

Q & A Document for Press and Analysts

(Interim Version 1.0, May 16 2016)

General Information

Unit Name:	SAP Exchange Media (SAP SE, Walldorf)
Founding Date:	1 st January 2015
Leadership Team:	Dr. Wolfgang Faisst (Founder & Head of Unit) Analyst Spokesperson Johann C. Freilinger (Founder & Head of Marketing & Communications) Press Spokesperson
Staff:	SAP SE (78.000); SAP XM (90)
Business Operation:	Development and operation of SAP XM: A new integrated online media network to connect advertisers and publishers directly.
Locations:	Walldorf, Hamburg, New York
Website:	www.sapexchange.media

Q&A (Business)

1. Why does SAP enter the digital advertising market now and develops a new digital media network?

We believe it is high time to connect advertisers and publishers more directly in a next generation online media network, to make advertising relevant again for consumers:

- In 2015, marketers spent roughly \$540bn globally on media, from which \$170bn were spent online.¹ More than 50% of the advertiser's budgets are lost in a fragmented value chain. Advertisers are predicted to lose \$7.2bn globally to artificial bot traffic alone.²
- Billions of ad-dollars spent annually on building a relationship with customers, seem not to be effective. 20% of Western Europeans and 25% of Americans believe that brands communicate honestly about their commitments and promises. Consequentially consumers install ad-blockers not to be spammed by irrelevant ads.
- Ad-blocking grew by 41% globally in 2015. 198m users blocked ads in 2015, which is estimated to cost publishers nearly \$22 bn.³
- The result is a considerable waste of money on advertising that does not connect with the target audience. For the advertisers it's a missed opportunity to increase awareness, drive sales, get return on investments, and build their brands.
- Digital and mobile advertising, along with programmatic buying is gaining massive momentum, yet the industry continues to face serious issues: lack of media transparency, accuracy and efficiency. Add the complexity of evolving advertising technologies, and there's little wonder that there continues to be a high level of uncertainty across the digital advertising ecosystem – from advertiser to publisher to consumer.

¹ statista.com, 2015

² <https://www.ana.net/content/show/id/botfraud-2016>

³ <https://blog.pagefair.com/2015/ad-blocking-report/>

2. What is SAP XM?

SAP XM is the next-generation online media network allowing to transform digital advertising for everyone's benefit. It is dedicated to unlock the full potential of advertisers' media buy across the digital advertising ecosystem – from advertiser to publisher to consumer.

SAP applies its proven practice of system integration and process excellence that has set the standard in most other functions and industries (e.g. Finance, Procurement, Automotive production, CP & Retail supply chain) to Marketing & Advertising.

SAP is addressing the currently broken processes in advertising due to the fragmentation of players and tools to overcome the silos assure end-to-end measurability of advertising campaigns in transactional systems.

3. Who are the main competitors of SAP Exchange Media?

SAP's offering with SAP XM is unique in the market combining advertising technologies with corporate systems in real-time. SAP is introducing the unique integration between AdTech and MarTech that leading analysts / management consultants called the "new operating system of Marketing".

Beside Google and Facebook, there are thousands of specialized ad-technology companies in a highly fragmented digital advertising landscape. Those companies are, however, often either too niche or do not have the fiscal and technical support to have a truly large-scale impact, in particular in the migration of their legacy technology stack to in-memory computing.

4. How do you see SAP XM positioned versus Google and Facebook?

Google and Facebook are pure play AdTech players in the pre-dominant role as publishers and as intermediaries. Both are already partners of SAP in other business areas and therefore also potential partners for SAP XM to make their ad inventory available to advertisers in a one-stop-shop way in addition to other publishers' and media channel offerings.

5. What are the most important USPs (Unique Selling Points) of SAP XM?

- SAP XM's ability to enable better targeting leveraging first party data from advertisers' corporate systems running on SAP software (e.g. ERP, CRM, Hybris Marketing & Commerce, POS, Ariba)
- SAP XM's ability to enable an end-to-end measurement of advertising impact on additional revenues (customer purchases) relating ad campaigns to purchase in transactional systems (e.g. SAP Retail and SAP Hybris Commerce)
- SAP XM's ability to provide a tight process and data integration between AdTech and MarTech (SAP Hybris Marketing and forthcoming SAP Hybris Profile)
- SAP XM's best-in-class user experience, which makes online media accessible not only to media specialists, but to a wide group of marketers and other decision makers in organisations globally and from various perspectives; with adding additional media channels and inventory, SAP XM's has the potential to become the comprehensive media buying and analytics platform for the advertisers
- SAP XM's assistant functions for the end user leveraging predictive analytics and machine learning for online campaign optimization (incl. e.g. a creative recommender) - powered by SAP's industry leading in-memory computing platform SAP HANA
- SAP XM's ability to provide relevant information to consumers at the right point in time with tailored offers and in the right location

