A Message from Michael

Dear Customers,

We are facing a new market reality, where the digital economy is redefining everything, digital is everywhere.

In addition to creating new solutions for the digital era, we recognize that we must partner with our customers to help them make the most of these innovations based on their unique business needs and goals. Through our worldwide service and support, we guide companies at every stage of their digital transformation.

In 2015, we radically simplified how we engage with our customers and deliver services. Under the new approach, we introduced a new commercial model that provides one simplified service portfolio, out of one global organization, and under one contract.

As our customers, we see enormous potential for you to simplify your own businesses and seize new opportunities through the SAP HANA® platform, with SAP® S/4HANA as your new enterprise suite. For this reason, adoption of these innovations is a key pillar of our service and support strategy.

I respectfully invite you to dedicate some time to this white paper. We have committed to moving our customers to the cloud, to realizing the digital enterprise, and to establishing SAP S/4HANA as the digital core, all with faster time to value and at lower total cost of ownership. The insights that follow are the building blocks required to make our commitment reality.

Thank you for your interest and I look forward to your feedback.

Yours sincerely,

Michael Kleinemeier
Member of the Executive Board of SAP SE
Digital Business Services
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Executive Summary

The new market reality

It’s been 21 years since Canadian business consultant Don Tapscott coined the term “digital economy.” And in 2016, this digital economy is redefining everything. Digital is everywhere.

- **Digital business models are disruptive.** Industry boundaries have blurred. Embedded software has changed everything.
- **Customers expect a new type of experience.** People want seamless transactions in their daily life – without disruption. The technology that makes life easier needs to be invisible.
- **Services are the new consumption mode.** The purchasing of products is being replaced with the consumption of services.

The digital economy is having a profound impact on SAP customers and on what our customers expect from us.

SAP’s response and priorities for 2016

Our mission is to lead the global “servitization” in the new digital economy, helping companies reimagine their business using the SAP digital business framework.

We have accelerated the realization of the digital enterprise with game-changing engagements for smart healthcare; predictive maintenance and warranty; analytics to manage Big Data; and connected intelligent manufacturing.

Our model company and model industry solution approaches have delivered previously unimaginable digital innovation at high speed, enabling the use of the digital reference architecture with agile extension of the model for fast pilots.
Defining the Digital Enterprise

How the digital economy is redefining the market

Digital transformation is not new. What is different this time is the combined impact of the proliferation of mobile devices, the development of sophisticated real-time analytics, and the emergence of cloud delivery. Information technology and smart computing have penetrated almost every activity and as a consequence, insightful and immediately actionable information can be derived in real time at record low cost.

The digital economy is having a significant impact on our customers and on what they expect from SAP. The magnitude of this change is illustrated by the following facts.

- “The sharing society will grow 3,000% by 2030.” Companies will own a customer-supplier network, not actual assets; taxi companies will not need to own any vehicles; accommodations providers do not need own any real estate.
- Today, 3.2 billion people are Internet users; 2.1 billion are using social media (source: Internetworldstats.com, Internet Users of the World by Region and WeAreSocial.net, Digital in 2016).
- By 2020, there will be around 26 smart objects for every human being on Earth, based on Intel’s study “A Guide to the IoT Infographic.”
- “By 2018, the data created by devices connected to the Internet of Things (IoT) will reach 403 trillion gigabytes a year,” according to Cisco’s Global Cloud Index, 2015.
- “Only 42% of companies say that they know how to extract meaningful insights from the data available to them.” (source: Oxford Economics, Workforce 2020).
- “74% of companies believe that business complexity hurts their ability to meet their goals.” (source: Knowledge@Wharton, Business Simplification 2015: The Unmet Strategic Imperative).
- 78% of employees say that it is very important to work for a digitally enabled company or digital leader (source: MIT Sloan Management Review, Is Your Business Ready for a Digital Future).
Key questions our customers are asking about the digital reality

Businesses across all industries require a simple approach to build a pragmatic and realizable vision of their digital strategy. Here are some of the questions they are asking:

How can we excite our workforce in a hyperconnected world?

