PAC's CxO survey on SAP S/4HANA migration strategies

# SAP Clients Embark On A Journey Towards The Cloud

**Commissioned by**

**NTT DATA**

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# MANAGEMENT SUMMARY

Migration to SAP S/4HANA is not a simple release change for all customers, but a fundamental change in the architecture landscape, which often comes with a change in the deployment model, with high customer-specific investments and extensive process changes. Nevertheless, almost all customers are following SAP's strategy and will tackle the migration, or have already done so. Only a few are planning to move away from SAP. The vast majority, however, are following the SAP strategy towards SAP S/4HANA migration and a strongly cloud-focused deployment model. This is a key finding of **PAC's CxO Survey 2023 on SAP S/4HANA migration strategies**, among 550 European companies.

It is worth noting, however, that just under half of the respondents are still in the planning phase or have not yet made any preparations. Since standard maintenance expires at the end of December 2027, there are only a good four years left to complete the migration. This time window might be too small, especially for those companies that have not yet made any preparations. These companies will presumably have to face increasing (price) competition for experienced migration experts as the deadline approaches.

Time is also running out because, as mentioned, a new application landscape is required. The ERP core (kept as clean as possible) resides in the middle of this landscape, surrounded by individual adaptations based on the BTP and API-connected third-party applications. Design, planning, implementation, development, and integration take time, especially since many companies link the migration with a redesign of their business processes.

Many companies are also likely to face a fundamental shift in their deployment model because SAP is relying on cloud as a sustainable deployment model. This trend is also reflected in the preferred deployment models chosen by the respondents. The vast majority have already opted or will opt for a public or private cloud edition of SAP S/4HANA. This finding from the survey may come as a surprise because it runs contrary to the impression that we at PAC have gained from our discussions with SAP users, where on-prem and private cloud installations were predominant. However, from the users' point of view, this is consistent because they are following SAP's strategy, which is fully focused on cloud deployments.

## Overview of SAP S/4HANA deployment editions

| SaaS (Multi-Tenant) | Hosted Cloud | On-Premise |
|---|---|---|
| • SAP S/4HANA Cloud, public edition<br><br>• RISE with SAP S/4HANA Cloud, public edition<br><br>• GROW with SAP S/4HANA, public edition | • SAP S/4HANA Cloud, private edition*<br><br>• RISE with SAP S/4HANA Cloud, private edition*<br><br>* running on hyperscaler or private cloud | • SAP S/4HANA On-Premise |

Fig. 1: SAP S/4HANA deployment editions

# KEY FINDINGS

**1**    **The majority of those surveyed are still about to migrate to SAP S/4HANA**

39% of the companies are in the planning phase, another 10% are still discussing. In contrast, 35% have already migrated, and another 12% are currently working on the SAP S/4HANA migration.

**2**    **End of maintenance is not the main trigger for a renewal of the application landscape.**

The decision to renew the SAP landscape was mainly triggered by the fact that the current SAP installation is outdated and no longer meets the requirements for adaptability and flexibility.

**3**    **The main challenges that need to be solved are costs and the need for adaptation**

Concerns about the need to adapt the new SAP S/4HANA environment to individual needs are particularly pronounced. And of course, the cost of migration is a challenge for many respondents.

**4**    **Cloud is the preferred deployment model**

SAP has clearly stated that cloud is the deployment model of the future. Consequently, the vast majority of respondents prefer either a SaaS edition (see Figure 1) or RISE with SAP Cloud, private edition, which is usually deployed on a hyperscaler infrastructure.

**5**    **AWS and Microsoft Azure are the preferred hyperscalers of the SAP community**

The survey shows strong current support for AWS. We expect the pendulum to swing towards Microsoft Azure in the long term.

**6**    **Many want to redesign their processes to become more efficient and innovative**

Almost four out of ten respondents are taking the SAP S/4HANA migration as an opportunity to redesign their business processes. They are often aiming for more efficiency and innovations.

**7**    **Trustful cooperation is an important criterion when choosing a service provider**

It is also important to the respondents that the service partner can bring in tools and templates that simplify and accelerate migration.

**8**    **Successful cooperation with the provider is defined by the quality of the consultants**

Customers value the high level of expertise of consultants. For well over half of those surveyed, this is the decisive reason for continuing to work with their chosen service provider.

**9**    **Those who do not want to migrate are often dissatisfied with SAP's cloud strategy**

Only a few of the respondents refuse to migrate to SAP S/4HANA, often because their current SAP installation is running stably and does not require renewal, but often also because they do not want to follow SAP's cloud strategy.

# STATUS QUO OF MIGRATION: MANY ARE FINISHED, MOST ARE STILL PLANNING

## WHAT IS THE CURRENT MIGRATION STATUS?

It is somewhat surprising that even after more than eight years since the initial presentation, the majority of the companies surveyed have not yet migrated to SAP S/4HANA. The hesitation of many customers certainly also has to do with the fact that SAP's deployment strategy has not always been clear in the past and the range of functions of the SAP S/4HANA core was less extensive than that of the legacy applications (e.g., SAP ECC, SAP R/3). In the meantime, SAP is planning a go-to release from October 2023, which will be the basis for all further release upgrades. This gives customers significantly more planning security.

Against this background, the hesitant attitude of many companies is understandable. However, it is not entirely without risk. In particular, companies that have not even started planning (10% of respondents to this survey) could face serious problems in the coming years, as the end of standard maintenance is only a good four years away, large projects can take several years, and the number of SAP S/4HANA experts is limited.

Clearly recognizable is that other ERP systems do not play a role. So even though many customers are dissatisfied with SAP because it is too expensive and too complex, they all want to stay with SAP.

## Which of the following statements best describes your company/organization's status quo with regard to SAP S/4HANA?

Total

| Statement | Total |
|---|---|
| We have migrated all our essential systems to SAP S/4HANA. | 35% |
| We are deploying SAP S/4HANA right now. | 12% |
| We are planning to migrate to SAP S/4HANA. | 39% |
| We are currently discussing the migration to SAP S/4HANA. | 10% |
| We will stick to our legacy SAP environment for the time being. | 4% |
| We will replace our SAP environment with an alternative ERP solution. | 0% |
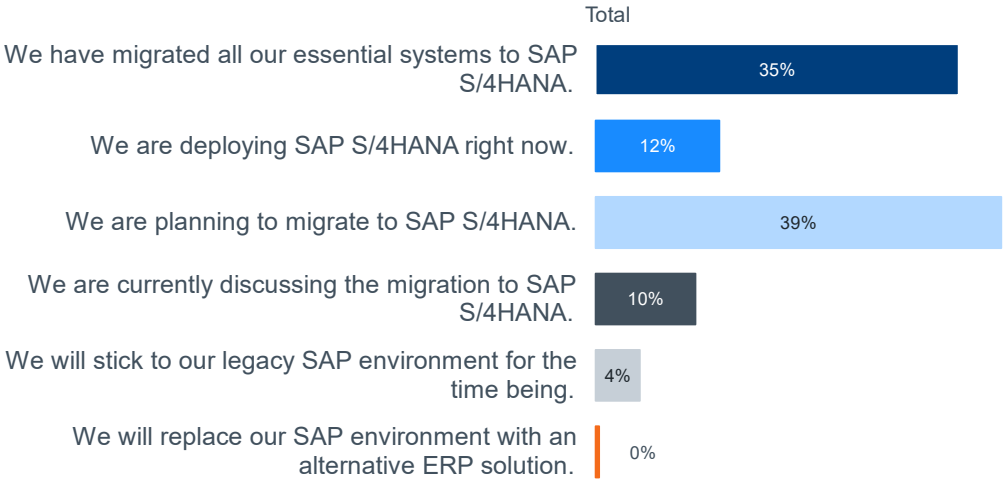
Breakdown of responses, in % (n = 562)   © PAC 2023

Fig. 2:  Status of the SAP S/4HANA migration

# WHY DO COMPANIES MIGRATE?

This inevitably leads to the question of why companies are migrating, or rather, what is the reason for their migration considerations. We asked survey participants for the one most important reason, so they had to choose a single answer option. One would think that the announced end of maintenance would drive most companies to migrate, but this is not the case. In fact, this is the most important reason for only 29% of respondents. For most of them (46%), an outdated application landscape is the most important reason.

## Which of the following statements best describes the main reason for your company/organization to migrate to S/4HANA?

**46%**
Our legacy application landscape no longer meets our requirements in terms of cost flexibility, agility, innovation, and digitalization.

