Growing Your SAP Business in the Cloud

How SAP Certified Partners Can Leverage Next-Gen Technologies to Enhance Customer Value
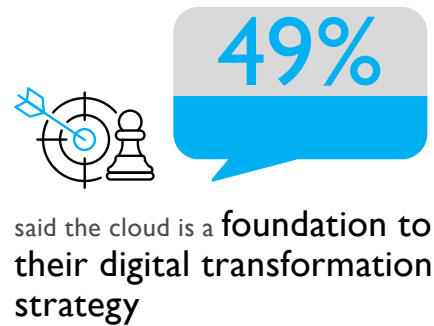
A Frost & Sullivan Executive Brief

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INTRODUCTION

Businesses of every size, in nearly every industry, are reinventing themselves to compete in the digital economy. As part of their "digital transformation" initiatives, they are increasingly exploring how new and disruptive technologies—including Artificial Intelligence (AI), Internet of Things (IoT), and blockchain—can provide a competitive edge in attracting and retaining customers, today and into the future.

To support their new digital business, businesses are turning to the cloud. In a recent Frost & Sullivan survey, 69% of IT decision-makers said the cloud is necessary to support their strategic business goals

But when it comes to leveraging the cloud model for their mission-critical on-premises workloads, such as

64%

said they believe their cloud strategy is **essential to remaining competitive**

49%

said the cloud is a **foundation to their digital transformation strategy**

SAP Business Suite,[1] many IT leaders are hesitant. They believe the business risks are too great, with specific concerns associated with app performance and reliability, integration with other apps, security, compliance/sovereignty, migration, business disruption, and costs. For many years, the concerns have been well-founded: technologies to handle migration, security, and ongoing management of SAP in the cloud have been slow to mature.

As a result, many businesses have simply ignored their critical SAP business workloads in their digital transformation plans. This effectively creates an unbalanced two-tiered IT environment, in which newer but perhaps less critical cloud-native apps enjoy benefits of scalability, speed-to-market, and integration with new technologies—whereas the engines that run business operations remain mired in cumbersome, labor-intensive infrastructure environments.

The untenable situation poses a unique revenue opportunity for SAP certified partners. Such partners, who have already earned the trust of their clients, are able to align SAP deployments with customers' digital transformation initiatives. With the right cloud foundation, SAP partners can move beyond traditional "systems integration" tasks, and launch value-added services that leverage next-generation technologies and innovative solutions that will help customers execute their digital transformation plans and become "intelligent enterprises."

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In this report, we will consider the opportunities for SAP certified partners to expand their customer relationships in the cloud, with a specific focus on integrating next-generation technologies.

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WHY THE TIME IS RIGHT TO EXPAND YOUR SAP BUSINESS IN THE CLOUD

As they launched their cloud strategies over the past decade, businesses have left SAP workloads largely untouched, with plans to tackle them at a later date. For many businesses, that "later date" has arrived. IT leaders are increasingly ready to evaluate deploying SAP in the cloud, with urgency driven by:

The need to innovate: In the digital era, markets and competitors are continually being redefined. Traditional industry participants are challenged and even disrupted by firms leveraging new technologies (such as chatbots) and models (such as "Product-as-a-Service"). To stay relevant, organizations must develop a culture of creativity and innovation. In the Frost & Sullivan survey, 67% of IT decision-makers said it was imperative for IT staff to focus on innovative solutions to business problems. Embracing the latest technologies—such as artificial intelligence, IoT, and blockchain—allows businesses to hire and retain the best IT technicians; who, in turn, can leverage SAP applications to develop new products, new ways of interacting with customers, and new process efficiencies.

Line of Business influence: IT investment is increasingly directed by business decision-makers, whose goals and KPIs are directly or indirectly tied to technology. According to the Frost & Sullivan survey, less than half of businesses rely solely on the IT organization to fund technology purchases. And the business managers whose budget is at stake expect to realize strategic benefits—such as speed to market, agility, data access, and easy integration with other technologies—for all the workloads they use, not just "greenfield" or new applications. As businesses continue on their digital journeys, business users will demand that SAP business processes and data be transformed to yield greater value.

