Innovation in the Cloud: How Seasoned SAP Customers Succeed

A Webcast from ASUG and Syntax

Today's Speakers

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Agenda

1 Innovation and Cloud Migrations

2 The State of Cloud Migrations Among SAP Customers

3 Drivers of Cloud Innovation Among SAP Customers

4 Why Syntax? Q&A

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1

Innovation and Cloud Migrations

Past 4 Years of Research (2017-2020)

2017

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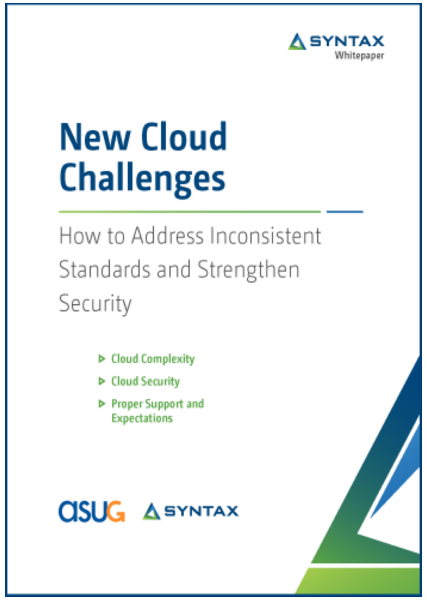
2018



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2019

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2020

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Car Maintenance Analogy

- Although your old car can get you where you are going, you must make costly repairs to keep it going and likely have lost peak gas mileage
- It is cheaper to buy a new car instead of maintaining your old car in the long run
- Efficiency gained and perks, such as Bluetooth, Wi-Fi, self-driving, backup cameras, make it worth it
- A move to the cloud is the same, SAP customers continue to migrate to the cloud
- Companies that reap most benefits in cloud are those embracing innovation (examples: business analytics & IoT)

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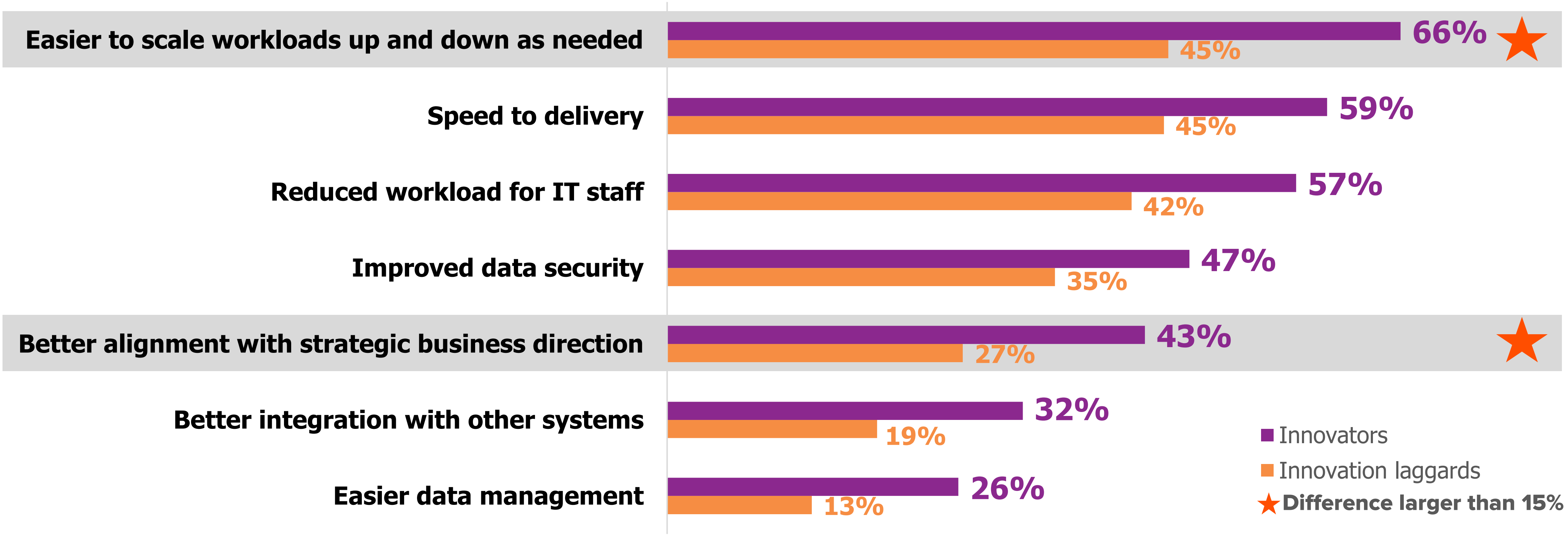
Key Benefits Received from Cloud Providers by Cloud Innovation Approach