**29%**
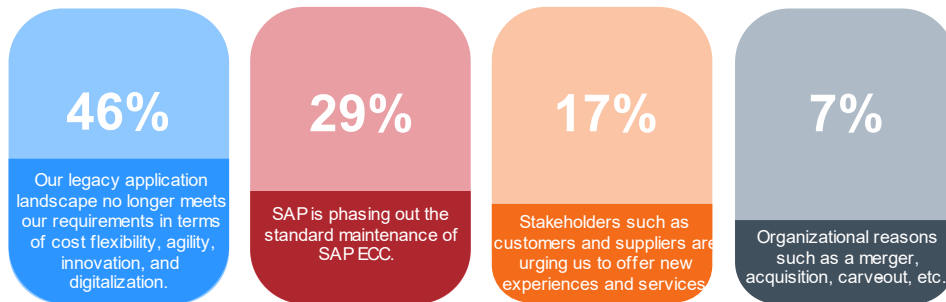SAP is phasing out the standard maintenance of SAP ECC.

**17%**
Stakeholders such as customers and suppliers are urging us to offer new experiences and services

**7%**
Organizational reasons such as a merger, acquisition, carveout, etc.

Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings, © PAC 2023

Fig. 3:  Migration triggers

Most of the respondents apparently see their own existing application landscape as ripe for renewal because it no longer meets modern requirements. This is quite understandable, since ECC with its monolithic application architecture was designed in the early 2000s, when digital innovations and cloud computing did not yet play a decisive role in the companies' business processes.

The requirements for companies and their internal business processes have changed fundamentally since then. What is required is faster access to and analysis of data from internal and external sources, business processes that can adapt quickly to changing requirements and, above all, better integration of innovations (IoT, AI, machine learning etc.) in order to serve customers, partners, and employees more efficiently.

## On a scale from 1 (no impacts) to 5 (significant impacts), what benefits or impacts is your organization experiencing or expecting from the migration to SAP S/4HANA?

■ Some impacts   ■ Strong impacts   ■ Significant impacts

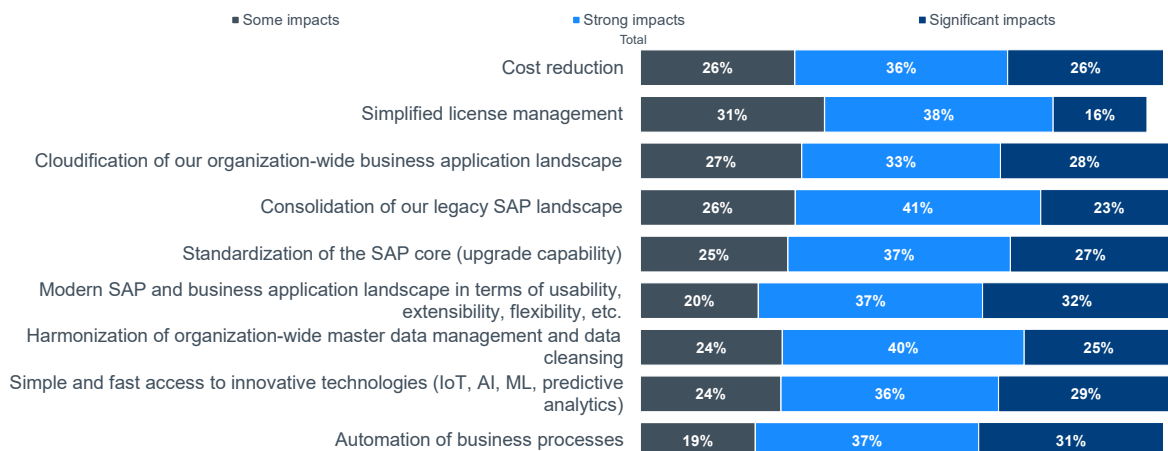| | Some impacts | Strong impacts | Significant impacts |
|---|---|---|---|
| Cost reduction | 26% | 36% | 26% |
| Simplified license management | 31% | 38% | 16% |
| Cloudification of our organization-wide business application landscape | 27% | 33% | 28% |
| Consolidation of our legacy SAP landscape | 26% | 41% | 23% |
| Standardization of the SAP core (upgrade capability) | 25% | 37% | 27% |
| Modern SAP and business application landscape in terms of usability, extensibility, flexibility, etc. | 20% | 37% | 32% |
| Harmonization of organization-wide master data management and data cleansing | 24% | 40% | 25% |
| Simple and fast access to innovative technologies (IoT, AI, ML, predictive analytics) | 24% | 36% | 29% |
| Automation of business processes | 19% | 37% | 31% |

("No impacts" and "limited impacts" not shown)
Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings

© PAC 2023

Fig. 4:  Expected benefits of the SAP S/4HANA migration

# DIGRESSION: WHY CUSTOMERS DECIDE AGAINST AN SAP S/4HANA MIGRATION

Only a few companies decide in principle against an SAP S/4HANA migration. Of the 550 companies surveyed, only 26 declared their intention to continue with the legacy application. The most common reason is that they do not want to follow SAP's cloud-focused product strategy (54% agree with this statement). These companies need to think about how they will implement new regulatory requirements after the end of standard maintenance. This is likely to be done either via customer-specific enhancements or with the help of specialized providers who will occupy this niche market.

**What is the reason why you will not migrate to SAP S/4HANA? Please rate the level of agreement with the following statements.**

■ Strongly agree  ■ Somewhat agree

Total

| Statement | Strongly agree | Somewhat agree |
|---|---|---|
| We do not expect any functional or process improvement. | 15% | 27% |
| Our current environment is running solidly and meets our requirements for ERP functionality. | 23% | 31% |
| The migration to SAP S/4HANA is too expensive. | 8% | 35% |
| We lack the knowledge and staff to handle an SAP S/4HANA migration. | 15% | 31% |
| We do not want to adopt SAP's cloud strategy. | 8% | 46% |
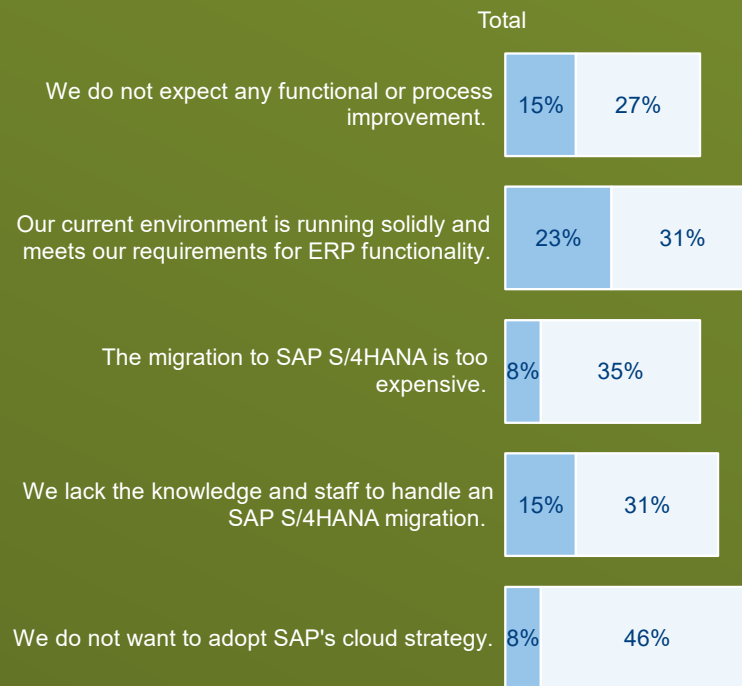
("Disagree" and "strongly disagree" and "neither agree nor disagree" not shown)    © PAC 2023
Breakdown of responses from organzations that do not migrate to S/4HANA, in % (n = 26), excl. missings

Fig. 5: Why customers do not want to migrate

# PREFERRED DEPLOYMENT MODE: COMPANIES FOLLOW SAP CLOUD STRATEGY

## WHAT CLOUD DEPLOYMENTS ARE PREFERRED?

The CxO Survey revealed that a relatively high number of participants opted for a public cloud edition. This is a somewhat surprising result at first glance because that is not what we are hearing from many companies currently. So far, most of the companies we have spoken to in recent months have preferred to opt for a private cloud edition based on a hyperscaler infrastructure or – the longer the migration has been in the past – have installed an on-prem version of SAP S/4HANA. They usually did this because the scope of functions of the on-prem and private cloud editions was significantly more extensive than that of the public cloud edition.

However, this survey also includes companies that are still in the process of migrating and deciding on a deployment model that is future-proof for them in the coming years, that is maintained by the provider in the long term, and that gives them rapid access to innovations and a high degree of flexibility. And SAP has emphasized quite clearly that these criteria will be met in the future by its Public Cloud Edition:

In July 2023, for example, the company announced that it would prefer to make functional enhancements and innovations available for public cloud-based deployment models and for private cloud editions based on RISE with SAP. For companies that want to have long-term planning security, it therefore makes sense to choose the SAP S/4HANA Cloud – native SaaS edition (31%) or RISE with SAP S/4HANA Cloud – native SaaS edition (12%), RISE with SAP S/4HANA Cloud – private edition (7%), or GROW with SAP S/4HANA (5%).