How can we transact faster in our supplier network, sharing smart data securely and in real time?

How can we have no technological limitation in our core business?

How can we connect our assets and products real time to create the live enterprise?

How can we build the digital front-end for better customer experience and more new customers?

Underlying these questions are the companies’ need to:

1. Reduce complexity in business processes and simplify technology
2. Deliver end-to-end outcome-based business solutions
3. Ensure that the best business results are delivered

SAP’s vision for 2016 and our response to the digital reality

Success for our customers means that they can adapt to the digitization era and thrive in their industries. Our business software helps them develop the agility to meet market challenges, and gives them the tools they need to seize new business opportunities, create new business models, and engage their customers in the most competitive way.

**Digital business framework:** SAP has defined five pillars of digitization and has developed a complete solution portfolio to meet the needs of the digital enterprise. We also understand that the continuously changing requirements present significant challenges for businesses. The method of reimagining business models, business processes, and how we work help develop the digitization road map.
The digital core: A new generation of ERP solutions, running in real time and integrating predictive analytics, Big Data, and mobile, is changing how businesses work and how information is consumed.

SAP HANA platform: A new in-memory computing paradigm is the ultimate simplifier and the platform for innovation and digital business.

Human capital management: People with access to digital, consumer-grade technology work smarter, faster, and better.

Customer engagement and commerce: Customers expect simple, seamless, and personalized experiences across any channel. We provide a path for creating the new digital front office.

Business networks: Business-to-business transactional efficiencies range from sourcing and transacting to payment processing.

Internet of Things: The most dramatic change in the digital economy is driven by hyperconnectivity and the science of Big Data, transforming nearly every business model.

25 industries: What differentiates best-run companies from average companies? Often, it is industry-specific software. Our best practices, processes, and benchmarking – preconfigured for 25 industries – give business users the exact functionality they need, when and where they need it.
Our business priorities for the digital economy

Our customers look to us to guide them through their digital journey, so our mission is to lead this “servitization” globally in the new digital economy. To achieve this, we have set three main priorities: move customers to the cloud; realize the digital enterprise; and help our customers establish SAP® S/4HANA as their digital core.

We deliver on our priorities with faster time to value and with reduced total cost of implementation and total cost of ownership. To achieve this, we are taking these steps:

- Simplifying our end-to-end portfolio – we advise, deploy, and support by implementing only what is necessary
- Using our industry expertise, so that customers can translate creative ideas into new digital business models
- Helping our customers establish SAP S/4HANA as their digital core
- Applying our strong global presence so that we reduce deployment costs by providing the right skills at the right time
- Focusing on outcomes for faster time to value
- Co-engineering with our customers and partners to deliver standard cloud computing, remotely, in one contract
Delivering Previously Unimaginable Digital Innovation

Delivering on our promise through customer use cases

SAP offers a broad range of services to cover our customers’ end-to-end digital transformation journey, ranging from advising on and planning a digital innovation road map, to implementing with proven best practices, supporting all deployment models, and optimizing for continuous innovation. SAP provides both choice and value in our services, allowing you to tailor the best approach based on your needs and approach.

**STYLEM**

**TAKISADA-OSAKA – wholesaler and trader of garments and textiles for clothes**

**Starting point:**

The company had a fully paper-based sales process that resulted in longer process times for sales business operations.

**After engagement with SAP for digital transformation:**

Part of the sales process has been systematized with a digital system. The engagement resulted in optimized operational efficiency, with improvement from closing backlog documents, and transforming the sales behavior from traditional paper based to digital with Mobility and Web technology, making the business more agile and competitive.
Sberbank – transformation in financial services

Starting Point:

Sberbank was founded in 1841 and has about 260,000 employees, operating in all regions of Russia with approximately 17,000 branches. Sberbank set an ambition to become a high tech bank, offering new digital finance services.