Value of data: Company data—past, current, and yet-to-be-collected—is a gold mine for successful companies. In fact, in a 2016 Frost & Sullivan survey, 53% of CEOs worldwide said that intelligent data analytics was their top driver of growth. Businesses are starting to recognize that their SAP databases can provide a wealth of unique insight, if users and applications can access and analyze it. A range of departments and partners will benefit if SAP databases, on premises and in the cloud, can be accessed by powerful analytics engines.

Drive for IT flexibility: Organizations are taking steps to minimize the time and cost associated with traditional IT maintenance activities. Among IT decision-makers, 64% say a top driver to cloud is to reduce the hardware and software maintenance burden; 61% say they want to increase IT agility. Maintaining traditional SAP deployments may consume IT resources that could be better diverted to more strategic initiatives.

The power of SAP HANA: SAP recently announced that it will discontinue support for the SAP Business Suite with traditional databases in 2025. While the timespan is long, many businesses are accelerating their decision to migrate to SAP S/4HANA, thus enabling them to benefit from the flexible and powerful cloud-based SAP platform immediately.

But the road to becoming an intelligent enterprise can be daunting. While most SAP customers are thinking seriously about migrating to cloud, few businesses have the on-staff resources to evaluate the SAP decision, much less handle the migration timeline on their own. According to a 2017 Frost & Sullivan survey, top areas of concern faced by businesses contemplating an SAP migration include:

- Cloud performance and reliability (cited by 79% of respondents)
- Information security (75%)
- Migration of data and workloads (68%)
- Compliance/governance (67%)
- Data sovereignty (67%)

However, what enterprises perceive as a challenge, SAP certified partners should recognize as an opportunity. Partners can leverage their own expertise and that of their chosen cloud provider to help enterprise clients minimize business risks and gain maximum value from moving SAP to the cloud.

LEVERAGING THE CLOUD FOR BUSINESS GROWTH

By now, most SAP certified partners understand that "the cloud" is more than an alternate place to deploy SAP applications. If you aren't leveraging the full value of the cloud—if you continue to limit your offerings to the same old integration tasks—then you're missing an opportunity to increase revenue and grow your business.

With the right cloud foundation, SAP partners have multiple opportunities to increase revenue, including the following:

Deliver innovative new products: When you utilize the right cloud platform, SAP applications are only the beginning. No longer constrained to custom integration of their customers' workloads, SAP certified partners can quickly and cost-effectively build, replicate, and deploy new software that can add value to multiple clients' deployments.

- Consider integrating analytics and artificial intelligence to enable customers to derive insight from SAP databases, using SAP Leonardo and other market-leading platforms, such as IBM Watson.
- Develop innovative solutions based on new technologies such as IoT and blockchain to meet customer needs (see sidebar for examples of how innovative firms are using these technologies).
- Easily integrate third-party applications and microservices into SAP applications, via APIs and templates available with the cloud platform. This helps you "future-proof" your customers' installations, by enabling them to take advantage of best-in-breed technology from multiple sources.

WHY ARTIFICIAL INTELLIGENCE?

Artificial intelligence (AI) is a broad term encompassing a number of sophisticated analytics functions, including predictive analytics, machine learning, and cognitive compute (which simulates the way people think). As an industry disruptor, AI is the force behind capabilities such as self-driving cars, voice recognition, and facial recognition. However, AI is not just for new business models; it can provide value to nearly every business function, providing business insights that support better decision-making, optimization of processes, and competitive differentiation. Your clients can incorporate AI functionality to automate and streamline processes such as inventory and supply-chain management, quality control, customer experience, and education and training. To help clients incorporate AI into their work processes, you need to rely on an AI-enabled cloud platform with AI tools that can easily access and derive value from SAP databases.