**Which of the following editions is the main SAP S/4HANA solution in your company/organization that you have selected or are going to select?**
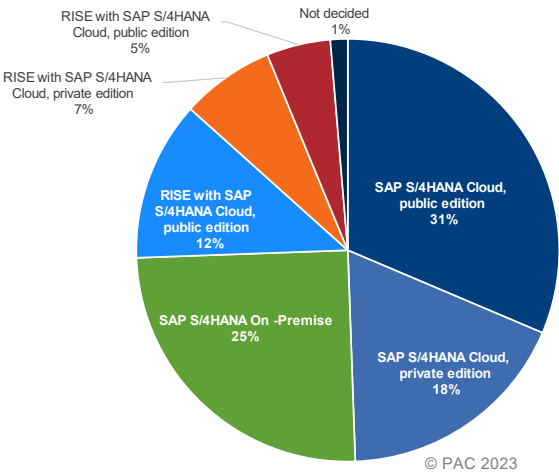


Fig. 6: Preferred deployment models

# IN-DEPTH ANALYSIS OF ON-PREM AND PRIVATE CLOUD USERS

Companies that have opted for on-prem or private cloud editions, or are planning to introduce them, face a number of decisions – for example, about the preferred operating model for their SAP S/4HANA installation. They can choose their own data center (44%) or a hosting provider's data center (47%) as the infrastructure base, or opt for a hyperscaler's public IaaS platform (9%). Many of the on-prem and private cloud users are obviously still conservative, which we believe will change: there will be a push toward public IaaS, especially through RISE with SAP.

RISE contracts prefer a hyperscaler infrastructure as deployment model, and this is also very strongly promoted by SAP. Currently, there is a strong inclination towards AWS, which, according to our observations, is related to the fact that AWS has greater maturity and a longer market presence as a hyperscaler. In the long run, however, we expect a shift primarily to Microsoft Azure, because Microsoft has caught up considerably in terms of technology and functionality, but above all because Microsoft has a much stronger footprint in the B2B market and, thanks to its broad product range, well-established access to the decision-making levels in companies. Other hyperscaler infrastructures as a deployment basis for SAP S/4HANA installations, such as Google Cloud Platform and IBM Cloud, currently play no role among B2B decision-makers.

For those who are in favor of a public IaaS environment as the infrastructure base, there is a strong inclination toward AWS. However, the relevance of this chart is limited because we have a very small number of cases here (n=24). In the future, we expect AWS and Azure to be on an equal footing because Microsoft has caught up with AWS in terms of functionality with its Azure cloud and is traditionally more firmly anchored at the CIO level in the B2B environment with solutions such as Workplace and the Power Platform.

The decisive question, however, concerns the path to the new installation. Does one choose the soft way in a brownfield approach (25%), which envisions a step-by-step transition of the legacy system into the new system, or does one choose an intermediate path of brownfield and greenfield, which allows one to set up a new environment but take a controlled approach to getting there (30%)? The majority choose a greenfield approach, which involves building the new environment alongside the legacy system and a big bang transition on a specific date (44%).

**Which of the following migration approaches has your company/organization adopted for the migration to SAP S/4HANA?**

| 44% | 30% | 25% |
|-----|-----|-----|
| Greenfield approach | Mixed approach | Brownfield approach |

Breakdown of responses from organizations that have a private cloud or on-premise edition as main SAP S/4HANA solution, in % (n = 267), excl. missings, © PAC 2023
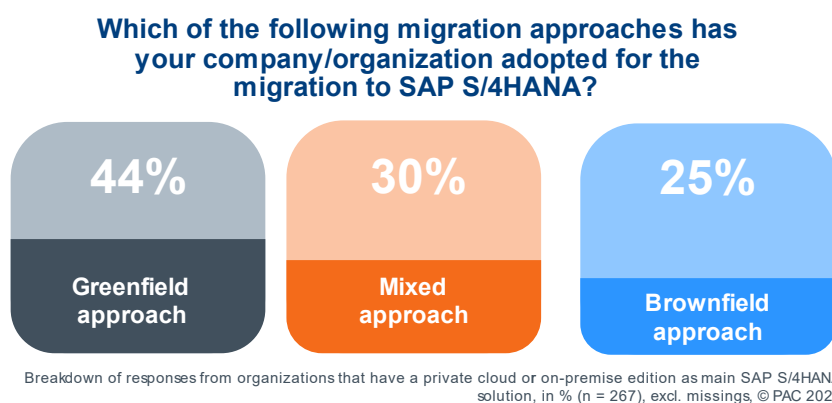
Fig. 7: SAP S/4HANA migration approaches

# THE MIGRATION PROJECT: REDESIGN OF BUSINESS PROCESSES IN GREAT DEMAND

## WHAT ARE THE MAIN CHALLENGES?

It is no secret that migration projects are time-consuming and cost-intensive. This is mainly due to the fact that SAP S/4HANA is aimed at a completely new application architecture. The biggest innovation certainly is that both SAP and most of its customers have realized the enormous downsides of individual customizations and are therefore now aiming for SAP S/4HANA installations that keep the core clean in order to remain upgradeable and thus be capable of flexibility and future innovation. However, the many individual extensions to legacy SAP solutions have to be gradually transferred to the SAP S/4HANA world. It is therefore not surprising that 57% agree with the statement that the high degree of customization is a challenge. High costs are therefore considered an inevitable consequence (56%).

In addition, many expect challenges in the business processes and in the integration of other applications. Again, this shows what a big leap it is to move from a legacy environment where all processes were settled and supplemented by other applications as needed. The concerns are understandable because changes are always difficult to implement. However, it is important not to lose sight of the fact that it is precisely these settled processes that are often the reason why companies are unable to adapt to changing requirements.

**What are the key challenges faced by your company/organization when it comes to SAP S/4HANA migration?**

■ Agree   ■ Strongly agree
Total

| Challenge | Agree | Strongly agree |
|---|---|---|
| Current SAP S/4HANA versions do not meet our requirements in terms of functionality | 31% | 10% |
| Lack of internal resources to prepare for or carry out the migration | 34% | 12% |
| Lack of support and information from SAP | 26% | 11% |
| Lack of communication by the implementation partner | 34% | 8% |
| Lack of experienced external consultants | 33% | 12% |
| Migration costs | 39% | 17% |
| High degree of customization required | 43% | 14% |
| Disruption to business processes | 38% | 13% |
| Integration issues with other business applications | 38% | 13% |
| Low acceptance by S/4HANA users | 29% | 11% |

("Disagree" and "strongly disagree" and "undecided" not shown)
Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings       © PAC 2023

Fig. 8:  The main challenges of migration

# WHAT PROCESS CHANGES DO SAP CUSTOMERS EXPECT?

Given the expected cost and complexity, those responsible for the migration must justify to senior management a project that will keep the IT department busy for months and cost the company a lot of money, even though no functional gain is expected.

In order to nonetheless derive added value from the SAP S/4HANA migration, many (about 4 out of 10 respondents) want to connect the technical migration with a redesign of their process landscape. In other words,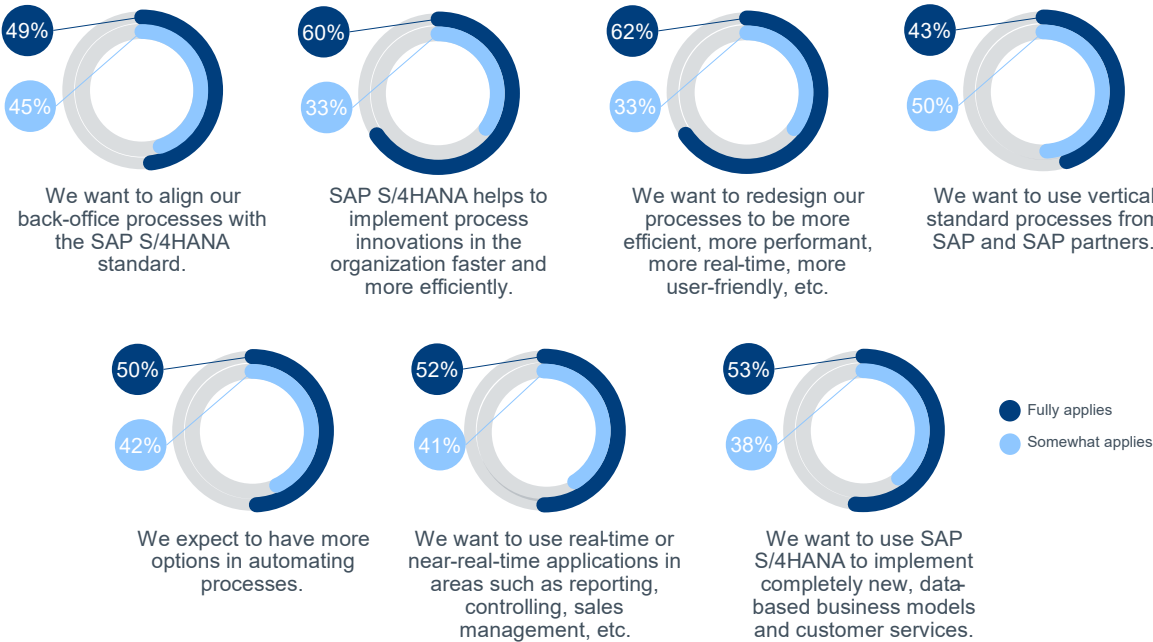 they are aiming for a transformation of their process landscape. In this way, they are following the argumentation of SAP, which has never marketed the SAP S/4HANA migration as a functional upgrade, but has always emphasized that the new ERP environment opens the door to digital transformation and innovation.

