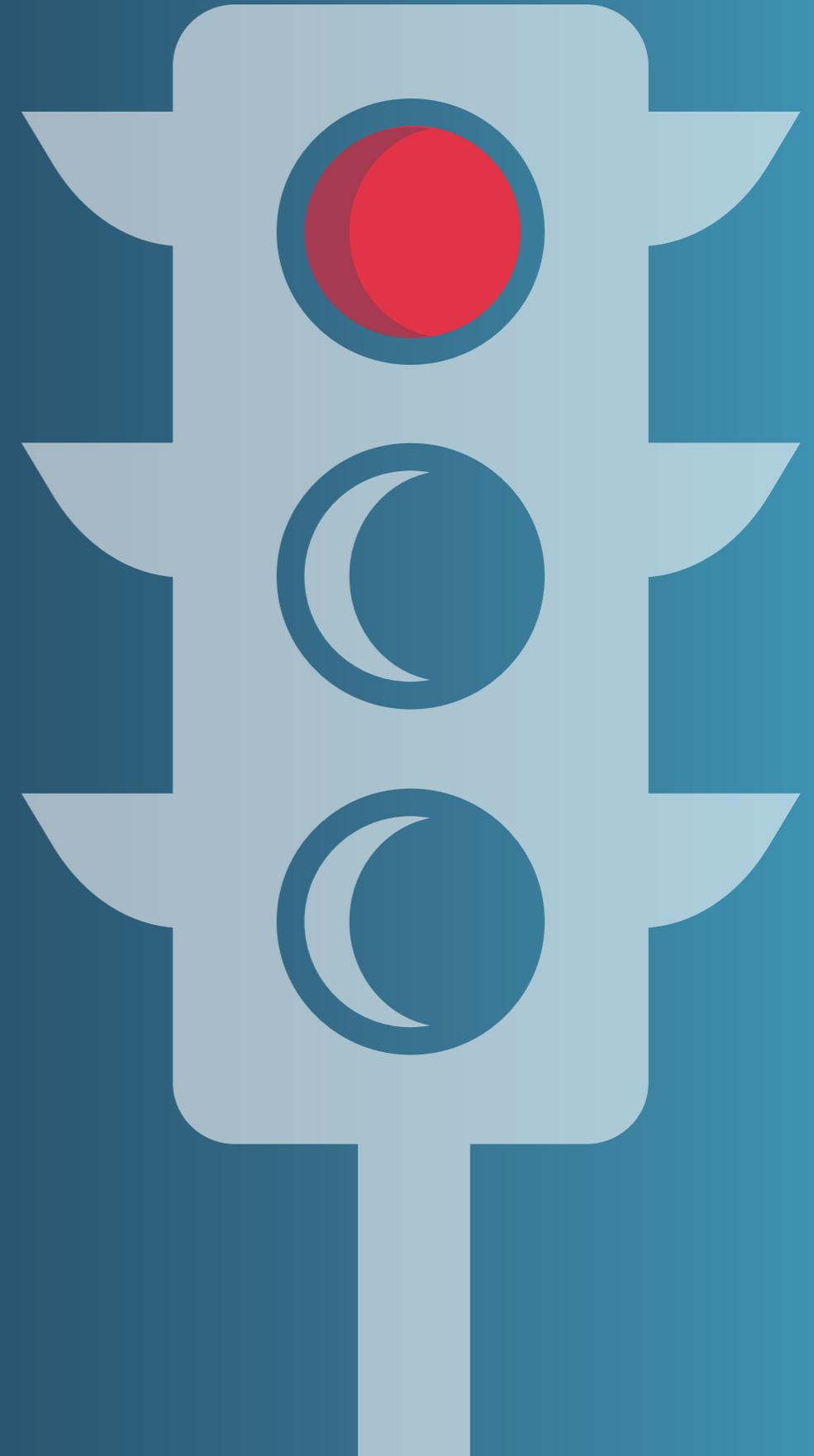


Stuck Waiting at a Red Light with SAP S/4HANA?

How to green-light innovation
around SAP Business Suite with
the extension of mainstream
maintenance to 2027



IS S/4HANA RIGHT FOR YOUR ORGANIZATION?

SAP launched S/4HANA with much fanfare, calling it its “next-generation business suite”¹ with the internally deployed Enterprise Management (EM) edition replacing the existing SAP ERP (ECC 6.0) application. Eventually, SAP plans for S/4HANA to replace the full scope of SAP Business Suite 7 applications, with internally deployed, cloud, and hybrid options.