Offer managed and professional services: If you're not already offering these value-added services, now is the time to add them to your portfolio. Frost & Sullivan research shows that 68% of SAP users are planning to engage with a managed cloud service provider for assistance with their SAP installations. Among their greatest needs are:

- Assistance with **SAP workload assessment, migration planning, and migration** to the cloud. SAP certified partners should leverage cloud-based tools to build replicable, consistent processes that will enable clients to proceed with their cloud migration with confidence.
- Ongoing **optimization and management of SAP workloads**. Managed services enable clients to offload labor-intensive management tasks to the partner, who benefits from recurring revenue. Consider adding services such as OS/database management, SAP Basis administration, and SAP application management. Based on the cloud platform on which you deploy, you can offer market-leading SLAs for infrastructure availability and application performance.
- **SAP implementation on SAP S/4HANA**. SAP's decision to withdraw support for the Business Suite with traditional databases by 2025 will drive many customers to explore the cloud-based SAP S/4HANA. However, to date, only 26% of SAP users surveyed by Frost & Sullivan in 2017 have moved to SAP HANA; with another 44% still in planning stages. Customers will require assistance in planning and executing the migration of workloads to SAP S/4HANA with minimal business disruption.

WHY INTERNET OF THINGS?

The Internet of Things (IoT) describes the network of sensor- and communications-enabled devices that collect and transmit data for analysis and processing. Frost & Sullivan predicts that by 2023, more than 45 billion devices will be connected to the IoT worldwide. IoT is streamlining business processes, including asset management, inventory management, fleet management, and product development. Coupled with artificial intelligence, IoT is disrupting industries including automotive (smart cars, connected vehicles); manufacturing (smart factories); utilities (power grid optimization); emergency management (environmental sensing); and public sector (traffic management). But IoT is more than connecting sensor-equipped devices to the public internet. It requires the right cloud platform, one that is designed to securely handle ingest, processing, and intelligent analysis of critical data; and to provide seamless access to all the devices, users, and applications that require it. With the right cloud platform, SAP certified partners have the opportunity to help clients introduce IoT into their business operations.

Reach new markets: The cloud is a great market leveler, enabling small businesses to deploy technologies formerly only within reach of large enterprises, and allowing local companies to attract customers and partners worldwide. SAP certified providers can grow their businesses by harnessing the cloud's cost-effectiveness and ease of access to reach new markets, including:

- **Small and midsized businesses (SMB):** SMBs can't afford or cost-justify a seven-figure customized consulting project. But they can benefit from investing in cloud-based services that rely on automation, standardization, and replicability to keep costs down. Leverage cloud tools and efficient DevOps processes to create SMB-friendly services around SAP HANA and capabilities, thus opening up a new market segment of potential customers.
- **Target industries:** By supporting fast, low-cost development and deployment, the right cloud platform allows you to offer customized solutions for specialized industries. Providers can also easily create proof-of-concept solutions to garner new customers.
- **New regions/geographies:** With cloud deployments, you can do business anywhere your cloud service provider has data centers, while still complying with data sovereignty regulations. This means providers can capture new customers who are doing business globally, and support current customers in their expansions.

Adding Customer Value

For SAP certified partners, the cloud offers business value beyond the products delivered to market. Successful SAP partners will differentiate themselves by utilizing sophisticated cloud capabilities and next-generation technologies to enhance their own business operations, to the benefit of their clients. For example:

- **Streamline SAP implementation and management:** Utilize cloud tools to automate infrastructure provisioning, application deployment, scaling, and ongoing management of SAP applications. This enables you to deliver consistent service levels, backed by market-leading SLAs.

WHY BLOCKCHAIN?

