ISG Provider Lens™

SAP Ecosystem

A research report comparing provider strengths, challenges and competitive differentiators

Customized report courtesy of:

Kaar

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U.S. clients are taking a very cautious approach toward SAP S/4HANA transformation and demanding quicker ROI.

This year's study finds enterprise clients in the U.S. continue to cautiously access the SAP S/4HANA transformation plan despite the buzz around RISE with SAP. Current macroeconomic headwinds have made this transition even more complex as customers reassess their SAP S/4HANA implementation strategies that are now focused on seeking quick ROI and developing a cost-optimal roadmap for their IT investments. Clients in the U.S. want to assess all risks and implications of accepting SAP's subscription terms and the future expansion of their ERP systems. To address these challenges, service providers continue to remain focused on enhancing their industry-specific solutions with preconfigured process workflow best practices, automating data migration and offering value-added services such as cloud readiness checks, assessment services, developing business use cases and consulting clients on a complete transition roadmap for reducing time to market and simplifying the entire transition journey. They have also significantly increased their investments and efforts in generative AI (GenAI) solutions to strengthen horizontal capabilities. The focus has shifted from testing and documentation to advancing the system's capacity to predict the most suitable implementation approach and assess success probability. GenAI use cases in HR, finance, sales and supply chain are already helping clients in reducing the implementation period.

The SAP S/4HANA transformation initiatives grew moderately in 2023 between 10 percent and 12 percent, slightly less than last year's forecast. This moderate growth is largely attributed to large accounts' wait-and-watch approach and the complex negotiation process. Due to uncertain ROI, longer implementation periods and the complexity involved, large enterprises are also evaluating other cloud ERP systems to support their transformation objectives. Providers report that most projects are greenfield, which has 58 percent share.

Automation, AI and GenAI have seen higher traction due to faster time to market and better margins.

However, the bluefield approach has seen exponential growth in the last 12 months with nearly 12 percent share in total projects.

Bluefield implementation has seen more acceptance in large accounts and has delivered greater business value. Most SAP S/4HANA projects target public or private cloud and not RISE with SAP. Rise with SAP accounted for only 13 percent of the total projects delivered, compared to 17 percent last year, with most greenfield SAP RISE projects aimed at midmarket clients. Also, SAP RISE does not work for highly regulated industries. Most providers have enhanced the use of automation-focused tools, AIOps and industry accelerators to reduce implementation time. Compared to last year, the average implementation time for the SAP S/4HANA private cloud edition takes 38 to 42 weeks; SAP S/4HANA public cloud takes between 24 weeks to 26 weeks and SAP RISE takes between 30 weeks to 35 weeks. As per ISG's observation, the average implementation duration decreased by four to five weeks compared to the previous year. The increased use of industry-specific solutions and automation tools has reduced implementation duration and has significantly improved productivity and revenue (revenue growth has outpaced FTE growth).

In this year's assessment, ISG observes that providers in the U.S., similar to the previous year, remain highly focused on offering end-to-end SAP services, building specialized frameworks and approaches, developing intuitive and automated industry solutions for resilient value chains and data-driven transformation, developing industry cloud innovations and solutions and accelerating data migration. They also aim to cocreate a future digital platform for a highly interconnected enterprise led by SAP S/4HANA. However, enhancing client proximity is now deeply rooted in providers' go-to-market (GTM) and regional focus. Providers have enhanced their competitiveness by going to market with a consulting-led approach, offering numerous value-added services such as organizational change management (OCM), assessment tools, design thinking for creating co-innovative solutions with clients that match their business objectives and providing a practical roadmap of the entire transition journey.

There are enhanced investments and efforts going into developing their GenAI capabilities and integrating those with SAP offerings. Some leading providers already offer comprehensive services that encompass GenAI strategy, GenAI custom for enterprise, GenAI for CX, GenAI for business functions and GenAI for digital transformation. Providers such as Capgemini, Wipro, HCLTech and Tech Mahindra are outperforming in these areas and have demonstrated strong innovation roadmaps for the next 12 to 18 months. Driving the transition experience, building trust, increasing productivity, achieving quicker ROI and reducing implementation duration will help providers in winning more net new deals.

Providers continue to invest in intelligent technologies to address industry and CXO challenges. They are focusing these technology efforts on building business-oriented use cases and data-driven capabilities for driving digital transformation. This includes enhancing global migration factories with accelerators and GenAI tools to industrialize the S/4HANA migration and S/4HANA upgrades for clients globally. Some leading providers have built SAP innovation labs and centers of excellence to drive SAP Business Technology Platform (BTP) adoption for process optimization using a range of frameworks, including intelligent process engineering. Investment in AI, ML and GenAI solutions as part of building innovation labs aims at assisting clients in building future-ready intelligent enterprises.