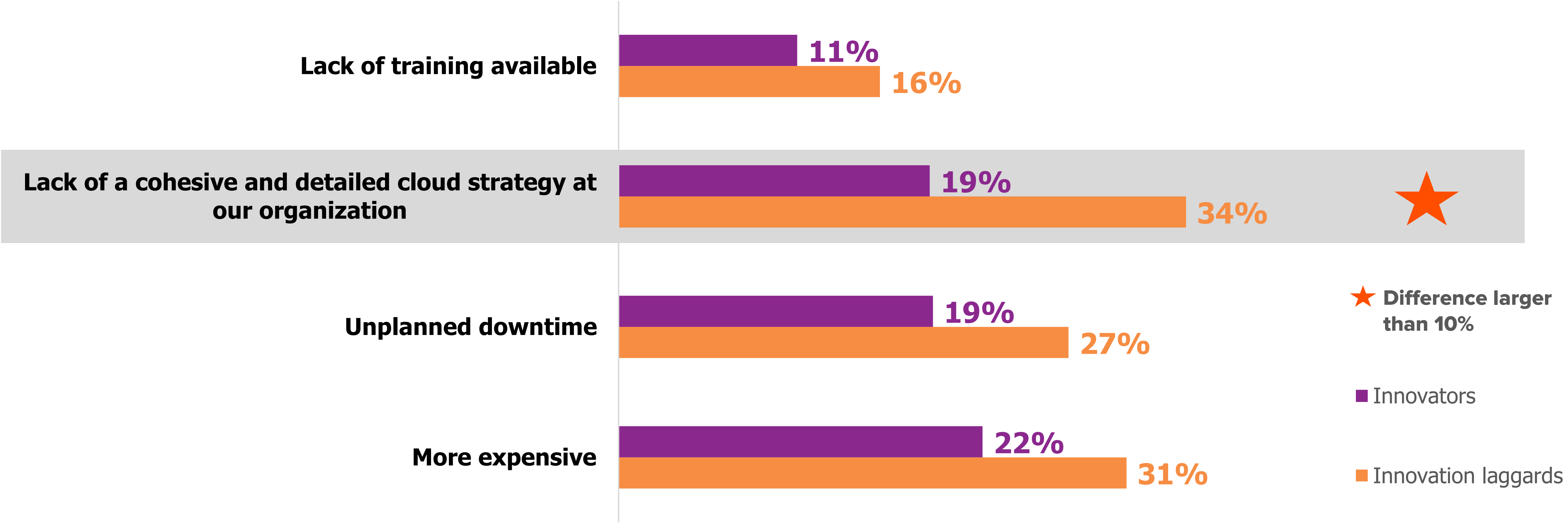
- Respondents who have been innovating in the cloud experience a larger share of key benefits than those who do not
- SAP customers with innovations in the cloud are getting more out of their investments
- Innovation laggards may benefit from enhancing their solutions with more emerging technology



Q. Does your organization currently have, or is it planning to incorporate, any of the following innovations in the cloud? (n=106)
Q. What benefits does your organization receive from its current cloud provider(s)? Please select all that apply. (n=102)
Note: Innovators includes participants with innovations (IoT, business analytics, AI, ML, automation) in the cloud; innovation laggards includes participants without any innovations in place in the cloud.

Cloud Provider Challenges Differ by Cloud Innovation Approach

- Innovators are also experiencing slightly fewer challenges than innovation laggards, especially in the one challenge that has increased since 2020: lack of a cohesive and detailed cloud strategy (15% fewer innovators facing challenge than innovation laggards).
- Innovation helps SAP customers enhance their benefits from cloud providers, but they may not make as a significant difference in terms of unburdening challenges.



Q. Does your organization currently have, or is it planning to incorporate, any of the following innovations in the cloud? (n=106)
Q. What benefits does your organization receive from its current cloud provider(s)? Please select all that apply. (n=102)
Note: Cloud innovators includes the average of participants with innovations (IoT, business analytics, AI, ML, automation) in the cloud. Cloud laggards includes the average of participants without any innovations in place.

Expansion or Innovation Plans with the Cloud by Business Area

- For many business areas, most respondents fall into one of two buckets: those that have no plans to expand services already in the cloud and those not in the cloud and not planning a move to the cloud.
- Respondents do have plans to expand to cloud, analytics is the top business area where respondents are expanding services as well as innovating in the cloud.
- We expect this focus to grow as almost a quarter are planning to move this function to the cloud within the next year.

	Currently in the cloud and <u>no change in services</u> (no plans to expand services or to innovate within the cloud)	**Currently in the cloud and <u>expanding services within the cloud</u>** (adding new software or programs to the cloud)	**Currently in the cloud and <u>innovating in the cloud</u>** (using emerging technologies such as AI and ML within the cloud to drive business forward)	**Planning to move to cloud within the next year**	**Not planning a move to the cloud within the next year**
Travel and expenses	45%	10%	4%	12%	29%
HR/payroll	42%	15%	7%	14%	22%
Customer service/CRM	32%	18%	10%	14%	26%
Vendor management	27%	10%	5%	12%	46%
Analytics	23%	23%	13%	23%	17%
Finance	23%	10%	2%	20%	45%
ERP	22%	15%	3%	19%	42%
Procurement	21%	19%	5%	19%	36%
Shipping	16%	11%	3%	11%	59%
Logistics	15%	11%	2%	20%	51%
Warehouse management	14%	11%	5%	8%	63%

Q. What is the level of involvement with the cloud for each of these areas of your organization? Highlighted cells indicate top percentages in column. (n=102)

