ASSESSING AN SAP-RIMINI STREET STRATEGY

A VALOIR REPORT

July 2020

VALOIR

www.valoir.com

Many SAP customers are at a crossroads as they consider their overall SAP strategy. They must determine if they will migrate to S/4HANA, and if so, when. As they evaluate S/4HANA, they recognize that this is not a small decision. A move to S/4HANA is a significant transformation of their critical business applications, including a replatforming and database migration. As SAP migration deadlines approach, they also must consider if they'll make those critical decisions on SAP's timeline or at their own pace.

In light of these significant decisions, Valoir has analyzed SAP customer strategies and found that many are using or exploring third-party support. To better understand the third-party support strategy, Valoir conducted in-depth interviews with a number of SAP-Rimini Street customers.

We found that moving to third-party support from Rimini Street enabled them to lift the time pressure off their decision, take the time they need to fully evaluate SAP's offerings and roadmap, and maximize value from their existing SAP investment. Rather than accept SAP's pace, they are taking control of their SAP roadmap.

With third-party support, they can ensure ongoing business continuity with lower-cost support and free up resources for their SAP footprint. At the same time. they can evaluate S/4HANA at their own pace, and ensure that their next significant enterprise application move is the right one, at the right time, for their business. In this report, we assess the factors impacting their decision process about S/4HANA and the pillars of their SAP-Rimini Street strategy.

SAP customers today

Since its first enterprise resource planning (ERP) application launch in the 1970s, SAP has been adopted by more than 30,000 customers worldwide because of its ability to support complex business processes. Today, many of those customers face some critical decisions: Do they invest in a move to S/4HANA, and if so, when?

The first question, whether or not to move to S/4HANA, is a complicated one. Many SAP customers have invested millions of dollars in software and support over the years, customizing SAP to meet their specific business requirements. For customers, SAP is their financial system of record, and most today are running SAP's on-premise ERP application, which runs on a variety of databases. A move to S/4HANA is not simply an upgrade: it is a new implementation effort, with a new platform and database.

Valoir estimates that the migration effort, beyond the business disruption, would cost customers currently paying $1 million annually in SAP support and maintenance from $15 to $30 million to migrate to and operate S/4HANA. With S/4HANA-skilled resources and services still somewhat limited, implementation costs in the short term are likely to be 5 to 7 times license costs.

Many SAP customers are at a crossroads as they consider their overall SAP investment and relationship: do they take a leap and begin investing in moving their enterprise application footprint to S/4HANA, or take a more measured approach?

VALOIR

Beyond the investments in a new environment, customers must consider the ERP application itself. For many customers, when they first adopted SAP it was the only option. Today, as SAP customers consider a significant new ERP investment, they also have other new vendors and modern applications to consider.

The second question for customers is, if they want to undertake such an effort, when should they make the move? S/4HANA is still a relatively new application with a developing roadmap, and doesn't have the maturity or breadth of capabilities of their existing ERP. A near-term move to S/4HANA is not just a significant undertaking but a bet on SAP's delivery of the evolving S/4HANA roadmap.

Obviously, SAP's strategy is to migrate customers to its new platform as quickly as possible. Since S/4HANA's first release in 2015, SAP has devoted the lion's share of its resources to development and innovation on the HANA platform, and as a result reduced its investments in its core ECC – meaning fewer innovations for existing ECC customers.

The company has also employed different tactics, from attractive "time-limited" deals and cloud credits to the announcement that it will discontinue mainstream maintenance for its existing applications at the end of 2027. Although customers who have committed to a move to S/4HANA have more flexible SAP-provided support options, those who haven't are told by SAP that they risk running business-critical applications without SAP support.

As they weigh these decisions, many SAP-Rimini Street customers Valoir interviewed saw third-party support as a means to have a more measured and cautious approach to S/4HANA:

> *"We felt that the maturity of SAP S/4 [HANA] was not at the point – and probably isn't today – where it's as rich as what we needed. There's no way we could have made the jump to S4, and we've always had a view that we would wait for the market, and not feel compelled."*

> *"What we want to do is spend the time improving our processes, rationalizing and moving to a point where when we do see moving to a new platform we've done the hard work to prepare ourselves for a big transformation."*

> *"We felt the maturity was not at that point and probably isn't today as rich as what we needed in the typical ERP platform. We use the full suite and have a pretty complex model. S/4 hasn't matured to same level, so there's no way we could have made the jump to S/4."*

Third-party support as an SAP strategy

As customers plan their future SAP strategy, Valoir has found many have investigated third-party support from vendors such as Rimini Street. No longer a maverick tactic or simple cost-cutting strategy, third-party support

To better understand how companies are leveraging third-party support as part of their overall SAP strategy, Valoir analyzed a number of SAP-Rimini Street customers.

