



# SAP S/4HANA Transforms the Business into an Intelligent Enterprise

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## In This InfoBrief

Findings for this InfoBrief are based on an IDC-conducted survey of 300 SAP clients in April 2019, and discussions with SAP S/4HANA and SAP S/4HANA Cloud customers from January through May 2019.

The 300 participants in the IDC survey were IT and line-of-business (LOB) executives from the C-level to the manager level. The participants spanned 10 countries covering three regions, from organizations with 1,000–25,000 employees across a multitude of industries, and either were planning to deploy (73%), have in production (9%), or currently deploy (18%) SAP S/4HANA.

The 30 participants in the IDC interviews spanned manufacturing, consumer products, services, automotive, and retail, including CIOs, CTOs, and LOB leaders.

# Transforming the Business Requires a Strategy

Businesses understand that to compete in today's digital economy, they need to implement a foundation for future innovations.

## How has/will the deployment of SAP S/4HANA impact the following for your organization?



“We needed to simplify our back-office processes and improve our financial reporting processes, so we selected SAP S/4HANA.” —Automotive company

“Our business processes were outdated, our infrastructure outdated, so that was the pivotal point for us to really look at SAP S/4HANA.” —Telecom company

“To be honest, there is no other competitive product out there to SAP S/4HANA. Its features, flexibility, and scalability set it apart. We wanted a platform that could look to the future. It was about being prepared for the future. We wanted to move toward standard and wanted to avoid continued heavy reliance on customized solutions.” —Manufacturing company

# Digital Transformation Is a Strategic Priority

Organizations that are digitally behind are...

**23%** less likely to engage in positive customer experiences

**19%** less likely to monetize the business's return on data-related assets

**8%** less likely to engage in product and service innovation for R&D investments, efficiencies in cycles, and innovation returns

**34%** less focused on creating sustainable digital processes

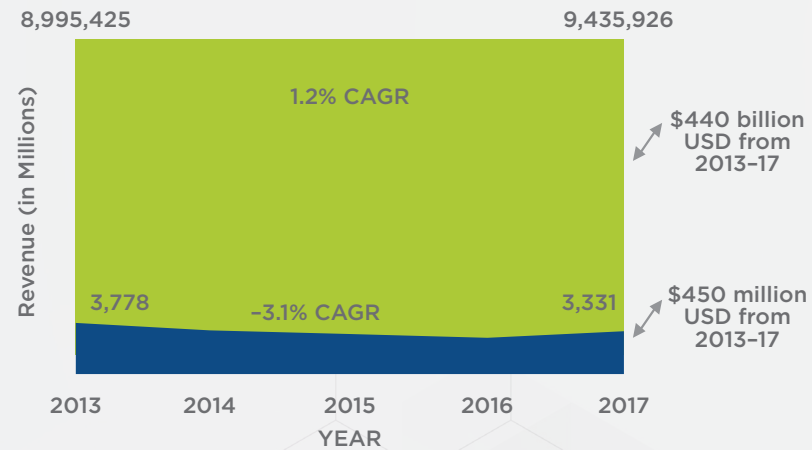
“We developed a road map to align our digital transformation strategy with SAP’s strategy, ultimately making our mutual digital transformation journey a priority for both companies.”  
—Energy company



# Digital Transformation Is a Strategic Priority

Enterprises that place a high value on vendor partnership behaviors tend to have better success modernizing and digitally transforming their organizations.

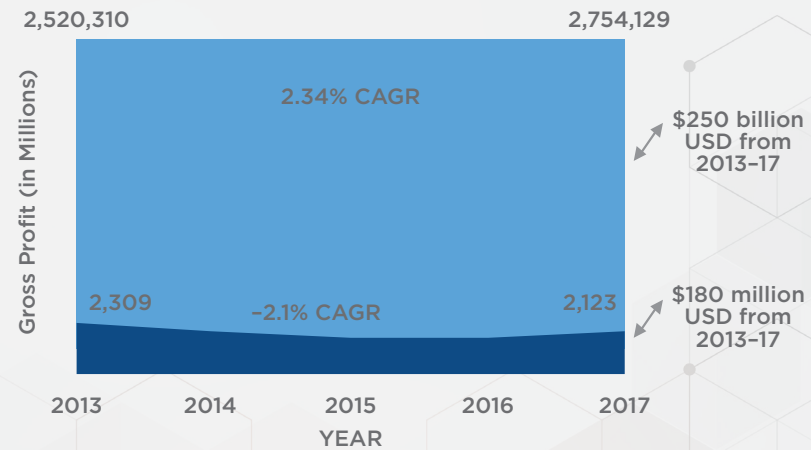
## Revenue Analysis of Digital Transformation