After engagement with SAP for digital transformation:

The global business transformation program at Sberbank focused on increasing internal resource efficiency. Thanks to SAP, the new digital system has become the new working environment for more than 80,000 employees and the investment has been safeguarded through quality assurance audits and SAP MaxAttention™ services. Building on the success of this initiative, the bank has set out two additional objectives for their digital transformation road map: First, to further establish SAP HANA as the new digital platform; and second, goal is to transform the enabling functions to the service model and introduce remote service centers. In 2016, Sberbank plans to transfer all SAP systems to the new SAP HANA platform.
Here you will find additional examples of some of our most compelling engagements across the pillars of the SAP digital business framework.

**Digital Core**

**Pharmaceuticals company – new digital core helps the business go global**

**Starting point:**

The company’s legacy technology platform and business software were unable to support the company’s growth and presented significant large data processing challenges that made it impossible for the business to go global.

**After engagement with SAP for digital transformation:**

The company implemented SAP S/4HANA as the new digital core and used the model company approach. The new core was live in four months.

The business is now able to close the books monthly in five days, down from the previous 20 days. The cost of goods sold has also improved substantially with 4% improvement in fixed asset service and maintenance cost and an additional 4.7% improvement in transportation spend.

**SAP HANA Platform**

**Healthcare company – new digital core for better inventory control**

**Starting point:**

The company’s business was hindered by lack of business information transparency, which made it difficult for top management to make informed decisions. Because supply chain planning processes were manual, the company could not optimize forecasting, balance supply and inventories, or gain profitability visibility at the brand level.
After engagement with SAP for digital transformation:

First the company completed the move to the SAP HANA Enterprise Cloud service, enabling the real-time enterprise concept and allowing innovation to drive business outcomes. This foundational digital platform then made it possible for the company to realize application digitization in material requirements planning, controlling and profitability analysis, and intercompany financial reconciliation. Some of the tangible business benefits included an improvement in forecast accuracy, rising from 60% to 90% in year one; a reduction in days needed for inventory across all categories; and a reduction in inventory obsolescence-related write-offs from 0.96% of the gross inventory down to 0.5%.

Retail company – faster assemble to order process

Starting point:

Assemble to order is viewed as key growth area and the customer asked SAP to implement multiple scenarios on a single platform for accelerated time-to-value.

After engagement with SAP for digital transformation:

SAP HANA Enterprise Cloud has been established as the end to end platform for business processes. In addition over 25 digital business scenarios have been implemented in record time helping the business become the best at making home improvement faster and easier by developing a core common range. The company will be able to accelerate expansion plans and grow total sales and market share as per the strategic vision.
Human Capital Management

Hospital – recruiting platform digitization for better patient service

Starting point:

As part of a rapid expansion project, the hospital needed to build a platform to support the recruitment and staffing of more than 1,000 roles within 90 days of deployment. They required a solution that provided real-time statistics, measurement of key metrics, and the ability to build and maintain a qualified pipeline.

After engagement with SAP for digital transformation:

The implementation of SAP SuccessFactors Recruiting, Recruiting Management, and Recruiting Marketing solutions within five months from start to finish was a success. Through the real-time connection made possible by the hospital’s new recruiting platform, potential candidates can now apply for positions from their mobile devices, social networks, or laptops. This one-time entry of data saves time and increases productivity and efficiency of the hiring process on both sides. Robust reporting metrics means the hospital is able to optimize its management of operations overall.

Since deployment, the hospital has connected with over 15,331 members on its recruiting marketing platform and averages 35,830 visitors every 90 days. From the digital community alone, the customer has employed 13,262 staff to date.

