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Introduction: Technology Enables Business Success

Technology changes, but the needs of business do not. Enterprises around the world are winning new customers, growing their businesses and increasing profits by replacing traditional siloed IT with agile and integrated cloud platforms. The technical agility and flexible economic models of cloud platforms help enterprises improve the responsiveness and competitiveness of their business processes. Cloud services abstract the underlying technical complexity of IT and standardize workload environments, enabling IT to more easily and quickly respond to the evolving needs of business. Cloud services also offer new economic models with metered usage, on-demand scaling and pay-as-you-go contracting that allow the enterprise to more closely match payments to revenue. Choosing the right agile integrated cloud platform is a key decision, one that should be made with the primary focus to drive new IT-enabled business processes.

Cloud platforms play a key role in how enterprises will use IT to compose their business processes. End-to-end business processes such as Procure-to-Pay or Close-to-Cash will be composed of workloads delivered as services via public and private clouds, managed services, and traditional on-premises IT. Multiple workloads such as CRM, SRM, transaction processing, logistics, accounting and finance will be stitched together across multiple business processes.

To support IT-enabled business processes, line-of-business (LOB) and IT executives are teaming to assess applications and IT workloads and shifting the right workloads to more agile cloud-enabled platforms. Enterprises can improve their business outcomes across a process by carefully choosing where to “land” workloads in either traditional IT or cloud-enabled IT modes. Figure 1 shows a model of a composed business process that is built up from specific workloads that are deployed across a range of traditional and cloud-enabled options.

IT and LOB executives decide where they need to place workloads based on:

- **Buying a solution service** that supports outcomes without internal IT having to worry about workload delivery.
- **Using a cloud development platform** to speed custom application creation without having to manage the underlying infrastructure.
- **Sustaining a competitive advantage** to the firm when owning and controlling the application and the infrastructure.
The result is a hybrid delivery model that composes and integrates workloads across a business process. Business processes that might otherwise be delivered only by proprietary or closely managed technologies via on-premises models will become more scalable and agile when workload components of the process shift to — and are integrated via — cloud platforms.

To transform business processes, it is essential to assess the benefits of shifting a traditional deployment model to a cloud-enabled model and to assess how to integrate a process across workloads. Buyers have two stages of decision making:

1. Choosing a cloud vendor that can support a single workload is an important first step in modernizing a business process.

2. Choosing a cloud platform vendor that supports standards-based integrations across traditional and cloud-enabled models reduces risk, improves agility and improves time to value.

While enterprises will deploy a heterogeneous mix of technologies, firms should assess vendors that can provide an agile and integrated cloud platform to capture the greatest benefit from overall cloud investments.
Cloud Expectations, Hybrid Value

Interviews with CIOs from large enterprises reveal they are investing in two areas: enhancing business performance via new technologies such as in-memory and advanced analytics and simplifying IT by standardizing applications and technology platforms. A transformed business process will span multiple workloads and will be a hybrid mix of solutions across consumption models and vendors. The leading driver for buyer selection of a cloud vendor is cloud technical capability. Buyers want to know that their vendors offer competitive cloud capabilities based on underlying technologies, scale of delivery, granularity of the API and built-in security. In 2014 one-half of enterprises prepared to shift applications workloads by building out a private cloud infrastructure and platform capabilities. Customers also see integration as their next big hurdle as they compose business processes with clouds. Just over 20% of global enterprises integrate their cloud deployments to create hybrids, but nearly 50% have plans to hybridize in 2015. Finally, customers are looking at advanced analytics and in-memory technologies that enable them to achieve both goals of enhancing business performance and simplifying IT.

For vendors in this market, agility in moving existing on-premises point products into solutions is a critical first step. The second step is to evaluate portfolio developments alongside customers’ changing business models. Proactive reinvention to meet customers’ business needs moves vendors into a position to deliver insights and results in new transformative processes. The final step is for vendors to shift resources and messaging to demonstrate product credibility and a commitment to simplifying customers’ multiple cloud and on-premises integrations (hybrid integration). Vendors that complete all three steps are best positioned to serve as customers’ trusted advisers.

50% of global enterprises plan to hybridize their cloud deployments in 2015
TBR Assessment: Market Landscape

Both the spending and expectations for hybrid integrations are increasing in 2014, adding pressure to vendors offering newer capabilities and legacy middleware players alike. Integration is critical to customers. The ability to both set up and integrate platforms for customers is the key to enabling a hybrid mix of workloads, which in turn support a transformed and differentiated business process. The ecosystem of vendors that can single-handedly deliver cloud technology, integration and business process transformation is short, led by SAP SE, Oracle, IBM and Microsoft. A long list of ecosystem players, from Accenture and Amazon to VMware, offer components and services from which customers will choose as they build out their hybrid models. Competition is high, consolidation will occur and cloud technology continues to evolve, requiring customers to balance the benefit of gaining an early adopter market advantage over risk mitigation.

The complex nature of evolving IT environments impacts the high expectations for increased hybrid integration; customers expect a simple consumer user experience.

