MAXIMIZING SAP VALUE WITH RIMINI STREET

A VALOIR REPORT

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As organizations consider their digital transformation strategies, those with an existing SAP enterprise resource planning (ERP) investment must also consider their future ERP strategy. SAP is strongly encouraging customers to adopt S/4HANA as part of their digital transformation strategy. However, many companies are hesitant to implement a new ERP solution. Those that are looking to a new ERP investment as part of their digital transformation strategy must weigh not just the cost and disruption of a new deployment but the appropriateness of S/4HANA to support the complexity of their business, as well as what deployment model makes the most sense.

Valoir has found that many SAP customers have chosen third-party support as a means to de-risk their ERP strategy. Whether they have already moved part of their operations to S/4HANA, are planning a move, are continuing to evaluate their options, or have decided their digital transformation strategy will include preserving their existing SAP core without a move to S/4HANA, many are looking to third-party support vendors such as Rimini Street to maximize returns from their SAP investments while prioritizing innovation and digital transformation.

The situation

Since the early 1970s, SAP customers have been adopting its ERP applications to support their financial and business operations, and for more than 30,000 customers worldwide, SAP is a key system of record for finance, production, supply chain, and operations. However, SAP customers today are at a crossroads as they determine whether or not to change their business "backbone." They must determine if a new ERP solution is critical to their digital transformation strategy, if S/4HANA is the best solution for them, and when and how they'll undertake such an investment.

To better understand their decision process and the different strategies they are following to maximize returns from their SAP investment and deliver on digital transformation, Valoir conducted in-depth interviews with a number of SAP customers, including customers that had chosen to move to third-party support from Rimini Street as part of their overall SAP strategy. We found that SAP-Rimini Street clients fell broadly into four camps:

- Early adopters. Some SAP customers that were early to adopt S/4HANA for some or all business units look to Rimini Street for its SAP expertise and service offerings in areas including managed services and security services.
- Planners. A second set of SAP customers are planning a move to S/4HANA. They believe in SAP as a strategic partner, see the benefits of moving to S/4HANA, and are willing (and able) to adjust their functional requirements to fit within the constraints of S/4HANA. In some cases, this means accepting support for limited complexity for some business units and maintaining their existing

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customized SAP footprint for some operations with a level of complexity that S/4HANA can't support.

- Evaluators. Another set of SAP customers believe that there are potential benefits of S/4HANA but want to take the time to fully evaluate and ensure that S/4HANA is the right ERP cloud solution for them, and that it has the capabilities to support their complex business needs. They are also evaluating the financial considerations of moving from a perpetual license to a subscription model, and the technology considerations of moving from an on-premise model to a public cloud, private cloud, or hybrid infrastructure.
- Skeptics. Some SAP customers don't see the benefits of S/4HANA, or believe that the cost, risk, and disruption associated with a new ERP deployment outweigh any potential benefits. They believe they can deliver on digital transformation and innovation outside the SAP core, and are looking to third-party support to maintain the security and reliability of their SAP footprint while minimizing maintenance costs.

We found SAP-Rimini Street clients fall into four camps: skeptics, planners, evaluators, and early adopters.

Valoir found that organizations in all four groups could be effectively supported by third-party support from Rimini Street. Third-party support enables them to gain control of their SAP application lifecycle, reduce risk, and maximize returns from their SAP investment while delivering on innovation and digital transformation. We also found that as third-party support has become more mature, it is an increasingly popular option for customers to reduce overall SAP support costs while delivering on digital transformation for three main reasons:

- Third-party support fees are typically half the cost of vendor-provided annual maintenance fees. Beyond support cost savings, Valoir has found that Rimini Street clients 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 evolves and planning a move to a new ERP solution (SAP or another vendor's) if and when it works for them.

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In addition to Rimini Street's position as the market leader in third-party SAP support, the company's breadth of expertise and options enable SAP customers in all four camps to benefit from an SAP-Rimini Street strategy:

- Rimini Complete for SAP provides managed services (L2 and L3); support services (L4); Rimini Protect (for security); Rimini Watch and Rimini Advanced Change Manager; Rimini Connect; tax, legal, and regulatory updates; archive services; software asset

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management; and professional services to enable skeptics and evaluators to continue to maximize returns from their SAP investments with significant cost reductions.