Infrastructure company – digital learning for employees

Starting point:

The company was applying different technologies to support the same HR processes across its groups. These processes were labor intensive, confusing to employees due to the many interfaces, and consolidated reporting was not possible.
After engagement with SAP for digital transformation:

With SAP SuccessFactors® HCM solutions, the company now has a single information repository for all subsidiaries that provides scalability for new acquisitions. Employee engagement has increased due to the self-service culture and employees now feel empowered to manage their own development and learning activities. Managers can obtain real-time data online about transactions and events that affect all of their employees. Easier identification of high-potential employees and successors for key roles reduces operational bottlenecks and lack of talent flow.

Customer Engagement and Commerce

Grocery chain – location-smart social media service for marketing

Starting point:

The company used a paper-based flyer promotion process with limited marketing effectiveness. Product promotions for a specific store appeared together with other company product promotions, and the company had no control over the positioning. The flyers were delivered by mail only once per week, so many consumers shopped without the latest promotion information.

After engagement with SAP for digital transformation:

With SAP Predictive Analytics software, the company is able to design location-specific advertisements for specific products and distribute customized information to Facebook users.

Consumers also receive location-relevant promotions at the right time on mobile devices. The promotional information displayed on mobile devices serves as shopping guidance in stores.

The location-based marketing strategy through the use of social media has generated a sales uplift of 10% to 15%.
Footwear company – new digital customer footprint

Starting point:

The growth plan for this apparel and footwear company required the business being able to get closer to its customers, while driving efficiency and synergy across its sales regions. They wanted to establish a platform for marketing execution and analytics, with a single repository for consumer information to keep up with continuously changing customer needs.

After engagement with SAP for digital transformation:

SAP Services successfully implemented the SAP Hybris® Marketing solution in just a few months, co-deployed with the SAP Customer Activity Repository application. As an outcome, seven different customer data sources were integrated. A new digital customer engagement segmentation was also set up to capture and track consumer sports activities, including event preparation and achievement follow-up. Understanding customers better means increased product and brand loyalty for this well-known sports brand.

Beverage company – point-of-sale digitization through a smartphone app

Starting point:

More than 70% of the key decisions regarding stock, replenishment, distribution, and pricing were made at the point-of-sale, but front-office sales and replenishment processes were entirely manual. This cumbersome process resulted in order entry errors, posed a risk in bookkeeping with regards to tax receipts, and led to a lengthy procedure that could not keep up with business needs.
After engagement with SAP for digital transformation:

The work process was completely digitized with the use of smartphones that electronically integrate all required steps. One mobile app now integrates various technologies and connects multiple systems (for example, those used for data warehousing, sales and distribution, and customer relationship management) through SAP Mobile Platform technology, with offline capabilities if connection is lost.

The benefits include 50% faster order processing, a 20% reduction in user training requirements, and a 50% reduction in canceled orders because the correct business rules are applied automatically.

Business Networks

Hospital – digitized monitoring of patient care

Starting point:

The existing hospital information system was unable to support the rapid growth in the number of patients, and it prevented the hospital from achieving full-cycle patient care service beyond the walls of the hospital.

After engagement with SAP for digital transformation:

The hospital now has a 360-degree view of patients, using a fully integrated patient care lifecycle management solution that covers prevention, operation, recovery, and community or home care. The solution is the first software based Internet plus business-to-consumer mobile health app for patients and community doctors. It is designed to provide personalized online care plans on mobile devices issued to patients by hospital doctors, as well as to integrate medical care provided by primary care physicians.
Internet of Things

Chemical company – digitally connected operator and manufacturer

Starting point:

Pumps that the company purchased were often delivered with a final configuration that was different from what was ordered, and the assets were installed without up-to-date documentation. A significant number of pumps failed after operator adjustments and because the manufacturer received limited setup and operational data from the operator it was unable to realize service and product improvements.

After engagement with SAP for digital transformation:

With SAP Asset Intelligence Network, the manufacturer and the operator are digitally connected. The operator can update the system with data from the digital twins of the purchased assets and link it to the asset’s data record.

