage the customer relationship as the differentiator
- ➔ **Be true to the Brand** – Operate in an open, straightforward manner, with all stakeholders
- ➔ **Behave as a Leader** -- Consistency, credibility, confidence reinforce market leadership: Passion ≠ Emotion
- ➔ **Insist on the Truth** -- Zero tolerance for inaccuracies, set the record straight
- ➔ **Prove it with Actions, Not Words** -- Leverage third party endorsements (customers, analysts, partners, research reports, etc)
- ➔ **Don't Personalize** -- Stay the course (this is not a battle with Larry Ellison), focus on helping customers succeed
- ➔ **Stay the Course** -- Disregard the distractions and stay focused on the long-term goal



## Stakeholders at a Glance

<i>Audience</i>	<i>Objectives</i>	<i>Tactics</i>
<b>Investors</b>	Build on track record with buy-side, increase dual sell-side coverage (many key brokerage firms only cover SAP out of Europe)	Increase face to face briefings; leverage road shows and brokerage events, leverage partners and customers, use sell-side for special research, perception studies to measure sentiment
<b>Media</b>	Increase visibility by leveraging existing opportunities and anticipating the next phase	Seek placements in major biz pubs and broadcast. Train spokespersons. Drive awareness in vertical/trade.
<b>Analysts</b>	Internal: help define markets and industry trends, Support sales execution  External: establish credibility and improve our competitive position	Briefings, Consulting, Inquiry, Syndication of opinions, ETL Speaking opportunities, Sales cycle assistance, Leverage analysts with the press and the financial analyst community.
<b>Gov't Officials</b>	Position SAP as a multinational w/deep US roots to influential legislators on the hill and in key states (PA, CA, etc).	Targeted one on one meetings, select one to many forums; leverage BRT membership
<b>Employees</b>	Provide continuous information flow	Embed in existing channels (board report, SMI, town halls, etc)
<b>Customers</b>	Simplify the decision by showcasing companies that have switched	Educational forums, Sapphire



## Clear Sailing – Message Talking Points/Spokespersons

- **On responding to Oracle statements:** “Rather than spending our time responding to competitive statements, SAP will continue to do what we’ve always done...remain devoted to helping customers -- large and small – run their businesses better.”
- **On the question of will Oracle be number one:** “The best indication of the future is to examine the current state. For the past two years, customers have been voting with their wallets – and the result is steady market share gains for SAP at the expense of competitors. Customers want a trusted advisor, and a long term partner – that choice is SAP. Nothing suggests a change in this customer behavior.”
- **On Project Fusion’s challenge to SAP:** “SAP has best in class applications with mySAP solutions, and we are shipping to customers. SAP has the only truly open applistructure platform in NetWeaver – with 1,500+ reference customers. The competition has laid out an ambitious agenda, but they promise a completely new application set, platform and tools – sometime after 2008. All while integrating three different companies with very different cultures. Meanwhile, SAP is delivering solutions to customers today.”