■ Cumulative Revenue (Non Digital)  
■ Cumulative Revenue (Digital)

Source: IDC 2019 N = 402 Global Manufacturers

## Gross Profit Analysis of Digital Transformation



■ Cumulative Gross Profit (Non Digital)  
■ Cumulative Gross Profit (Digital)

Source: IDC 2019 N = 402 Global Manufacturers

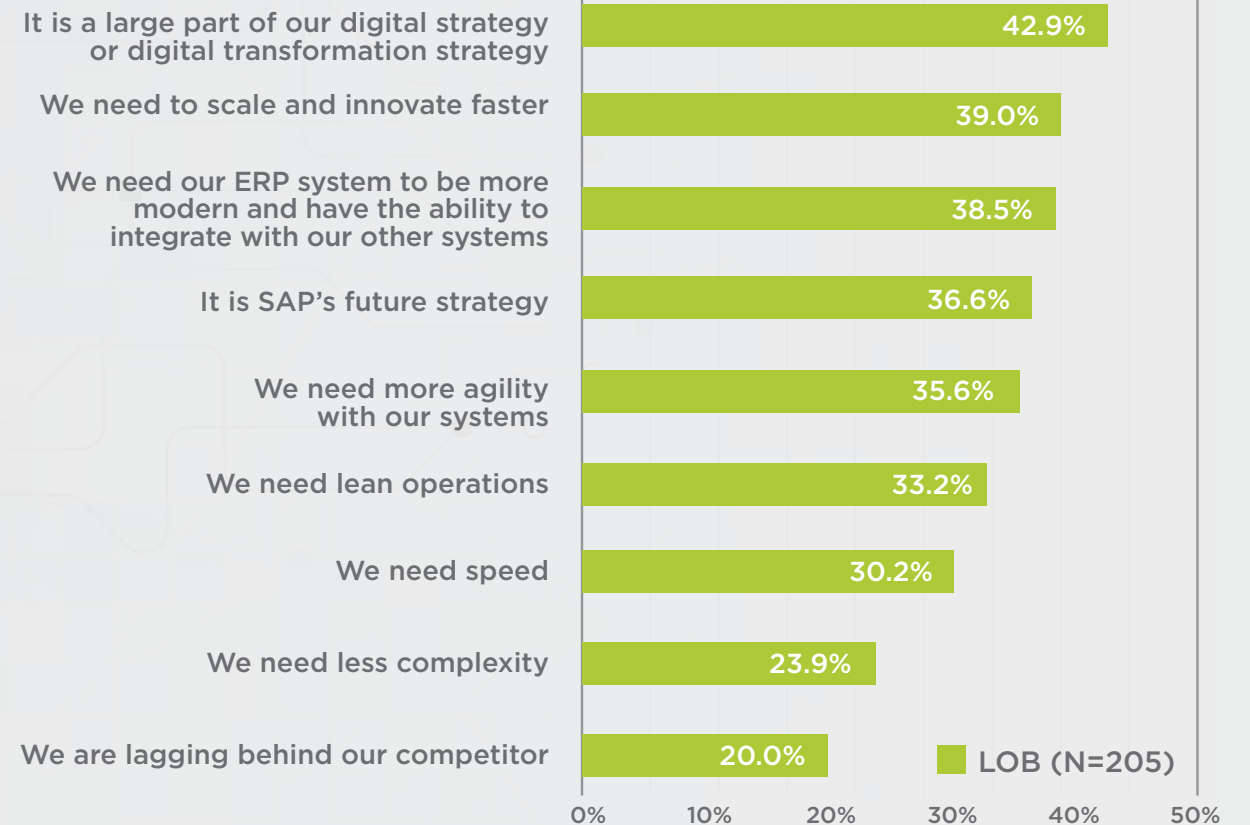
# Businesses Need Digital Transformation and Modern ERP to Scale and Innovate Faster

SAP S/4HANA is helping the business find the benefits it needs quickly.