While that is promising, approximately two-thirds of IT leaders surveyed by Rimini Street in 2019 stated they currently have “no plans to migrate” or are “undecided” about moving to S/4HANA in the next 18 months². Such feedback from customers has likely triggered the extension of mainstream support for SAP Business Suite 7 to 2027³. Companies have spent millions of dollars and countless hours implementing, customizing, and tuning their SAP Business Suite. It’s mature, robust, and strategic to their business.

Is moving to S/4HANA right for you?

Does it actually provide the next generation of business process and ROI that would justify the significant risk and costs?

Is it truly ready to replace the full breadth and stability of current SAP Business Suite 7?

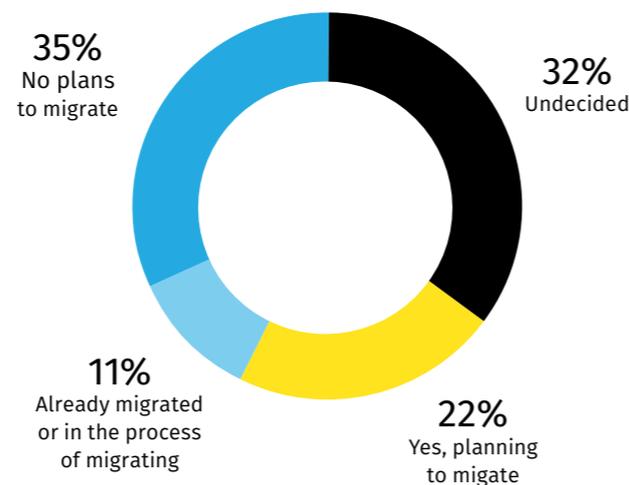


CUSTOMER VALUE OR SAP REVENUE ENGINE?

Why is SAP developing and promoting S/4HANA? The company positions S/4HANA as a platform to drive business innovation with simplicity by connecting people, devices, and business networks in real time.

Beyond the marketing speak, it's clear that SAP regards S/4HANA as a major revenue engine and is layering in additional costs.

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



67% of respondents have no S/4HANA plans or are undecided²

LOCK-IN VERSUS CUSTOMER CHOICE?

Consider:

HANA database

S/4HANA only runs on SAP's proprietary database, SAP HANA, meaning customers would have to abandon third-party databases such as Oracle. SAP has modified the ECC 6.0 modules—which SAP calls “refactoring”—to utilize SAPHANA's in-memory capabilities, which it claims provides faster performance. Not surprisingly, the HANA database requirement eliminates choice for customers, so that database revenue stays with SAP.

Cloud add-ons

SAP is using S/4HANA as a way to sell acquired cloud products such as Ariba, Concur, and SuccessFactors. For example, SAP is not refactoring all ECC 6.0 modules. Instead, SAP's apparent strategy is to replace some of the original SAP ERP components with cloud (SaaS) applications (referred to as “extensions”) that must be licensed separately—an additional revenue source for SAP.

THE PROBLEM: WHERE'S THE BUSINESS CASE?

Even with their current SAP ERP systems functioning well, many companies are finding it difficult to make the business case for an S/4HANA migration that could very well be complicated, risky, and expensive.

- **Adherence to a Business-Driven Roadmap**

A Business-Driven Roadmap is a three- to 10-year plan that translates business strategies into technology initiatives that enable an organization to achieve its objectives. This type of roadmap ensures that technology investments are aligned with business goals, priorities, resources, and timing. Unlike the roadmap dictated by SAP's own timing and goals, a Business-Driven Roadmap has destinations defined by an enterprise's business leaders. Application and technology roadmaps are not business-driven if they are built around SAP's timing and goals—that is a vendor-dictated roadmap.

Three key benefits of a Business-Driven Roadmap:

- Optimizes resources to create capacity
- Accelerates innovation
- Future-proofs the enterprise

- **Business advantages**

Balancing evolving business requirements with core day-to-day business operations (often dependent on existing SAP ERP systems) deserves careful consideration. For some enterprises, mobility, cloud applications, and the Internet of Things (IoT) are important ingredients in their business evolution and digital transformation. For others, the focus is on improving business productivity by extracting maximum value from existing SAP assets, workflows, and processes. Customers should consider consulting with business unit leaders and users, evaluating market opportunities, and reviewing these considerations to help them choose the path that best suits their business operations and objectives.

A Business-Driven Roadmap is a three- to 10-year plan that translates business strategies into technology initiatives

- **Risk**

Evaluating risks means identifying the needs, gaps, and disconnects between business objectives and IT's technology plans. SAP's end-of-mainstream-maintenance support represents a major decision point that will affect both business units and IT. It is critical to invest time and effort into analyzing changes in the risk levels as each milestone in the Business-Driven Roadmap is reached.

