



Survey Report

How SAP Customers Are Responding to the Planned End of ECC6 Mainstream Maintenance Deadline

The vast majority of survey respondents plan to run their current SAP applications to at least 2025 or beyond

About Rimini Street, Inc.

Rimini Street, Inc. (Nasdaq: RMNI) is a global provider of enterprise software products and services, the leading third-party support provider for Oracle and SAP software products and a Salesforce® partner. The company offers premium, ultra-responsive and integrated application management and support services that enable enterprise software licensees to save significant costs, free up resources for innovation and achieve better business outcomes. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted enterprise software products and services provider.

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Executive Summary

Since this survey was conducted, SAP has announced mainstream support for SAP Business Suite until 2027.¹

SAP Customer Survey Key Takeaways

- 1 Respondents cite cost optimization, improving business productivity and investing in digital transformation initiatives as their top priorities.
- 2 Nearly 80% of SAP licensees plan to continue to run their customized, mature SAP systems to at least or beyond SAP's planned 2025 end of ECC6 mainstream maintenance date.
- 3 85% of respondents running SAP ECC6 are not on the latest Enhancement Pack 8 release.
- 4 67% of respondents either have no plans to migrate or are undecided about moving to S/4HANA.
- 5 Only 5% of respondents said they felt the fees they paid for SAP support were "well worth the value we receive" in return.

Many SAP customers are feeling pressure from SAP to migrate to the early-stage SAP S/4HANA platform due to the planned end of mainstream maintenance date of for Business Suite 7 core application releases. This looming deadline has created a decision point for CIOs as they determine their SAP roadmap and strategy for the next decade and beyond. SAP customers must decide if they will migrate to S/4HANA now, given the planned 2025 end-of-support deadline, or gain the flexibility and time to choose a roadmap and next-generation system that best fits their needs.

There is also increasing pressure on IT to drive innovation now, but the big obstacle is budget. CIOs typically spend as much as 90% of their IT budget on ongoing operations and enhancements, leaving only 10% of the budget for business transformation.²

These decision points and budget pressures are forcing SAP customers to take a hard look at their application roadmap and strategy while also questioning the value of SAP support.

The survey results identified three key trends on how SAP customers are responding to the 2025 planned end-of-support deadline and how they are choosing to take control of their application strategy:

- » The vast majority of SAP customers responding in the survey plan to continue running their core SAP applications until 2025 and beyond.

- » More than two-thirds have no current plans to migrate to S/4HANA or are undecided.
- » Only 5% say the value they receive is well worth the cost of SAP support.

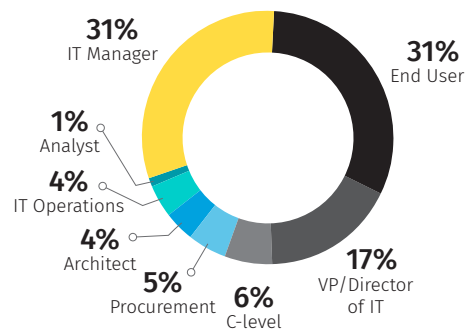
Rimini Street 2019 SAP Survey

Rimini Street recently conducted a survey of SAP customers to better understand their SAP application strategy, plans to migrate to S/4HANA and the impact of SAP's 2025 end of ECC6 mainstream maintenance date on their roadmap plans.

Rimini Street Survey Methodology

Respondents comprised 148 professionals, including IT, finance and procurement professionals (C-suite to management levels), throughout North America. Collectively, the organizations involved in the survey used a wide spectrum of SAP products, including SAP R/3 4.x, ECC 5, ECC6, S/4HANA, C/4HANA and HANA Database.

What is your primary role?



“SAP’s future as a dominant cloud company is dependent on the bulk of its on-premises customers buying into SAP’s next-gen platform, and making the S/4HANA move.”³

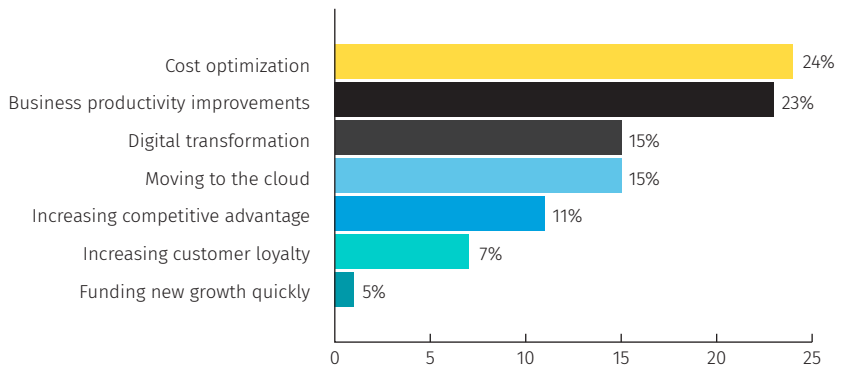
— Jon Reed, *diginomica*

Summary of Survey Results

Results from the Rimini Street survey reveal five top takeaways:

TAKEAWAY #1: Respondents cite cost optimization, improving business productivity and investing in digital transformation initiatives as their top priorities.

