White Paper

Software Asset Management Guidance for SAP Licensees

License compliance requires a disciplined asset management program

Rimini Street®

About Rimini Street, Inc.

Rimini Street is a global provider of enterprise software products and services, and the leading third-party support provider for Oracle and SAP products. The company has redefined enterprise support services since 2005 with an innovative, award-winning program that enables licensees of IBM, Microsoft, Oracle, SAP and other enterprise software vendors to save up to 90 percent on total maintenance costs. Clients can remain on their current software release without any required upgrades for a minimum of 15 years. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted, third-party support provider.

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Executive Summary

Are you concerned about potential compliance issues that could be revealed during an SAP software audit? Do you know what licensed products your company possesses and how the usage of these products will be measured? Have new features or functionality been implemented without consideration of potential licensing implications? A disciplined asset management process is a key tool in maintaining license compliance. With the apparent rise of SAP audits and concern around "Indirect Access" in the SAP marketplace, licensees should be conscious of their license usage and take efforts to proactively maintain compliance.

This white paper documents license and asset management concepts to help guide SAP licensees on best practices and tools helpful to successfully mitigate potential license compliance risk, which include:

– Implement a formal asset management program

– Inventory your software assets

– Understand license metrics and associated policies

– Institute formal provisioning and deprovisioning processes

– Conduct regular internal audits for license usage

This white paper has a focus on SAP licenses, but the concepts outlined here may also apply to other vendors. Importantly, the descriptions throughout this white paper are based on typical SAP licenses, practices and policies. Therefore, we recommend that SAP licensees carefully review all SAP agreements, including but not limited to purchase agreements, order forms, addendums and appendices, for their organization with their counsel to understand their SAP license entitlements.

Software Inventory

A key aspect in maintaining license compliance with vendor license agreements is software inventory. SAP licensees will need to know all licensed programs, metrics and license quantities that are owned by their organization. As a best practice, assign asset management responsibility to someone in your organization who will manage license entitlements and all contractual documents from the vendor. In discussing the importance of managing software entitlements, Roxana Stoenescu, software entitlement specialist at B-lay B.V., writes, "Your software license position is dictated by your contracts and your contracts will rule your relationship with your software vendor for many years. [...] Understanding your commercial agreements will help you use them in your favor and be prepared when SAP will show up at your doorstep for an audit."[1]

SAP licensees will have license entitlements documented on SAP order forms, amendments or appendices. These documents will identify purchases of specific products, metrics, license quantities and any contractual entitlements regarding use of the SAP licenses. SAP licensees may have numerous amendments relating to SAP licensed products. It is important to catalog and maintain all SAP contractual documents to fully understand SAP license entitlements and changes that may have occurred over time. Licensing discrepancies or conflicts may be resolved via the SAP order forms and related amendments or appendices. SAP licensees may have client-specific terms and conditions in their agreements. Ensure that any client-specific terms that are beneficial to the licensee are maintained in new license amendments. As a best practice, have SAP define all terms and conditions in contract amendments rather than ordering documents that have hyperlinked to SAP websites that may change at the vendor's discretion.

SAP License Considerations

License Models

SAP currently has three licensing models for its products. SAP classifies these as: Perpetual, Subscription, and Consumption-based models. Subscription and Consumption-based models are typically term-based, meaning there is a specified time period for use of these licenses. These license models are commonly found in SAP Cloud-based environments. Perpetual licenses are purchased with a one-time license fee and can be used in perpetuity, if compliant with SAP licensing terms and conditions. In some cases, SAP licensees may have unlimited usage rights for SAP programs. During this unlimited usage term, a designated quantity of Named Users is not applicable. However, SAP licensees should review the unlimited agreement carefully to understand license obligations and conditions for exiting the unlimited agreement. For purposes of this white paper, we will refer to aspects of the SAP perpetual license model for the SAP ECC platform.