In this year's assessment, ISG observes, there has been a continuous focus on integrating automation and AI into SAP transformation and managed services tools and accelerators. These capabilities are the starting points of discussion to begin the transformation journey. In addition to end-to-end transformation journey roadmaps, leading managed services providers have used process mining tools such as Celonis and SAP Signavio to adapt and optimize customer processes during implementation, which continues post-implementation with SAP application management services (AMS). Syniti and CBS Consulting have fostered a strong partnership to deliver on increasing requests for selective data transition, largely applicable to the requirements of large accounts.

NTT DATA showed a market-leading focus on catering to this requirement by acquiring Natuvion in August 2022.

There has been a significant rise in efforts among providers to build solid and longstanding partnerships with SAP and hyperscalers. Most providers have strategically enhanced their partnerships with SAP, offered GTM approaches in line with SAP's product strategy and collaborated on numerous fronts, including the RISE with SAP program for implementation. These efforts aim to secure mega deals and position providers among SAP's top three partners in terms of the volume of SAP-related services offered and the level of SAP license revenues influenced. Providers have also extended their partnerships with hyperscalers (notably AWS, Azure and Google Cloud) and work together with them to deliver SAP services for clients. Providers are also expanding their partnerships with third parties such as SNP Group, Syniti, Tricentis, Celonis, CBS Consulting and regional providers. This enhanced partnership approach helps providers to offer composable services, where enterprise clients can leverage use cases to compose best-of-breed vendor solutions that integrate with SAP services. Providers offer many partner innovations for data analytics, workload migrations and security and compliance.

Similar to the previous year, Accenture, Capgemini and Infosys are among the players that dominate the SAP ecosystem in the U.S. Wipro, HCLTech and LTIMindtree have shown strong revenue, client and FTE growth rates and have strong customer-centric approaches, encouraging them to challenge the top three providers in the next 12 to 18 months. They continue to adopt innovation-focused approaches to enhance their service capabilities. Other providers, notably Cognizant, Tech Mahindra, EY and TCS, are working toward further strengthening their leadership positions. Birlasoft, Hexaware, Navisite, NTT Data, UST and Hitachi Digital Services are among the companies that are improving their portfolio attractiveness and are focused on further increasing their cloud engagement projects. Many regional providers, including Resolve Tech Solutions, Kellton, Alight and Kaar Tech have a strong understanding of the SAP service landscape. They are focused on further enhancing their capabilities to move further up in this competitive market.

In this year's assessment, manufacturing, healthcare, pharma and CPG industry clients continue to drive the adoption demand for SAP S/4HANA transformation and other services. They are motivated to streamline production, optimize processes, enable the digital transformation of processes such as sales and customer services and enhance CX. These industries reported more than 65 percent of SAP S/4AHANA services adoption in the U.S. However, financial services, retail, telecom and public sector clients are still skeptical. As per ISG analysis and in-depth interviews with service providers, providers' SAP FTE count has grown by 15 percent compared to last year. Certified SAP consultants now account for nearly 40 percent of the total SAP FTEs similar to the previous year. Client growth has been strong, with a growth rate higher than 25 percent. In transformation services for large accounts, leading providers, on an average, won between 25 to 30 new deals, signifying their strong resource pool to handle large and complex projects. The average number of new deals won in the midmarket is eight to 10. In AMS, net new deals increased by 32 percent compared to the previous year.

The ISG Star of Excellence™ (SOE) 2023 program found SAP service providers more focused on offering customer-centric services and approaches and providing more value-added services, superior consulting capabilities, flexible SLAs and a customer-friendly pricing model. Providers' business continuity and flexibility and execution and delivery capabilities were rated as most important by enterprise clients in the U.S. Their ability to maintain effective cybersecurity measures, be open to constructive criticism or suggestions for improvement and adapt delivery to meet business objectives, and ensure limited downtime in any systems or services provided received the highest customer satisfaction scores, higher than the average benchmark score of 78. Providers need to focus more on innovation and thought leadership capabilities, especially in adapting emerging technologies and their widespread use, and demonstrating new work methods, techniques and tools. Providers such as Infosys, Hexaware, Wipro, Cognizant, Tech Mahindra, HCLTech and EY have shown superior focus on improving client proximity, with their regional strategies largely focused on co-innovation, consulting-led approach, industry-specific tools and automation for reducing implementation time and offering flexible pricing model to win more deals.