Integration as the First Step to Transformation

Integration is essential to start customers on the path to business transformation — but it is only the first step. Customers need abilities, both internally and in their vendor partner, that enable a new way of thinking in how business can be done, making the customer a game changer in its market and industry. Demonstrating expertise in building, integrating and deploying hybrid workloads will position vendors favorably to expand customer relationships and trust. The complex nature of evolving IT environments impacts the high expectations for increased hybrid integration; customers want and expect a simple consumer user experience. Taken together, both LOB and IT have distinct requirements from a vendor that, if they can be delivered together, will deliver synergies needed to show business outcomes and transformative benefits via IT enablement.
TBR Assessment: SAP SE

In recent years, SAP reinvented its business to meet customers’ changing needs for cloud and integrated solutions. By being in front of customers’ needs in taking deep on-premises experience and portfolios into both solutions and cloud discussions, SAP creates opportunities for new levels of consideration as a trusted adviser to customers and partners. The intent to create an interoperable, highly customer-centric SAP is clear, with the goal of driving deeper portfolio discussions around the depth of SAP’s integrated platforms.

SAP’s integrated platforms and portfolios center on bridging existing on-premises installations with new deployments and processes, driving business agility throughout a customer’s data center while turning processes from single points of execution to one visible fabric that extends across an enterprise. SAP’s willingness to rethink its portfolio, with guidance from customers and partners, keeps SAP’s open integration platform aligned with customers’ changing consumption needs.

SAP offers an array of public and managed cloud applications, including SuccessFactors in HR, Concur in spend management, hybris for omnichannel commerce, and Simple Finance for a renewed experience in managing finances. The portfolio has been built organically and through acquisition. For those customers that are ready to purchase the innovations SAP can provide, use a flexible cloud-based model, and enable integration with on-premises or hosted applications, the cloud applications portfolio is a good fit.
SAP HANA Cloud Platform offers the ability for customers to extend their on-premises applications with new capabilities delivered in the cloud. The SAP HANA Cloud Platform offers modern capabilities and a full range of additional application services, including integration, single sign on/security, mobile, collaboration and analytics. The API Management capabilities delivered by SAP also allows customers to bring consumers and developers closer to points of business value. SAP HANA cloud integration creates new ways to evolve business processes and the related software that is most tightly tied to customers’ mission-critical data and especially facilitates hybrid cloud scenarios.

SAP HANA Enterprise Cloud offers another path for customers to migrate mission-critical processes running on SAP on-premises applications to the cloud by delivering these apps as a managed cloud offering. Investments in user experience, spanning products including SAP Fiori and SAP Screen Personas, demonstrate SAP’s focus on integrating applications across strategy and a path for customers to truly reinvent businesses, enabling customers to model, implement, execute and better understand their business processes. Agile software deployment that helps customers rethink execution and reinvent strategy creates business value for customers, and SAP’s portfolio is positioned to help customers move to the next stage of execution.

SAP’s willingness to rethink its portfolio, with guidance from customers and partners, keeps SAP’s open integration platform aligned with customers’ changing consumption needs.
TBR Outlook

Customers seek capabilities that help them to transform their businesses and become more agile. Adapting to new business demands dictates renewing or even reinventing business processes to stay ahead of increasing levels of data and the need to accelerate and improve decision making. Legacy on-premises solutions including middleware integrations for current data and systems are about to enter their next wave of potential, hybrid cloud as a path to new real-time levels of insight and performance. Data portability and integration will continue to increase in importance as LOBs demand analytics functionality, creating revenue opportunities across the software vendor and systems integrator landscapes. In particular, significant opportunity exists for SIs, as many respondents in TBR research indicated their intent to consider and/or use a third party to manage hybrid cloud integration and interoperability.

Vendors that can deliver the three enterprise requirements — technical leadership, standards-based integration and differentiating functionality — are best positioned for success. Shortening the hybrid cloud payback cycle is an accelerator relative to the market, as customers are becoming more aggressive in their expected ROI. With leadership in the applications market and its support for business processes, SAP has a strong base on which clients can build a hybrid architecture that enables business process transformation. HANA Cloud Platform and HANA Enterprise Cloud offer technical leadership, standards-based integration and differentiating functionality. With a focus on providing functionality that goes beyond integration to take advantage of in-memory computing (SAP HANA), TBR sees SAP as having the portfolio pieces in place to deliver business process transformation. Additionally, the unified message of SAP as the “cloud company powered by SAP HANA” sets an expectation for enterprises that SAP will be a consistent, trusted adviser to help them win through unique business models. SAP has anticipated customers’ desired cloud migrations and is reinventing its business and portfolio to meet those needs; TBR sees the firm positioned to successfully defend its install base, realize a hybrid vision for those customers and recruit new cloud-minded customers.
About SAP SE

As a market leader in enterprise application software, SAP SE (NYSE: SAP) helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device — SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP applications and services enable more than 261,000 customers to operate profitably, adapt continuously, and grow sustainably. For more information, visit www.sap.com.

About TBR

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Serving a global clientele, TBR provides timely and actionable market research and business intelligence in formats that are tailored to clients’ needs. Our analysts are available to further address client-specific issues or information needs on an inquiry or proprietary consulting basis.

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TBR has been empowering corporate decision makers since 1996.

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