What are your top 3 mission-critical priorities for 2019?

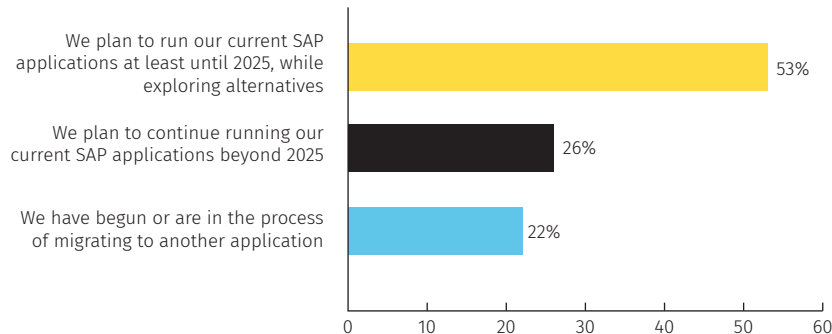


Survey respondents indicate that cost optimization is their number one mission-critical priority. This comes as no surprise, as IT organizations are increasingly challenged by budget constraints.

Respondents also say they are focused on business productivity improvements to help maximize efficiencies and extract maximum value from their existing assets, workflows and processes. Digital transformation rounds out the top three priorities, reinforcing the fact that IT leaders have a mandate from the CEO and the board to innovate by investing in game-changing technologies. But IT teams are grappling with cutting costs and increasing productivity, with little capacity (people, time and money) left to focus on growth and innovation, which is the number one CEO priority according to a recent study.⁴

TAKEAWAY #2: Nearly 80% of SAP licensees plan to continue to run their customized, mature SAP systems to at least or beyond SAP's planned 2025 end of ECC6 mainstream maintenance date.

How will SAP's planned 2025 end-of-support date for Business Suite 7 impact your application strategy?



“The technical platform of SAP’s core system is extremely robust, and I’m incredibly satisfied with the stability of the application and supporting infrastructure.”⁵

– Isao Shigihara, Corporate Planning Division,
IT Planning Group, Kumagai Gumi

A majority of respondents (79%) say they have no plans to “rip and replace” their core SAP systems, which have been tuned and customized to perform all the required functions to meet business needs.

This desire by such licensees to continue running existing systems can pose conflicts with SAP’s strategy to generate additional revenue and to try to convince customers to move to the new S/4HANA platform.

Customers, however, remain steadfast and continue to invest in their existing Business Suite applications. Figures from a recent German SAP User Group (DSAG) study show that “Almost half (48%) of DSAG respondents are still investing in SAP Business Suite.”⁶

Customers are looking to maximize the value of their current stable and mature software investments, regardless of the pressure of this 2025 date.

“... SAP started its [layoff] program in Germany, including at its Walldorf HQ, offering early retirement to some of the ABAP [Advanced Business Application Programming] ‘greybeards.’

... the ABAP writing is on the wall for those on-premises developers, support folk and the like, so it makes more sense for them to take a deal. Even so, my understanding is that the scale of the [Reduction in Force] is unprecedented, signaling a full change of season is in play.

Elsewhere, the situation is much more dramatic, with entire locations being wiped out, in some cases.”⁸

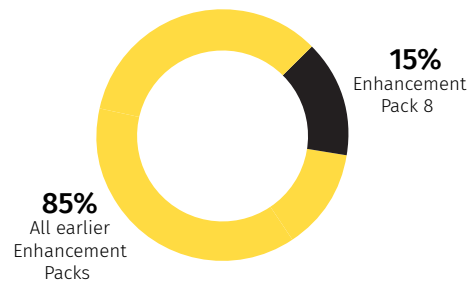
– Den Howlett, *diginomica*

\$35M

estimated cost to migrate to S/4HANA over a seven-year period for a licensee paying \$1M in annual support fees⁹

TAKEAWAY #3: 85% of respondents running SAP ECC6 are not running the latest Enhancement Pack 8 release.