To conclude, service providers are approaching the market by reducing overall implementation duration for quicker ROI, building consulting capabilities, differentiating by offering value-added services and focusing on automation and GenAI for quicker implementation and better margins. This focused approach to client proximity and delivering better business outcomes is expected to continue with the increased adoption of the outcome-based pricing model.

Considering the current economic headwinds, where clients have been watchful of their IT spending, providers that take a client-centric approach have showcased superior capabilities in AI, GenAI and automation, significantly reducing implementation duration and offering better ROI with strong industry capabilities. They will experience enhanced market traction in the next 18 to 24 months.

Key focus areas for SAP Ecosystem 2024.

- **SAP S/4HANA System Transformation for Large Accounts**
- **SAP S/4HANA System Transformation for Midmarket**
- **SAP Application Managed Services**
- **Managed Cloud Services for SAP ERP**
- **SAP SuccessFactors HXM Partner Services**

Simplified Illustration; Source: ISG 2024

Definition

With a growing focus on the cloud, SAP has concentrated on the cloudification of its offerings over the last few years, leading to simplification and modularization of the SAP solutions landscape. The aim is to keep the digital core clean using the SAP Business Technology Platform (BTP) centrally and S/4HANA on-premises or on the private or public cloud. The ERP monolith is also being broken down with SAP marketing separate solutions, which was earlier a part of the ERP core offerings. Due to the major changes in the SAP product portfolio, migration, integration capability, data protection and IT security are becoming more relevant than ever.

The accelerated move of SAP to the public cloud within the S/4HANA strategy will leverage a more extensive set of functionalities in the SAP product portfolio that promises to equal those currently available in the ERP Central Component (ECC). This opens more challenges for vendors, as the cloud business brings hardware, software and data sovereignty constraints and cybersecurity-related hurdles.

Hence, it becomes imperative for enterprises to strategize their business approach around SAP solutions. A key part of this strategy includes plan to move from ECC to SAP S/4HANA, as the end of life for ECC support is scheduled for 2027. With the launch of RISE with SAP and the deadline for ECC support nearing, enterprises are trying to optimize their migration and transformation to the cloud through SAP S/4HANA transformations most efficiently.

The other SAP offerings are being considered based on enterprise requirements (for example, human experience management).

Sweet Spot

KaarTech

Overview

Founded in 2005, KaarTech is headquartered in Chennai, India. It has over 100 highly experienced SAP professionals in North America and has successfully delivered more than 15 SAP S/4HANA transformation engagements. It has more than two decades of experience in SAP and over 23 SAP quality awards for seamless implementation. It brings in solid expertise in energy, manufacturing and business services industries.

Key Provider Capabilities

Robust SAP capabilities and experience: KaarTech offers proprietary tools like KTern.AI and Kaar Enterprise Business Suite (KEBS), and provides advanced ERP service, to automate the digital transformation lifecycle, optimizing business processes and leveraging real-time data analytics. This includes customizing the SAP S/4HANA environment to align with unique business needs, enabling a smooth transition with minimal disruption. The company's extensive services portfolio encompasses all SAP Business Application solutions spectrums, facilitating integrated and up-to-date offerings and a superior focus on providing a clean core with SAP BTP.

Strategic approach to RISE: KaarTech's RISE with SAP offering is focused on technical upgrades and strategically leverages its SAP S/4HANA and Edge technology expertise to assist clients in their digital transformation. The offering incorporates business process intelligence to benchmark performance against industry standards, application lifecycle management to maintain optimal system performance, SAP Business Network Starter Pack for fostering collaboration across supply chains, and SAP BTP to support innovation with integration and extension capabilities. Through RISE with SAP, the company has delivered varied benefits to midsize and large enterprise clients.

Result-oriented tools and solutions: KaarTech offers KTern.AI to accelerate S/4HANA adoption with automation, predictive analytics and cost-effective, risk-mitigated ERP transformation. Its KEBS provides a 360° view of employee data, enabling comprehensive human resource management across global teams. Key features include deal management, project management, resource management, finance management and ticket management.