“Our business has found benefits in optimization, innovation, and agility in a few areas such as mobile workflows and faster, more transparent workflows in payroll and insurance. The business has found efficiencies in all areas, but finance is a huge area.” —Energy company

“We were looking at other things like the embedded analytics or real-time analytics for operational metrics. An improved user interface was an important consideration.” —Construction machinery company

## Why was moving to SAP S/4HANA important to your organization?



# Business Challenges Are Removed with SAP S/4HANA — and Opportunities Increase

Organizations face many challenges as they digitally transform their business to more modern ERP systems:

- Functions within the business have too many disparate technology systems
- Inconsistent data sets exist across the business
- Business processes are only semi-automated
- Batch processing means a lack of real-time information

But when the business makes the move to SAP S/4HANA, the success measures multiply:

- Lower DSO (days sales outstanding)
- Lower DSI (days sales inventory)
- Real-time analytics to make more informed decisions
- Leaner and more productive business
- Centralization of functions to more impactful resources
- Consolidation of back-office operations





# Making the Move to SAP S/4HANA Is a Business Priority

Business issues such as time, speed, and scale slow an organization down, requiring it to change in order to compete. Understanding the issues helps the business make the case for change.

**One real-time data source:** “We were having certain business issues related to finance, such as reconciliation. We had a lot of time spent between reconciling finance and the company, which meant finance was controlling two separate tables.” —**Energy company**

**Data visibility and mobility:** “It goes with the business case for why we went there. The first one was we really didn’t want to develop a data warehouse; we wanted to be able to leverage the benefit of the in-memory database. That was the first part, and the second part was we could have gotten some of the mobility features without moving to S/4HANA, but we thought it would be limited and a lot of work to implement it, so let’s just do it so we get the benefit of the business client Fiori and S/4HANA all together.” —**Consumer products company**

**Modernize for the future:** “Our current ERPs were working fantastic, beyond belief, not so much from a technology perspective but it was running our business today very well. To put that into context, no performance issues, no control issues, no big capability gaps, those kinds of things. The business challenge was, would it run our business of the future? And the answer was NO! So together, our CFO and CIO gave us a challenge: What is the ERP of the future? It was SAP S/4HANA.”

—**Telecom company**

**Partner advantage:** “We were impressed with the quality of manufacturing offerings from SAP partners, and that strengthened our commitment.”

