

DECIDE NOW

Defining the Future Path for Your SAP® Software



EXCELLENCE IN GLOBAL SUPPORT AND CONSULTING

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THE CURRENT STATE OF SAP SUPPORT SERVICES

All technology becomes obsolete at some point. With enterprise technology, this phenomenon arises when business requirements change, and/or the technology no longer aligns with the business needs –a self-selected or true obsolescence. But when hardware or software manufacturers establish a pre-determined “end-of-support” date for a product (the “support” euphemism is the industry’s operative term for maintenance), obsolescence is the result of vendor choice – a forced or perceived obsolescence. Either way, the business is compelled to invest in new technology.

In an example of forced obsolescence, SAP regularly announces details relating to the end of maintenance and extended maintenance for select releases of SAP ERP and other products – ECC standard maintenance ends in late 2015 and extended maintenance coverage expires 2020. SAP R/3 4.7 standard has already expired while extended maintenance support expires in March 2013. All earlier SAP ERP versions are already self-supported or paying premiums for customer specific support from SAP.

The Situation

During 2013, full support for specific SAP product releases ends (R/3 4.7 and below, CRM 4.0 and below, SAP Netweaver 2004, SCM 2004, SRM 2004). This leaves businesses running older versions of SAP facing an immediate decision; stay on the current release, upgrade, or migrate to a non-SAP software solution.

SAP R13 4.6C and SAP R3 Enterprise:

- SAP offered Extended Maintenance for SAP R13 4.6C through December 2010 and now offers Extend Maintenance for SAP R3 Enterprise 47x110 and 47x200 through March 2013 to all customers.
- SAP Enterprise Support customers receive Extended Maintenance for these releases automatically and without an additional fee, as part of their SAP Enterprise Support contract.
- All other customers (e.g. SAP Standard Support or SAP PSLE customers) can obtain Extended Maintenance for the same timeframe as SAP Enterprise Support customers, but for a premium fee.
- Between April 2012 to March 2013, SAP R13 4.6C and SAP R/3 Enterprise customers will be charged an additional fee of +4%.

SAP ERP 2004, SAP NetWeaver 2004 and several other releases:

- Beginning April 01, 2010 and continuing through March 31, 2013, SAP offers Extended Maintenance for SAP ERP 2004 / SAP ECC 5.0, SAP NetWeaver 2004 / SAP Web AS 6.40, SAP SCM 4.1, SAP SRM 4.0, SAP SEM 4.0, SAP Exchange Infrastructure 3.0, and SAP MDM 5.5.
- SAP Enterprise Support customers receive the Extended Maintenance services automatically and without an additional fee as part of their SAP Enterprise Support contract.
- All other customers (e.g. SAP Standard Support or SAP PSLE customers) can obtain Extended Maintenance during this time at a premium.

SAP recommends that companies upgrade to ECC6 to ensure uninterrupted support through 2015. Although future SAP enhancement pack releases are scheduled for delivery on a quarterly basis, the business value each arguably provides is often outweighed by the high cost of a forced upgrade. For some, maintaining the existing version may deliver more value.

The Problem

Many companies using older versions of SAP software have not defined a strategy for dealing with their pending end of support. Some have acquiesced to SAP's recommended upgrade approach, believing they have no other choice than allowing SAP to dictate their business system strategy.

A complicit SAP partner community further aggravates the problem. Partners whose company bottom lines are driven almost solely by SAP software resale or upgrade services are incented to recommend solutions that might not be the best fit for the customer's real business need.

The Implication

Deciding at the last minute, without objective consideration of all viable solutions to the problem at hand, could find an enterprise squandering sparse investment monies on an upgrade or solution migration without realizing a justifiable return on the investment.

Some companies believe SAP may extend support coverage, while others assume self-support is the only alternative solution; either is a risky and expensive assumption. However, there are other options.

The Need

SAP customers need fact-based information upon which to plan and act, based on their company's unique business environment and requirements. They need answers to five simple questions:

1. What is the end of support date for my version of SAP products?
2. How much time do I have to make a decision?
3. Which decision-making process should I follow?
4. What options do I have and what are the implications of each?
5. Where can I find objective analysis and guidance to help me decide?