6. What is the target audience for the platform/ who is SAP XM aimed at?

SAP XM is addressing the need for control, transparency, efficiency and systems integration with CMO's, CFO's and CIO's. Target audiences, are:

- Advertising companies, primarily marketing and communication roles (C-level, Campaign & Brand management)
- Media and publishing companies, primarily the financial roles (C-level, financial management)
- Agencies (digital, creative, media), primarily CEO and management

7. What are the benefits of SAP XM for advertisers?

- Full transparency and simplified processes will increase overall efficiency by facilitating a unique direct real-time interoperation between advertiser and publisher.
- Maximized ROAS (return on advertising spend) by getting the right message to the right audience through superior targeting and profile matching capabilities based on real-time data.
- Elimination of fraud through direct connection to publisher inventory.
- Optimized campaign efficiency through (real) real-time campaign optimization / management capabilities.
- Higher conversion rates via hyper targeted advertising along the customer journey.
- Real-time E2E reporting capabilities along the whole customers journey including actual first party data in real-time (e.g. website & online store visits, purchases).
- An intuitive and easy to use system with transparent and straight forward processes that gives advertisers and marketing leaders full control about their campaigns.
- A mature real-time execution platform to supplement the existing capabilities of SAP Hybris Marketing

8. What are the benefits of SAP XM for publishers?

- A strong increase in their ability to monetize their online media inventory
- A strong knowledge about their buyers
- Superior personalized targeting based on real-time data yields to higher revenues and CPM's (Cost per thousand impressions) for publisher inventory.
- Only brand safe advertisement will be displayed on publisher inventory
- Higher dwell time on publisher sites because users are not disrupted by irrelevant ads

9. What are the benefits of SAP XM for consumers?

- Full privacy control - consumers will be enabled to fully control their personal data being gathered and used in the digital advertising process

- Only relevant advertisements for the consumer will be displayed by leveraging leading edge in memory technology SAP HANA (optimized targeting and profile matching based on the analysis of real-time data)
- SAP XM will allow full privacy control across all connected digital advertising channels based on individually controlled and users' privacy preferences.

10. Who are the current SAP XM clients?

SAP XM has several publisher & SSP pilot customers, such as:

- PubMatic (SSP)
- One of the biggest German media houses
- Several native app companies (FLIO, Tank & Rast's MoovOn app)

Advertiser pilot customers, such as:

- Beiersdorf - a global CPG brand from the personal care area
- Deutsche Post DHL - a global logistics & postal company
- EY - a global top management consulting company
- Online fashion retailers
- Agencies like vertic, Jung von Matt, SinnerSchrader working for global brands

11. What is the country roll out plan for SAP XM?

SAP XM is already rolled out in Germany and has started in the US. With data centres around the globe to serve clients based on the highest security & data privacy standards (EU standards), the further roll-out sequence will follow customer requirements.

SAP XM is connected with leading SSPs to provide the needed advertising inventory on international level. In addition, SAP XM has direct connection to selected leading media houses and innovative apps. Depending on customer's preferences and scope, SAP XM can expand the country coverage beyond Germany and US. Details about preferred and most important countries and as well minimum requirement needs to be clarified and discussed together with our customer.

12. What is the pricing model?

SAP XM is priced as a percentage of customer's transacted advertising spending on SAP XM – like it is common in the media industry. That means, customers may gradually shift existing ad budget to SAP XM to gain efficiencies. Customers can start directly using SAP XM stand-alone in a self-service or managed service model. As SAP XM runs in the SAP HANA cloud platform, there is no system implementation effort needed to get started.

Q&A (Technology)

13. Is SAP XM available and what main features does it offer?

SAP XM is available as a co-innovation program to our clients. The main features are:

- All major online channels: web / mobile web / app campaigns
- HD banner & rich media advertisements
- Programmatic RTB campaigns incl. open marketplace + deals
- Custom targeting for direct inventory
- Creative Recommender (optimization of click rates)
- Mobile App & Web Inventory incl. all standard dimensions incl. tablet, phone, desktop
- Custom size ad spaces
- Rich media ad spaces with blacklisting attributes
- Flexible integration via Ad Tag generator
- Integration with Pubmatic
- Open RTB compliant Bidder
- Support for Creative tag delivery incl. 3rdParty Advertiser Ad Server integration (e.g., DFA)
- SAP XM UI theming
- Operations dashboard
- Full managed service offering