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[1]Stoenescu, Roxana "Get in charge of your SAP contracts," B-lay, 2018.
https://b-lay.com/sap/get-in-charge-of-your-sap-contracts/

Application Licensing Metrics

SAP applications have commonly been licensed by Package Licenses and Named Users. Package Licenses, also known as Software Engines, provide access to SAP software functionality. SAP often licensed packages under an Enterprise Foundation package containing core ERP functions and Enterprise Extension packages for non-ERP core functionality. Named Users are individuals who are authorized to access SAP functionality provided with Package Licenses. There are several different kinds of SAP Named User licenses, each offering a different level of capabilities within the SAP software. In some cases, licensees may elect to purchase a custom user license type that may be related to their line of business (example: Shop Floor user). Other SAP license metrics such as Revenues, Employees, CPUs or Units Sold may also exist in SAP contracts to provide licensed access to SAP application functionality. SAP license models can be unique from one client to the next and can change over time with addendums to SAP agreements. Therefore, we recommend that SAP licensees carefully review all SAP agreements, order forms, addendums and appendices for their organization to understand their SAP license entitlements.

User-Based Metrics

User-based metrics are designed to count the number of users of the software. SAP licenses typically define a user as an individual who is authorized to access SAP product functionality. Authorized access of a user has no relationship to actual usage of the software. Simply being authorized to use SAP requires a user license. An SAP user license authorizes the user access to multiple instances such as production, test and development. User-based metrics will often fall under one of the following typical SAP license types:

– Professional User

– Business Expert User (equivalent to the Professional User, but specific to BW)

– Business Information User (typically read-only access on BW)

– Limited Professional User (discontinued but can be purchased by existing customers who already own them)

– Worker User

– Project User

– Logistics User

– Platform User (new type to address "Indirect Access")

– Employee User

– Employee Self-Service User

– Developer (required when development objects are touched)

The Professional User and Business Expert User have the fewest contractual limitations on SAP usage, while the Employee Self-Service User is usually the most limited. The Developer User is specific to product development capabilities in an SAP Development environment. SAP licensees may also purchase a customized license type referred to as a Specialty User. Specialty user types will have unique user definitions specific to desired functionality with the SAP system and are often highly restrictive license types. SAP user license types should be defined in the SAP appendix or addendum associated with the SAP license purchase. Licensees should note that assignment of a license type to a user ID in USMM does not restrict the user from performing functions in SAP. As part of any asset management process, we recommend a careful review of license types and associated entitlements in SAP contracts because this will form the basis for user license provisioning.

User Provisioning: SAP licensees should classify user license types to all authorized SAP user IDs using the SAP USMM program. USMM and SLAW programs are used to report license usage to SAP during the annual base audit. Any user ID without a designated user license classification will default to a Professional User during the annual SAP audit, per current policies. As part of the user provisioning process, review items and implement best practices such as:

– Last logon date: users who have not logged into SAP or user accounts that have been locked for an extended period may not need access to the SAP software.

– Duplicate user ids: when an individual has multiple SAP user IDs within one or more client systems, the "Combine Users" function from SLAW can be used to consolidate these duplicates, otherwise SAP will count each user ID as requiring a license.

– Multiple instances of SAP: licensees should consolidate usage data prior to these user evaluations.

Per current SAP license policy, any user who is authorized to access SAP functionality is counted as a licensed user during the annual audit. As a best practice, deactivate users by end-dating the user profile if SAP access is no longer required. In some cases, a software asset management product may aid in the user provisioning and user management process.

License Optimization: SAP USMM and SLAW tools report on user allocations defined by an SAP licensee. These tools do not provide detailed information about actual SAP usage by user. Additionally, the SAP user license type does not restrict user software access or modules the user can access within SAP. We recommend that SAP licensees periodically review their SAP license usage to ensure the effective allocation of existing licenses. For example, if an SAP licensee has a variety of named user license types and finds that a user is not performing the functions associated with an SAP Professional User license, assign a more restrictive, less-costly SAP license type to that user, if excess licenses are available. Note that if an SAP user is performing multiple roles, such as Employee Self-Service and Professional User functions, the user requires the higher-level license, Professional User.

Alert! SAP user IDs without a designated license classification will default to a Professional User in the annual SAP audit report.

SAP licensees may assign SAP roles to a designated license type to help identify correct license type allocations for their users. However, this role-based methodology is often a time-consuming task. Use of a software asset management service such as Rimini Street Software Asset Management Services may be useful in evaluating license usage and license optimization opportunities. In some cases, use of an independent license compliance firm may be needed to accurately assess SAP license compliance and the most effective license allocations for an SAP licensee. A license-optimization effort on every SAP system is highly recommended prior to executing and delivering the annual SLAW report to SAP.