**What changes to your organization-wide business processes are you aiming for with the help of SAP S/4HANA migration? Do the following statements fully apply, somewhat apply, or not apply at all?**



| | |
|---|---|
| 49% / 45% — We want to align our back-office processes with the SAP S/4HANA standard. | 60% / 33% — SAP S/4HANA helps to implement process innovations in the organization faster and more efficiently. |
| 62% / 33% — We want to redesign our processes to be more efficient, more performant, more real-time, more user-friendly, etc. | 43% / 50% — We want to use vertical standard processes from SAP and SAP partners. |
| 50% / 42% — We expect to have more options in automating processes. | 52% / 41% — We want to use real-time or near-real-time applications in areas such as reporting, controlling, sales management, etc. |
| 53% / 38% — We want to use SAP S/4HANA to implement completely new, data-based business models and customer services. | ● Fully applies   ● Somewhat applies |

Breakdown of responses from organzations that (plan to) use SAP S/4HANA migration to redesign and standardize processes, in % (n = 202), excl. missings; © PAC 2023

Fig. 9: Intended changes in business processes

Since the core tasks in ERP-typical departments such as finance and controlling do not differ greatly from company to company and industry to industry, SAP has implemented some standard processes in the SAP S/4HANA core. SAP S/4HANA customers can adopt them as best practice and adapt their organizational workflows accordingly; just under half (49%) of the respondents are absolutely convinced of this approach.

However, the greatest interest is in using the SAP S/4HANA migration to better prepare one's own organization to quickly adapt to new, innovative, and efficient processes (60% said this was fully true) and to make processes more performant, real-time, and user-friendly (62%). These results underscore an earlier statement from participants that for many, the main motivation for SAP S/4HANA migration is dissatisfaction with the current application landscape.

Companies also tend not to rely as much on the expertise of SAP and its partners when implementing vertical processes. Although 43% of respondents said they have implemented or plan to implement vertical standards from the SAP ecosystem, this is the weakest value surveyed. Apparently, many companies prefer individual side-by-side extensions to implement their individual processes instead of preconfigured solutions for implementing business critical processes.

# EXAMINING THE PROVIDER RELATIONSHIP: TRUST AND EXPERTISE ARE CRUCIAL

## HOW DO CUSTOMERS SELECT THEIR SERVICE PROVIDER?

Service providers are of central importance for the implementation of SAP S/4HANA projects because they have the necessary capacities and experienced staff to lead the projects to success. We did not explicitly query whether companies also tackle an SAP S/4HANA migration project without external help. In any case, we have never heard of such a case and do not think it makes sense.

**When selecting a migration services partner for S/4HANA, are the following aspects extremely important, fairly important , somewhat important, or not important at all to your company/organization?**
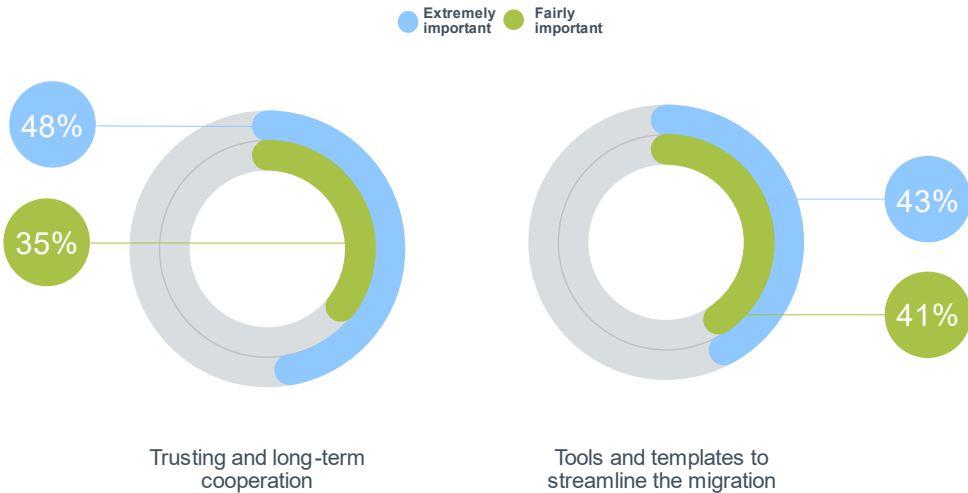


Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings, © PAC 2023

Fig. 10: Criteria for the selection of a service provider

Service providers can bring some added value to a project. They usually employ SAP-trained and certified consultants who know the current SAP S/4HANA editions, licensing model, products, development environments, and integration tools. Good providers can also bring experience from other projects, ideally from comparable vertical projects. If necessary, they can also look beyond SAP to integrate other solutions into an SAP S/4HANA environment.

There are a number of criteria that companies use to select their provider, but according to the results of our survey, they rely primarily on the provider with whom they have had a long and trusting business relationship. 83% of respondents said this criterion was extremely or fairly important to them.

Tools and templates are of slightly greater importance, with 84% of respondents saying this is extremely or fairly important to them. This need fits in with other findings of this study, as respondents have previously clearly expressed that migration costs and the complexity of the S/4HANA migration is a major challenge. It is presumably the expectation of the participants that tools and templates can help lead the project to success faster and more efficiently.

## WHAT MAKES CLIENTS STICK WITH THEIR SERVICE PROVIDER?

Nevertheless, the decisive factor for customer satisfaction with their service provider is and remains the staff, and the evaluation of the service provider is impacted quite significantly by the quality of their consultants and experts. When asked why customers are satisfied with their current provider and will continue to choose the long-standing and trusted provider for future projects such as the SAP S/4HANA conversion, 51% of respondents said that the high level of expertise of the consultants was the decisive factor, followed by 42% of respondents who particularly value the innovative ideas regarding the use of modern technologies at their current provider. Overall, therefore, it is clear that the consulting business is still a people business.

**Why would your company/organization stick with the current migration partner? Which of the following statements apply?**

**51%**
High skill level of the consultants

**42%**
Innovative ideas regarding the use of technology
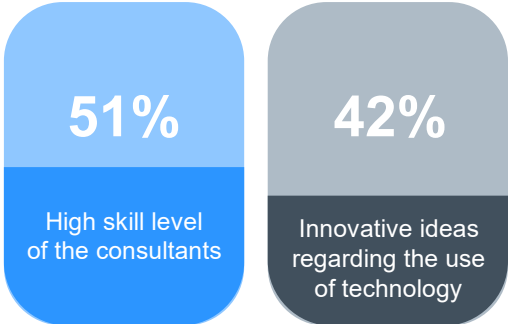
Breakdown of responses from organzations that stick with the migration partner, in % (n = 254), excl. missings, © PAC 2023

Fig. 11: Why do customers remain loyal to their service providers?

# DIGRESSION: BUSINESS TECHNOLOGY PLATFORM

The low adoption rate for SAP's Business Technology Platform is a surprise in this survey. Since the launch of the platform in January 2021, SAP has promoted the BTP as a central integration and development platform in the SAP community – with limited success so far, it seems. BTP is often criticized by customers for being powerful and expensive because BTP is actually an umbrella for various SAP products.

The individual function blocks of the BTP are used to varying degrees. The greatest interest is in integrated data management (96% of respondents plan to invest heavily or some) followed by application development and integration capabilities (91%). This is understandable as SAP is strongly represented in both segments, with the HANA database or with an ABAP-oriented development environment, for example. On the other hand, SAP faces strong competition in the analytics segment (from Microsoft, for example) – and SAP is actually not much of a pioneer when it comes to innovation, but must rely on the contribution of its technology partners.

**In which of the following BTP areas has your company/organization already invested or plans to invest heavily, somewhat, or not at all within the next two years?**

■ Heavy investments    ■ Some investments

| | Total | |
|---|---|---|
| Database and data management (e.g., HANA, SAP Data Intelligence, Master Data Governance) | 25% | 71% |
| Analytics (e.g., SAP Analytics Cloud, SAP Data Warehouse Cloud, SAP Datasphere, SAP BPC, SAP BW/4HANA) | 30% | 56% |
| Application development and integration (SAP Integration Suite, SAP BUILD, SAP Extension Suite, SAP Process Orchestration, SAP Process Automation) | 28% | 63% |
| Intelligent technologies (SAP Intelligent Robotic Process Automation, SAP Conversational AI, SAP IoT, etc.) | 30% | 53% |

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("No investments" not shown)
Breakdown of responses from organzations that use or plan to use SAP's BTP, in % (n = 175), excl. missings

Fig. 12: The use of BTP components

# METHODOLOGY

The results of this study are based on an online survey of executives from large and medium sized companies in Europe.

All respondents have an influence on the decision-making process for an SAP project. Half of the respondents hold a senior position in the IT department and can evaluate the migration from an IT perspective, such as the deployment model, application architecture, and integration capabilities. The other half of the respondents hold a management position in the business departments and can therefore evaluate the SAP environment from the perspective of the users and the affected business processes.

