Rimini Street®

Four Critical Factors
to Consider When Making the SAP S/4HANA Decision for Your Business

And Why Rimini Street Is the Smart Path Forward
for SAP Customers

The SAP Landscape

SAP has designated 2027 as the end-of-mainstream-maintenance deadline for the entire Business Suite 7 applications suite.[1] This means there is no guarantee that its customers will receive vital support updates and may effectively be forced to "rip and replace" their current feature-rich 4.x and ECC systems for a new, early-stage, expensive S/4HANA system.

SAP customers are being forced to make difficult SAP application strategy decisions. Deciding now to embark on an expensive journey to implement a new system before the deadline is too risky an option for many SAP customers, especially with the documented lack of a business case for S/4HANA.[2]

However, the option of deferring S/4HANA under SAP support may pose even more risk, with time running out on the deadline, seemingly limited SAP investment in new capabilities within current releases, and costly annual support fees. In fact, if you haven't started yet, it may already be too late.

Even worse, given the opportunity cost of both options, customers are already waiting for innovations and falling behind competitors, putting their businesses at a disadvantage in the market.

Now is the time SAP customers must make a decision, but what options should be considered and how are other SAP customers moving forward?

Nearly **80%** of SAP licensees surveyed plan to continue to **run their customized, mature SAP systems** to at least or **beyond** SAP's planned end-of-ECC-mainstream-maintenance date[3]

Source: Rimini Street, How SAP Customers Are Responding to the Planned End of ECC6 Mainstream Maintenance Deadline, June 2019

[1]https://support.sap.com/en/offerings-programs/strategy.html

[2]https://www.computerweekly.com/news/252459872/Lack-of-viable-business-case-holds-back-S-4Hana-projects

[3]On February 4, 2020, SAP had announced mainstream support for SAP Business Suite until 2027.

SAP S/4HANA Options

Rimini Street Helps its Clients Before, During and After a Potential S/4HANA Move

Despite being forced to move, SAP customers are weighing their options.

- **Defer the decision:** Many SAP customers will want to **defer** making an S/4HANA decision after evaluating its high cost, low maturity and questionable ROI … at least for now.

- **Delay the transition:** For others, it's not if but **when** to move to S/4HANA. The challenge is finding the right timing and optimal combination of software maturity, demonstrated deployment success, plentiful skills and proven ROI value.

- **Find a new provider:** Still others may say "no" to S/4HANA and find better value in migrating to more modern cloud applications from **other software providers.**

- **Stay the course:** Many want to simply **run their current SAP releases** for as long as possible and prudently assess future application options if and when they become market-ready and a strong business case exists.

No matter which of these scenarios best fits an organization, Rimini Street helps clients optimize their SAP strategy before, during and after a potential implementation of S/4HANA. Regardless of whether S/4HANA is in their future IT roadmap or not, or even if they're just not sure yet, Rimini Street paves the path to success.

More than 455 SAP customers have switched to Rimini Street to optimize their SAP systems and better manage their SAP application strategy. Driven in part by the urgency of the deadline, many more SAP customers are currently evaluating and moving to Rimini Street.

To aid in assessing the business case for a move to Rimini Street, this eBook provides **four critical factors to consider in evaluating an enterprise's SAP application strategy** and outlines **why Rimini Street is the smart move forward for leading businesses.**

"The SAP environment has changed as well, with SAP encouraging customers to embrace more modern technologies — namely SAP S/4HANA — which means a significant change (if not a full reimplementation) of their SAP footprint. **Such moves are also very expensive and disruptive, making it financially untenable for companies to continue on this path of mandatory evolution.** As a result, many customers are looking to third-party support as a way to save money and resources and reinvest in innovation now as they wait and see if and when this new ERP technology gains parity with their current stable SAP system sometime in the future."

– Rebecca Wettemann, Vice President, Nucleus Research[4]

67% of SAP licensees surveyed either have **no plans to migrate** or are undecided about moving to S/4HANA.