### Spokespersons

#### Global Major Media:

Customer/Market Topics: Bill McDermott

Technology Positioning: Shai Agassi

#### Other Media:

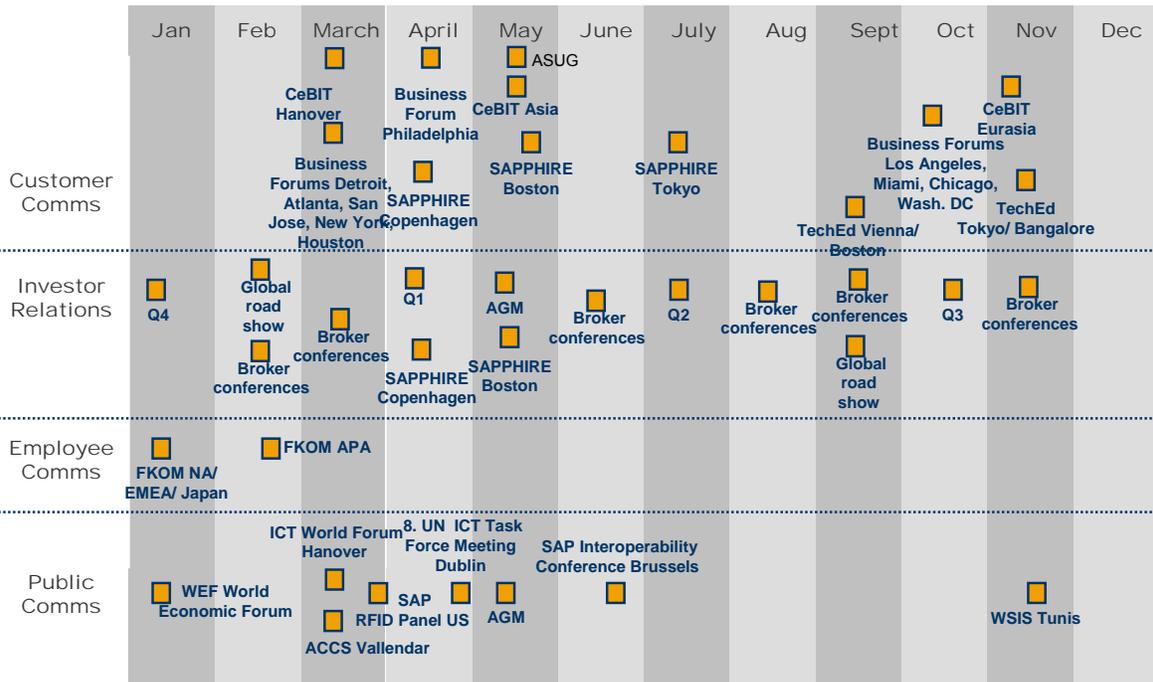
Technology Positioning: Peter Graf

Customer/Competitive Topics: PR Team (Heitmann, Wohl, etc.)



# Potential SAP Events to drive Clear Sailing Messages

[Currently being compiled - Oracle events.]



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Clear Sailing: Positioning SAP  
for the Market Leadership Battle

Communications  
Recommendations

Sylt Discussion Slides

***Clear Sailing Core Team***

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Clear Sailing: Questions that  
Oracle Cannot Credibly Answer

Sylt Discussion Slides

*Clear Sailing Core Team*

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### PURPOSE OF THE DECK

- ⇒ This deck provides a set of sharp, focused questions that will trip Oracle up, since Oracle cannot answer these questions credibly.
- ⇒ This content is intended to be used in crafting communications strategy and tactics, creating spokesperson content, in competitive sales situations with Oracle, and in building out sales tools like competitive Oracle Sales Guides.
- ⇒ It is intended to be leveraged in a manner that is effective and hard-hitting, yet consistent with the values of SAP

### NOTE

- ⇒ Please note that general Communications recommendations on strategy and tactics for addressing the broad market – media, investors, analysts etc. – are discussed in a separate deck, “Clear Sailing: Communications Recommendations for positioning SAP for Market Leadership”.

Asking the Questions that  
get Oracle into Trouble –  
“Quo Vadis, Oracle?”

*Shai Agassi and Peter Graf*

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ORACLE

Openness?  
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**SUPPORT FOR MICROSOFT?**

- Will the Oracle platform support .Net like SAP NetWeaver?
- Does "Support for DHTML" mean Oracle will not support the MSFT native desktop model by 2008?

**SUPPORT FOR NON-ORACLE DBs?**

- Will Oracle only support DBs that have Oracles future identity model, i.e. only Oracle DBs? If not, where is that generic identity model that all will use? If it is there, why is it such an advantage for them over SAP?

**SUPPORT FOR OPEN TOOLS?**

- Why is Oracle not using open tools like Eclipse (like IBM and SAP) but is building their own tools?
- If Oracle creates all new tools, what happens to customers' investment in PeopleTools, and PL/SQL? Was that a wrong direction to follow?



What happens to their contract with BEA on Tuxedo? Did BEA extend it, are they now generating revenue for BEA? If not, what happens to the customer?

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Resources?

**WHO WILL MAKE THE NUMBERS?**

- Oracle laid off 5,000, that's 50% of the size of PSFT
- If 90% of development and support are still on board, who is gone? Field!
- How can the ORCL apps sales force generate 2x revenue? Is ORCL plan based on any reality?
- What happens to all the customer relationships?
- Don't they fear the departure of customers as result of this kind of Field change?

**WHO WILL DEVELOP CON-FUSION?**

- ORCL reduced development headcount by 10%. Where are the additional developers needed to develop the new platform, tools, architecture and applications while at the same time they keep delivering on all of the current development plans for all products?

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Applitecture?

**IS THIS ABOUT TECHNOLOGY?**

- ORCL said SAP wants a technology fight. Do they understand that SAP is going after Applitecture and not pure Technical Infrastructure? When will they have their applitecture ready?
- Does ORCL understand that new trends like Web Services and Applitecture commoditize databases?

**WHO LEADS THIS MARKET?**

- Since NetWeaver is already delivered and working at customers with 1,500 references, does that give SAP a head start of 4 years?