STRAIGHTFORWARD ANSWERS

When Does Support for My SAP Applications End?

Technically, it is accurate to state that maintenance coverage duration is indefinite and only the scope of maintenance services and the cost of these services change. SAP currently provides four support offerings: standard support, enterprise support, extended support, and customer specific support. For a fee, companies can stretch standard maintenance coverage for an additional three years through extended maintenance services. Upon the expiration of extended support a customer, they can receive indefinite technical support through Customer Specific maintenance services.

However, a company should understand that Customer Specific support does not provide the fundamental protection it has realized under Standard, Enterprise, or Extended maintenance services. Annual maintenance services for Customer Specific support have the following gaps in coverage:

- No Support Packages
 - SAP no longer provides Support Packages
- No legal changes
 - You receive no legal changes in case of changes in law that effect your business processes, such as HR or FI/LO
 - For releases in customer-specific maintenance, SAP offers to build customer-specific legal change packages at extra cost
- Limited technology upgrades
 - Kernel: No guaranteed new patches - e.g. to support new OS/DB combinations
 - One-Step upgrade to latest release is no longer guaranteed
 - Plug-Ins: Interfaces to new products may not exist but can be developed for an extra fee
- Customer-specific problem resolution
 - Maintenance covers resolution of problems only in case of known solutions or workarounds
 - Resolutions for problems not yet known to SAP are typically charged time and material fees
 - No guaranteed solutions for third party products (such as OS/DB) are maintained by the vendor

As such, SAP recommends that it only makes sense to upgrade to the latest release of its software to ensure effective support continuance. This message is targeted at companies running older releases. Table 1 lists the versions affected and the end-date for extended maintenance and therefore subject to Customer Specific maintenance fee premiums.

VERSION	EXTENDED SUPPORT END DATES	COMMENTS
=< 4.6C	March 2013	Customer Specific Support
4.7	March 2013	Customer Specific Support
ECC6.0	December 2020	Customer Specific Support
CRM 4.0	Ended	Customer Specific Support
SRM, SCM Netweaver 2004	March 2013	Customer Specific Support
CRM, SCM 2005	March 2014	Customer Specific Support
SRM 2005	March 2015	Customer Specific Support
CRM, SRM, SCM 2007	March 2016	Customer Specific Support
Netweaver 7.0	December 2020	Customer Specific Support
CRM SRM, SCM 2007 7.0	December 2020	Customer Specific Support

How Much Time Do I Have to Make These Decisions?

Independent of organizational size or complexity, the decision-making process will have to consider technology and business needs, solution alternatives, and implementation lifecycle. It is Spinnaker Support's experience that the typical decision lifecycle for affecting significant change to a major business system ranges between 18 and 24 months. Companies should also keep in mind that they have a deadline of September 30th to make an SAP maintenance renewal decision.

The activities associated with implementing the decision are often viewed as the most time consuming step in a project's lifecycle. But, Spinnaker Support finds that top organizations benefit from investing in problem analysis and solution development to ensure organizational alignment and buy-in for intended solutions.

While the level of effort necessary to implement a solution can be estimated based on prior experience, it is important not to minimize the time and energy impact problem definition and solution analysis have on the decision horizon.

If a company requires 12 months to define the problem, analyze, select, budget and plan the solution; and, knows by experience that solution implementation will take 6-12 months; they should begin their decision process now.

Which Decision-Making Process Should I Follow?

Problem analysis and decision making are completely separate concepts, and it is important to differentiate between them. First, analyze the problem; then use the information gathered in the process towards decision making.⁽¹⁾

A problem is an obstacle, impediment, difficulty or challenge. Put another way, a problem is a situation that invites resolution; the resolution of which is recognized as a solution or contribution toward a known purpose or goal. A problem implies a desired outcome coupled with an apparent deficiency, doubt or inconsistency that prevents the outcome from taking place. Viewed through this lens, SAP's decision to end support is not the problem, it is the cause.

A thorough analysis of the problems caused by the end of support will help companies proceed down the proper decision making path. Organizations should apply the steps of the decision making process to the information gleaned through problem analysis to create a decision model that can be used to determine an optimal plan of action for their business.