Blockchain—the distributed ledger technology developed for Bitcoin cybercurrency—is transforming business operations. The "blockchain" is a secure, unchangeable record of transactions shared by all parties. Applying blockchain to financial or contracting processes minimizes business risk and enables enterprises to confidently, securely, and quickly conduct business transactions—no waiting for funds to be transferred or for contracts to be executed. With the technology in its infancy, SAP partners who develop expertise, and who can integrate blockchain into their clients' SAP environments, will have a competitive advantage. Look for a cloud platform that offers tools and services to create an open, enterprise-grade distributed ledger framework.

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- **Increase speed to market**: When you shorten timelines for migrations and implementations, your own business benefits as well as your customers' business. You and your customers will realize reduced costs and increased productivity.
- **Improve the customer experience:** Use analytics and artificial intelligence to understand how customers are using your products, enhance interactions, and make recommendations. Customers benefit from more targeted services.
- **Improve contracting and quote-to-cash processes:** Leverage new technologies to streamline and secure your critical transactions, minimizing business risk and improving revenue realization. You may choose to pass on cost savings to customers, or perhaps to reinvest in the business.

MEETING CLIENT NEEDS: HOW THE RIGHT CLOUD PARTNER CAN HELP YOU SUCCEED

Your ability to grow your SAP business will depend on how well you meet client needs. And in a competitive environment, you will have to meet client needs better than your competitors do. That's where your choice of a cloud partner makes a difference.

Here are six things your clients want from you (or will want in the future), and how the right cloud service can impact your ability to deliver services:

1   ### Support a hybrid environment

Businesses have made it clear they intend to leverage a range of infrastructure options to run their applications. Specifically, they are implementing a hybrid cloud environment in which some workloads are deployed on premises, some in a public or bare metal cloud, some in a hosting or managed services environment, and some split across multiple deployment options. As they assess their SAP applications, your clients will look for assistance in optimizing and managing all workloads and databases, whether cloud-native or traditional.

How the right cloud partner makes a difference: Choose a cloud service provider that offers a strong set of solutions for hybrid environments. The cloud should enable the full range of options for SAP deployment; including "lift and shift" migration of traditional (non-cloud-native) workloads into the cloud; refactor and modernization of other traditional apps; and hybrid deployment of applications that are split between public cloud to on-premises data center.

2   ### Manage costs for SAP workloads

Many businesses face spiraling costs when they move workloads to cloud. Your clients are looking for you to tightly manage their SAP cloud workloads to minimize their costs—which requires you to manage your own costs.

How the right cloud partner makes a difference: Don't let upfront or unpredictable costs keep you from expanding your SAP business. Look for a cloud service provider that offers infrastructure on a subscription basis, enabling you to better predict and manage your monthly costs and offer a reasonable pricing structure to your clients. The right subscription service offers visibility and tools to help you manage and allocate costs across customers.

3   Embed intelligence into the SAP environment

Business intelligence and analytics shouldn't be considered a standalone business function. It should be part of the fabric of your clients' SAP environment, so your clients can run their business better. And, as more line-of-business employees leverage analytics in their jobs, they will require access to role-appropriate tools.

How the right cloud partner makes a difference: Choose an AI-enabled cloud; that is, a cloud platform with built-in intelligence capabilities that facilitate data analytics. Look for a cloud service provider that leads the market in advanced analytics and AI functionality, so that you and your customers will always be on the cutting edge of business intelligence. The cloud platform should support a range of tools for various roles—from data scientists using open source tools such as Jupyter and Python to build machine learning frameworks; to non-technical "citizen developers" looking to solve business problems via simple user interfaces.

4   Facilitate adoption of next-generation technologies

Most businesses are exploring opportunities to leverage new business models and technologies that will give them a competitive edge in serving market needs. Your clients will appreciate services that enable them to maximize the value of their SAP databases.

How the right cloud partner makes a difference: A flexible, intelligent cloud platform is designed to interconnect and integrate various technologies, whether third-party or your own. Look for a cloud provider that offers flexible microservices and APIs to easily integrate new technologies into SAP applications and databases.