**WHO CAN INNOVATE THIS MARKET?**

- Since SAP has only one code base, aren't they able to innovate better and faster?
- Where are ORCL's composites/xApps?



**WHAT HAPPENS UNTIL 2008?**

What happens until Project Confusion is ready, did they just leave the whole market wide open for SAP until that point,

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Customers?

**PSFT/JDE CUSTOMERS DEAD END?**

- As they don't pitch PSFT/JDE applications to new customers, what kind of innovations will they put into the app? Is version 9 merely a dot release for all the bug fixes that were in the pipeline anyway?

**INNOVATION FOR ALL?**

- If there are major additions and innovation, will they show up in all four product lines? Same innovation? How can they code it four times, and still have enough people who can code it for the new platform?

**WHY PAY HIGH MAINTENANCE \$?**

- If customers don't get any major innovation on the existing product line, why shouldn't customers just get a cheap support model (like TomorrowNow) and wait to see what product comes out of project confusion? It is definitely a cheaper holding pattern.

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Leadership?

**PROFITABILITY?**

- If PSFT was working at 10% margin, how can ORCL deliver the revenues to get to 50%?

**MARKETSHARE?**

- SAP just captured 12% of relative market share during the last 6 months. How do they explain this loss of share to the financial community? Will they ever be able to catch up?
- ORCL predicted flat app revenue. SAP delivered 20% growth (in \$) in 04 and predicts similar results in 05 (10-12%). Does ORCL admit a loss in market share in 2005-06 to SAP.

**VOLUME?**

- ORCL says the avg. deal price gets smaller, so more volume is needed. Which sales people are supposed to sell that volume?

**REVENUES?**

- Why did ORCL use 2003 numbers to state their North America position, 2004 numbers are available and show that SAP is in the lead?!



Since they are not reducing R&D in order to produce the new project confusion, and they are not reducing support in order to provide better customer service, what are they reducing in order to gain an additional 10% in margin?

Given they had just paid well over \$10B for PSFT, at a rate of 5% cost o money, where do they model the cost of acquisition as a loss of \$500M a year, and how does that reflect on EPS? Do they intend to sell shares to pay for the debt, if so how does that reflect on EPS?

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Execution?

**MISSION IMPOSSIBLE?**

- No application vendor in the past has been able to fuse two applications into one, how are they going to do it with 3 or 4? Is this project Fusion or Con-fusion?

**WILL THEY (EVER) BE DONE?**

- Do they really think they can start building all of the applications from scratch and do better than with Oracle 11i which took 3+ years to stabilize? Should we plan for 2011?

**AUTOMATIC MIGRATION?**

- How does ORCL want to automatically migrate all customers from all solutions to project con-fusion? Doesn't each solution have a different data model, and there's custom code, too. Even PSFT didn't provide automatic migration for 8.0 to 8.1, etc. within the same code base! Isn't automatic migration too good to be true?

O penness?  
R esources?  
A pplistructure?  
C ustomers?  
L eadership?  
E xecution?

Clear Sailing: Questions that  
Oracle Cannot Credibly Answer

Sylt Discussion Slides

*Clear Sailing Core Team*

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## Summary

On 26 January, 2005 Oracle's Executive Leadership Team held a Financial Analyst Day to discuss its future plans and made a number of pointed claims regarding SAP, among them:

- Ellison: Oracle is the #1 business solution provider in North America." (not true SAP is number one)
- Rozwat: "With the amount of publicity given [to NetWeaver]" he "wanted to set the record straight." Going on to say he was "flattered that SAP's NetWeaver chart [on their website] looks like Oracle's,"
- Ellison: "SAP (NetWeaver) is ABAP dominated. That's a dead language." and "internally focused."
- Ellison: "Responding to several further questions on Project Fusion and its implementation, Ellison stated, "It's time to deliver the next generation of applications. We expect SAP to come out with a story close to ours."
- Rozwat listed out reasons why NetWeaver was "not there yet, but looks good,"

So what is the truth of all this?

## Oracle's Claims Examined:

**Claim:** Oracle is Number 1 in the North American Application Software market for total revenues (Source: Gartner 2004).

**Rebuttal:** For Gartner's 2003 revenue numbers this is true but based on 2004 revenue numbers, SAP will again lead this market. We expect Gartner, the largest and most respected analyst firm, to substantiate this information when it publishes its 2004 market numbers. CMI projects that Gartner will publish the following market share figures: SAP: \$798mm +/- 10mm; Oracle/PSFT \$682mm +/- 3. Therefore, Gartner will reinforce the fact that SAP is leading in North America.