—**Food and beverage company**

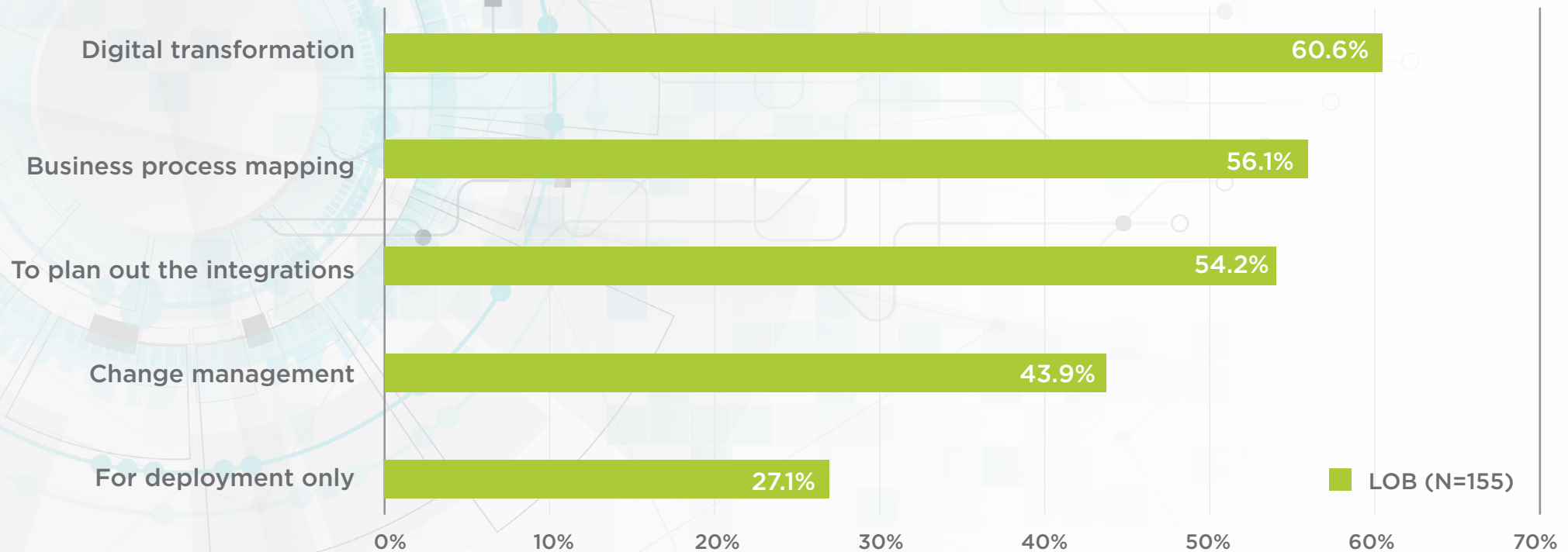


# Top 5 Ways SAP Partners Help

Digital transformation and business process mapping are the most critical.

Organizations utilize SAP partners for a variety of reasons. Modernizing, transformation, and innovation are smoother when SAP and SAP partners come together for the SAP S/4HANA move.

For what parts of the move to SAP S/4HANA did/will your organization use partners?