What Enhancement Pack are you currently running?



According to this survey, most SAP licensees are behind at least two Enhancement Pack releases or more. Of those respondents who are running ECC6, 85% are not running the latest Enhancement Pack 8 release, which is now almost three years old since becoming generally available.⁷

Many enterprises are seriously questioning the need to upgrade to the latest SAP Enhancement Pack release. Many licensees see no compelling reason to stay current due to a lack of meaningful innovation and capacity (people, time and money) required to implement these releases in exchange for low ROI.

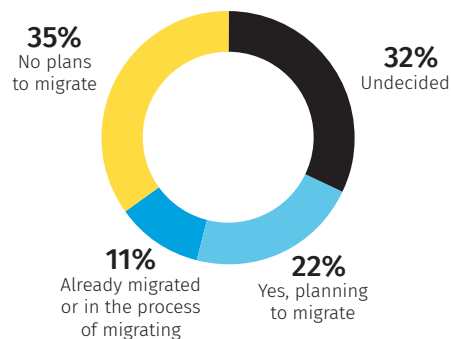
SAP itself continues to increasingly shift research and development efforts away from its traditional core application and toward S/4HANA and SAP Cloud applications. Although corporate-wide restructuring

efforts occurred in 2015, the most recent round of restructuring in March 2019 confirms that SAP continues to reduce headcount by around 4,000 employees - mostly those employed in the traditional, core internally deployed businesses, while potentially looking to add 5,000 positions for cloud.¹⁰

SAP's strategy appears to shift its business model to incorporate more high-growth, high-margin and predictable recurring revenue through cloud subscriptions. Additionally, SAP is investing heavily in S/4HANA. SAP is funneling very few resources into the core ECC application, and, as a result, customers perceive low-value to no value in the Enhancement Pack releases.

TAKEAWAY #4: 67% of respondents either have no plans to migrate or are undecided about moving to S/4HANA.

Are you planning to move to SAP S/4HANA in the next 18 months?



Of the IT leaders surveyed, approximately two-thirds state they currently have “no plans to migrate” or are “undecided” about moving to S/4HANA in the next 18 months. The top three reasons cited for not moving to S/4HANA are a lack of resources, no business justification and a preference to maximize investment in current applications.

“We looked at S/4HANA, and concluded that it’s not mature enough – almost no value, particularly compared to the cost to implement and support.”¹¹

– CIO, Kitchenware Manufacturer and Distributor

“... every SAP customer will be looking to implement S/4HANA over the next few years, placing upward pressure on salaries as employers compete to recruit the best available talent to support their strategic goals.”¹²

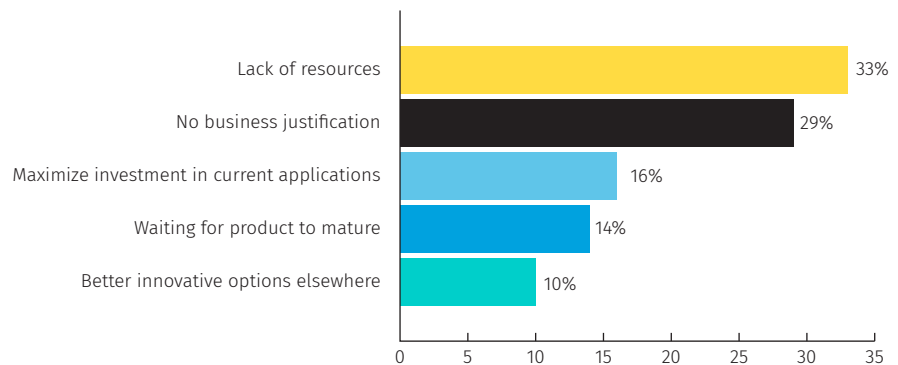
– **Laurence Scott, GloComms**

“[The move to third-party support] serves as at least a three-year bridge, during which time we can evaluate things and thus select the right path [including S/4HANA].”¹³

– **Tom Grooms, CIO, CF Industries**

Survey results show SAP customers continue to struggle with the lack of a business case and clear ROI, given the costs of a “rip-and-replace” migration to SAP S/4HANA. Additionally, S/4HANA is still an early-stage product and lacks a strong business benefit today for most licensees operating on proven, feature-rich R/3 4.x and ECC platforms.

What are the top reasons you are not planning to migrate to S/4HANA?



