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2020 DSAG Investment Report

The switch to S/4HANA is complete

Walldorf, Germany, 01.23.2020 – The total budget for IT investments will rise in 2020 at nearly half of DSAG member companies in Germany, Austria, and Switzerland. The same goes for investments in SAP technology. These were the findings of the 2020* Investment Report of the German-speaking SAP User Group (DSAG). For the first time in four years, investments in S/4HANA now exceed investments in Business Suite, marking a clear transition. There is still plenty of room for growth in cloud solutions, while in terms of application platforms, Microsoft Azure lies significantly ahead of the SAP Cloud Platform. Beyond SAP, digitalization is still advancing slowly.

Budgets for general IT expenditure in 2020 have risen at 46 percent of the companies surveyed in Germany, Austria, and Switzerland. Budgets have gone down at 19 percent of those surveyed, and remain unchanged at 35 percent. Across all companies, budgets have increased by an average four percent. When it comes to SAP investments specifically, 49 percent of companies want to invest more. However, budgets for SAP have fallen at 19 percent of those surveyed and remain the same at 32 percent. "The generally high level of readiness to invest is particularly noteworthy given the uncertain economic environment. However, this is not the same across all sectors. In manufacturing, 24 percent of respondents said their IT budgets had fallen. "This could be due to the fact that, as a result of the current economic development, companies such as those in the automotive sector remain somewhat cautious about the future despite digitalization," says Dr. Marco Lenck, DSAG Chairman, analyzing the numbers.



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A clear turning point

The relevance of Business Suite has further declined and reached a turning point. For the first time in four years, "large and medium-sized" investments in S/4HANA on-premise and public cloud (52 percent) exceed those in Business Suite (35 percent). And a positive trend can also be seen in terms of the transitions to S/4HANA. Over the last three years, there has been a huge rise in the number of companies who have already deployed S/4HANA – up from 3 to 10 percent. Additionally, the percentage of companies who plan on making the switch this year has increased, from five percent in 2018 and 2019, to nine percent. "Lots of companies that planned to make the switch have now done so or are in the process of doing it," explains Marco Lenck. The findings are clear: S/4HANA finally arrived on the market in 2019. It is expected that this number will continue to rise over the next three years. An impressive 40 percent of respondents expect to make the transition during this period. "This will have significant implications for the consulting sector," says Marco Lenck.

The percentage of companies that continue to use SAP ERP remains unchanged over last year, at six percent. Meanwhile, 13 percent have not yet come to a decision, which is down three percent on last year. "This means that almost 20 percent are still without an S/4HANA strategy. It is our responsibility as DSAG and the role of SAP to take these companies under our wings and support them with the transition," continues Marco Lenck.

But the clear shift toward S/4HANA is just one side of the story. That's because the percentage of companies using the S/4HANA public cloud remains in single digits. "Based on this, we at DSAG can conclude that SAP's existing customers need to be better informed when it comes to the general



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functionalities of the cloud solutions. Currently, the public cloud is not customers' preferred turnkey solution. There are still plenty of reservations around it in public administration, the healthcare sector, and in manufacturing, for example," summarizes Marco Lenck.

The preferred route to S/4HANA: gradual migration

Companies are switching to S/4HANA in a number of different ways. Overall, 20 percent of companies have completed or plan to execute a new implementation of S/4HANA (*Greenfield*). Meanwhile, 39 percent favor a gradual implementation approach (*Brownfield*). Mixed approaches, e.g. hybrid solutions, are the preferred course of action for seven percent of companies, and 34 percent of companies remain undecided. Marco Lenck: "There is an urgent need for adequate decision-making aids here, to help those who haven't yet made a decision or made concrete plans for an S/4HANA project."