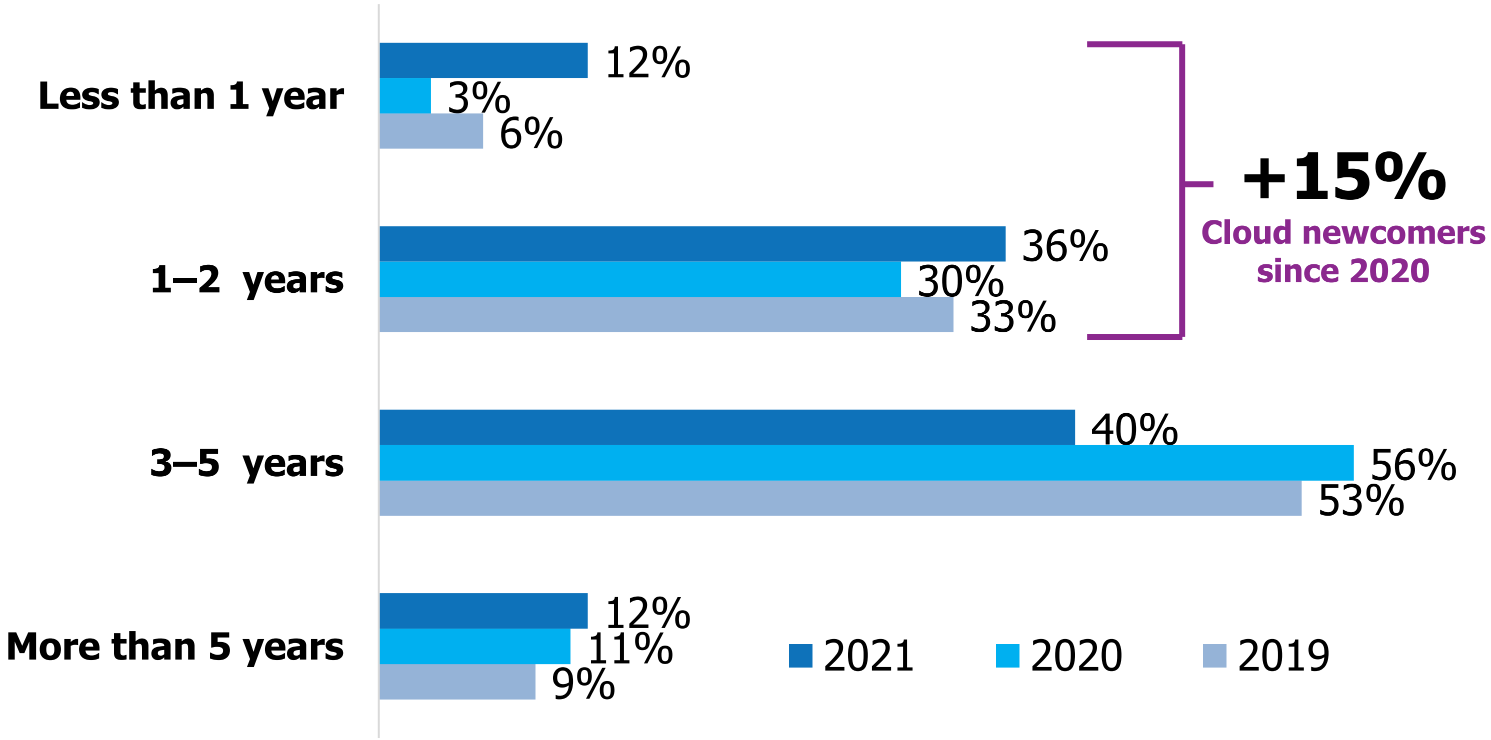
2

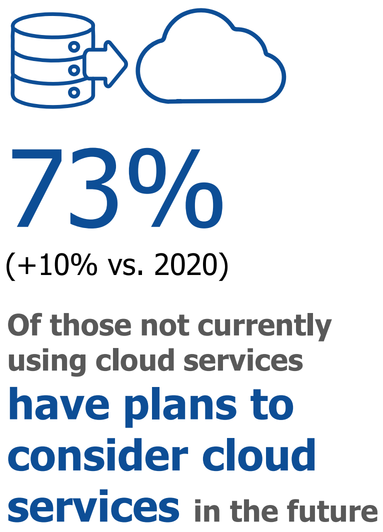
The State of Cloud Migrations Among SAP Customers

Past, Current, and Future Involvement with Cloud Services

- Our prediction from 2020 has become reality. The number of cloud newcomers has grown by +15% compared to last year.
- Based on this increase, we can expect those using the cloud for less than one year to keep growing as even more respondents in 2021 (10% more; 73% overall) not currently using the cloud have plans to consider using cloud services.

Length of Involvement for Cloud Users





Q. How long have you been using cloud services? 2021 (n=102) ; 2020 (n=70) ; 2019 (n=135)
Q. [If not currently using cloud services or don't know but have plans to consider services in the future] Do you have any plans to consider cloud services at your organization in the future? (n=33) Note: Only respondents who had plans to consider cloud services in the future were able to continue in the survey.