Source: Rimini Street, How SAP Customers Are Responding to the Planned End of ECC6 Mainstream Maintenance Deadline, June 2019

1 Evaluate the Business Case

"SAP Wants Us to Do It" Is No Longer Good Enough

Survey after survey documents the widespread conclusion that S/4HANA lacks a strong business case or ROI.

SAP user group surveys from DSAG and ASUG highlight the weak S/4HANA business case today as a key impediment to adoption and a reason why organizations are deferring a move to S/4HANA for twenty-four months or more.[5] Rimini Street surveys highlight the same challenges, with SAP customer respondents citing "no business case" as one of the key issues with S/4HANA.[6]

The ROI challenge is easy to understand: There is a huge effort associated with a "rip and replace" implementation of S/4HANA that consumes a tremendous number of financial and human resources due to the underlying changes in database and infrastructure with S/4HANA. Yet the end result is a system with essentially the same functionality as a customer's prior ECC system but with new plumbing. Even SAP customers who have traditionally followed the SAP roadmap are now having second and third thoughts.

> "...the number of those [customers] having actually completed such [S/4HANA] projects remains stagnant at three percent."
>
> **– Marco Lenck,** DSAG Chairman[7]

The opportunity cost of a massive S4/HANA spend for a new database with about the same application functionality may be a bigger issue; what else could an organization do with these potential investment funds and resources to compete in a fast-changing digital world?

> "User group data from important voices like DSAG (German-speaking customers) and ASUG (North America) indicate that the number of completed projects S/4HANA projects remains modest. Meanwhile, customers continue to ask hard questions about how to build an S/4HANA business case."

Source: https://diginomica.com/sap-earnings-q1-2019-accounting-for-qualtrics-and-restructuring-as-an-activist-investor-takes-a-stake

> "We looked at S/4HANA and concluded it's not mature enough — almost no value, particularly compared to the cost to implement and support."
>
> **– CIO, Kitchenware Manufacturer and Distributor**

> "We did not see the business benefit of an expensive replatforming to SAP S/4HANA."
>
> **– Rogerio Ribeiro,** CIO, Atento

> "...our ECC 6 release more than meets business requirements. Superior Uniform Group could not justify the significant cost, resources and time required to replatform to S/4HANA."
>
> **– Mark Decker,** CIO, Superior Uniform Group

Source: Rimini Street, SAP Customers Taking Rimini Street to S/4HANA, 2018

[5]http://blog.asug.com/asugs-2019-state-of-the-community-study-reveals-sap-customer-insights-challenges-and-opportunities

[6]Rimini Street, How SAP Customers Are Responding to the Planned End of ECC6 Mainstream Maintenance Deadline, June 2019

[7]https://www.dsag.de/externe-news/2019-dsag-investment-report-more-information-required-digitalization

2 Understand the Costs

Calculate the Real Costs of Implementing S/4HANA

Much of the change from ECC 6 to S/4HANA is driven by new underlying plumbing, especially the move to a single database option — SAP's proprietary HANA database. There are significant questions as to whether this is in an organization's best interest or in SAP's best interest, given that SAP stands to shift tens of millions of dollars in database fees from companies such as Oracle to its own pockets.

And while there are real questions that still need addressing about the suitability of the HANA database for transaction processing,[8] by changing the underlying technology, **SAP is forcing customers** to embark on a very expensive migration journey. For example, the HANA database requires all customizations to eventually be reassessed and potentially rewritten — a very expensive and time-consuming process. And the end result is essentially the same functionality in a new database.

Other significant costs on the journey to S/4HANA may include:

· Systems implementation and integration
· New hardware
· Future upgrades and feature pack deployments
· HANA database licensing
· Integrations

When all costs are totaled, a typical SAP customer paying $1 million USD in annual support today can expect to pay an estimated **$35 million USD to migrate to S/4HANA.**[9]

The challenge for many SAP customers is that they don't have these resources and simply cannot justify going to the CEO or board of directors to ask for funds merely to gain new plumbing, with essentially the same functionality.