Planned new features for H2 2016 are:

- Integration with SAP Hybris Marketing (S/4HANA, cloud marketing edition)
- Direct and easy access to SAP XM via self-service
- Intuitive and appealing User-Interface
- Assistant like system that simplifies campaign planning and execution based on real-time machine learning with SAP HANA
- Access via desktop, tablet and mobile devices
- Richer profiling and data management capabilities

- Wider conversion tracking capabilities
- Video support

14. What is the AdTech (Advertising Technology) & MarTech (Marketing Technology) integration of SAP XM?

SAP has the ability to cover the end-to-end campaign journey of advertisers by connecting the full SAP Hybris portfolio with SAP XM, SAP CAR and SAP CRM & ERP systems. The integration of SAP XM into the current SAP MarTech solution (SAP Hybris Marketing) leads to close the loop between AdTech and MarTech as SAP XM is the AdTech part of it. SAP is a global leader in enterprise software and can leverage the potential of customer's enterprise data and can therefore cover the complete process, which other AdTech companies cannot cover as of the lack of enterprise data. SAP's end-to-end coverage leads to process efficiency improvement by elimination of media breaks. Running on SAP HANA it allows end-to-end real-time reporting and agile optimization of campaigns based on real-time information.

15. Is there a connectivity between SAP XM and DSP's (demand side platform), trading desks and/or other ad exchanges?

- No, SAP XM connecting publishers to SAP's installed base directly and their related corporate systems like SAP CRM, SAP Hybris Marketing, SAP CAR, or SAP Retail Promotion Management
- SAP has most of the Fortune 2000 companies as customers
- SAP XM follows the demand of their customers of transparency and more direct relationships with publishers
- SAP XM prefers a direct supply integration, but also SSP integrations are available, and can be done, if requested

16. Is there a connectivity between SAP XM and SSP's (supply side platform)?

SAP XM has a pipeline of SSPs to be integrated, with PubMatic being the first.

17. Is SAP XM compatible with ad servers?

SAP XM is working with ad servers like DoubleClick. Integration of other ad servers should be possible, but needs to be investigated in detail.

18. Is the SAP DMP (data management platform) mandatory to be used with SAP XM?

No. SAP XM is also open for 3rd party DMPs to be connected with SAP XM. In order to leverage first party data, customers can take benefit from SAP Hybris Marketing and SAP Hybris Profile as data management platform to create the “golden customer record” of owned and external data in real-time.

19. What are actual customers of the SAP DMP?

SAP Hybris Marketing (which is also part of S/4 HANA) has already hundreds of customers such as Red Bull, Samsung, Nespresso, Asics. SAP Hybris Profile is a new product adding additional capabilities and data sources.

In particular, SAP Hybris Profile analyses real-time customer interactions, contexts and behaviors to create personal 1-to-1 experiences in the moment when customers choose to interact via any touch point. By creating a continually evolving intelligent profile, shared across customer facing applications, experience is consistent, relevant and engaging across channels.

20. What are the strengths of the SAP DMP? What do you propose that other DMPs do not do?

SAP DMP approach is a combination of:

- 1st party data: consolidated via SAP Hybris Marketing and in future with SAP Hybris Profile – augmented with SAP XM data pool from tracking ad requests;
- 2nd party data: If wanted, SAP XM may facilitate the data exchange of 1st party data in future

- and 3rd party data: Combination of external DMP service providers as Krux (investment of SAPPHIRE Ventures, SAP's venture group) and SAP Mobile DMP (customer insights 365°)

21. Is there a specific version of the SAP DMP existing for broadcaster/publisher?

SAP XM offers to connect with the SAP Hybris Profile solution in a Microservices based approach. This allows for an easy implementation of wider aspects and hence a specific version could be something which could be analyzed and implemented on a need basis.

22. How does SAP XM works with web analytics platforms?

SAP XM supports conversion tracking and attribution on the web as well as on native apps. SAP XM is compatible with many web analytics platforms as well as app SDKs (software development kit) for conversion tracking. A full integration can be assessed and realised on project level. Currently an advertiser has typically the contractual relationships to a web analytics provider/ SDK. A partnership of SAP XM with the leading analytics providers will be assessed in near future. In general SAP XM is open to support any preferred platform infrastructure of advertisers.

23. Are non-SAP customers also able to start using SAP XM?

Yes, however this year's focus is on supporting SAP installed base customers to optimize their online advertising. SAP's customers include 87% of the Forbes Global 2000 companies, potentially resembling more than half of the world's online media buying and selling,