Benefits Delivered

- **Streamlined processes with improved workflow management and data-driven strategies, enhancing business decisions**
- **Accelerated setup and rollout with industry-specific configurations using pre-built templates**
- **Enabled AI-powered data migration to ensure data accuracy and minimize downtime during migration**

KaarTech

Sweet Spot

- **Value-added services:** It offers an AI-driven project execution platform to orchestrate and streamline every phase of SAP S/4HANA implementation for optimal success. The company includes preconfigured S/4HANA templates to expedite SAP S/4HANA deployment, aligning with the client's specific business requirements and industry best practices. Tool kits enhanced with deep learning and NLP augment the project execution lifecycle. KTern.AI, its AI-driven governance tool, integrates AI-driven insights into project management for data-backed decision-making and efficient processes. KaarTech identifies and implements digital use cases tailored to each workstream, enabling a thorough and impactful digital transformation. It offers a post-implementation accelerator to continually optimize processes and systems, facilitating sustained value from the SAP S/4HANA investment.
- **AI-first approach:** KaarTech differentiates SAP S/4HANA implementations with its AI-driven strategy using KTern's Digital Projects suite. This approach automates and optimizes each phase of the implementation lifecycle, leveraging AI and ML for digital transformation. Strong consulting capabilities include in-depth assessment and road map planning, process optimization using AI insights, automated testing for quality assurance, and effective change management capabilities and principles. This suite also provides real-time project governance and post-go-live support for continuous system refinement. Specialized offerings extend to customer engagement, spend management, human capital management and business process transformation, integrating GenAI for enhanced efficiency and personalization. KaarTech's strategy ensures successful adaption to digital changes, operational excellence and offering value-driven sustainable transformation.

Future roadmap

KaarTech grows its SAP capabilities and presence in the U.S. with these initiatives:

- Prioritizing S/4HANA transformations, strengthening the team for digital consulting and client engagement, and expanding service offerings through new acquisitions, especially for midmarket clientele
- Investing in AI-led digital transformation services focusing on offering superior business value-added services for value-driven business outcomes
- Expanding portfolio by tailoring solutions for energy and oil and gas, manufacturing, consumer products, hi-tech, public and professional services, and more
- Continuing to differentiate by developing SAP-certified transformation accelerators to increase market presence

Appendix

The ISG Provider Lens 2024 – SAP Ecosystem study analyzes the relevant software vendors/ service providers in the U.S. market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

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The research and analysis presented in this report includes research from the ISG Provider Lens program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of March 2024, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars ($US) unless noted.

The study was divided into the following steps:

1. Definition of SAP Ecosystem market
2. Use of questionnaire-based surveys of service providers/ vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & use cases
4. Leverage ISG's internal databases & advisor knowledge & experience (wherever applicable)
5. Use of Star of Excellence CX-Data
6. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
7. Use of the following key evaluation criteria:
   * Strategy & vision
   * Tech Innovation
   * Brand awareness and presence in the market
   * Sales and partner landscape
   * Breadth and depth of portfolio of services offered
   * CX and Recommendation

Lead Author

Tarun Vaid
Senior Lead Analyst

Tarun has over 13 years of extensive research experience across the ICT domain, including report writing, drafting thought leadership, analyzing IT spending, consulting clients on latest trends and business use cases. Additionally, he has been responsible for delivering end-to-end research projects, working with internal stakeholders in delivering various consulting projects on digital transformation, supply chain transformation, understanding customer feedback and interviewing providers.

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Vartika Rai
Research Analyst

Vartika Rai is a research analyst at ISG and is responsible for supporting and co-authoring Provider Lens™ studies on Analytics – Services and Platforms, and SAP Ecosystem. She supports the lead analysts in the research process and authors the global summary report. Vartika also develops content from an enterprise perspective and collaborates with advisors and enterprise clients on ad-hoc research assignments. Vartika started her current role in June 2022. Before this role, she worked on secondary research, competitive vaintelligence, market trends, and newsletter analysis.

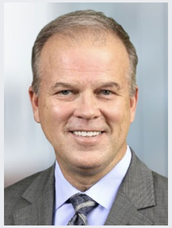
Study Sponser

Aman Munglani
Director and Principal Analyst

Aman Munglani leads the ecosystems and custom research practice for ISG. He brings over twenty years of expertise in emerging technologies and industry trends. His career is marked by significant contributions in guiding top executives from Global 2000 companies, offering strategic advice on digital transformation, start-up partnerships, driving innovation, and shaping technology strategies.

In his tenure exceeding twelve years at Gartner, Aman focused on providing CIOs and IT executives across Asia Pacific and Europe with insights on the practical implementation and advancement of new technologies, the evolution of infrastructure, and detailed vendor assessments.

IPL Product Owner



Jan Erik Aase
Partner and Global Head – ISG Provider Lens™

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor.

Now as a research director, principal analyst and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.

ISG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

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For more information, visit isg-one.com.

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REPORT: SAP ECOSYSTEM