- **Cost**

In an era of tight budgets and limited resources, CEOs, CIOs, and CFOs are concerned about how much the organization is spending on core SAP applications just to keep business operations up and running. In light of SAP's eventual end-of-mainstream-maintenance support, it's a good time for customers to take stock of how much they are currently spending on SAP support and the value it actually brings to their enterprises. It's also an opportunity to assess how much S/4HANA migration will cost over time and estimate post-implementation costs.

- **Timing**

A key question to ask is: How ready is the enterprise to embrace the S/4HANA offering? If SAP's timeline is followed, the organization may be forced to reorder IT priorities and even postpone other critical initiatives that can advance the business. Key challenges may include higher demands on already-stretched IT teams and a long deployment period. If a functional, stable, and customized SAP business software implementation still works well for an organization, there are ways to extend its life while the decision to move to S/4HANA is being considered. Rather than following SAP's timeline, enterprises have the flexibility to follow their own schedule.

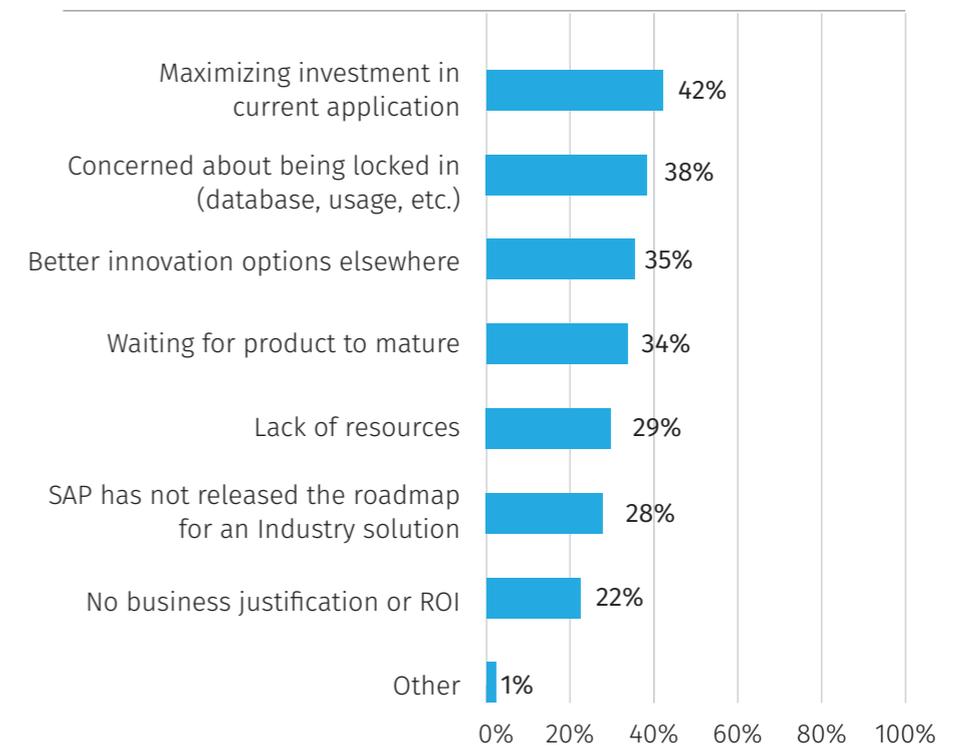
- **Operational Impact**

An ERP solution is the engine that drives daily business operations, so it is essential that it run optimally for as long as possible while IT leaders engage in the decision-making process on choices for the future. Regardless of which path is eventually chosen, there's bound to be some disruption, but the goal is to keep it to a minimum and move forward with a Business-Driven Roadmap, without getting stalled at red lights. Optimizing existing resources and investing wisely in the right technologies and services will help organizations stay on track.

In response to a survey conducted by IDG, respondents identified significant hurdles for migrating to SAP, related to financial, risk and product maturity reasons⁴

Top Reasons for NOT Migrating to S/4HANA²

(Among 89 respondents who are NOT running or evaluating S/4HANA)



BUSINESS ISSUE #1:

Immature Product

“The complexity of the SAP S/4HANA roadmap, lack of clarity in industry-supported functions and the range of deployment options available (both on premises and Software-as-a-Service, or SaaS) mean that customers must spend more time selecting what is best for them, given that SAP has stated that the future is cloud.”⁵

GARTNER, OCTOBER 2018

S /4HANA will likely require years of additional development to deliver the functional scope of existing SAP ERP Business Suite applications and industry solutions.

Many SAP licensees also have concerns about existing user customizations, add-ons, and integrations that may not be supported by S/4HANA.