SAP and "Indirect Access"

An SAP publication from April 2018, SAP defines "use" of its software as "to activate the processing capabilities of the Software, load, execute, access, employ the Software, or display information resulting from such capabilities. Use may occur by way of an interface delivered with or as a part of the Software, a Licensee or third-party interface, or another intermediary system."[2] This definition of "use" is the basis for SAP's policy on indirect access ("Indirect Access"). A typical SAP agreement identifies that all use of its software must have an SAP license. And therefore, SAP has required licenses for any non-SAP systems that interface with SAP that fits under the SAP use definition. All SAP licensees should review their SAP license agreements to understand potential "Indirect Access" exposure based on the "use" definition in their SAP agreement.

In April 2018, SAP also announced a new digital access licensing model. This model is an option to license usage associated with Indirect Access. Instead of licensing Named Users for non-SAP systems that use SAP to process records, SAP defined nine different document license types to account for system records processed by a licensee's SAP system.

Documents would be counted once, upon creation and all read, update or delete functions to the document are included as part of this licensed document. In most cases, document types are counted at the line-item level, where the number of lines on the document must be licensed. SAP document licenses are also weighted, meaning that Material and Financial document types are counted at a factor of 0.2 and therefore require a lower quantity of document-based licenses[3].

Following is an example of SAP document-based licensing:

1000 Sales Order lines x SAP Multiplier of 1 = 1000 Sales Order documents
2000 Purchase Order lines x SAP Multiplier of 1 = 2000 Purchase Order documents
1000 Material Order lines x SAP Multiplier of .2 = 200 Material Order documents

[2]Indirect Access Guide for SAP Installed Base Customers", SAP, April 2018 https://news.sap.com/wp-content/blogs.dir/1/files/Indirect_Access_Guide_for_SAP_Installed_Base.pdf

[3]"SAP ERP Pricing for the Digital Age", SAP, April 2018 https://news.sap.com/wp-content/blogs.dir/1/files/Pricing_for_Digital_Age_Overview.pdf

In this example, the resulting SAP license cost would equal the total number of documents (3200) multiplied by the SAP document price. With no published SAP price list, it is unclear if document-based licensing will be advantageous to SAP licensees compared to historical Named User and Package Licenses. For more information on document-based pricing, review the SAP document, **SAP ERP Pricing for the Digital Age.**

Existing SAP licensees are entitled to purchase additional capacity for SAP licenses that they already own to cover license deficits. If an existing SAP licensee needs additional licenses to cover Indirect Access use, they can evaluate license fees due under their existing license model and compare them fees under the new document-based license model. SAP licensees should consider both immediate license needs and future license growth under available SAP license models to identify the best fit for their business. Before purchasing additional licenses, Rimini Street recommends conducting a license optimization effort where SAP license usage is analyzed to effectively allocate existing licenses and eliminate inactive users from usage counts. In discussing the importance of license optimization to address Indirect Access, Sebastian Schoofs, Vice President of U.S. Operations at VOQUZ, states, "Knowing what your contract entitles and taking inventory about actual license usage are critical first steps. Often times clients are sitting on shelfware licenses that can be reclassified to cover third party applications that trip up Indirect Access discussions."[4] A software asset management solution or advice from independent license compliance experts may be needed to accurately access a license usage and optimization opportunities. Rimini Street can assist in identifying software asset management services or solutions. If additional SAP licenses are required to cover excess usage resulting from Indirect Access, any SAP licensing proposal should be reviewed carefully to understand potential changes to SAP's use definition and impact on future SAP license growth. As with any vendor license purchase, use this opportunity to negotiate favorable license terms to protect your organization in the future.