Business Areas Currently in the Cloud (Year Over Year)

- Top business areas currently in the cloud are consistent year over year. Almost all business areas have seen an increase in cloud involvement since 2020, with the exceptions of travel and expenses and ERP (likely impacts from COVID-19).
- Increases seen in warehouse management and shipping (also likely due to COVID-19) may be short lived as both are also top business areas respondents are not planning to move into the cloud within the next year.

Change vs. 2020

Business area	Currently in the cloud	Change vs. 2020
HR/Payroll	64%	(+4%)
Customer Service/CRM	60%	(+12%) ★
Travel and Expenses	59%	(-14%) ★
Analytics	59%	(+12%) ★
Procurement	45%	(+1%)
Vendor Management	42%	(+8%)

Change vs. 2020

Business area	Currently in the cloud	Change vs. 2020
ERP	40%	(-4%)
Finance	35%	(+4%)
Shipping	30%	(+14%) ★
Warehouse Management	30%	(+20%) ★
Logistics	28%	(+10%)

★ = difference from 2020 larger than 10%

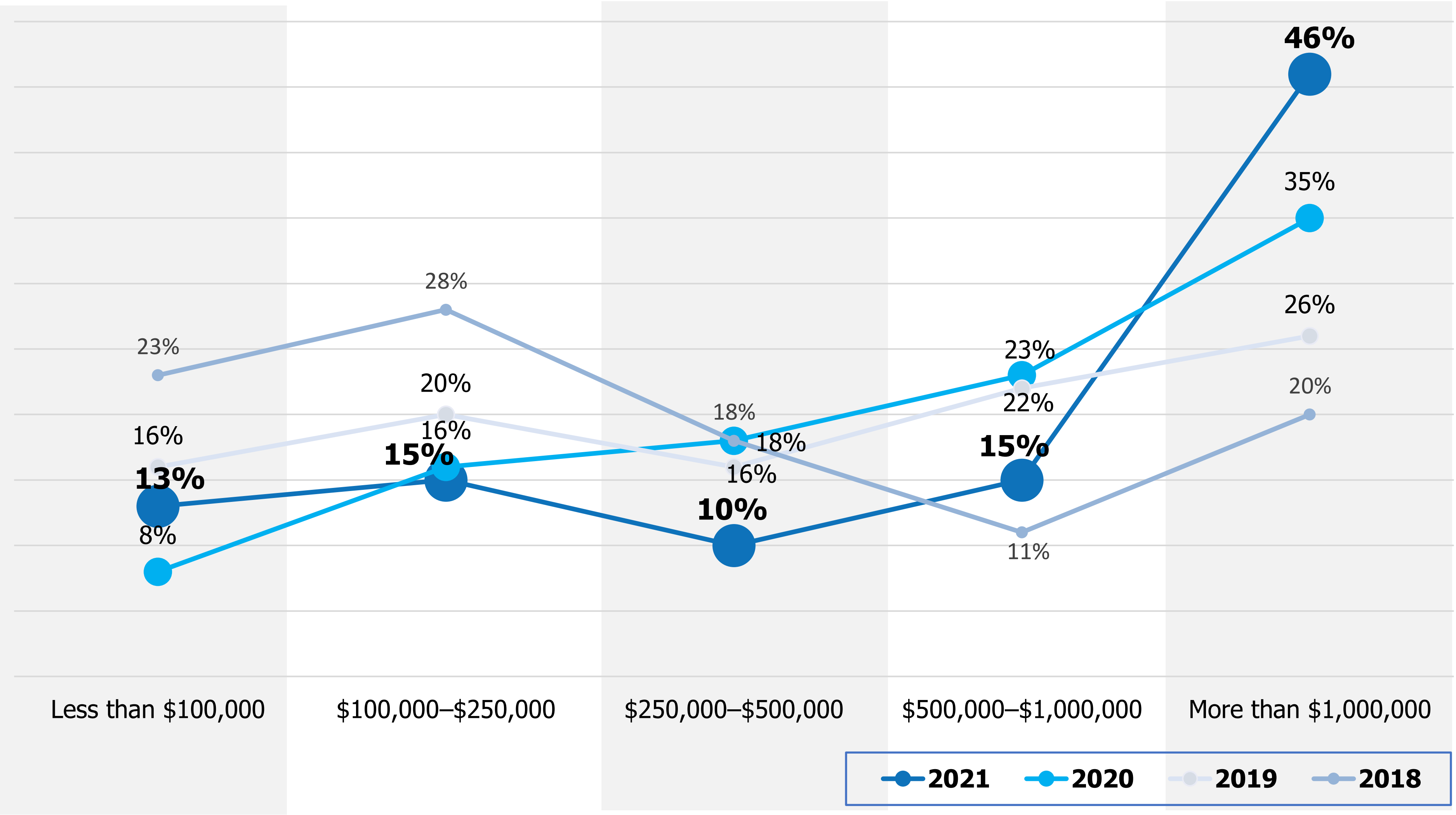
Q. What is the level of involvement with the cloud for each of these areas of your organization? 2021 (n=102) ; 2020 (n=62)
Note: % indicates the number of respondents with business area currently in the cloud

Investment in Cloud Services

Year after year, investment in cloud services continues to rise.

Increase of 11% of organizations spending more than $1,000,000 per year on cloud services since 2020.

That number more than doubles (+26%) when compared with organization spending in 2018.