- Rimini Enhanced for SAP provides L2, L3, and L4 services as well as Rimini Protect to enable S/4HANA planners and adopters to ensure a high level of stability and security through the S/4HANA transition process and beyond.
- Rimini Managed for SAP enables S/4HANA customers and customers of other SAP cloud applications including Ariba, Concur, and SuccessFactors to leverage Rimini Street's expertise, artificial intelligence (AI)-driven management capabilities, and Rimini Protect to ensure that those relying on SAP to support their digital transformation efforts can focus internal teams on innovation while ensuring a high level of performance and security for their SAP environment.

Third-party support as a transformation enabler

As organizations plan and execute their strategies for digital transformation and innovation, skeptics, evaluators, planners, and early adopters are leveraging Rimini Street to drive those strategies forward.

THE SKEPTIC STRATEGY: INNOVATING AROUND SAP

Moving to Rimini Street for support and avoiding a move to S/4HANA does not mean lack of innovation for SAP customers. Instead, Valoir found they are taking advantage of the cost and resource savings to fund innovation in mobile, analytics, human capital management (HCM) and other areas of innovation around their existing SAP core. Rimini Street clients said:

> What came out was the cost was in the tens of millions of dollars, and the business found it hard to justify the cost and work out the return, so we stepped away [from S/4HANA].

> We've worked on building Fiori apps where you get a more modern solution built by ABAP developers so my team can continue to be utilized and we're rationalizing and modernizing – and keeping the team happy as well.

Valoir found that skeptics are not just taking advantage of cost savings. They are able to reduce the daily burden of supporting their SAP application footprint and give staff members the opportunity to learn and innovate in new areas.

THE EVALUATOR STRATEGY: DEFERRING THE SAP DECISION

The decision to move to S/4HANA is a significant one, requiring significant license, consulting, and internal staff investment, and it's not a decision business leaders are taking lightly. Valoir found that many SAP-Rimini Street clients turn to third-party support to take the time pressure off the decision process.

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Common themes Valoir heard from evaluators included:

- They want to make the SAP decision on their own timeline, not be pressured by SAP's imposed deadlines.
- If they decide to change ERP platforms, they want to consider all the alternatives (including non-SAP solutions) and determine what cloud ERP application is best aligned with the needs of their business.
- They want to wait to see how S/4HANA evolves and see the experience of other customers to ensure S/4HANA is functionally capable of supporting the complexity of their business before they move. Given that much of the S/4HANA value proposition is around limited customizations, they want to make sure they fully understand the S/4HANA capabilities and roadmap to determine how their existing customizations are either supported by S/4HANA or would need to be modified or eliminated to work with S/4HANA.
- They want to be sure they are ready as an organization to take advantage of a new cloud ERP to make the deployment an enabler of digital transformation, not just a re-platforming effort.

Clients said:

> We're improving our master data governance so we can improve the data quality going into SAP. We're focused on improving our processes so we can move, and SAP is communicating more with us because they want our business back.

> We're not considering RISE; we're not there at all. When it sounds too good to be true it usually is.

THE PLANNER STRATEGY: BUDGETING AND PREPARING FOR S/4HANA

For organizations planning a move to S/4HANA, moving to third-party support enables them to prepare for the adoption of a new platform to ensure they can leverage it for digital transformation and maximum value. Clients said:

> We fully intend to move at some point, but the business just didn't have the appetite for the cost. Extending our support means we still have a number of years to work out our strategy and continue to negotiate with SAP.

> We don't just want to do a technical migration, because there's not much value in moving without transformation. 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 have new ERP plans in the 2023-2025 timeframe but in the meantime, we're going to run with what we have. We know HANA isn't really an upgrade path – it will be starting over.

Moving to Rimini Street support does not mean lack of innovation. SAP customers are investing savings to fund innovation in mobile, analytics, human capital management (HCM), and other areas of innovation.

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Many planners are taking advantage of the cost savings of third-party support to fund their eventual S/4HANA project. They are also undertaking efforts to plan for the disruption and organizational changes of a future large-scale ERP deployment and ensuring that they can take advantage of their S/4HANA deployment to drive digital transformation.