# The Business Benefits of SAP S/4HANA Are Significant

Moving to new systems can be daunting, but SAP S/4HANA is helping businesses become more agile and digital, as well as bringing more visibility into the entire business, enabling better outcomes.

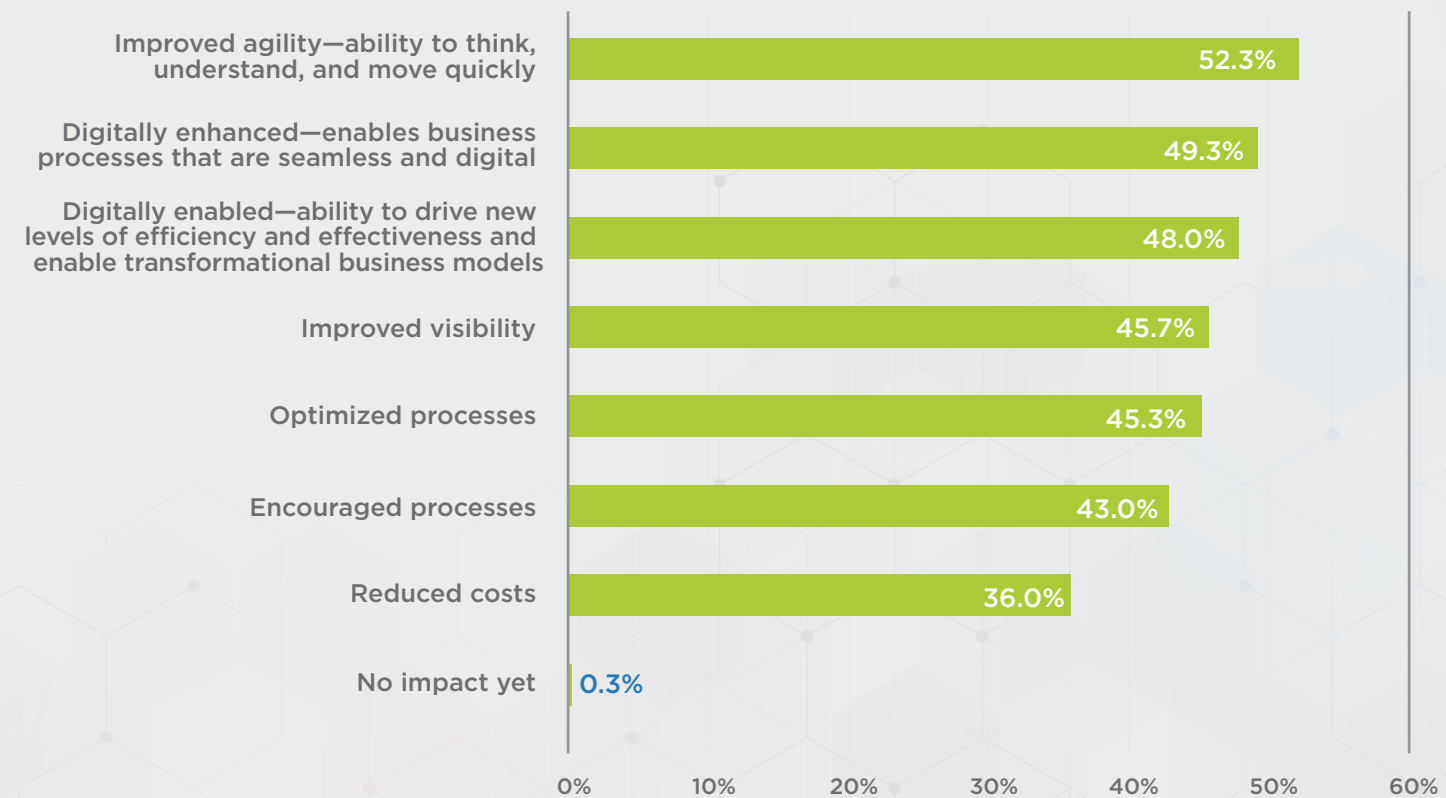
“We decided to go with SAP S/4HANA because we needed to simplify our back-office processes and improve our financial reporting processes.... In particular, we needed to move away from manual processes and standardize on one ERP platform and version.”