The real cost question for a business is what could be done with a savings of $35 million USD in the IT budget?

A Spreadsheet of Exorbitant Costs

1. **$35 million USD** — estimated cost to migrate to S/4HANA over a seven-year period for a licensee paying **$1 million USD** in annual support fees

   Source: Rimini Street, S/4HANA Cost Calculator

2. German grocery chain Lidl spent €500 million (**$573 million** USD) over seven years in a failed SAP migration

   Source: https://www.techrepublic.com/article/how-a-troubled-sap-s4hana-migration-caused-a-gummy-bear-shortage-in-germany/

3. British utility National Grid's S/4HANA project "…was three years in running and marred by delays and budget overruns…likely another $50 million in additional spending and a trip back to the rate commission to request adjustments to pay for the overruns."

   Source: https://upperedge.com/sap/wipro-responds-to-national-grids-sap-implementation-billion-dollar-lawsuit/

How much will S/4HANA cost you?
Run the numbers in the S/4HANA Cost Calculator
https://www.riministreet.com/cost-calculator-s4hana

[8]https://www.brightworkresearch.com/saphana/2019/04/24/why-hana-has-8prob-lems-with-transaction-processing/

[9]Rimini Street, S/4HANA Cost Calculator

3 Consider Product Maturity

The Risks of an Early Decision May Outweigh Any Potential Benefit

S/4HANA may require further evolution and maturation as licensees experience the growing pains that go along with using early-phase products:

Early Project Failures:
Industry and media report a significant number of project failures, as early adopters continue to work through teething issues with S/4HANA.

Major international enterprises including Under Armour, Haribo, Lidl and Revlon all have experienced well-documented disappointments with early S/4HANA implementations.[10]

Skills Shortage:
The lack of qualified S/4HANA resources is particularly troubling for many customers, as they perceive a shortage of potential hires with the skills required to implement S/4HANA – even at system integrator organizations.

Future Viability and Competitiveness:
It's too early to predict how S/4HANA will compare competitively with other new systems available in the future. Billions are being invested in new business applications, and it is unclear how SAP will fare versus more modern, more nimble cloud application companies.

[10]https://www.brightworkresearch.com/saphana/2019/02/09/who-was-right-about-s-4hanas-readiness/, https://www.brightworkresearch.com/saphana/2017/11/07/real-reason-armours-s4hana-problems/, https://www.techrepublic.com/article/how-a-troubled-sap-s4hana-migration-caused-a-gummy-bear-shortage-in-germany/, https://www.handelsblatt.com/today/companies/programmed-for-disaster-lidl-software-disaster-another-example-of-germanys-digital-failure/23582902.html, https://www.thirdstage-consulting.com/lessons-from-revlons-sap-implementation-disaster/

"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."

– **Stuart Browne,** Founder, Resulting Ltd. — an SAP Consultancy

Source: https://www.linkedin.com/pulse/wake-up-smell-sap-roses-before-its-too-late-stuart-browne/

"The amount of development work required by SAP to fully realize the vision of S/4HANA is significant and, at the time of preparing this research, was still in progress. It is Gartner's opinion that it will take between three and five years for SAP to complete the majority of this work."

- **Gartner**   Source: Gartner, What Customers Need to Know When Considering a Move to S/4HANA — 2018 Update

"The company cannot provide assurances that it will remedy the [S/4HANA] systems issues in time to fully recover these sales and/or that the ERP implementation will not continue to disrupt the company's operations and its ability to fulfill customer orders."

- **Revlon**

Source: Revlon, Form 10-K, Fiscal Year 2017

4 Don't Wait to Innovate

Sitting Still Means Falling Behind

SAP licensees not migrating to S/4HANA today may initially feel that continuing to pay for SAP annual maintenance through 2027 is a safe option, especially compared to a risky S/4HANA deployment.