Maintenance and service personnel have all the required data and are assisted by the use of 3D visualization. The manufacturer receives correct setup and operational data from the installed pumps and is able to benchmark performance for faster product improvements.

The project reduced capital expenditure and delivered reduced maintenance costs with higher quality, less manual work, and greater employee satisfaction.
Train operator – digitizing maintenance procedures

Starting point:

The company conducted asset maintenance according to the industry standards, with plans based on distance and time, and addressing specific problems when identified through diagnostic equipment, tele diagnostic software and manual inspections.

After engagement with SAP for digital transformation:

With the development of the new Dynamic Maintenance Management System based on SAP HANA and the Repeatable Custom Solution Predictive Maintenance and Service, Technical Foundation, all the required interventions will be performed only when required by the specific physical conditions of each component of the asset. The company can now analyze data coming from thousands of sensors aboard trains in near-real-time, helping it improve maintenance processes and ultimately offer better customer service.
Digitizing the boardroom

Digital value chains produce exponentially more data than before. The amount of available information has exploded, and businesses need to work out how to access relevant and actionable insights for rapid executive decision making.

To address this business problem, we set goals to transform the boardroom experience for better outcomes; reduce boardroom meeting preparation time and effort; and take advantage of data digitization best practices to accelerate time to value.

With the SAP Digital Boardroom concept, we offer real-time, 360-degree reporting directly from operational data across business areas without data duplication. Business data is directly connected to local SAP S/4HANA, SAP HANA, and SAP Business Warehouse content, or to other data sources through SAP HANA smart data integration, providing contextual information for each key performance indicator. This allows for a single reporting environment to monitor historical, actual, and forecast data.

Total transparency
Instant data-driven insights
Simplified boardroom processes

All of this is delivered through touch, the most natural way to consume interactive data visualizations with live, reusable content.
Our engagement model

The approach to support digital transformation is focused on outcome. We simplified our SAP Digital Business Services offerings into one contract to meet the needs of a digital business. We also remain focused on providing embedded support with all of our deployment options from day one.

By focusing on smart digital data, instead of just Big Data, SAP services experts can combine solution know-how and industry-specific process expertise with data analytics so that the right digital reference architecture is defined and delivered.

Mission Control Center
In SAP Solution Manager
Why is the model company so relevant for the digital enterprise? SAP’s model companies provide the ultimate form of standardization for a specific line of business or industry. Model companies are built based on existing SAP solutions using best practice content, rapid-deployment solution packages, and additional content from customer projects. They provide a comprehensive baseline for rapid prototyping, with customer-specific cloud for demo and implementation quick start.

The outcomes are delivered as one team in one contract. The projects are connected in real time to a global network of support functions through SAP’s mission control center, which ensures the standardized adoption of processes, tools, and people.

We are directly connected to SAP’s software development and provide direct feedback from customer engagements so that the digital business framework evolves as expected.
Delivering on our strategic priorities also includes reimagining support suited for the digital enterprise. This completes the end-to-end safeguarding of our customers’ investment in SAP solutions.

The digital technology trends mentioned earlier represent a new dimension of challenges with regards to topics such as root cause analysis, troubleshooting, and operational models. Moreover, reliability on business-critical processes is more important than ever.

To address these challenges, we are working on a next-generation support approach that includes real-time support with “always-on” customer care through chat functions and scheduled expert sessions. Support is a part of the overall customer experience and is provided through a variety of channels. In addition to delivering predictive capability in our software solutions described in some of the use cases, we will also be able to anticipate product-related questions so that proactive help can be provided before an incident occurs.

Approximately 25,000 professionals in 70 countries work for the Global Digital Business Services organization at SAP, serving customers in more than 130 countries so that each digital transformation is a success. We look forward to making your transformation the next one.
Additional Resources

Listed below are external sources that were used as supporting material for this white paper.

4. “Business Simplification 2015: The Unmet Strategic Imperative,” Knowledge@Wharton, 2015