Q. How much is your organization currently spending per year on cloud services?
2021 (n=102) ; 2020 (n=62) ; 2019 (n=135) ; 2018 (n=131)

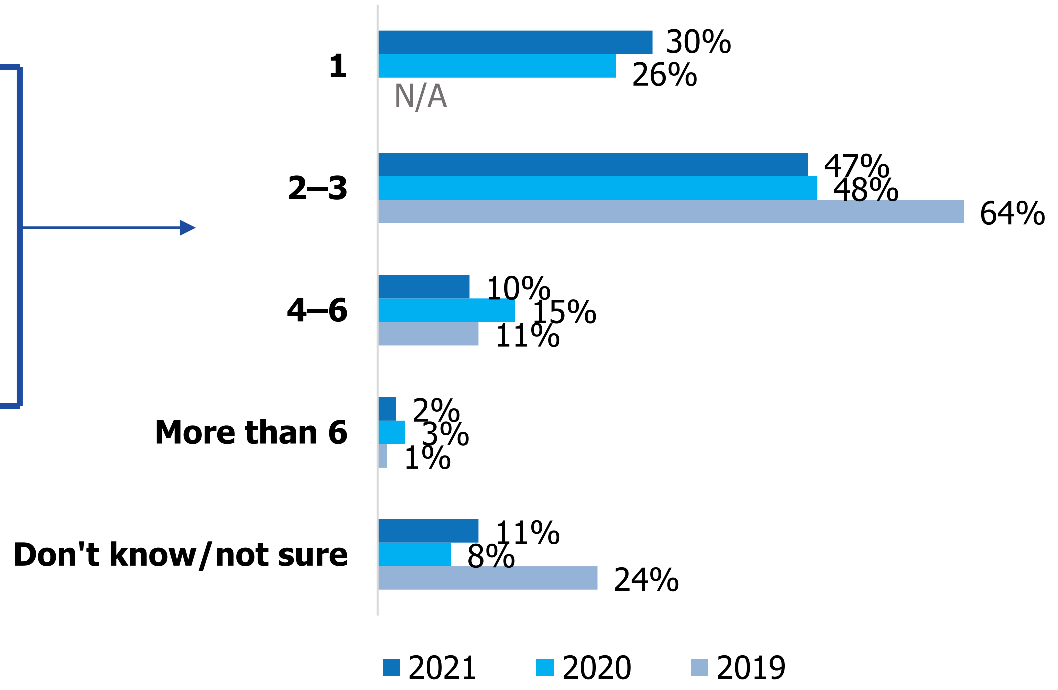
Environments Used to Manage Workloads and Number of Cloud Providers

- The average number of workloads running continues to increase overall, with an especially high increase in the average number of workloads running on the cloud (both public and private).
- The largest number of workloads are still being run on-premises, and the number of cloud providers used is the same.

YOY Average Number of Workloads Running On …

	2021	Movement vs. 2020	2020	2019
Public Cloud (no control over underlying hardware)	**3.7**	↑	**2.6**	**2.0**
Private Cloud (either on-premises or hosted data center)	**3.2**	↑	**2.7**	**1.4**
On-premises (bare metal or basic virtualized systems, not private cloud)	**5.8**	↑	**5.0**	**4.6**

YOY Number of Cloud Providers



Q. How many major systems/workloads (e.g., ERP, payroll, CRM, logistics) is your organization currently running on… Public cloud, private cloud, on-premises bare metal or basic virtualized systems? (n=102)
Q. How many cloud providers (NOT SaaS providers) does your organization use to manage your cloud-based workloads? 2021 (n=102) ; 2020 (n=65) ; 2019 (n=88) *Note: 1 not provided as an option in 2019.
Note: Averages adjusted to remove outliers.

3

Drivers of Cloud Innovation Among SAP Customers

What Drives Organizations to Innovate?

Aligning with the careful ways innovation is approached, the top factors that drive organizations to innovate are the need to reduce costs/promote cost savings and/or the need to improve productivity/efficiency of business processes.

#1 The need to reduce costs/promote cost savings
(n=21)

- "Generate value to **improve profitability** of the organizations."
- "To be **cost effective**, reduce overhead, and be competitive."
- "To **be profitable**."
- "Process efficiency and **cost savings**."

#2 To improve productivity/ efficiency of business processes
(n=19)

- "**Improved efficiencies** (free up staff for **more important things**)."
- "**Business needs/requirements** to improve and enable innovative processes."
- "**Business needs** like **COVID-19 response** and adding business value."

#3 Hunger to improve competitive position
(n=15)

- "The **need to be ahead of the game**."
- "We need to **innovate vs. our competitors**."
- "We **cannot remain competitive** if we do not continue to innovate and leverage new capabilities ... but we don't want to just remain at the current level. **We want to grow and advance** in the marketplace. That takes even more innovation."

#4 To enhance the customer or user experience
(n=12)

- "Find **better ways to reach customers** and **increase customer experience** and selling."
- "**Above all, an excellent user experience** drives our innovative principles. Ways to harmonize and standardize **force us to get creative** and innovate in our processes."

Q. What drives your organization to innovate? (n=104) (Base size adjusted to account for participants who responded to the open-ended question. All other categories noted by less than 12 respondents.)