VALOIR

is an increasingly popular and proven option for customers to reduce ongoing costs while continuing to innovate:

- Third-party support fees are typically less than half the cost of vendor-provided annual maintenance fees. Beyond support cost savings, Valoir has found that Rimini Street customers save up to 75 percent of their total annual internal support costs by avoiding upgrades and migrations and devoting fewer resources to resolving SAP issues.
- With more responsive and comprehensive support (for customizations, for example), and other strategic services as part of the third-party support model, companies can ensure business continuity while maximizing value from their existing SAP investment.
- By moving to third-party support, SAP customers can "stop the clock" on SAP-imposed deadlines for a move to S/4HANA, instead evaluating S/4HANA as it becomes more mature and planning a move to a new ERP solution (SAP or another vendor's) if and when it works for them.

Third-party support has become more mainstream as SAP customers seek to gain control of their SAP application lifecycle, reduce risk, and maximize return from their existing SAP investment. Rimini Street is the market leader in third-party support for SAP, with a 15-year history of proven support for more than 3000 customers across industries and geographies, and nearly 200 of the Fortune 500.

The SAP-Rimini Street roadmap

In analyzing the experiences of SAP customers that have moved to third-party support, Valoir has found that they are far from abandoning SAP. They are instead following a strategy to maximize the value from their existing SAP investments while continuing to deliver business value. We found that Rimini Street helps them across three common pillars of their SAP strategy: deferring the S/4HANA decision, leveraging their existing SAP investments for greater innovation, and planning a strategy to return to SAP for S/4HANA when the product and its value proposition are more clear.

DEFERRING THE S/4HANA DECISION

The first pillar of an SAP-Rimini Street strategy is simply delaying a significant investment and business disruption. For many SAP customers, moving to Rimini Street in the short term enables them to defer the S/4HANA decision. They're waiting until they're more comfortable that the significant investment and disruption associated with the move will deliver a positive return. It also gives them more time to assess whether or not S/4HANA is the best next-generation platform for their business as S/4HANA (and other options) develop.

Many SAP customers are waiting until S/4HANA's capabilities are more mature and the migration path and value are more proven before making a significant move.

VALOIR

Although some SAP-Rimini Street customers are evaluating competing vendors' solutions, many are simply waiting until S/4HANA's capabilities are more mature and the migration path is more proven before making a significant move to a new platform:

> "We looked into what [moving to S/4HANA] would mean, and what came out was that the cost was in the tens of millions of dollars. With current capabilities, the business found it hard to justify the cost and work out what the value was. It was too big a cost for us to move at this point in time so we stepped away and started conversations with Rimini Street."

> "We knew HANA wasn't really an upgrade path – it was starting over. We think the HANA decision is probably a few years off. We run $12 billion of our business through this, so we're going to be a little risk averse."

> "For us we always had a view that we would wait for the market – let end-of-maintenance activity settle and do ours some time after that. Wait until people are available, and don't feel compelled."

Customers found that being able to move to Rimini Street enabled them to ensure they could continue to maintain and deliver critical SAP applications to business users (including tax, legal, regulatory, security, and other critical updates) while putting off any S/4HANA decision. Without the pressure of an impending deadline, they are able to focus on delivering new business capabilities and ensure business continuity while freeing up resources for other investments.

LEVERAGING EXISTING SAP INVESTMENTS FOR INNOVATION

The second pillar of an SAP-Rimini Street strategy is focusing time and resources on innovation. Moving to Rimini Street does not mean an end to innovation for SAP-Rimini Street customers.