Problem Analysis

- Problems must be precisely identified and described
- Problems are caused by some change from a distinctive feature
- Problems are deviations from performance standards
- Analyze desired performance results should be against actual results
- Distinguish between what has and hasn't been affected by a cause
- Causes to problems can be deducted from relevant changes found in analyzing the problem

Decision Making

- Establish objectives
- Classify objectives in order of importance
- Develop alternative actions
- Valuate alternative actions against all objectives
- Choose the tentative decision based on the alternative that achieves all the objectives
- Evaluate the tentative decision for possible consequences

Which decision-making process should I follow?

Fortunately, wherever a company falls on the ERP decision-continuum they have options. They can:

1. Do nothing
2. Upgrade to a supported release like ECC6
3. Migrate to an ERP system from another vendor

Understanding the specific implications of each path will help facilitate the decision making process. Below is an exploration of each option, presenting possible solution alternatives and the salient implications of selecting that path.

DO NOTHING

“Do nothing” is not the same thing as making no decision. This option might be more aptly named “Don’t upgrade or migrate”. There is a large segment of the SAP install base for which there is little business or technological benefit to justify the investment in either and in today’s economic environment, many businesses simply lack the financial or human capital to invest in an upgrade effort. Even with the “do nothing” option, there are decisions to be made:

Keep the current release and continue to pay for SAP Customer Specific Maintenance – Customer Specific maintenance is available for as long as companies license their SAP products. With customer specific support, companies receive technical support, including access to SAP’s online support tools, knowledge bases, and technical support experts. They benefit from:

- Major product and technology releases
- Technical support
- Access to SAP Service Marketplace support portal
- Fixes, updates, and critical patch updates

An organization’s short-term and long-term SAP strategies will determine whether there is business and economic value in continuing to pay SAP for support – an industry estimated between 18 to 22% annual maintenance expenditure for the support services described above.

Depending on a company’s use of SAP and the countries in which they operate, companies may also have the added cost burden of updating tax and regulatory reporting on an annual basis.

For companies that operate in more stable environments and have upgrade cycles greater than 36 months, or those operating a highly modified software version that makes it difficult to easily take advantage of software patches or fixes, the total cost of ownership (TCO) of staying with an OEM software vendor’s maintenance program has much weaker economic utility.

For many companies, the current cost of ERP software maintenance greatly exceeds its value. Fortunately, this isn't an organization's only alternative for "Do nothing".

Keep the current release and move to third-party maintenance – analysts and industry media report that third-party software support providers like Spinnaker Support offer a cost-effective, personalized model that costs nearly half what OEM vendors exact, and should be considered a viable alternative to the traditional software support models.

The dictionary definition of maintenance – "the work of keeping something in proper order" – does not necessarily fit for software. Software maintenance is different from hardware maintenance in that software doesn't physically wear out, but simply gets less useful with age. Software maintenance is more accurately described as a software vendor's incremental service of providing software updates and product support to their licensed users.

According to a Ray Wang of Constellation Research⁽²⁾, interest in third-party maintenance (3PM) services increased from 19.6% in Q3 2009 to almost 57% in Q2 2011. Top factors driving that interest include:

- Continuing cost pressures
- Gaining minimal value in maintenance services
- Declining plans to upgrade
- Expecting better service
- Slowing pace of vendor innovation
- Disliking the vendor
- Delivering self support

Every CIO knows that ERP software annual maintenance fees generally range from 18% to 22% of the initial license charges –a significant annuity stream for companies such as SAP, Oracle and Microsoft. SAP's maintenance business accounted for about 60% of the firm's overall revenue and about 90% on a margin contribution basis. Maintenance revenue is on the rise as SAP steps up aggressive support increase to 22%. Software sales, subscription and professional service have remained flat since 2001.

Third-party maintenance providers have entered the ERP software market to provide a reliable, economical support option. These providers offer a personalized, proactive, and highly technical support model at lower costs than traditional software vendors. In a nutshell, third-party software support vendors help enterprises on stable platforms maintain their current software versions at top performance.

Keep the current release and self support – This is a reasonable option for those companies that have a highly static SAP environment and stable infrastructure, require no annual tax and regulatory support, and have expert SAP staff to support both break/fix activities as well as ongoing operational changes. But, if the preceding SAP support attributes do not exist, this approach is a high risk to business continuance, with the added cost burden of engaging the required subject matter experts to resolve unplanned system problems. In this scenario, the unexpected can be costly.