Current and Future Plans for Cloud Innovations

- Business analytics rises to the top as the most common innovation respondents currently have in the cloud.
- While many emerging technologies, especially Internet of Things (IoT), ML, and AI, are not currently in the cloud, more customers will likely be venturing into these smart technologies as about 1 in 3 respondents are planning to have AI, ML, and/or automation innovations in the cloud within the next year.
  - More guidance may still be needed when it comes to IoT, though, as a third of respondents are not sure about their organizations' plans and another third are not planning to have IoT innovations in the cloud.

	Business Analytics	Automation	IoT (Internet of Things)	ML	AI
Currently in place	**54%**	**31%**	17%	17%	15%
Planning to have in place within the next year	23%	29%	21%	**34%**	**35%**
Not planning to have in place	9%	24%	29%	29%	26%
Don't know/ not sure	14%	16%	**33%**	20%	24%

Q. Does your organization currently have, or is it planning to incorporate, any of the following innovations in the cloud? Please select one option per row. (n=106)

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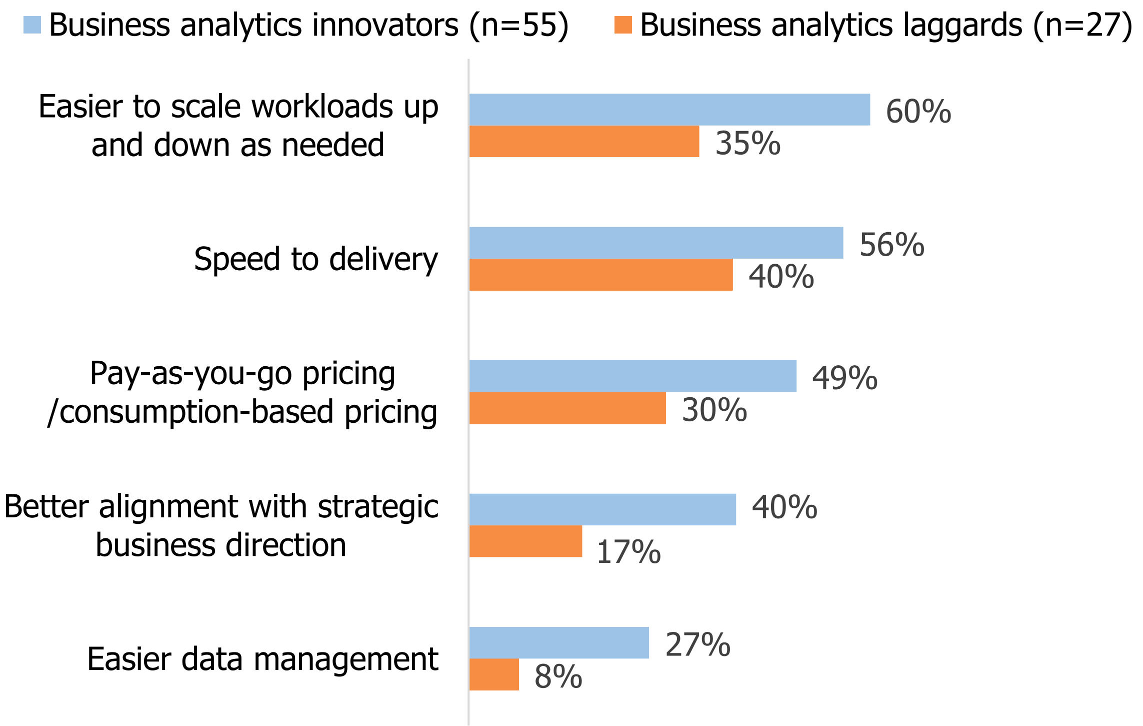
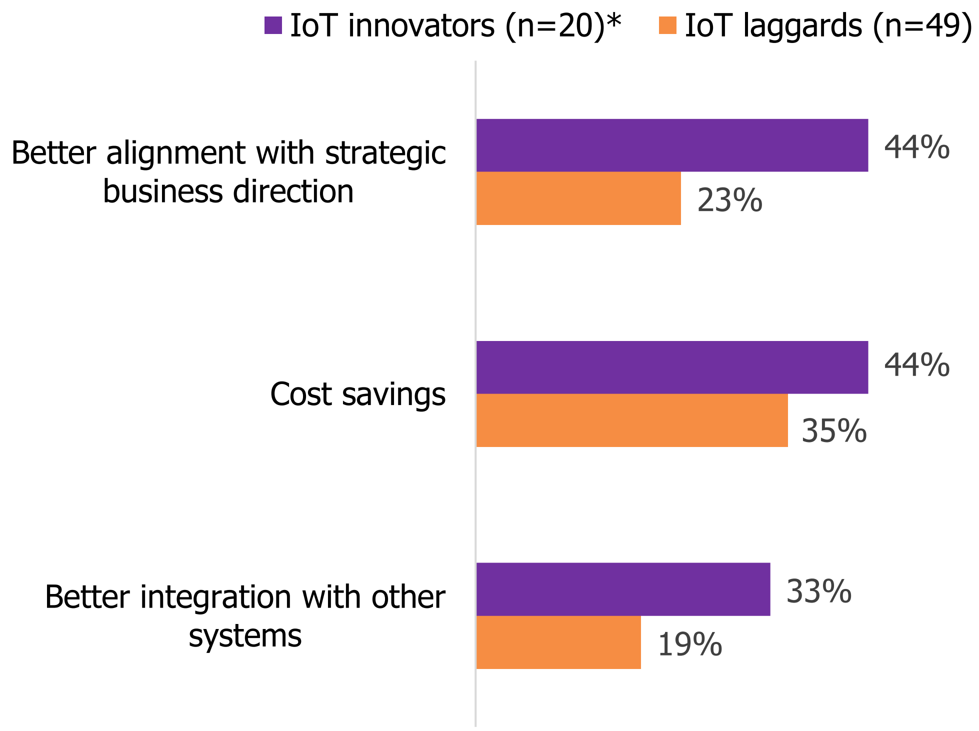
Benefits Received from Cloud Providers by Use of IoT and Business Analytics