However, there are **serious costs and risks** associated with sitting still while paying SAP maintenance:

- No new or limited SAP investment in current releases[11, 12]
- Expensive support fees and related costs that consume potential innovation funds
- Falling behind competitors on innovation
- SAP support that doesn't cover most applications issues
  - 65% of enterprise support issues are due to customizations, interfaces, integrations, performance tuning and are not covered under support[13]
- Burden of self-supporting applications due to SAP support limitations
  - SAP's delivery of fixes in Support Packs/ Enhancement Packs can cost 20% of license fees annually to regression test[14]
  - Updates with hundreds of potential fixes must be vetted when only one is needed
  - Licensees' in-house teams tasked with ensuring bundle doesn't create a ripple effect of further business disruption and wasted cycles
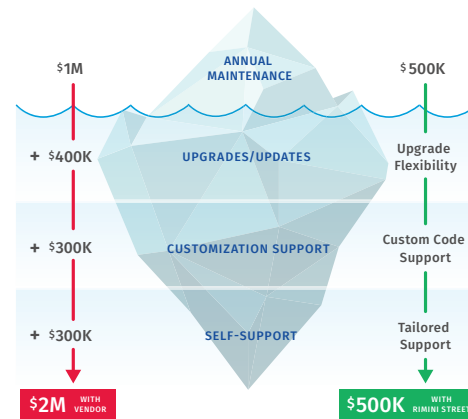
Analysis indicates that SAP-based support for applications can cost up to $2 million USD per year, double what many enterprises budget for.

$11 billion / 87% margins – SAP support revenue drives **the company's** bottom line

Source: SAP, 2017 Annual Report

Only 5% of survey respondents said they felt the fees they paid for SAP support were "well worth the value we receive in return"

Source: Rimini Street, How SAP Customers Are Responding to the Planned End of ECC6 Mainstream Maintenance Deadline, June 2019

"SAP is still delivering enhancements for ECC 6.0 (as seen in the company's current roadmaps), but it is Gartner's opinion that major investments and innovations will be delivered through S/4HANA."

- **Gartner**[15]

Find out how much you really are paying to support your SAP applications today — **S/4HANA Cost Calculator https://www.riministreet.com/cost-calculator-s4hana**

[11] https://www.riministreet.com/cost-calculator-s4hana

[12] Gartner, What Customers Need to Know When Considering a Move to S/4HANA — 2018 Update

[13] https://www.riministreet.com/Documents/Collateral/Rimini-Street-Company-Fact-Sheet.pdf

[14] Rimini Street, S/4HANA Cost Calculator

[15] Gartner, What Customers Need to Know When Considering a Move to S/4HANA — 2018 Update

4 Reasons Rimini Street is the Smart Path Forward for SAP Customers Today

Eliminate the Deadline, Gain Massive Savings, Accelerate Innovation, Maintain Strategic Flexibility

Rimini Street helps SAP customers mitigate the cost and risk of their SAP application strategy in the short and long terms, freeing up their money, people and time to invest in innovation to drive sustainable competitive advantage — whether the choice is to implement S/4HANA now or defer the decision to a later date.

1 **Eliminate the deadline**
Support from Rimini Street offers the choice to remain on a current release for at least **15 more years** — **no need to upgrade** if there is no ROI

2 **Gain massive savings**
Rimini Street cuts annual support fees by 50% — **half the amount** most enterprises initially spend with SAP. On average, total cost of SAP support is often 2x the budgeted maintenance fee. All these additional costs showing "below the water line" are washed away with Rimini Street, where clients can end up reducing total cost of maintenance by up to 90%. Additional savings comes from the S/4HANA cost avoidance.

3 **Accelerate innovation**
Utilizing these savings, you can invest in more innovative and agile solutions that can **drive competitive advantage and growth**. That may include a mixture of cloud and internally deployed applications (hybrid IT) digital, AI, mobility solutions, IoT, big data or other new projects that support unique business objectives.