**Claim:** Oracle is Number 1 in Worldwide HCM Market (Source: AMR: 2004)

**Rebuttal:** According to Gartner, SAP leads the worldwide HCM market with a 21% (281.3MM) share of the market and Oracle with 19% (250.8) Source: Gartner Dataquest, 2004

**Claim:** Oracle is Number 1 in the worldwide SCM market (Source: AMR 2004)

**Rebuttal:** Again, SAP holds the leadership position in the SCM market. AMR had provided Oracle with numbers on the SC Planning segment which put them in the lead, but again, according to Gartner, SAP is the clear leader in the Supply Chain Management space (SCE, SCP, Sourcing/Procurement) with \$ 315mm (15.8%) to \$250mm (12.6%) Source: Gartner, 2004

### Worldwide Relative Market Share

SAP's share of the worldwide software market leadership remains unaffected by Oracle's acquisition of PeopleSoft. In fact, over the last two years, SAP's worldwide relative market

share (SAP compared against its top 4 -now three - competitors: Oracle, PeopleSoft Siebel and Microsoft) has grown from 49% to 57%, an increase of 8 points. During the same period, Oracle's share of the worldwide market declined from 13% to 12%, while PeopleSoft's share decreased from 16% to 11%. Today, the combined entity has a relative market share of 23%, less than half of SAP's total worldwide market (based on total software revenues). Source: CMI, IDC

### US Relative Market Share

The story in the US Market is remarkably similar, illustrating SAP's continued strength in this geography. Over the last two years, SAP came from behind to establish a leadership position in the US. SAP's relative market share grew from 25% to 38%, an increase of 13 points. PeopleSoft, which had the leadership position 2 years ago, with a 28% share, declined to just 17% in the quarter ending December 2004. Oracle's share of the US market decreased from 17% to 16%. Today, the combined entity has a relative market share of 33%, five percentage points less than SAP's share in the US market. Source: CMI, IDC

**Claim:** Ellison announced that "its new range of products, Project Fusion, would incorporate the best functionality from all four legacy products". It is to be delivered by 2008.

#### Rebuttal:

- CMI believes that Oracle will use its discretion and hand pick functionality with no guarantee of meeting customer requirements. It will not use PeopleSoft or JD Edwards code; instead it will incorporate some features.
- We also believe that the whole concept of easily being able to combine features and functions from multiple solution sets is largely impossible to do in the near-term. This is especially true given the expected high turnover in the Oracle, PeopleSoft and JD Edwards development and product management staff. Creating a new platform and building deep industry and solution expertise will take years.
- Its our opinion that the inherent weaknesses of Oracle's database-centric approach could hamper its ability to incorporate the true strengths of each solution.
- Most agree it will be virtually impossible for Oracle to provide substantive enhancements to three product lines while simultaneously developing a fourth, within a two year timeframe.
- SAP, today, leads in providing rich and deep industry specific functionality. In the future, SAP will even further exceed competitors in providing value to customers in most industries. This will occur because of SAP's
  - Industry specific business process based approach to application development
  - Commitment and R&D spending to enhance industry specific functionality.
  - xApps and ability to bring in pre-built industry partner applications.

**Claim:** Oracle stated that one of their main objectives in Project Fusion is to help customer lower their total cost of ownership.

**Rebuttal:** Analysts don't believe this will happen. AMR clearly states, "While we believe the launch was very positive for customers, we didn't hear any discussions of the role that *Project Fusion* will play in driving down the costs of managing next generation architectures." (AMR, The Fusion of Oracle and PeopleSoft Apps, January 18, 2005).

Furthermore, given Oracle's (and PeopleSoft's) reputation for leaving customers in a lurch when it comes to product migration, it is impossible to think that Oracle will create a new (immature) platform that allows its customers to migrate quickly, at a low cost.

JP Morgan quotes, "CEO Kagermann talked of industrializing software production and how SAP is strongly positioned to become the enterprise transaction processing platform of choice through delivering solutions that offer the lowest total cost of ownership in the industry. This message is consistent with our view of one of the major themes in the technology industry today - the costs to maintain the corporate computing environment are

high and need to come down before CIO's can make the case for further investment that sees corporates structurally deepen their technology capital base once again." (JP Morgan, SAP, January 27, 2005)

**Claim:** Ellison says "we're going to continue to develop all 3 application product lines for some years to come." He followed this up by stating, "we have a team of over 8,000 engineers developing the existing application suites and the next-generation application suite."