—**Manufacturing company**

“Our B2B business is a good way to look at the value of agility: 1% of our \$5 billion in revenue could be due to doing things faster, because a lot of our partners are not wanting to do business with our old systems. Now, we’re more easy to integrate with.”

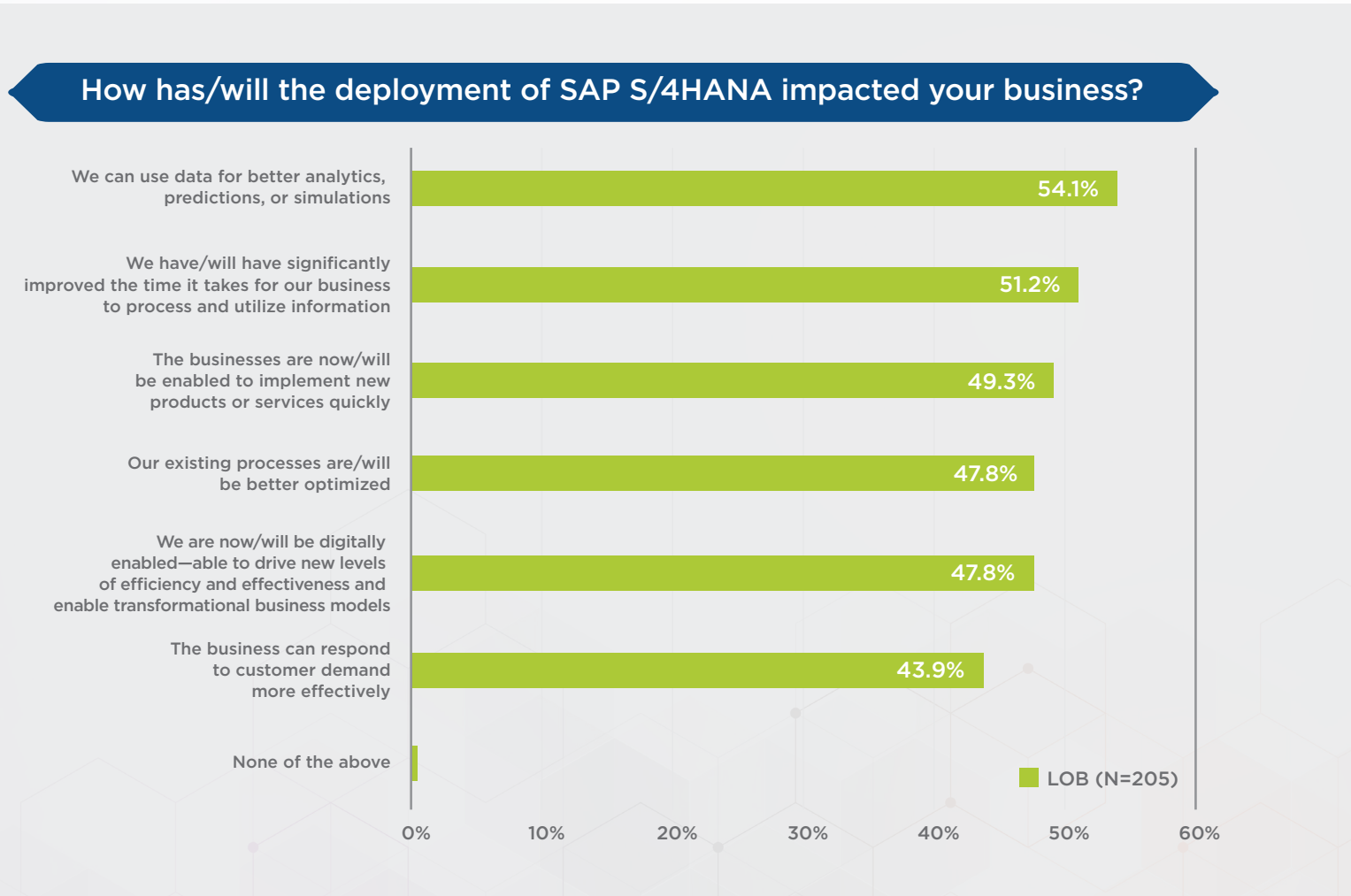
—**Manufacturing company**

## How has/will the move to SAP S/4HANA impacted business outcomes across domains?



# Businesses Now Use Data Better with SAP S/4HANA

Business success measures found in SAP S/4HANA include lower DSO (by 13 days) and DSI. The platform also provides real-time analytics, enables lean operations, centralizes functions, and consolidates back-office operations.



**Reductions and analytics:** “We were hoping it would help reduce the time spent during the month-end closing and the period-end closing. Those were the primary drivers, but in addition we were looking at things like real-time analytics, for example, since SAP S/4HANA supports a lot of the operation analytics, embedded analytics. Now with the merging of all the tables into one table, the process of analyzing the information became much smoother and simpler, and people now see more of the operational metrics online.” —**Midsize medical device manufacturer**



# 91% of SAP Customers Believe SAP S/4HANA Is Making the Business an Intelligent Enterprise

The intelligent enterprise requires a digital platform, digital technologies, and third-platform technology such as big data/analytics and the innovation from artificial intelligence. Organizations moving forward with SAP S/4HANA recognize it as a stepping-stone to their future.



**Intelligent enterprise comes to life:** “The digitization of processes coupled with data brings about a new experience platform from which the intelligent enterprise can come to life.” —**Telecom company**



**Digital transformation is the future:** “SAP has a very stable and robust ERP, but with their road map on digital transformation, we can optimize our processes even more, bringing the digital worker front and center and positioning us for the future.” —**Energy company**



**Application of artificial intelligence (AI) and machine learning:** “What we saw was all the new functionality in SAP, and some of these are related to predictive and AI/machine learning. Many of these things that are coming in the new features and functionalities are related to AI — for example, predicting inventory in the next quarter or next month. All that new feature functionality is enabled in the newer SAP S/4HANA platform. We want to take advantage of these.” —**Manufacturing company**

# Strengths & Challenges for SAP S/4HANA

## STRENGTHS



### In-memory database

SAP S/4HANA has a single in-memory, columnar data model for both transactions and analytics, eliminating redundant data and providing real-time insights. The insights are tied to an AI-powered set of functionalities within ERP to automate routine work and flag exceptions for human action, with a strong commitment to automating half of all ERP activities in the next three years.



### Consistent

SAP S/4HANA has a consistent code line, data model, and user experience for both cloud and on-premise deployments, making it easier and cheaper for companies to manage hybrid scenarios.



### Lower costs mean more competitive and profitable

Companies believe they are better positioned to deal with increased competition with SAP S/4HANA. In particular, one organization noted, “We’ve reduced operational costs by an estimated 20–25%, so we are more profitable.”

