ERP Pricing for the Digital Age

April 2018

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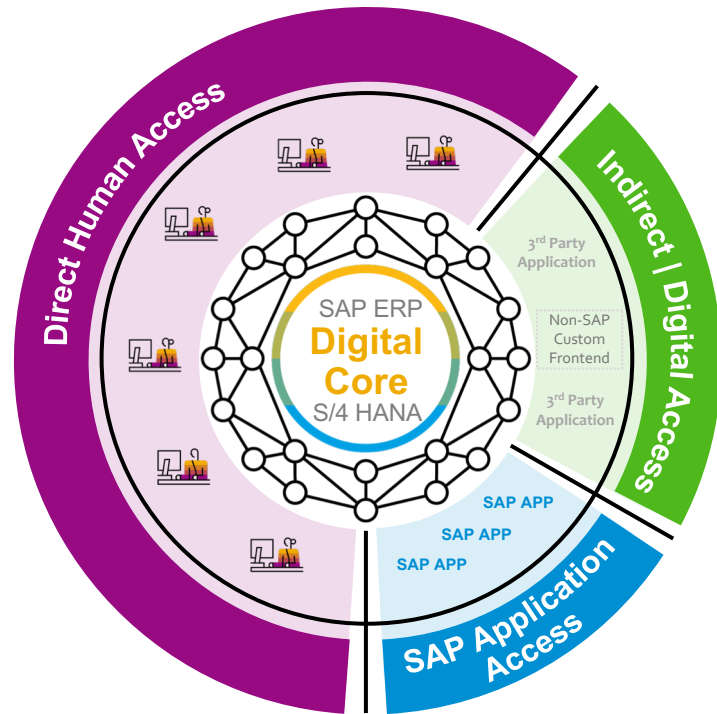
Use of ERP and types of access