The field research was undertaken during the second quarter of 2023 and included participants from four major industry sectors: manufacturing (including automotive production – ca. 40% of respondents); services, transport, and utilities (ca. 35%), retail and wholesale (15%), and public sector and healthcare (10%).

### By country/region



Respondents
101
50

### By department affiliation



- CEO/member of the board
- Human resources
- Governance, risk, and compliance (GRC), risk management, sustainability
- Customer service and marketing
- Procurement
- Supply chain management (SCM) and logistics
- Sales and customer relationship management (CRM)
- Finance and controlling
- Production and operations

### By industry group



- 10%, Public sector and healthcare
- 15%, Retail and wholesale (incl. e-commerce)
- 40%, Manufacturing
- 35%, Services, transport, and utilities

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### By company size



- 5,000 or more employees
- 2,500 to < 5,000 employees
- 1,000 to <2,500 employees

Fig. 13: Methodology

# APPENDIX: FIGURES & CHARTS

## FIGURES & CHARTS ON THE STATUS OF SAP S/4HANA MIGRATION

### Which of the following statements best describes your company/organization's status quo with regard to SAP S/4HANA?

Total

| Statement | % |
|---|---|
| We have migrated all our essential systems to SAP S/4HANA. | 35% |
| We are deploying SAP S/4HANA right now. | 12% |
| We are planning to migrate to SAP S/4HANA. | 39% |
| We are currently discussing the migration to SAP S/4HANA. | 10% |
| We will stick to our legacy SAP environment for the time being. | 4% |
| We will replace our SAP environment with an alternative ERP solution. | 0% |
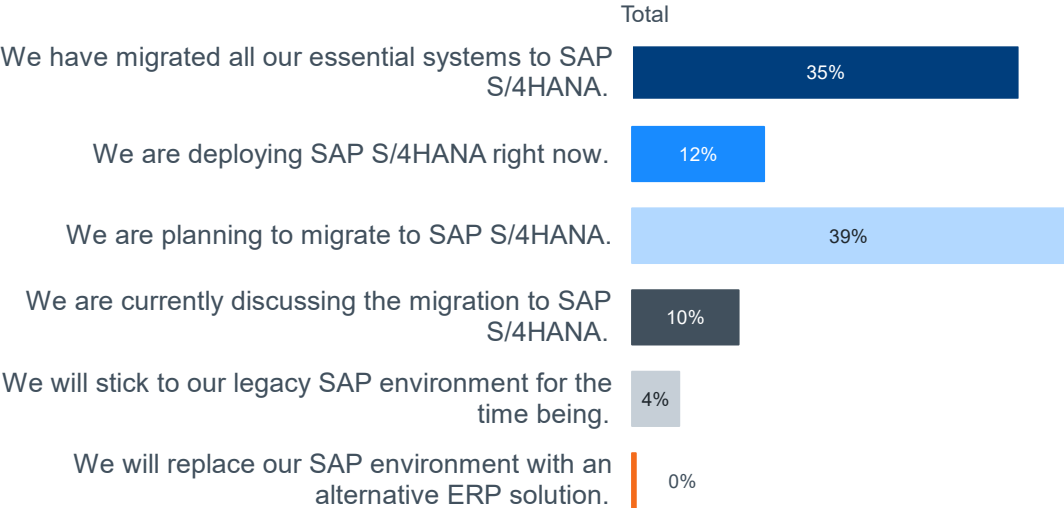
Breakdown of responses, in % (n = 562)   © PAC 2023

### We are planning to migrate to SAP S/4HANA…

Total

| | % |
|---|---|
| ...within the next 12 months | 30% |
| ...within the next 24 months | 32% |
| ...by 2027 (end of standard maintenance for SAP ECC) | 35% |
| ...after 2027 | 4% |
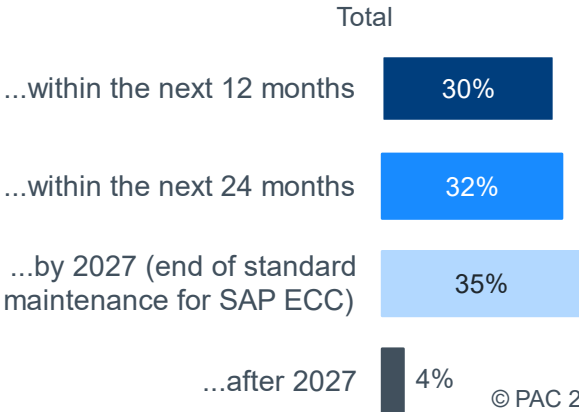
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Breakdown of responses from organzations that are planning to migrate to SAP S/4HANA, in % (n = 219), excl. missings

## Which of the following statements best describes the main reason for your company/organization to migrate to S/4HANA?

**46%**
Our legacy application landscape no longer meets our requirements in terms of cost flexibility, agility, innovation, and digitalization.

**29%**
SAP is phasing out the standard maintenance of SAP ECC.

**17%**
Stakeholders such as customers and suppliers are urging us to offer new experiences and services.

**7%**
Organizational reasons such as a merger, acquisition, carveout, etc.
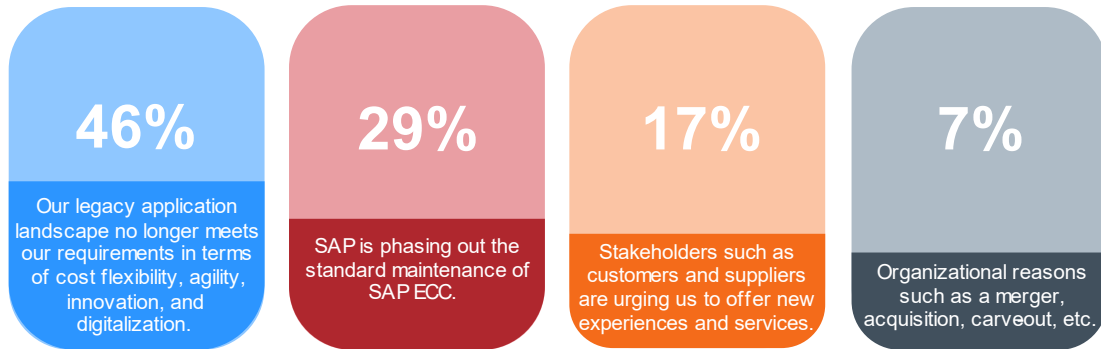
Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings © PAC 2023

## On a scale from 1 (no impacts) to 5 (significant impacts), what benefits or impacts is your organization experiencing or expecting from the migration to SAP S/4HANA?

■ Some impacts   ■ Strong impacts   ■ Significant impacts

Total

| | Some impacts | Strong impacts | Significant impacts |
|---|---|---|---|
| Cost reduction | 26% | 36% | 26% |
| Simplified license management | 31% | 38% | 16% |
| Cloudification of our organization-wide business application landscape | 27% | 33% | 28% |
| Consolidation of our legacy SAP landscape | 26% | 41% | 23% |
| Standardization of the SAP core (upgrade capability) | 25% | 37% | 27% |
| Modern SAP and business application landscape in terms of usability, extensibility, flexibility, etc. | 20% | 37% | 32% |
| Harmonization of organization-wide master data management and data cleansing | 24% | 40% | 25% |
| Simple and fast access to innovative technologies (IoT, AI, ML, predictive analytics) | 24% | 36% | 29% |
| Automation of business processes | 19% | 37% | 31% |

("No impacts" and "limited impacts" not shown)
Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings

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# FIGURES & CHARTS ON CLOUD USAGE

## Which of the following editions is the main SAP S/4HANA solution in your company/organization that you have selected or are going to select?



RISE with SAP S/4HANA Cloud, public edition 5%

Not decided 1%

RISE with SAP S/4HANA Cloud, private edition 7%

RISE with SAP S/4HANA Cloud, public edition 12%

SAP S/4HANA Cloud, public edition 31%

SAP S/4HANA On-Premise 25%

SAP S/4HANA Cloud, private edition 18%

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## Which deployment model have you chosen or are you going to choose for the leading SAP S/4HANA solution in your company/organization?