## CHALLENGES



### Customer support

Customers interviewed for the *IDC MarketScape: Worldwide SaaS and Cloud-Enabled Operational ERP Applications 2019 Vendor Assessment* report noted that live interaction for customer support is not always available, hurting customer satisfaction. The ticket system in place can make customers a little wary about any critical issues they may experience.



### Implementation

Some customers also indicated that implementation of SAP can be a daunting project if not prepared. A common issue encountered is if there are customizations needed by a customer.



### Perception of cloud

Manufacturers tend to be slower to overcome their fear and hesitation of relying on cloud technology. There is also a general lack of understanding around the nuances of SaaS, including the subscription pricing model, continuous updates versus upgrades, and configuration versus customization. SAP customers listed cloud adoption as a concern for them before adoption, but after adoption they prefer the regular updates to derive more functionality/value.

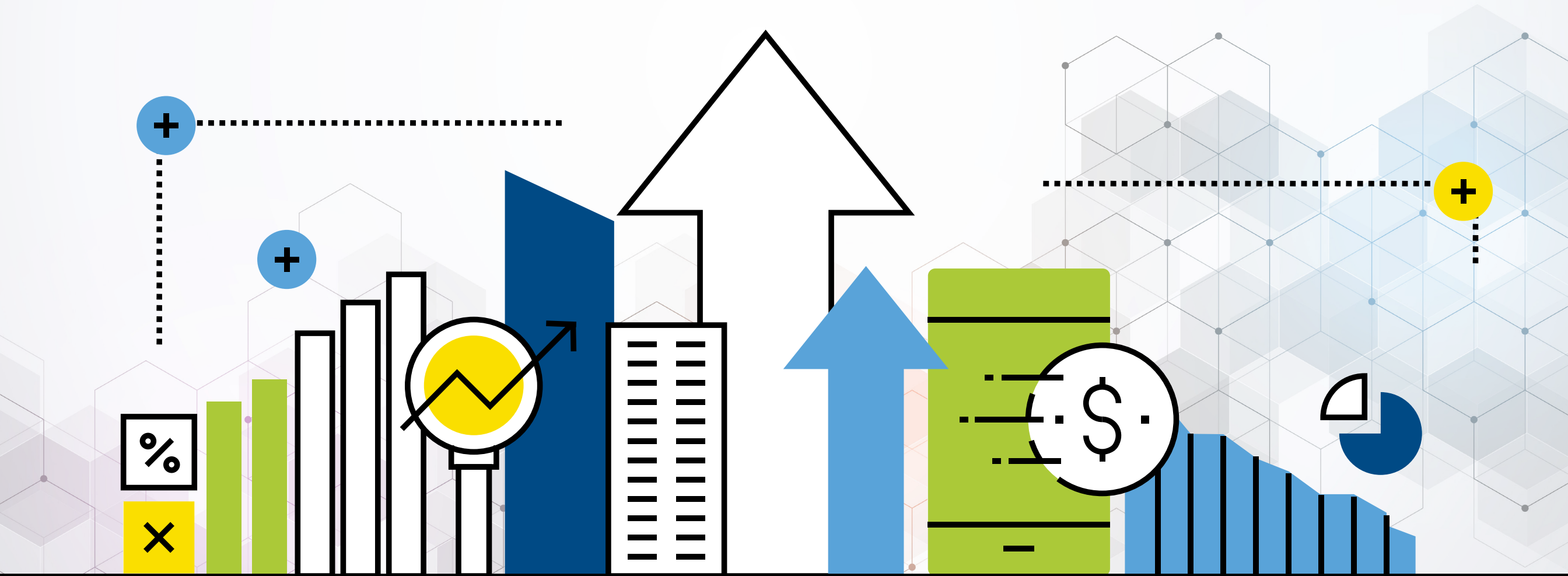


# Message from the Sponsor

As a market leader in enterprise application software, SAP is at the center of today's business and technology revolution. SAP helps streamline your business processes, giving you the ability to use real-time data to predict customer trends across your entire business.

## To learn more about SAP S/4HANA:

- Read [this report](#) to learn more about building the business case for intelligent ERP, and learn about the tools customers are using to successfully move to SAP S/4HANA.



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