UPGRADE TO ECC6 AND STAY CURRENT ON ENHANCEMENT PACKS

SAP's answer to end-of-support questions is, "upgrade to ECC6 and stay current on enhancement packs". The company recommends upgrading to ECC6 to ensure uninterrupted SAP support through 2015. For many, an upgrade would be a wise business decision.

The SAP product family has expanded significantly over the past several years, providing tremendous net change benefits at both the business process and technology layers. For example, between Enhancement Pack 4 and 5 about 40 business process enhancements are provided. Likewise, system integration and reporting has been significantly enhanced, mostly in the areas of Asset Accounting, HCM, Production Planning and Finance.

SAP has moved away from large version upgrades to quarterly enhancement pack versions in an effort to reduce overall impact of implementation cost. Instead of doing a large version upgrade every 3 years, companies are expected to do mini upgrades every 3 months to keep current. The continuous upgrades cycle requires the on-going allocation of significant resources, resources that might otherwise be allocated to strategic initiatives, to maintain system version integrity.

MIGRATE TO A NON-SAP SOLUTION

In the 1990s there were dozens of ERP vendors in the market, most of which prospered and grew at an impressive rate in a buoyant market. Today the ERP vendor landscape has changed dramatically. According to Gartner's Market Share Analysis: ERP Software, Worldwide 2010, the top 10 vendors represent 62% of the global market.⁽³⁾ The following table is from the report and shows market share and growth year-over-year.

**TABLE 1. TOP 10 ERP SOFTWARE VENDORS BY
TOTAL SOFTWARE REVENUE, WORLDWIDE, 2008-2010**
(MILLIONS OF US DOLLARS)

2009 Rank	2010 Rank	Rank Change	Vendor	2008	2009	2010	Share (%) 2009	Share (%) 2010	Growth (%) 2009	Growth (%) 2010
1	1		SAP	5,757.1	5,139.3	5,373.2	25.6	25.3	-10.7	4.6
2	2		Oracle	2,718.6	2,414.5	2,602.3	12.0	12.3	-11.2	7.8
3	3		Sage	1,436.4	1,338.8	1,265.3	6.7	6.0	-6.8	-5.5
4	4		Infor	1,312.6	1,081.5	1,053.0	5.4	5.0	-17.6	-2.6
5	5		Microsoft	890.3	856.3	946.4	4.3	4.5	-3.8	10.5
6	6		Kronos	455.6	450.4	497.0	2.2	2.3	-1.1	10.3
8	7	+1	Totvs	235.3	303.0	408.6	1.5	1.9	28.8	34.9
7	8	-1	Lawson Software	386.9	359.8	390.2	1.8	1.8	-7.0	8.5
9	9		UNIT4	284.9	279.3	308.4	1.4	1.5	-2.0	10.4
10	10		Concur	216.3	247.6	290.3	1.2	1.4	14.4	17.3
			Other Vendors	7,705.4	7,619.5	8,061.3	37.9	38.0	-1.1	5.8
			Total	21,399.4	20,089.9	21,196.1	100.0	100.0	-6.1	5.5

BSM Consulting comments that, "one important point to make about the competitive landscape for ERP products is that the neat delineations suggested by the market segments and verticals just described do not always translate into a logical choice of ERP product. For example, most ERP vendors will be able to point to customers outside of their primary target market segment who are successfully using one of their products. Sometimes, organizations will choose a generic ERP product rather than one tailored for their industry vertical, often because of concerns about the longevity of the tailored product or of the organization that supports it."⁽⁴⁾

Migrating off of SAP is likely the most costly alternative of all. The significant human and financial capital investments associated with an SAP migration are further compounded by the addition of an application selection process and all it entails.

Although a migration strategy may very well be the best path for some companies to follow, they should not take a step down this path lightly or without thoughtful consideration.

HOW SPINNAKER SUPPORT HELPS COMPANIES DECIDE NOW

Objective Analysis and Guidance

Whether a company follows SAP's advice to upgrade to ECC6, or decides to do nothing, Spinnaker Support can provide truly objective SAP advice. There is no hidden agenda regarding a SAP long-term strategic direction, just support solutions.