THE EARLY ADOPTER STRATEGY: LEVERAGING RIMINI EXPERTISE

Organizations that have already moved part of their operations to an S/4HANA deployment are not necessarily moving away from Rimini Street. Valoir found they were leveraging Rimini Street's SAP expertise to support the management of their entire SAP portfolio (including SAP cloud applications) to streamline vendor and service provider management and focus their internal resources on innovation and digital transformation efforts. As one client said, "*All of our SAP landscape is managed by Rimini Street, from our existing ECC6 to S/4HANA.*"

The benefits of third-party support

The savings from moving from SAP-provided license maintenance to third-party support has historically been the most common motivation for choosing Rimini Street. However, Valoir found there were other significant benefits organizations achieved by moving to third-party support:

- Avoided upgrade costs. By moving to third-party support, organizations can avoid the licensing, services, and staff costs associated with upgrading their SAP footprint.
- Increased staff productivity. Because Rimini Street provides named account managers and support for all customizations, as well as tax and regulatory updates, IT teams spend less time resolving SAP issues and ensuring their SAP footprint is secure and up-to-date, and reduce the time they spend following up on resolution of tickets.
- Increased staff retention. Moving to Rimini Street lifts much of the burden of day-to-day management of an organization's SAP footprint off of internal IT teams, enabling IT leaders to focus them on more engaging and career-developing projects. Valoir found this had a positive impact on not just staff productivity but staff retention – enabling leaders to spend less time on recruiting and onboarding.

Moving to Rimini Street has a positive impact on not just staff productivity but staff retention.

Best practices

Valoir found that, be they skeptics, evaluators, planners, or early adopters, SAP customers get the most value from third-party support with Rimini Street when they followed a few common best practices:

- They adopted third-party support strategically. The most successful SAP-Rimini Street clients didn't look for a one-to-one replacement

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of their tactical SAP support. Rather, they worked with their Rimini Street counterparts and leveraged Rimini Street's expertise to plan ongoing improvements to their SAP environment.

- They devoted adequate time and effort to planning before their move. Rimini Street clients emphasized the importance of researching and documenting their current SAP-supported operations, ensuring they had downloaded all applicable patches and SAP content, and planning how they would take advantage of the new operational environment with Rimini Street.
- They took advantage of Rimini Street's broader portfolio of services. SAP-Rimini Street clients who took advantage of Rimini Street's other services – such as managed application services and database management – were able to further reduce their overall vendor management burden and reduce the time internal staff spent resolving issues that spanned multiple applications or went beyond the SAP footprint.
- They continued to review their footprint and roadmap. Although a small percentage of SAP customers that are Rimini Street clients are not making any changes to their SAP environment, most are continuing to review the evolution of SAP and other vendors' cloud offerings and evolving their digital transformation strategies to continue to maximize returns from their SAP investment.

SAP customers pursuing an SAP-Rimini Street strategy are maximizing returns from their existing SAP investment while prioritizing digital transformation at their own pace.

Looking ahead

Digital transformation is top of mind for most IT and business leaders today, and SAP customers are no exception. SAP is encouraging those customers to embrace S/4HANA as their platform for digital transformation, and to do it now, as SAP is discontinuing support for its existing applications. However, SAP customers understand that the move to S/4HANA is a big decision. In 2020, Valoir estimated that a migration effort, beyond the business disruption, would cost customers paying $1 million in SAP support and maintenance from $15 to $30 million to migrate to and operate S/4HANA in the first year. Since then, SAP has continued to develop S/4HANA capabilities as well as announcing its RISE effort positioned to reduce the complexity of managing a move to S/4HANA.

However, SAP customers Valoir analyzed for this research that were evaluating a move to S/4HANA still believed it would be multi-year effort. Many believed it would not be appropriate for their more complex business operations.

Whether they're skeptics, evaluators, planners, or S/4HANA early adopters, Rimini Street clients are not delaying digital transformation. Instead, they're taking control of their SAP roadmap and ensuring business continuity, reducing the cost of supporting their SAP footprint while redeploying staff resources to digital transformation and innovation projects.

As SAP's S/4HANA roadmap and RISE strategy evolve, Valoir found that SAP customers pursuing an SAP-Rimini Street strategy are maximizing returns

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from their existing SAP investment while prioritizing digital transformation at their own pace.

Tactically, moving to third-party support has reduced their day-to-day SAP support burden and cost while resetting their relationship with SAP, putting them in a better position to negotiate any future SAP investments. Strategically, SAP-Rimini Street clients have an SAP roadmap that is protected from SAP-imposed migration timelines, and an SAP footprint with ensured business continuity. They can continue to evaluate SAP and other vendors' cloud enterprise application offerings, drive digital transformation and innovation at their own pace, and lead a business-driven IT strategy.

Valoir provides research and advisory services to leaders with a focus on the value of people and technology. Analyzing people apps, user adoption, and productivity, Valoir combines primary research and unique insights to help clients understand their strengths and execute strategies that support their goals and values. For more information, contact Valoir at www.Valoir.com *or 1-617-515-3699.*

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