SAP Analytics in upward trend

When it comes to SAP Cloud solutions in general, 14 percent of respondents plan "large and medium-sized" investments in SuccessFactors, 13 percent in SAP Analytics Cloud, and 11 percent in C/4HANA. Ariba, Integrated Business Planning, and Concur remain in the single digits. Only SAP Analytics Cloud shows an upward trend. After the number of companies willing to make "large and medium-sized" investments rose six percent to nine percent last year, this year it has again increased four percent to 13 percent. "SAP user companies continue to invest in SAP's cloud solutions, to expand and grow their processes outside the core. This needs to be able to happen as a standardized, uniform process, without modifications. It's our role as DSAG, in discussion with SAP, to ensure that out-of-the-box integration and harmonized data models continue. This will then facilitate the



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deployment of a rapid growth product like SAP Analytics Cloud," explains Marco Lenck.

When it comes to the relevance of application platforms (platform as a service, not infrastructure), Microsoft Azure is the clear leader with 24 percent of "large and medium-sized" investments. SAP Cloud Platform takes second place with 14 percent. "This could be due to the fact that Microsoft is primarily deployed within companies as a general digitalization platform, while SAP Cloud Platform is first choice as a platform for SAP solutions," said Marco Lenck, commenting on the finding.

Small turnaround in digitalization

In addition to different product areas, the survey also inquired about how much progress companies had made in digital transformation, irrespective of and without direct reference to SAP. Overall, 35 percent of respondents said their projects were "advanced" or "very advanced," an improvement over last year (31 percent), but still way behind the 2018 figure of 45 percent. For Marco Lenck, it's an interesting development: "In the beginning, there was huge enthusiasm for digital transformation, but then it became clear that the work required in some areas is much greater than anticipated. But the turnaround is there." However, right now, digital transformation is still lagging behind general expectations. Among the companies surveyed, 63 percent say they are "not very advanced"—three percent less than last year.

Better support, less reluctance

This year's survey also sought to uncover the reasons behind this "digital reluctance." A lack of resources such as employees and consultants is considered "important" or "very important" by 77 percent of respondents, while



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68 percent said the same about the time-consuming integration. "Businesses have recognized that it can get complicated once they start a corresponding project and carry out the implementation. But this also means SAP has a huge amount of work to do to offer companies better integration support. The more standardized the solutions, the more straightforward the integration and the fewer areas need working on," summarizes the DSAG Chairman.

The technology is not wanting

In third place, a lack of know-how was identified by 60 percent of companies. "If companies aren't aware of the technological possibilities of solutions, they aren't as willing to grapple with it. That's why it's important to engage the relevant departments in a targeted way," says Marco Lenck firmly. The lack of business case cited by 47 percent of respondents is also interesting. "Maybe the related investments are too high or the tangible benefits of a project haven't been clearly defined. Or there is a lack of knowledge around what can actually be improved using the software," says Marco Lenck, interpreting the finding. Because as the survey shows: it's not due to insufficient functionality in the solutions or a lack of technology. Both reasons came at the bottom of the list, cited by 45 percent and 29 percent respectively.

Summary

Many companies appear to be in a bind at the moment. While the future clearly lies in digitalization, the current economic environment does not seem to be ready for it in many areas. The wheels are in motion, with S/4HANA finally stepping out of the shadow of Business Suite. However, too many companies don't yet have a firm S/4HANA strategy, or there is no clear guidance on which approach they should take for the transition. All



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this means that SAP and DSAG must step up their work to explain the benefits to users this year. The same goes for cloud projects and for support around SAP projects related to digitalization.

***About the survey**

From November 2019 to January 2020, DSAG carried out an online survey on planned investments in 2020 among user companies in German-speaking countries. One person was surveyed per company. In total, 288 CIOs, Competency Center managers, and other representatives from DSAG member companies in Germany, Austria, and Switzerland took part. Almost half of respondents were from companies with between 500 and 2,500 employees.



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About DSAG

The German-speaking SAP User Group (Deutschsprachige SAP-Anwendergruppe e. V., DSAG) is one of the most influential SAP user groups in the world. Its strong network comprises more than 60,000 members from over 3,500 companies, ranging from medium-sized businesses to DAX corporations, and representing all industries in Germany, Austria, and Switzerland. This gives the group unparalleled insights into the digital challenges facing companies in these markets. DSAG uses this knowledge to represent the interests of SAP users and to support members on their paths to digitalization. Further information is available at:

www.dsag.de, www.dsag.at, www.dsag-ev.ch

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