Total



In-house operation (own data center) — 44%

Hosted private cloud (e.g., from a services provider) — 47%

Public cloud IaaS/hyperscaler — 9%  © PAC 2023

Breakdown of responses from organzations that have a private cloud or on-premise edition as main SAP S/4HANA solution, in % (n = 267), excl. missings

## Which of the following public cloud IaaS/hyperscale solutions have you adopted or are you going to adopt?

| 50% | 25% | 13% | 8% | 4% |
|---|---|---|---|---|
| AWS | Microsoft Azure | Google Cloud Platform | IBM | others |
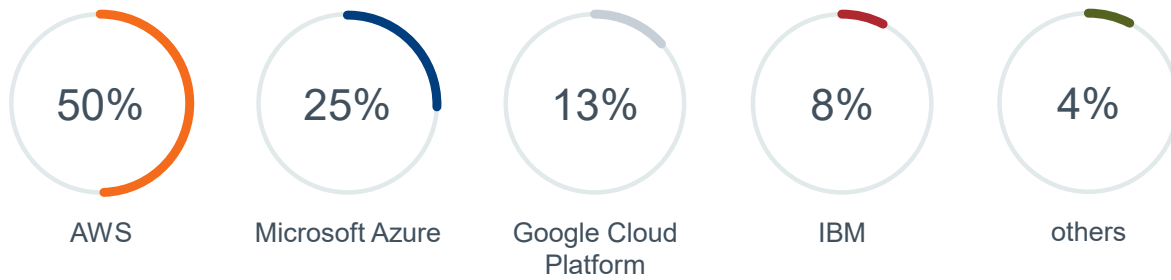
Breakdown of responses from organzations that prefer a public cloud IaaS/hyperscaler, in % (n = 24), excl. missings

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## FIGURES & CHARTS ON THE SAP S/4HANA MIGRATION PROJECT

### Which of the following migration approaches has your company/organization adopted for the migration to SAP S/4HANA?

| 44% | 30% | 25% |
|---|---|---|
| Greenfield approach | Mixed approach | Brownfield approach |
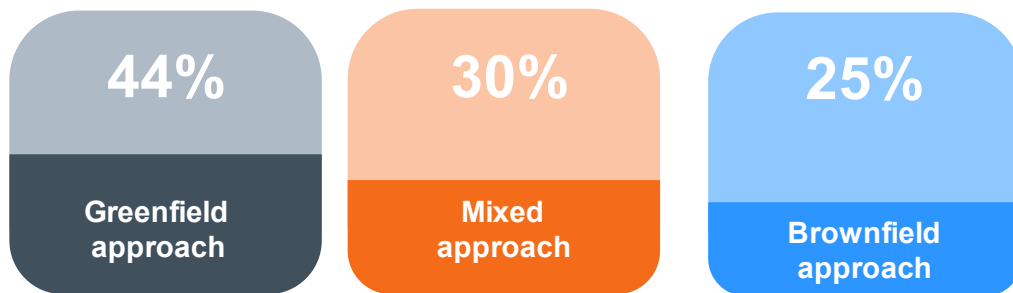
Breakdown of responses from organizations that have a private cloud or on-premise edition as main SAP S/4HANA solution, in % (n = 267), excl. missings, © PAC 2023

### What are the key challenges faced by your company/organization when it comes to SAP S/4HANA migration?

■ Agree    ■ Strongly agree

Total

| Challenge | Agree | Strongly agree |
|---|---|---|
| Current SAP S/4HANA versions do not meet our requirements in terms of functionality | 31% | 10% |
| Lack of internal resources to prepare for or carry out the migration | 34% | 12% |
| Lack of support and information from SAP | 26% | 11% |
| Lack of communication by the implementation partner | 34% | 8% |
| Lack of experienced external consultants | 33% | 12% |
| Migration costs | 39% | 17% |
| High degree of customization required | 43% | 14% |
| Disruption to business processes | 38% | 13% |
| Integration issues with other business applications | 38% | 13% |
| Low acceptance by S/4HANA users | 29% | 11% |
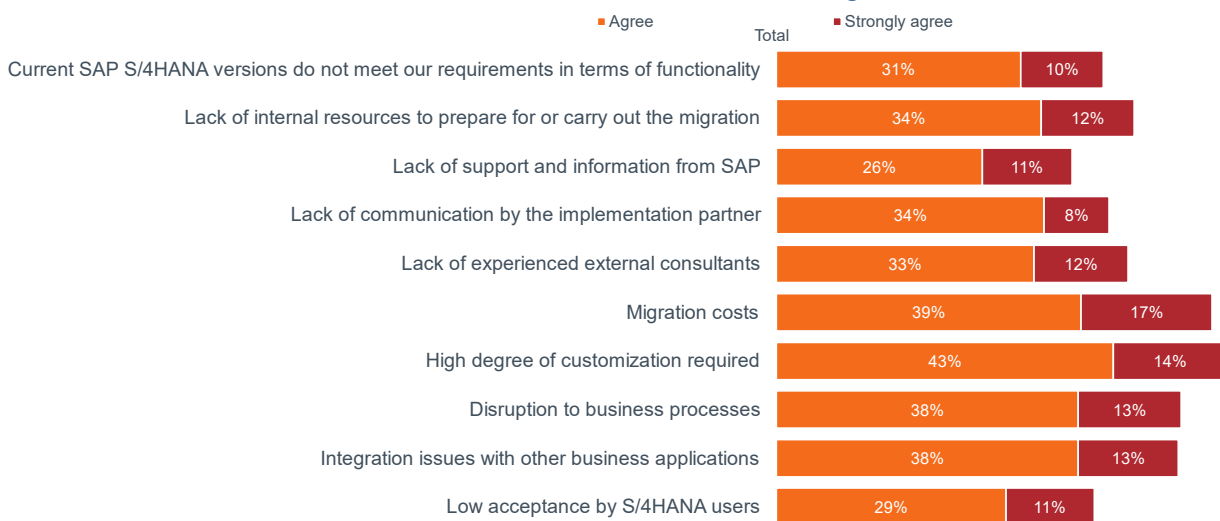
("Disagree" and "strongly disagree" and "undecided" not shown)
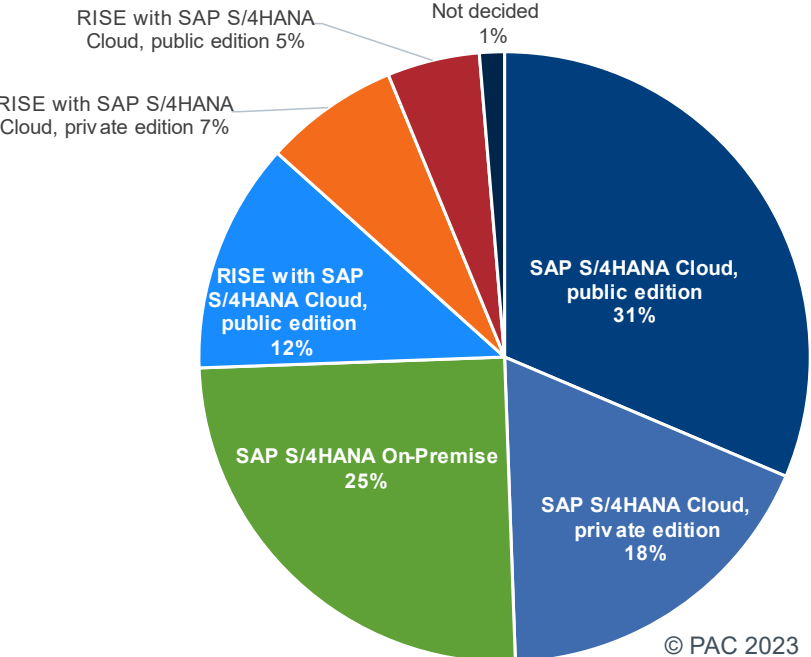
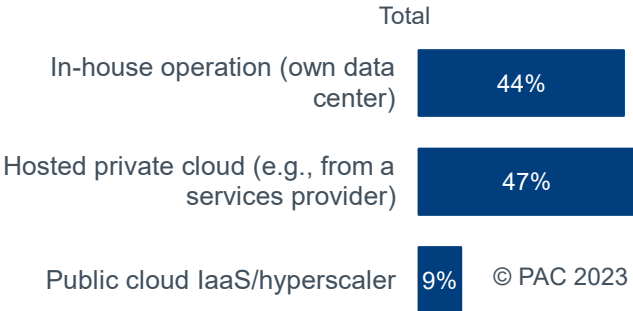Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings    © PAC 2023
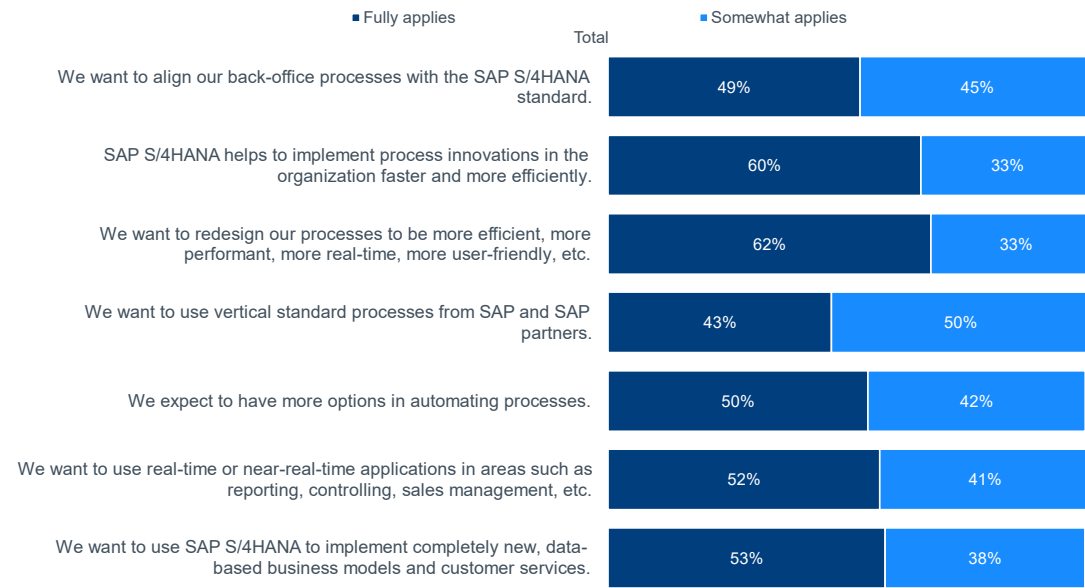
# FIGURES & CHARTS ON BUSINESS PROCESS MODERNIZATION