SAP Indirect Static Read

Under very limited circumstances, SAP has authorized access to data in an SAP system without an SAP license requirement. This SAP policy is known as "Indirect Static Read." To qualify for an Indirect Static Read license exemption, a licensee must export data from the SAP system to a non-SAP system using a predefined and automated query/batch job that was created by a licensed SAP user. The resulting data export can typically be used without restrictions in the external downstream system, as long as there is no more connectivity back to SAP. If any data changes are made and sent back to SAP, this can disqualify the SAP license exemption for Indirect Static Read. For a complete definition of SAP Indirect Static Read and examples of SAP-approved scenarios, review the SAP publication: **Indirect Access Guide for SAP Installed Base Customers.**

> *"Knowing what your contract entitles and taking inventory about actual license usage are critical first steps. Often times clients are sitting on shelfware licenses that can be reclassified to cover third party applications that trip up Indirect Access discussions."*
>
> ***Sebastian Schoofs,***
> ***Vice President of US Operations,***
> *VOQUZ*

[4]Bayer, Sam "Conversations from the SAP Indirect Access Trenches – Voquz", Feb. 11, 2018.
https://www.corevist.com/conversations-sap-indirect-access-trenches-voquz/

Conclusion

Maintaining compliance with vendor software license agreements is challenging. It requires an in-depth understanding of licensed assets and associated license metrics, as well as contractual obligations of software license usage. Implementing a disciplined asset management program will help an organization manage its licensed assets more effectively and mitigate the risk of potential compliance issues from a vendor audit. If you are unsure about how to start this process, Rimini Street License Advisory Services can provide guidance around license compliance, including asset management. Take the first step by reviewing the following Asset Management Checklist:

Asset Management Checklist

– Assign a resource to manage software license assets

– Manage a software license inventory

– Implement an asset management program

  · Manage user access and license types assigned to end users

  · Create a formal process to enable new functionality

  · Institute formal provisioning and deprovisioning processes

– Create and maintain a product deployment record

– Conduct a license usage evaluation at least annually

  · Self-audit or solicit a third-party provider review

– Validate audit results before submitting to SAP

Need assistance with managing your software asset management program? Rimini Street is offering Software Asset Management services to our clients for a low annual subscription fee. For more information, please contact us at las@riministreet.com.

Rimini Street's License Advisory Services team empowers our clients to more confidently manage vendor license agreements and software compliance positions to reduce licensing and audit outcome-related costs, all while also saving 50% off their base SAP annual support costs with Rimini Street's ultra-responsive support. We provide best practices, documentation and specific guidance to help clients navigate vendor license complexities and minimize their compliance risk. Many of Rimini Street License Advisory Service offerings are available at no additional cost as part of your Rimini Street annual support fee.

License Advisory Services

Rimini Street License Advisory Services works with clients to understand license compliance risk by providing guidance on vendor license policies, compliance best practices and audit pitfalls. Our license advisors are available to discuss both broad concerns and recommendations around compliance strategies.

Additional Resources for SAP Licensees

SAP Licensing Guide
https://www.sap.com/documents/2015/05/849f654b-277c-0010-82c7-eda71af511fa.
html

Indirect Access Guide for SAP Installed Base Customers
https://news.sap.com/wp-content/blogs.dir/1/files/Indirect_Access_Guide_for_SAP_
Installed_Base.pdf

SAP ERP Pricing for the Digital Age
https://news.sap.com/wp-content/blogs.dir/1/files/Pricing_for_Digital_Age_
Overview-3.pdf

SAP's Customers' CIOs Face Some Urgent Crucial Decisions
https://go.forrester.com/blogs/saps-customers-cios-face-some-urgent-crucial-
decisions/

Will SAP Announce yet another Indirect Access Licensing Model in 2019?
https://www.linkedin.com/pulse/sap-announce-yet-another-indirect-access-
licensing-model-schoofs/

Audit Prep Series: How to Prepare for an SAP Audit
https://www.anglepoint.com/how-to-prepare-sap-audit/

Don't Allow SAP Indirect Access Fees To Block Innovation
https://www.riministreet.com/blog/dont-allow-sap-indirect-access-fees-to-block-
innovation

Food For Thought When Considering SAP's New Document-Based Model
https://upperedge.com/sap/considering-saps-new-document-based-model/

SAP's Digital Access Licensing
https://www.anglepoint.com/sap-digital-access-1/

Software license audits come in different forms, expert says
https://searchsap.techtarget.com/feature/Software-license-audits-come-in-
different-forms-expert-says

Would you like more information on SAP software asset management strategies and tools? Contact Rimini Street License Advisory Services at las@riministreet.com

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