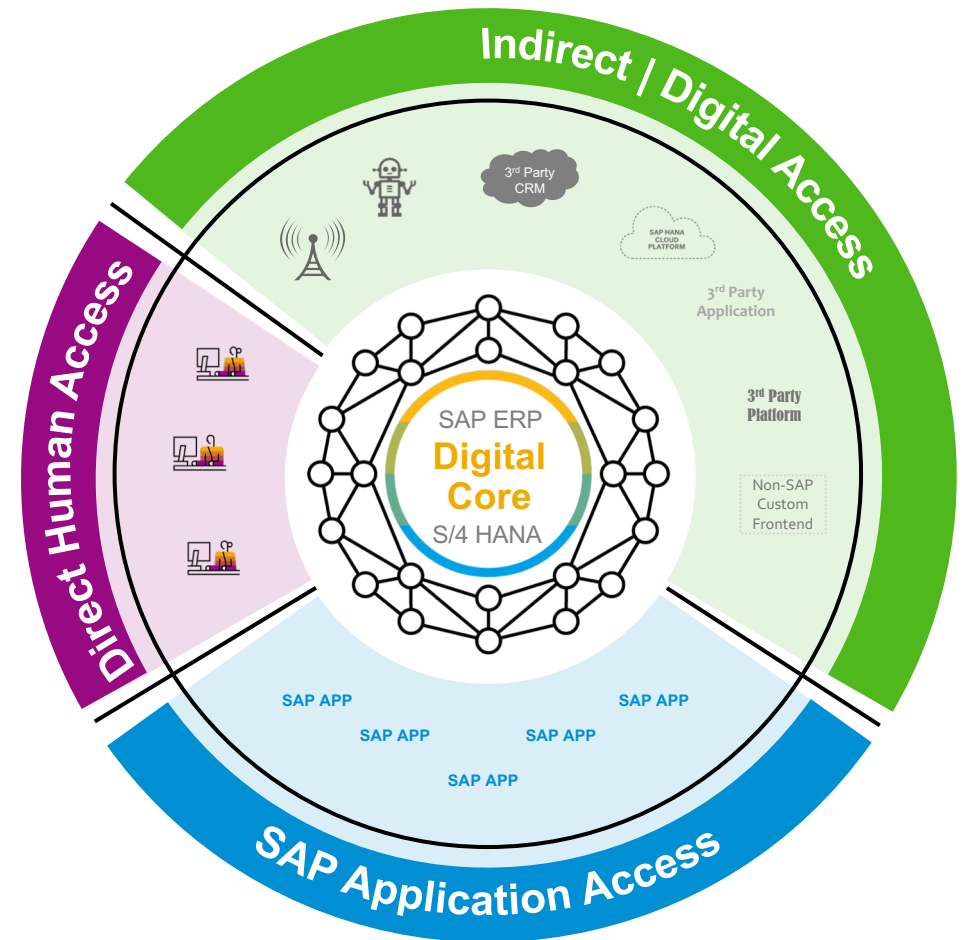One definition of use and three types of access
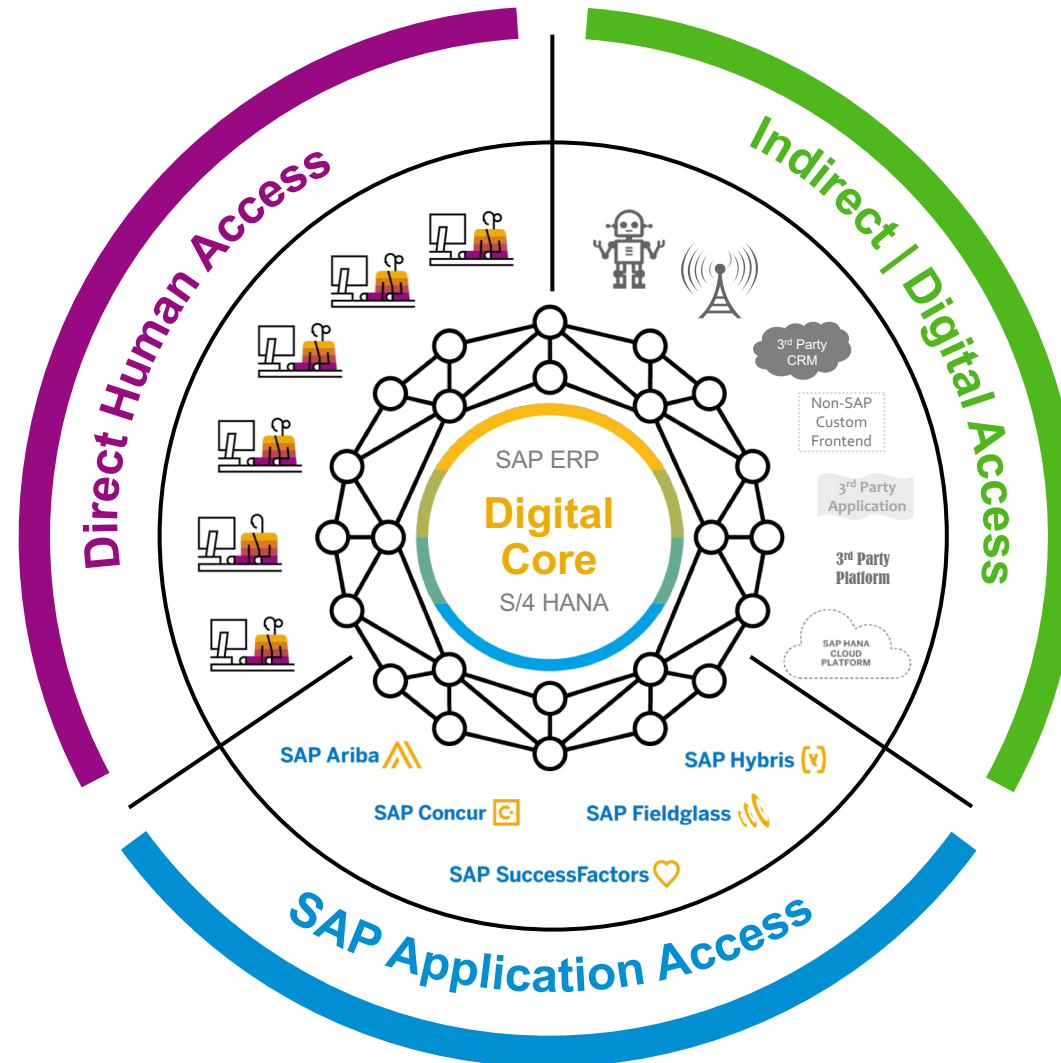
Technology landscape is evolving and so is the way customers access ERP