**What changes to your organization-wide business processes are you aiming for with the help of SAP S/4HANA migration? Do the following statements fully apply, somewhat apply, or not apply at all?**
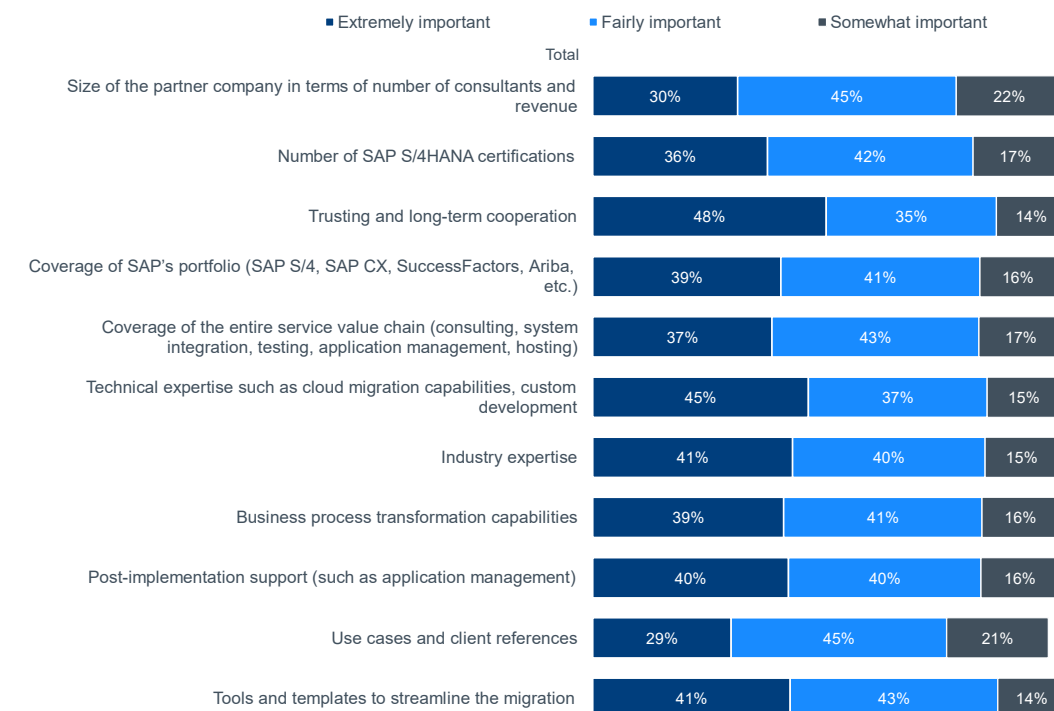
■ Fully applies          ■ Somewhat applies

Total

| Statement | Fully applies | Somewhat applies |
|---|---|---|
| We want to align our back-office processes with the SAP S/4HANA standard. | 49% | 45% |
| SAP S/4HANA helps to implement process innovations in the organization faster and more efficiently. | 60% | 33% |
| We want to redesign our processes to be more efficient, more performant, more real-time, more user-friendly, etc. | 62% | 33% |
| We want to use vertical standard processes from SAP and SAP partners. | 43% | 50% |
| We expect to have more options in automating processes. | 50% | 42% |
| We want to use real-time or near-real-time applications in areas such as reporting, controlling, sales management, etc. | 52% | 41% |
| We want to use SAP S/4HANA to implement completely new, data-based business models and customer services. | 53% | 38% |

("Not integrated yet and not planned" not shown)          © PAC 2023
Breakdown of responses from organzations that (plan to) use SAP S/4HANA migration to redesign and standardize processes, in % (n = 202), excl. missings

# FIGURES & CHARTS ON SERVICE PROVIDER SELECTION

**When selecting a migration services partner for S/4HANA, are the following aspects extremely important, fairly important, somewhat important, or not important at all to your company/organization?**

■ Extremely important          ■ Fairly important          ■ Somewhat important

Total

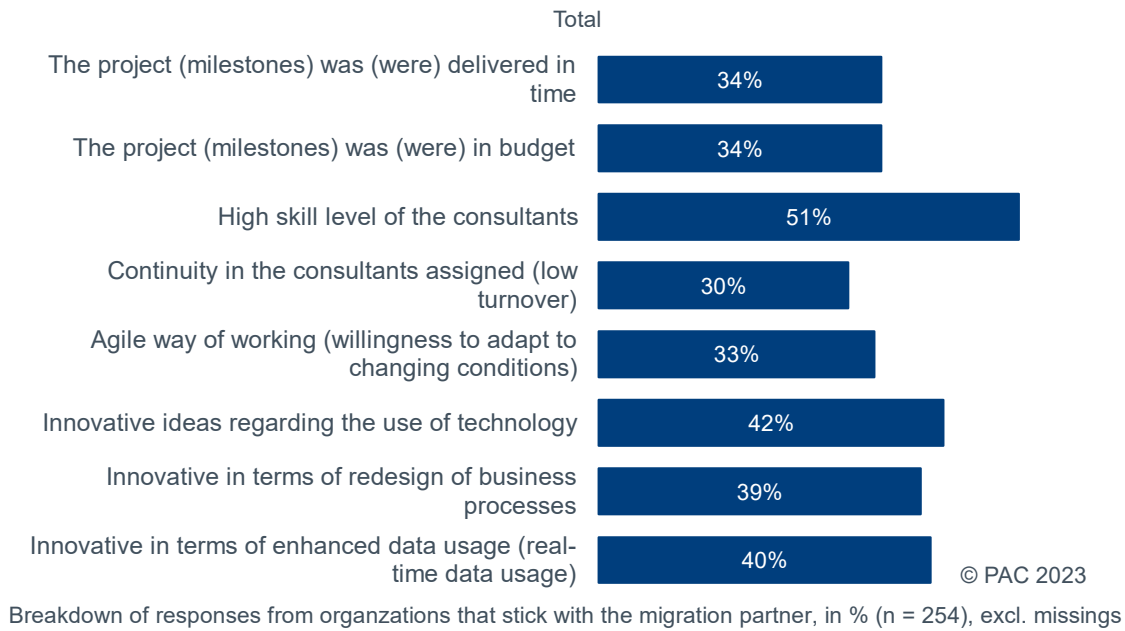| Aspect | Extremely important | Fairly important | Somewhat important |
|---|---|---|---|
| Size of the partner company in terms of number of consultants and revenue | 30% | 45% | 22% |
| Number of SAP S/4HANA certifications | 36% | 42% | 17% |
| Trusting and long-term cooperation | 48% | 35% | 14% |
| Coverage of SAP's portfolio (SAP S/4, SAP CX, SuccessFactors, Ariba, etc.) | 39% | 41% | 16% |
| Coverage of the entire service value chain (consulting, system integration, testing, application management, hosting) | 37% | 43% | 17% |
| Technical expertise such as cloud migration capabilities, custom development | 45% | 37% | 15% |
| Industry expertise | 41% | 40% | 15% |
| Business process transformation capabilities | 39% | 41% | 16% |
| Post-implementation support (such as application management) | 40% | 40% | 16% |
| Use cases and client references | 29% | 45% | 21% |
| Tools and templates to streamline the migration | 41% | 43% | 14% |

("Not important at all" not shown)          © PAC 2023
Breakdown of responses from organzations that are at least discussing the migration to SAP S/4HANA, in % (n = 536), excl. missings