4 **Maintain strategic flexibility**
Organizations should evaluate S/4HANA over time relative to the ECC capabilities used today. If and when it makes sense, they can make the move. If S/4HANA does not meet expectations or there is a better-fit solution available, a bad decision was avoided and a strategic one made.

Expert, third-party support

"Many customers are looking to third-party support as a way to save money and resources and reinvest in innovation now..."

- **Rebecca Wettemann,** Vice President, Nucleus Research[16]

[16]Rimini Street, Assessing the ROI of Third-Party Support for SAP Applications, 2017

Join Hundreds of SAP Customers Who Are Moving to Rimini Street

Whether the ultimate destination is S/4HANA, an alternative modern application or a future platform yet to be chosen, Rimini Street is the smart path forward for SAP customers. Rimini Street supports customers running SAP on all major releases, including S/4HANA, as well as customers planning an eventual reimplementation onto S/4HANA after a smooth transition back to SAP. Benefits include:

· Cost savings

· Lower risk

· Premium service

· Faster innovation

Rimini Street Profile:

1. More than 455 SAP clients have selected Rimini Street, ranging from Fortune 500 industry leaders and global multinationals to mid-sized manufacturers and service companies

2. An average score of 4.8 out of 5 on client satisfaction surveys

3. Resolution of 20,500 cases to date

4. Integrated Application Management Services and annual support services for even more efficiency and savings

5. Average SAP Primary Support Engineer experience of 15 years

Understanding the Value…

PRODUCT SUPPORT SERVICES	RIMINI STREET	SAP
Installation and upgrade support — Full support before, during and after you upgrade	✔	✔
Application, repository and documentation fixes — Targeted to specific issues for faster resolution	✔	✔
Global Tas, legal and regulatory updates — More frequent and localized updates by geography	✔	✔
A named, regional Primary Support Engineer per client — With more than 15 years' real-world experience	✔	
Account Management Services — Ensures consistent and responsive engagement	✔	
24/7/365 global support and 15-minute guaranteed response — For all Priority 1 issues	✔	
Full customization support — The same level of service for all custom code	✔	
Full support of current release with no forced upgrade — For at least 15 years	✔	
Configuration support — Full understanding of your options based on your applications software	✔	
Interoperability support — Keeping you current with the latest best practices	✔	
Performance support — Across multiple database and application environments	✔	
Response priority set by client — Instead of navigating the vendor support escalation process	✔	
Vendor-neutral roadmap services — Leverage the best industry offers & customer experience	✔	
Flexible and open paths to the cloud — Combine support and infrastructure savings without lock-in	✔	
Up to 90% annual cost savings — Based on independent, real-world client interviews	✔	

Rimini Street Supports Your Smart Strategy Going Forward

NOW is the Time to Take Back Control

Follow an ERP roadmap and strategy **dictated** by SAP

OR

Develop a roadmap that provides the **flexibility and choice** to continue …

"Most organizations are spending around 90 percent of their budget on maintaining their existing systems. At that rate, few organizations will ever get to innovate, let alone catch up. By using an independent support provider, you can significantly reduce your existing costs and flip that ratio so you're in a position to invest in new strategic initiatives and fund innovation. You can even go back to SAP to purchase S/4HANA, down the road, if that makes the most sense."

- R "Ray" Wang, Principal Analyst & CEO, Constellation Research, Inc.

Rimini Street enables SAP customers to:

✓ **Maximize savings and minimize risk while accelerating innovation on their potential path to SAP S/4HANA**

✓ **Eliminate planned end of support for SAP ECC as a roadblock in their SAP strategy**

✓ **Gain the flexibility and time to choose the next-generation system that best fits their needs**

✓ **Receive comprehensive support for all their SAP systems before and after a potential move to S/4HANA**

Learn more about your SAP S/4HANA options
https://www.riministreet.com/contact-us

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. To learn more, please visit www.riministreet.com.

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