**Rebuttal:**

- It is our opinion that it is unrealistic to expect any substantive enhancements to product lines that will be dead-ended in three years by Project Fusion. Oracle is unlikely to invest much in the PeopleSoft and JDE products because the investment will not pay off as there are no plans to sell them to new customers, giving it little impetus to continue to innovate.. In addition, they are products that Oracle has indicated that it does not want.
- 8000 developers focusing on 4 product lines will not be able to match the enhancements that could be delivered to customers if those developers were all focused on one product line.
- More importantly, we also believe that Oracle will not be able to keep up with the innovation delivered by SAP. SAP has close to 10,000 developers all focused on ONE product line. SAP is poised to be the first to deliver on SOA, based on a converged Applistructure environment which makes it easy to combine, integrate and manage software from SAP, other ISVs or from in-house development.

**Claim:** Ellison states, "despite SAP not liking us very much, SAP has certified *us*, not MSFT or IBM, to run SAP Applications."

**Rebuttal:** Unlike Oracle, SAP is certified and runs on all major DB platforms, MSFT, Oracle, IBM, Sybase and even the open source MySQL (and has a long history of doing so).

**Claim:** Oracle will be the first to deliver on ESA with its Fusion architecture. Oracle will develop its new architecture based solely on standards, making it more flexible and open.

- Responding to several further questions on Project Fusion and its implementation, Ellison stated, "It's time to deliver the next generation of applications. We expect SAP to come out with a story close to ours."
- Ellison stated that NetWeaver wasn't real and had no customers.
- Rozwat (EVP Server Technologies) said: "with the amount of publicity given [to NetWeaver]" he "wanted to set the record straight." Going on to say he was "flattered that SAP's NetWeaver chart [on their website] looks like Oracle's,"

**Rebuttal:** We firmly believe that Oracle is trying to re-write history by implying its vision on Fusion preceded that of SAP NetWeaver.

SAP first announced its vision in 2001. According to Giga, 2001, "while SAP was addressing a vision of providing technology and services and components from different vendors internal and external to the organization, Oracle was still claiming that linking components from different vendors was unworkable and instead wanted customers to buy components from one vendor."

SAP followed through on this vision by launching SAP NetWeaver in January 2003 – two years before Oracle revealed its plans and future vision. At the same time, SAP deployed its NetWeaver map, which Oracle seems to have made use of in 2004.

Gartner ranks SAP much higher than Oracle in the categories of "Smart Enterprise Suite" and "Web Services Enabled Software". Additionally, in October of 2003, Gartner stated that

SAP has the leading vision for business process fusion (which is Gartner's term for enabling companies to flexibly develop and deploy processes).

**Claim:** Ellison stated that "SAP NetWeaver is ABAP dominated. That's a dead language"...“internally focused.”

**Rebuttal:** While ABAP is a proprietary language, SAP has continued to enhance it so that it currently supports security and scalability requirements more robustly than languages such as Java – and PL/SQL. Furthermore, SAP NetWeaver is the only platform to support Java, ABAP, and .NET at the same time. ABAP is the world's most successful business application language. In addition SAP is committed to protecting customers' investments, while offering the CHOICE to use Java and/or .NET.

According to our intelligence, Oracle solutions are dependant on PL/SQL, which is a proprietary language. Further, we believe that Oracle relies on pre-defined business flows, which are hard-coded in PL/SQL stored procedures. Oracle has no .NET strategy. Oracle's apps are based on stored procedures in the database.

**Claim:** Oracle has the leadership vision regarding ESA.

**Rebuttal:** "As applications and infrastructure blur into what we are terming "Applistructure", we expect a handful of vendors to emerge as business software platform providers. We expect SAP to have a predominant position among them." (JPMorgan - 24 September 2004).

**Claim:** Oracle will service enable its applications as part of Project Fusion

**Rebuttal:** Consistent with its database heritage, we believe that the only products Oracle announced to support its service enablement vision were data and transaction hubs. In our opinion, this data hub approach can't match SAP's ESA vision or the marketplace's SOA expectations. Data hubs can't provide basic SOA requirements including process automation, service composition, service registration and reuse, support for other SOA platforms (Microsoft.net or IBM WebSphere as examples) or presentation capabilities.

**Claim:** Business process automation combined with information management is better than SAP's business process focus.

**Rebuttal:** In our opinion, Oracle's financial performance in the enterprise application market has been less than stellar. The company's inability to grow enterprise application market share highlights its inability to deliver solutions that automate business process and manage information. Unlike Oracle, SAP has proven its ability to automate business processes and SAP allows its customers to choose the database platform that best suits their needs.