34% of respondents to the IDG survey are waiting for S/4HANA to mature, and 28% are waiting for SAP to release the roadmap for an industry solution that their organization uses⁴

BUSINESS ISSUE #2:

Complicated, Risky, and Expensive

The migration path to S/4HANA isn't clear, but the potential cost and complexity is. SAP's own documentation suggests that migrating to S/4HANA requires many technical upgrades.⁷

These include installing the HANA database as well as several middleware and hardware components.

Most of these components involve effort by specialized resources to configure and test the new database, hardware, and middleware. Just moving from, say, an Oracle database to the needed HANA for an S/4HANA implementation is a project unto itself. Rimini Street's custom-built S/4HANA calculator can provide a quick estimate of the various cost components that go into the migration. We estimate a \$35 million migration cost for every \$1 million worth of software licenses. Such expensive S/4HANA migration projects also present the need for a rigorous risk assessment vis-à-vis the ROI.⁸

“ 'Migration' vastly underestimates the level and scope of transformation involved in adopting SAP S/4HANA. This is not a straightforward movement of your existing data and processes from one location to another. It's more like relocating from the house you've lived in for the past 20 years to a more modern city apartment.”

CIO.COM⁶

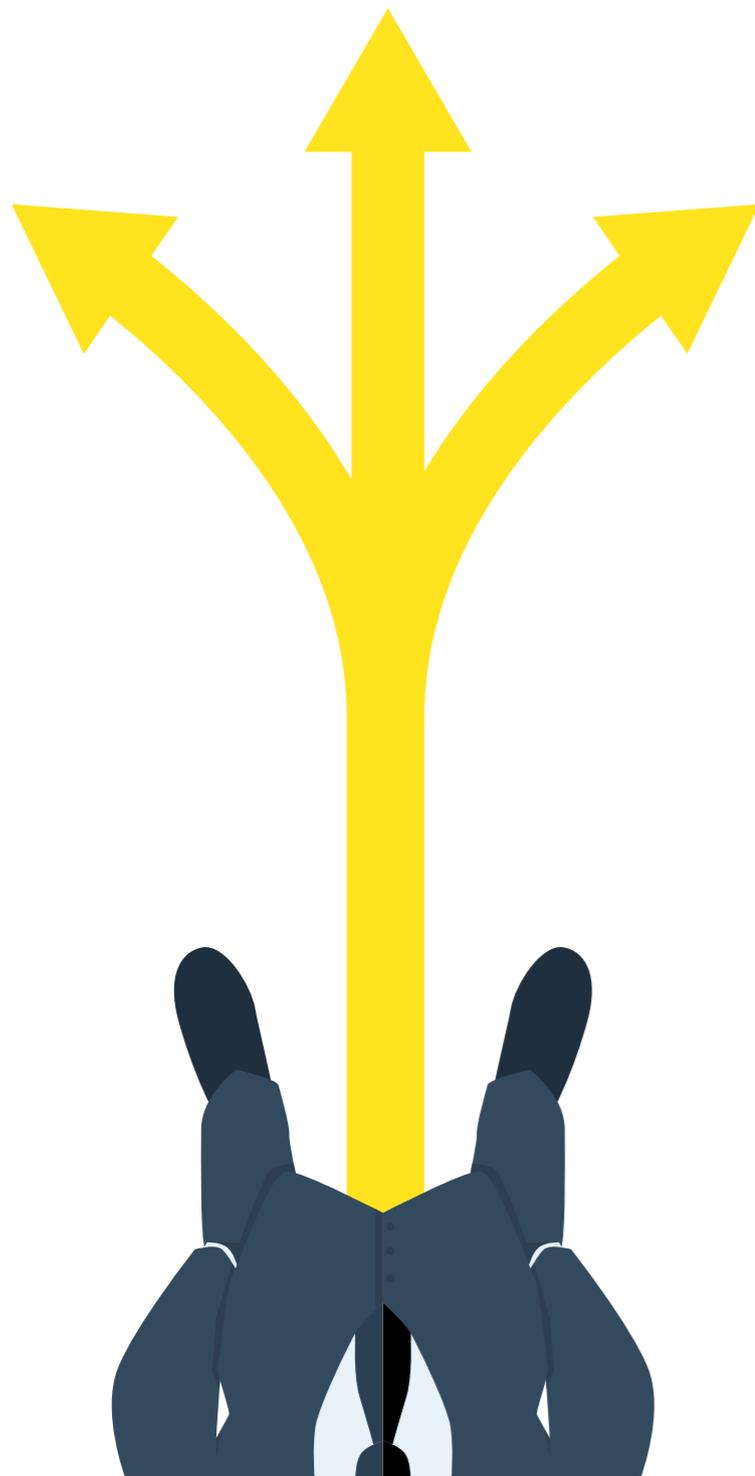
SO WHAT ARE YOUR OPTIONS?