5   Assure application performance

For transactional or latency-sensitive SAP workloads, application performance can impact employee productivity or business process outcomes.

How the right cloud partner makes a difference: Choose a cloud provider that offers hardware certified to run SAP apps (SAP NetWeaver server) and databases (SAP HANA server), along with a strong network backbone. When you can trust your cloud provider, you can create and offer market-leading SLAs to your clients to assure application availability and performance.

6   Support global business

When even small businesses can have customers, suppliers, and employees in multiple regions, your clients need to know you can support their ability to do business anywhere.

How the right cloud partner makes a difference: Look for a cloud partner with cloud centers in every region of the world, connected by high-speed, secure networks. The cloud partner should enable your clients to meet compliance and sovereignty requirements for data protection. It should also enable you to deliver SAP and extended services consistently worldwide, backed by SLAs for availability and application performance.

Building Skills for Your Growing Business: Cloud Provider Support

For some SAP certified partners, it may feel that there is an insurmountable chasm between their current systems integration business and the vision of a full-service SAP service provider. However, the right cloud partner can help develop the skills you need to succeed. Look for a cloud service provider that:

- Offers a full range of programs and support for SAP partners, including training, technical certifications, and even a catalogue or marketplace to showcase your SAP business
- Has a deep relationship with SAP, ensuring the cloud continues to be optimized and certified to run SAP solutions
- Is a market leader with expertise in the next-gen technologies you and your customers will be exploring (IoT, AI, blockchain)

THE LAST WORD

For SAP certified partners, the cloud represents a gold mine of revenue opportunities. Those who have the vision to look beyond their traditional role in SAP systems integration will be able to leverage cloud capabilities to:

- Develop innovative products with next-generation technologies
- Offer managed and professional services, some of which introduce recurring revenue streams
- Expand into new markets

But a cloud-based business requires the right cloud. The right cloud supports flexible cloud deployment models, cutting-edge technologies, global presence, and strong ties to SAP. Don't get left behind as your SAP clients seek to become intelligent enterprises; begin your own business transformation today.

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CASE STUDY

FULCRUM GLOBAL TECHNOLOGIES HELPS LAW FIRMS BECOME MORE EFFICIENT, WITH SAP AND IBM CLOUD

For Fulcrum Global Technologies—provider of back-office management software for legal firms—moving its SAP HANA platform to the IBM Cloud opened the path to disrupting the complex and highly-regulated legal industry. The company selected the IBM Cloud because it provides the global presence, flexibility, and data management control that Fulcrum needed to serve law firms in over 100 countries. In moving to SAP S/4HANA on the IBM Cloud, the firm expanded its portfolio to include over 30 solutions.

By leveraging IBM Watson services, Fulcrum has integrated machine learning and AI capabilities into its platform; the applications now can "learn" from the way clients use the services, thus improving their effectiveness and value to clients. In addition, with the support of the IBM Partner Program, Fulcrum introduced an innovative new business model, "virtual operations deployment," which allows law firms to quickly and easily outsource back-office operations to Fulcrum.

Law firms worldwide turn to Fulcrum to increase efficiency, tame complexity, and reduce capital expenses associated with back-office operations. And thanks to SAP, IBM Cloud, and a powerful software solution, Fulcrum is prepared to compete successfully into the future.

Read more about Fulcrum's success with SAP S/4HANA and the IBM Cloud.

ABOUT IBM CLOUD

With $17.7B in annual cloud revenue, IBM is the global leader in enterprise cloud, with a platform designed to meet the evolving needs of business and society. Moving past productivity and cost improvements, the IBM Cloud is tuned for the AI and data demands that are driving true differentiation in today's enterprise. IBM's private, public and hybrid offerings provide the global scale businesses need to support innovation across industries. Learn more about SAP on IBM Cloud.

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NEXT STEPS ⊙

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