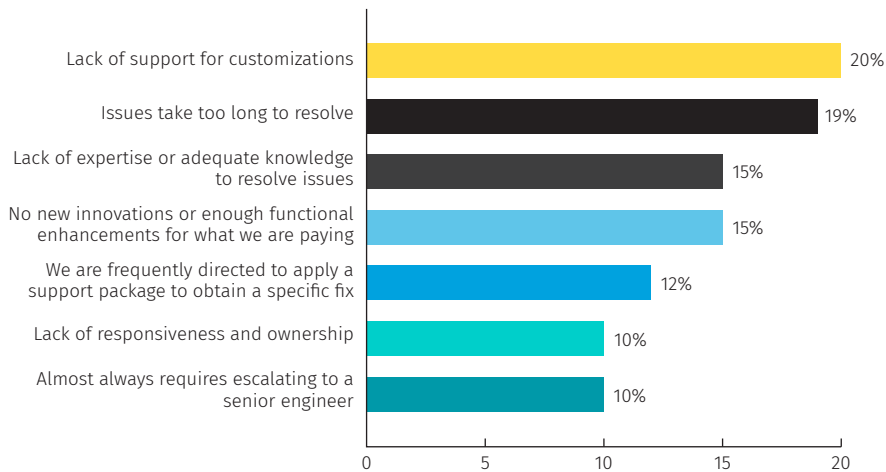
The lack of qualified S/4HANA resources is particularly troubling for many customers, as there is a perceived shortage of people available for hire with the skills required to implement S/4HANA – even at system integrator organizations.

Stuart Browne, founder and managing partner of the SAP consulting firm Resulting Ltd., writes on LinkedIn that it’s already extremely difficult to recruit people with SAP FICO or SD experience in the U.K. The S/4HANA push “... means that this situation is only going to get worse as demand increases and the local workforce ages. This has the potential to cripple some of the world’s biggest companies who need to adapt their business models to compete in a digital era but who won’t be able to, due to a massive supply-and-demand imbalance and a talent war.”¹⁴

An ERP talent crunch was already coming, and the industry is realizing that SAP’s push for adoption of S/4HANA is just going to make it a bit more intense.

TAKEAWAY #5: Only 5% of respondents said they felt the fees they paid for SAP support were “well worth the value we receive” in return.

What are your biggest challenges with SAP support today?



Survey respondents continue to pay for annual SAP support and maintenance, but only 5% of them say they believe the fees they pay are well worth the value they receive in return. According to the survey findings, the top three reasons for dissatisfaction with SAP support are: no support for customizations, lengthy issue resolution and lack of innovations or enough functional enhancements to justify the cost. Inadequate expertise and knowledge to resolve issues also tops the list.

SAP licensees are often left to self-support issues by assigning internal resources or working with outside consultants. For example, standard support from SAP does not include support for custom code, often forcing licensees to utilize full-time employees or consultants in addition to paying for SAP support. This is a significant burden for licensees. In Rimini Street’s experience, two-thirds of all support issues are related to custom code. The inefficiencies with SAP’s support model can create considerable business disruption and inordinate use of internal resources spent just to keep the system operational.

“We had a very large support contract that also included annual increases. It climbed up to over \$350,000 annually, and we felt like we weren’t getting anything out of the support – the upgrades and enhancement packs weren’t meaningful to us, and we certainly weren’t getting any applicable new functionality. We were doing it just to stay on a supported version of the product.”¹⁵

– CIO, Superior Uniform Group



Conclusion

SAP licensees are choosing to take control of their IT roadmap by disconnecting from SAP's 2025 end-of-support deadline and opting for a business-driven roadmap designed around their business objectives – not SAP's.

This survey confirms their intention to not be forced to adopt S/4HANA now, even with SAP's looming 2025 end of ECC6 mainstream maintenance deadline. Instead, SAP customers are choosing to maximize the life and value of their current stable applications.

A migration to S/4HANA is not in the plans for many survey respondents. They have a mature ERP system already in place and are looking to optimize that platform with a focus on innovation and growth, while avoiding the unnecessary churn of an early migration now.