For existing SAP ERP and Business Suite customers, the prospect of migrating to S/4HANA naturally leads to questions about product maturity, costs and risks, and potential disruption. What are your best strategic alternatives, if you cannot justify giving a green light to a migration to S/4HANA?

Some companies that fit an early-adopter profile may find an investment in S/4HANA tempting. That requires high risk tolerance, sufficient financial resources, and additional technical staff with the expertise to test and adopt an early-stage product and work through the inevitable growing pains without regard to cost or SAP's mixed track record of R&D success.

Other customers that SAP undoubtedly considers strategic to the company, likely the top 30 to 50 largest SAP customers, may have negotiating leverage with SAP to gain executive sponsorship and the assignment of technical resources to their S/4HANA project to help ensure success.

However, for the majority of SAP customers, the business case doesn't add up. The product's relative lack of functionality, costs, and difficult migration pose risks that they're unwilling to take on. So, what options do they have?



OPTION 1:

Wait Until S/4HANA Matures

If you're like most customers, you're not an early adopter. By taking a "maintain and wait," approach, you are buying time until S/4HANA is further tested and proven. Time is on your side. SAP has committed to mainstream support for Business Suite 7 until 2027.³

In the meantime, while remaining on your stable ERP implementation, consider whether it makes sense to continue paying high maintenance fees to SAP. Independent, third-party support is a viable and smart option to save on maintenance costs.

*On February 4, 2020, SAP announced mainstream support for SAP Business Suite 7 until 2027.

Have you considered the opportunity cost of paying high maintenance fees versus the IT investments you could be making?



OPTION 2:

Keep Strategic Options Open

For companies that have no plans to migrate to S/4HANA, paying high maintenance fees to SAP for your Business Suite implementation makes even less sense. One clear option is to leave your stable SAP ERP in place, reduce your support costs and channel those savings into innovation.

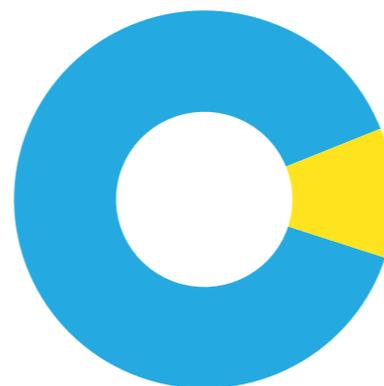
SAP customers can move to third-party support to enhance strategic options and help reduce annual support costs by up to 90%. That factors in reductions in maintenance fees paid to SAP, avoiding Enhancement Pack upgrades, and reducing the cost of internal resources needed to support customizations and perform maintenance.

As it is, most companies spend almost 90% of IT budgets just to keep the lights on, leaving only 10% for digital transformation and other initiatives. Cost savings from third-party support enable you to shift funds in your IT budget to modern technologies that help your business evolve and grow.

With the core ERP in place, companies can use maintenance cost savings to innovate around the edges with strategic cloud, social, mobile, and big data solutions in a hybrid IT environment. Such initiatives can drive business agility, customer-centricity, and data-driven decision-making—a far greater payback than a costly SAP maintenance fee that delivers very little value.

According to Gartner⁹:

90% of the average IT budget is spent on operations and maintenance



Just **10%** is left over for value-add initiatives

A SMARTER STRATEGY:

Why take the risk of migrating to an immature application that may still be years away from achieving functional parity with what you already have? Are you prepared for the cost, risk, and disruption of a full reimplementation?

Time will tell whether S/4HANA lives up to SAP's promise. Potential customers should carefully evaluate the significant unknowns with this major reimplementation. The product's roadmap is still unclear on many functional enhancements and when they will be delivered.

It's also not clear when and if S/4HANA will deliver enough business value to justify the cost and effort of migrating. The decision to extend mainstream maintenance until 2027 and customer-specific maintenance until 2030 gives companies like yours plenty of cushion time to maximize your investment in SAP Business Suite, wait for parity of S/4HANA with SAP Business Suite, and minimize the risks and costs associated with the migration. In the meantime, the SAP applications that so many companies depend on will continue to effectively run critical business processes for years to come.

The smart strategy may be to wait until the S/4HANA business case materializes and pursue innovation elsewhere. With third-party support, you can reduce your maintenance costs now and free up funds to jump start IT projects that will impact your business today.



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