## Why would your company/organization stick with the current migration partner? Which of the following statements apply?
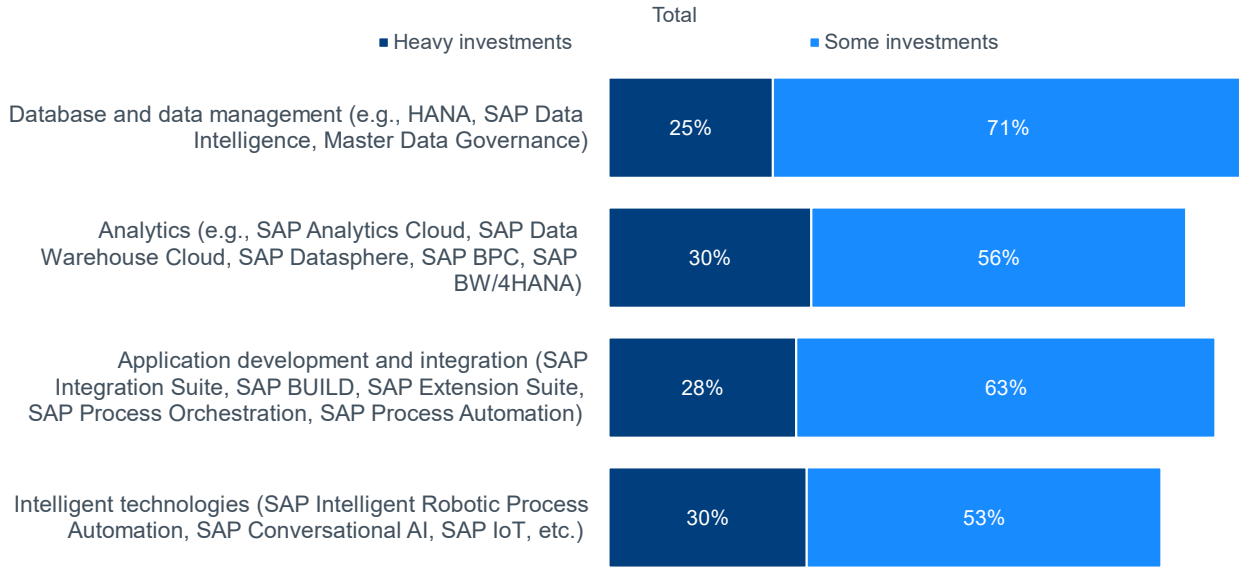
Total

| Statement | % |
|---|---|
| The project (milestones) was (were) delivered in time | 34% |
| The project (milestones) was (were) in budget | 34% |
| High skill level of the consultants | 51% |
| Continuity in the consultants assigned (low turnover) | 30% |
| Agile way of working (willingness to adapt to changing conditions) | 33% |
| Innovative ideas regarding the use of technology | 42% |
| Innovative in terms of redesign of business processes | 39% |
| Innovative in terms of enhanced data usage (real-time data usage) | 40% |

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Breakdown of responses from organzations that stick with the migration partner, in % (n = 254), excl. missings

## FIGURES & CHARTS ON THE BUSINESS TECHNOLOGY PLATFORM USE

### Is your company/organization planning to use SAP's Business Technology Platform within the next two years?
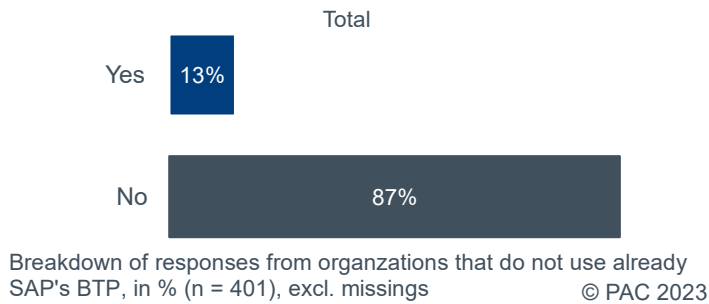
Total

| | % |
|---|---|
| Yes | 13% |
| No | 87% |

Breakdown of responses from organzations that do not use already SAP's BTP, in % (n = 401), excl. missings
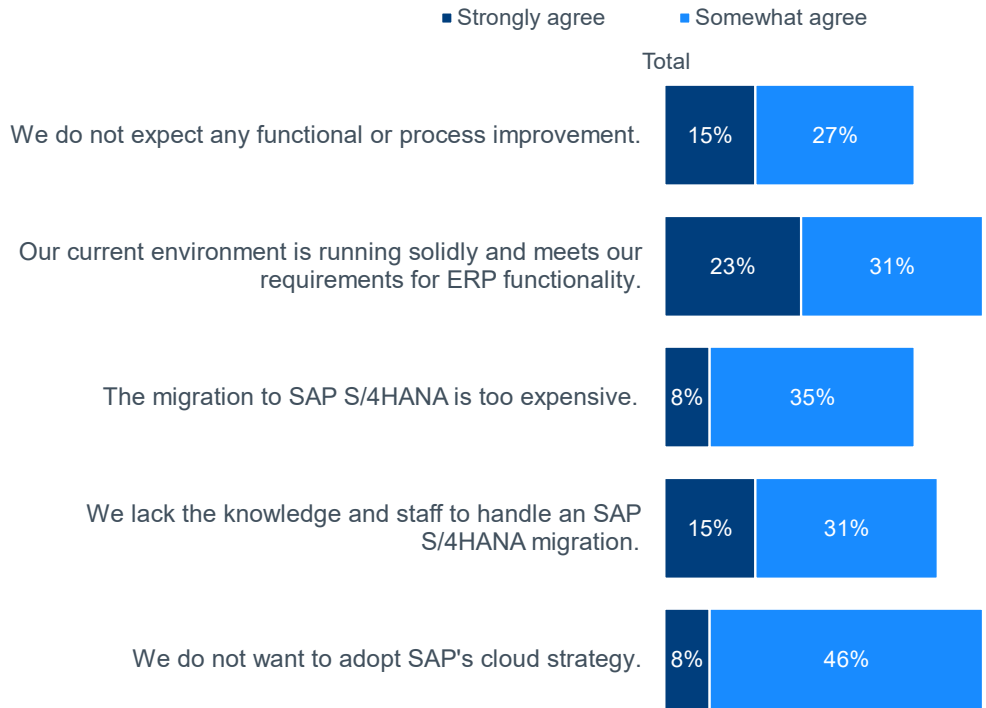
© PAC 2023

## In which of the following BTP areas has your company/organization already invested or plans to invest heavily, somewhat, or not at all within the next two years?

Total

■ Heavy investments     ■ Some investments

| | Heavy | Some |
|---|---|---|
| Database and data management (e.g., HANA, SAP Data Intelligence, Master Data Governance) | 25% | 71% |
| Analytics (e.g., SAP Analytics Cloud, SAP Data Warehouse Cloud, SAP Datasphere, SAP BPC, SAP BW/4HANA) | 30% | 56% |
| Application development and integration (SAP Integration Suite, SAP BUILD, SAP Extension Suite, SAP Process Orchestration, SAP Process Automation) | 28% | 63% |
| Intelligent technologies (SAP Intelligent Robotic Process Automation, SAP Conversational AI, SAP IoT, etc.) | 30% | 53% |

("No investments" not shown)
Breakdown of responses from organzations that use or plan to use SAP's BTP, in % (n = 175), excl. missings     © PAC 2023

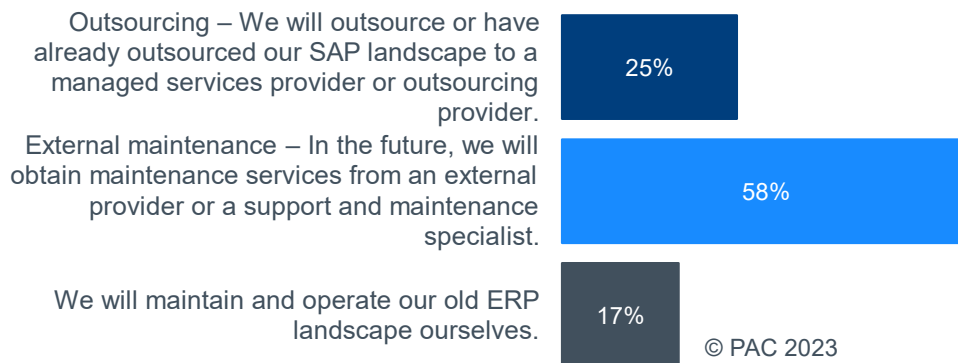## FIGURES & CHARTS ON WHY CUSTOMERS DO NOT MIGRATE TO SAP S/4HANA

### What is the reason why you will not migrate to SAP S/4HANA? Please rate the level of agreement with the following statements.

■ Strongly agree     ■ Somewhat agree

Total

| | Strongly agree | Somewhat agree |
|---|---|---|
| We do not expect any functional or process improvement. | 15% | 27% |
| Our current environment is running solidly and meets our requirements for ERP functionality. | 23% | 31% |
| The migration to SAP S/4HANA is too expensive. | 8% | 35% |
| We lack the knowledge and staff to handle an SAP S/4HANA migration. | 15% | 31% |
| We do not want to adopt SAP's cloud strategy. | 8% | 46% |

("Disagree" and "strongly disagree" and "neither agree nor disagree" not shown)     © PAC 2023
Breakdown of responses from organzations that do not migrate to S/4HANA, in % (n = 26), excl. missings

## How are you going to ensure the operation of the old SAP ERP landscape in the long run? Which of the following options apply to your company/organization?

Total

| | |
|---|---|
| Outsourcing – We will outsource or have already outsourced our SAP landscape to a managed services provider or outsourcing provider. | 25% |
| External maintenance – In the future, we will obtain maintenance services from an external provider or a support and maintenance specialist. | 58% |
| We will maintain and operate our old ERP landscape ourselves. | 17% |

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Breakdown of responses from organzations that stick to the legacy SAP environment, in % (n = 24), excl. missings

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**NTT DATA Business Solutions AG**

**Königsbreede 1**
**33605 Bielefeld**
**Germany**

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**PAC**
**Holzstr. 26**
**80469 Munich, Germany**

**Contact:**

info-germany@pacanalyst.com

www.pacanalyst.com
www.sitsi.com