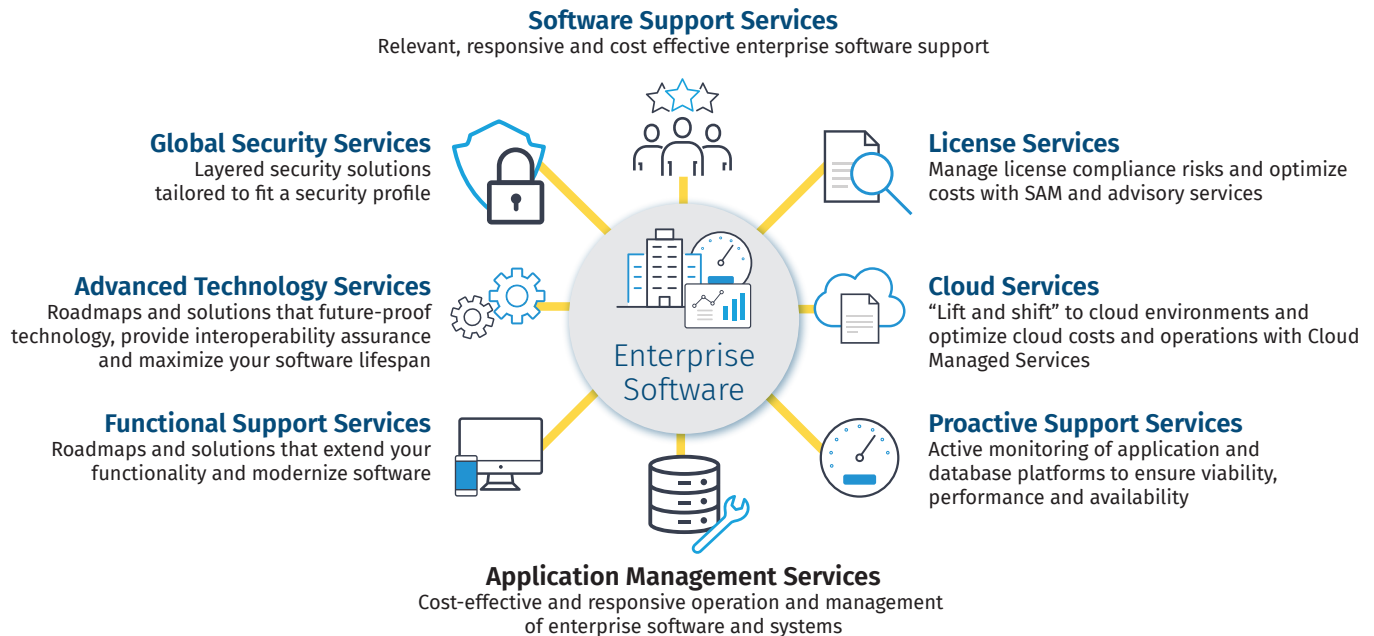
In addition to keeping their core systems in place for years to come, these organizations continue to look for innovative ways to reduce their existing costs and optimize their IT budgets in order to improve business productivity and invest in digital transformation initiatives.

Benefits of a business-driven roadmap can include:

- » Eliminating the planned 2025 end of ECC6 mainstream maintenance date as a roadblock in organizations' SAP applications strategy.
- » Accelerating innovation now by freeing up time, money and resources to add best-in-class technologies and capabilities that will meet their business needs.
- » Retaining flexibility to choose a best-fit solution at this time.
- » Reducing risk by avoiding an early move to S/4HANA now, while retaining the flexibility and choice to implement an alternative solution at the right time. This could include a potential move to S/4HANA if and when the customer is ready and an ROI emerges.
- » Taking back control of their relationship with SAP while still maintaining the ability to purchase additional user licenses, buying new products – including S/4HANA – and rolling out new instances globally.

Extended Life and Value:

Modernize, Future Proof, Secure and Manage Software



More than 2,800 Business-Driven Roadmaps Powered by Rimini Street

Rimini Street provides SAP licensees an alternative support model to help take control of their roadmap and align their IT spend and initiatives with business priorities. Today, thousands of clients leverage Rimini Street to power their Business-Driven Roadmap strategy to support competitive advantage and growth. We help IT teams extract greater value from their business applications by delivering ultra-responsive support and services that reduce their total support and maintenance costs by up to 90%.

By trusting Rimini Street to run their mission-critical systems, IT teams can break free from vendor-dictated roadmaps to secure, future-proof, manage and modernize their existing software, design IT roadmaps driven by business priorities and liberate IT resources to fund innovation to drive competitive advantage and growth.



**Contact us to get your
personalized SAP S/4HANA
Migration Cost Assessment**

<https://www.riministreet.com/cost-calculator-s4hana>



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- 7 SAP, "Why EHP 8 is different"
- 8 <https://diginomica.com/saps-restructuring-hunger-games-game-of-thrones-or-both>
- 9 Rimini Street S/4HANA Calculator (Validated by Vinnie Mirchandani, Author: SAP Nation, Leading Industry Analyst Inputs)
- 10 <https://diginomica.com/saps-restructuring-hunger-games-game-of-thrones-or-both>
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