Rather than wait for SAP to deliver innovation with S/4HANA, many SAP-Rimini Street customers are continuing to drive their own innovation and gain additional value from their existing SAP investment. In many cases, Valoir found that a move to Rimini Street enabled customers to free up budget and SAP resources and expertise to support digital transformation and accelerate innovation projects:

> "It was always a strategy to innovate around the SAP digital core. Keep SAP as the core and explore other platforms around the edge for analytics, asset maintenance, and processes around Success Factors. We think of SAP as the core transactional system and there are plenty of other things that sit on top of that."

> "We've worked on building Fiori apps – using ABAP code, which is what my internal team uses. We're modernizing using Fiori apps and decommissioning the old ones – it keeps us moving forward and keeps the team happy as well."

Moving to Rimini Street does not mean an end to innovation for SAP customers; in fact, many are redirecting resources to accelerate innovation.

VALOIR

"We've continued to expand SAP with existing licenses without maintenance. We were able to deploy in new countries; just because you don't have maintenance doesn't mean you can't roll out. We have the licenses, the competencies, and Rimini Street is there."

In other cases, Valoir found that although customers didn't buy additional SAP ERP licenses, they were able to purchase other SAP cloud applications to continue to innovate. They also invested in other new and modern cloud solutions to complement their SAP core, such as cloud human capital management (HCM), expense management, and supply chain management (SCM) applications.

PLANNING A MOVE TO S/4HANA

Valoir found that the third pillar of SAP strategy supported by Rimini Street is planning a move to S/4HANA if and when the product is more mature and shows clearer value. Moving to Rimini Street enables them to free up resources and funds for a future investment in S/4HANA.

The evolution of SAP-Rimini Street customers' re-engagement with SAP typically fell into three phases: an initial separation of the relationship, where there was little or no communication, a re-engagement, typically with a new account manager, and a new negotiation.

Customers moving to the new negotiation phase have found that, as new customers, they are able to negotiate a migration path that works for them with favorable – and often better terms:

"Our relationship is quite good. We have a monthly meeting with their rep, talking about new opportunities and listening to what they have to say. They want our business back, got wind I was referenceable and they want to have conversations around if we were to come back what would it look like."

"In the end, our experience has been that the SAP relationship is if anything they communicate more with us because they want to win our business back."

"[Our new rep] has treated us as a new customer instead of the guy who lost us as an account. It's a good faith [negotiation] – they got out the shelfware, trued up things we were in alignment on, and threw in a kicker on what our credits will be."

"They understood our points ... that a couple of years earlier they refused to negotiate on. I think they were stunned more by third-party maintenance than they originally anticipated."

"We went back because SAP offered us a deal. We moved [to Rimini Street] and it provided additional leverage. I sense that some customers were trying it when we made the move. SAP was taking a "we'll show them" approach – we were able to demonstrate we could do it without them just fine."

Moving to third-party support has enabled customers to reset their relationship with SAP, putting them in a better position to negotiate an eventual move to S/4HANA.

VALOIR

Obviously not all SAP-Rimini customers are considering or have clear plans to move to S/4HANA. For those who are planning a move, Valoir found that their concerns about lack of visibility into SAP's roadmap, having to pay back maintenance, or that earlier license credits or offers would expire after a certain date were largely unfounded. In fact, attractive deals for S/4HANA will continue to be offered, and as products from other vendors expand to compete against SAP, competitive pressure will drive additional opportunities for discounts.

Looking ahead

Many SAP customers are at a crossroads as they consider their overall SAP investment and relationship: do they take a leap and begin investing in moving their enterprise application footprint to S/4HANA, or take a more measured approach? Valoir has found that, for many, moving to Rimini Street enables them take control of their enterprise applications strategy while saving significant money on annual support fees and other related costs. They can devote more resources to innovation and plan digital transformation at their own pace.

Tactically, moving to third-party support has enabled them to reset their relationship with SAP, putting them in a better position to negotiate an eventual move to S/4HANA.

Strategically, with a roadmap that is independent of SAP-imposed timelines and migrations, SAP-Rimini Street customers can ensure continuity for critical applications and systems. They can evaluate SAP and others' evolving cloud enterprise application capabilities, drive innovation at their own pace, better manage risk and potential disruption, and plan a business-driven path to digital transformation.

Attractive deals for S/4HANA will continue to be offered, and as other products from Oracle and others expand to compete against SAP, competitive pressure will drive additional opportunities for discounts.

VALOIR