As a company's installed ERP system ages it is natural for management to be concerned with obsolescence. However, true obsolescence occurs when the ERP system no longer supports the business needs of the company. SAP ERP versions like R/3 (2.0 up to 4.7), MySAP versions and ECC seldom reach true obsolescence. Most often, they reach a point of perceived obsolescence, which is the case today.

Spinnaker Support's SAP Strategic Business assessment provides organizations with the knowledge needed to make an informed decision regarding their SAP path. The goal is to guide businesses to achieving their desired results by:

- Gaining organizational alignment and buy-off on software direction
- Designing the strategy for delivering software value to the business
- Establishing budgetary estimates in which companies have confidence
- Creating the go forward plan



SAP STRATEGIC BUSINESS ASSESSMENT

Spinnaker Support's "Strategic Business Assessment for SAP applications" is a formal process for evaluating options and defining strategies for a company's long term SAP software investments.

The goal of the assessment is to deliver fact-based findings and recommendations upon which businesses can plan and act. Spinnaker Support's approach assesses business need and expectations, as well as technology options that must be considered in developing a long-term SAP strategy.

Information gathered via the business and software assessments is used to develop a SAP strategic recommendation report, as summarized below:

Business Assessment

Spinnaker Support's business assessment is the foundational activity. The goal is a thorough assessment of the business environment, stakeholder expectations and operational objectives for an organization's core business software. The approach also educates the stakeholders on the decision points they are facing, the options and the implications of each. The business assessment typically includes the following activities:

1. Defining Business Drivers – which business issues are motivating action
2. Identifying stakeholders – who is investing in the solution and who will benefit
3. Determining Business objectives – the specific objectives and expectations that must be met by the operational software to achieve success

Software Assessment

The second strategic activity is a detailed assessment of the software's ability to enable success as defined in the business assessment. Software assessment activities typically include:

1. Functional review – identify business requirements for system alignment and gap closure
2. Technical review – assess current and desired state infrastructure requirements and gaps
3. Resources review – assess the organizational capacity to support a change initiative
4. Program review – analyze migration/upgrade risks, constraints, and assumptions

Assessment Deliverable – Probably not applicable at this stage

Upon completion of assessments activities Spinnaker Support prepares the SAP strategic recommendation, an extensive report presenting detailed findings and recommendations related to a company's SAP investment options – Do nothing, Upgrade, Migrate. The report will include:

1. Business assessment findings and recommendations
2. Software assessment findings and recommendations
3. Current and desired state definition
4. Company-specific software path recommendation
5. High-level plan(s) and budgetary estimate(s) for recommended path
6. Statement of value – high level ROI for recommended path

MAXIMIZE THE LIFE OF YOUR SAP SYSTEM WITH SPINNAKER SUPPORT

We are here to help companies drive performance and value with their SAP applications through the delivery of maintenance and co-sourcing services. It's what we do.

Find out how easy it can be with a support and maintenance partner you can trust. Call us toll-free at **+1 877-476-0576** or email **info@spinnakersupport.com** today.

NOTES

(1) Kepner, Charles h.; Tregoe, Benjamin B. (1965). The rational Manager: a systematic approach to problem solving and Decision-Making. McGraw-Hill.

(2) Why Every CIO Should Consider Third Party Maintenance, R "Ray" Wang, Constellation Research, 2012

(3) Market Share Analysis: ERP Software, Worldwide, "Gartner Research, March 2011

(4) The ERP Marketplace 2010, <http://www.articlesbase.com/information-technology-articles/the-ERP-marketplace-2010-2650426.html>, posted: Jun 16, 2010

Spinnaker Support, a global market leader for SAP, JD Edwards, Siebel, and Oracle Database third-party maintenance, co-sourcing, and consulting services, helps companies maximize their ERP and CRM software investments. Whether companies are planning to replace their high-cost maintenance provider or are seeking supplemental maintenance support for their ERP and CRM applications, Spinnaker Support has a solution to fit their needs. More than 230 current clients worldwide have chosen Spinnaker Support as their provider of choice. Headquartered in Denver, Colorado, Spinnaker Support services are available across the globe via offices located in Cape Town, Denver, London, Mumbai, and Singapore.

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