- Business analytic innovators (respondents with business analytics in the cloud) are receiving more benefits than business analytic laggards.
- Key reasons driving respondents' use of business analytics (easier data access, real-time analytics, and more informed decision-making) are also working to enhance their overall cloud experience.
- IoT innovations in the cloud also provide respondents with more benefits (better alignment with strategic direction and integrations with other systems).





Q. Does your organization currently have, or is it planning to incorporate, any of the following innovations in the cloud?
Q. What benefits does your organization receive from its current cloud provider(s)? Please select all that apply. (n=102)
Note: IoT/business analytics innovators includes participants with IoT/business analytics innovations in the cloud ; IoT/business analytics laggards includes average of participants without any IoT/business analytics innovations in place *Data should be interpreted as directional in nature; sample sizes may be small when broken out by innovation

Top Ways Organizations Approach Innovation

- Top ways their organizations approach innovation is slowly and with caution and/or by encouraging a culture of innovation.
- Respondents share that innovation doesn't always come naturally and there needs to be a practical, value-driven reason driving it.

#1

Slowly and with caution until value is proven
(n=21)

- "Cautious - **we don't want to innovate just for innovation's sake**."
- "Innovation is key, but we **only adopt well proven platforms** due the nature of our regulated industry."
- "Approach is **very gradual and slow**."

#2

Encouraging a culture of innovation
(n=20)

- "If you have an idea, **bring it to the table**. We **encourage innovation**."
- "We have a program called Suncor 4.0 where we are encouraged to be more innovative."
- "**We value innovation although it does not always come naturally**. We look for opportunities to improve existing practices in new and different ways. Innovation could be small or big, but **a culture of innovation drives continuous value**."

Continually improving existing processes
(n=13)

- "**Leverage existing technologies** in novel ways."
- "Using our **current technology** to **make employee's and customer life better**."

Working to address business needs
(i.e., standardization, road map planning) (n=13)

- "Innovations on **simplification of legacy business processes**."
- "Innovations are constantly assessed with a **business need in mind**."

Q. In your own words, please describe your organization's approach to innovating. (n=102)
(Base size adjusted to account for participants who responded to the open-ended question. All other categories noted by less than 13 respondents.)

Reasons for Innovating in the Cloud

- Each innovation has unique reasons that are driving organizations to incorporate it into their cloud solutions. Looking at business analytics, we see why it is the most used innovation. It empowers better decision-making by making data accessible to anyone from anywhere.
- Reasons driving innovation in the cloud are consistent with reasons organizations innovate in general—it's all about reducing costs. Across every innovation, reducing costs was named as a top driver.

Business Analytics
(n=69)

- **#1** Easier data access
- Real-time analytics
- Reduces costs ★
- Aids in better decision-making

Automation
(n=48)

- **#1** Reduces costs ★
- Speed
- Minimizes low-value/routine tasks

AI
(n=42)

- **#1** Reduces costs ★
- Productivity
- Vendors providing AI capabilities in the cloud

ML
(n=40)

- **#1** Reduces costs ★
- Data insights
- Process improvements

IoT (Internet of Things)
(n=34)

- **#1** Easier to monitor equipment/assets
- Reduces costs ★

Q. For what reasons is your organization innovating on [INSERT INNOVATION] **in the cloud**? (Base sizes adjusted to account for participants who responded to the open-ended question.)
Note: Detailed verbatims are available in the appendix section.

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Responsibility for Driving Innovation Efforts

- Responsibility for driving innovation efforts falls heavily towards C-level individuals (63% responsible) and IT departments (59%). Almost half of respondents are also relying on a project team consisting of representatives from IT, C-level, and departmental staff with equal input to drive innovation.
- Given one of the main drivers for innovation is to improve productivity/efficiency of business processes, more collaboration with line-of-business department heads may help streamline efforts and prove value of solutions.

C-level	IT	A project team of representatives	LoB dept. heads	External Partners	Someone Else
63%	59%	49%	46%	9%	3%

External Partners (9%):
- Consultant (n=5)
- SAP (n=4)
- Capgemini
- Cognizant
- Microsoft

Someone Else (3%):
- "Engineers"
- "Faculty"

Q. Who drives innovation efforts at your organization? (Please select all that apply.) (n=107)

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What Are the Key Takeaways?

Key Takeaways

Look to Improve Cloud Experiences Where it Will Count the Most

Keep Costs Top of Mind

Share the Benefits from Innovating in the Cloud

Innovation Doesn't Come Naturally – Needs to Be Practical, Business Value Driven

4

Why Syntax?
Questions and Answers

Syntax at a Glance

45+
Years in Technology

1.4K
Employees Globally

40+
Years Supporting SAP

25
Years of Cloud Managed Services

SAP Services

- Continuous Innovation Adoption
- Migrations
- Implementations
- Upgrades
- Conversions
- Consulting
- Development
- Integrations
- Project Management
- Training
- Security Assessments
- SAP on Syntax Private Cloud
- SAP on Amazon Web Services Public Cloud
- SAP on Microsoft Azure Public Cloud
- Application Managed Services
- SAP Technical Managed Services
- Mergers and Divestitures
- IoT Implementations

Syntax Sample Customers

Why Work with Syntax?

- 40+ years of SAP experience
- SAP Gold Certified Partner
- AMS Certified for SAP S/4HANA
- Stable, pragmatic company growth based on long-term partnerships
- Specialized and experienced multi-ERP and multi-cloud resources
- Proven methodologies and best practices
- 130+ productive SAP HANA installations
- Structured flexibility supported by rigorous documentation, change controls
- Recently acquired Illumiti, an SAP consultancy to bolster our SAP portfolio

Questions?

Whitepaper

DOWNLOAD NOW

https://info.syntax.com/whitepapers/3/asug-cloud-survey-2021-whitepaper

Thank you.

Appendix

Survey Firmographics

Industry

	2021	2020
Consumer Products	**17%**	8%
Utilities	**9%**	3%
Retail	**8%**	6%
Industrial Manufacturing, Machinery, and Components (IM&C)	**7%**	N/A
Chemical	**6%**	7%
Aerospace and Defense (A&D)	**5%**	N/A
Government	**5%**	3%
Health Care	**5%**	N/A
Oil and Gas	**5%**	6%
Education and Research	**4%**	N/A
Automotive	**4%**	1%
Public Sector	**4%**	3%
High Tech	**4%**	20%
Mill Products and Mining	**3%**	N/A
Wholesale Distribution	**3%**	7%
Professional Services	**3%**	2%
Other	**2%**	11%

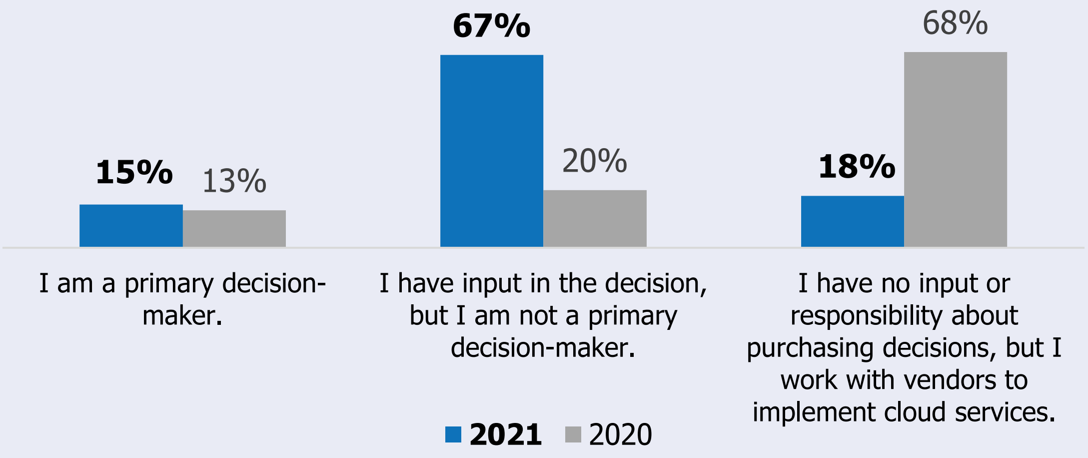
Annual Revenue

	2021	2020
Less than $500 million	**18%**	25%
$500 million–less than $1.5 billion	**15%**	23%
$1.5 billion–$5 billion	**25%**	20%
Greater than $5 billion	**34%**	31%
Government/nonprofit	**8%**	1%

Job Title

	2021	2020
C-level/executive (CEO, CIO, CFO, etc.)	**8%**	7%
VP/SVP	**5%**	7%
Department manager/associate manager	**49%**	45%
Nonmanagerial	**31%**	31%
Other	**7%**	11%

Roles in Purchasing Cloud Services



Department

	2021	2020
IT Operations	**44%**	41%
Finance	**10%**	10%
Enterprise Architecture (EA)	**9%**	11%
Business Intelligence (BI) and Analytics	**7%**	7%
Enterprise Asset Management (EAM)	**4%**	0%
Human Resources (HR)	**4%**	1%
Development	**4%**	N/A
Supply Chain Management (SCM)	**4%**	4%
Information Security	**2%**	1%
User Experience (UX)	**2%**	1%
Other	**11%**	7%

(n=114)
Note: All other industries/departments represent less than 2% of respondents

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