Indirect | Digital Access is growing due to proliferation of devices, machine learning, AI, etc.
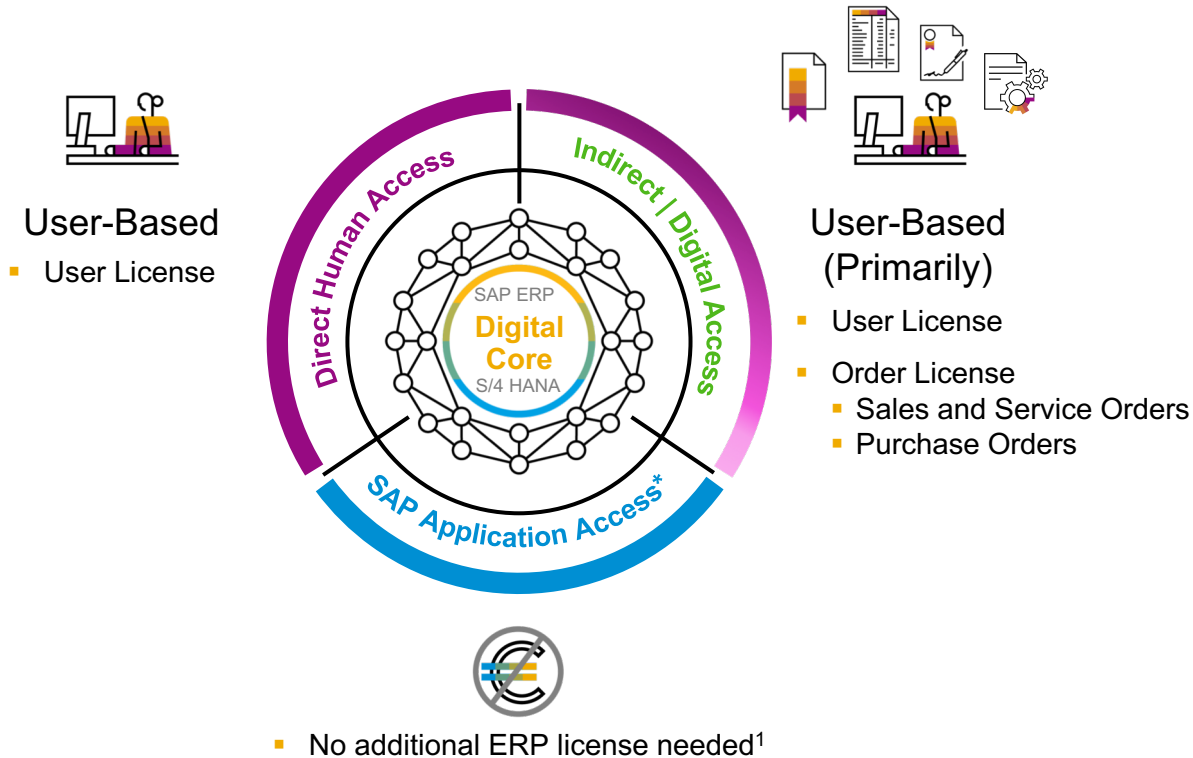
ERP Use in 20th Century
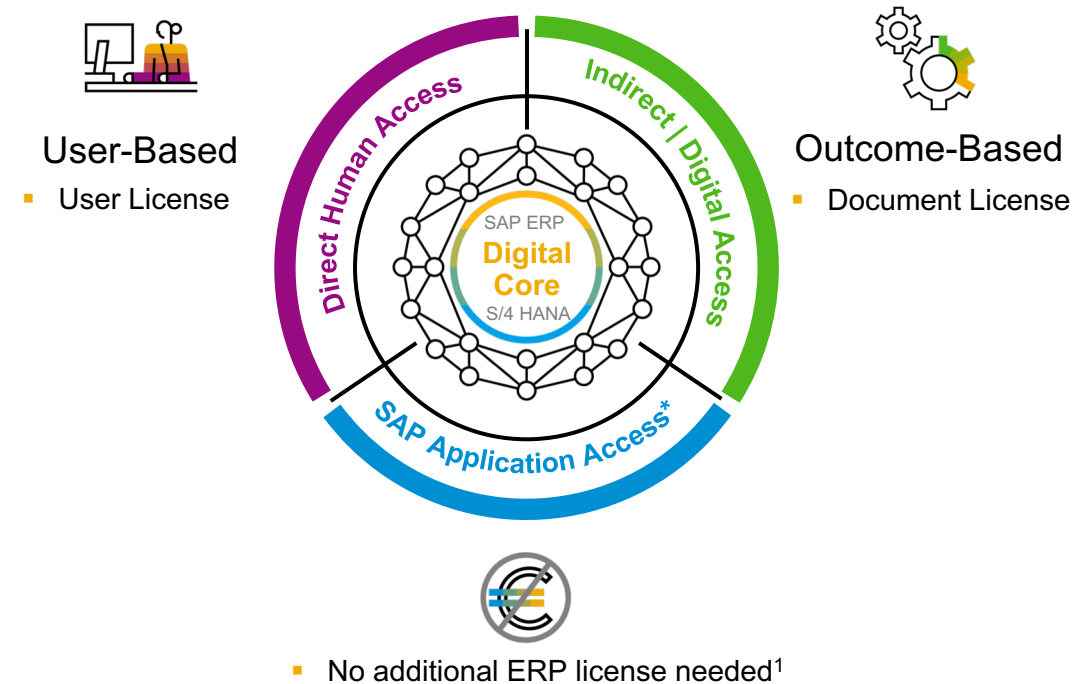

ERP Use in 21st Century

SAP is modernizing ERP pricing

Direct and SAP Application Access remains unchanged, new pricing model for Indirect | Digital Access

Legacy Model

User-Based
- User License

SAP ERP
Digital Core
S/4 HANA

Direct Human Access
Indirect / Digital Access
SAP Application Access*

User-Based (Primarily)
- User License
- Order License
  - Sales and Service Orders
  - Purchase Orders

- No additional ERP license needed[1]

New Model
Available April 2018 Onwards

User-Based
- User License

SAP ERP
Digital Core
S/4 HANA

Direct Human Access
Indirect / Digital Access
SAP Application Access*

Outcome-Based
- Document License

- No additional ERP license needed[1]

[1]SAP applications refer to line of business and industry applications (cloud and on premise), as well as SAP Solution Extensions containing the required measurement functionality. This does not apply to technology solutions, such as platform, database, middleware integration and Enterprise Information Management. Provided ERP is otherwise licensed, no additional ERP User license is needed for use resulting from access by properly licensed SAP applications.

NEW Indirect | Digital Access Licensed Using Documents

Nine document types that represent system generated records and cover most valued outcomes from SAP ERP.
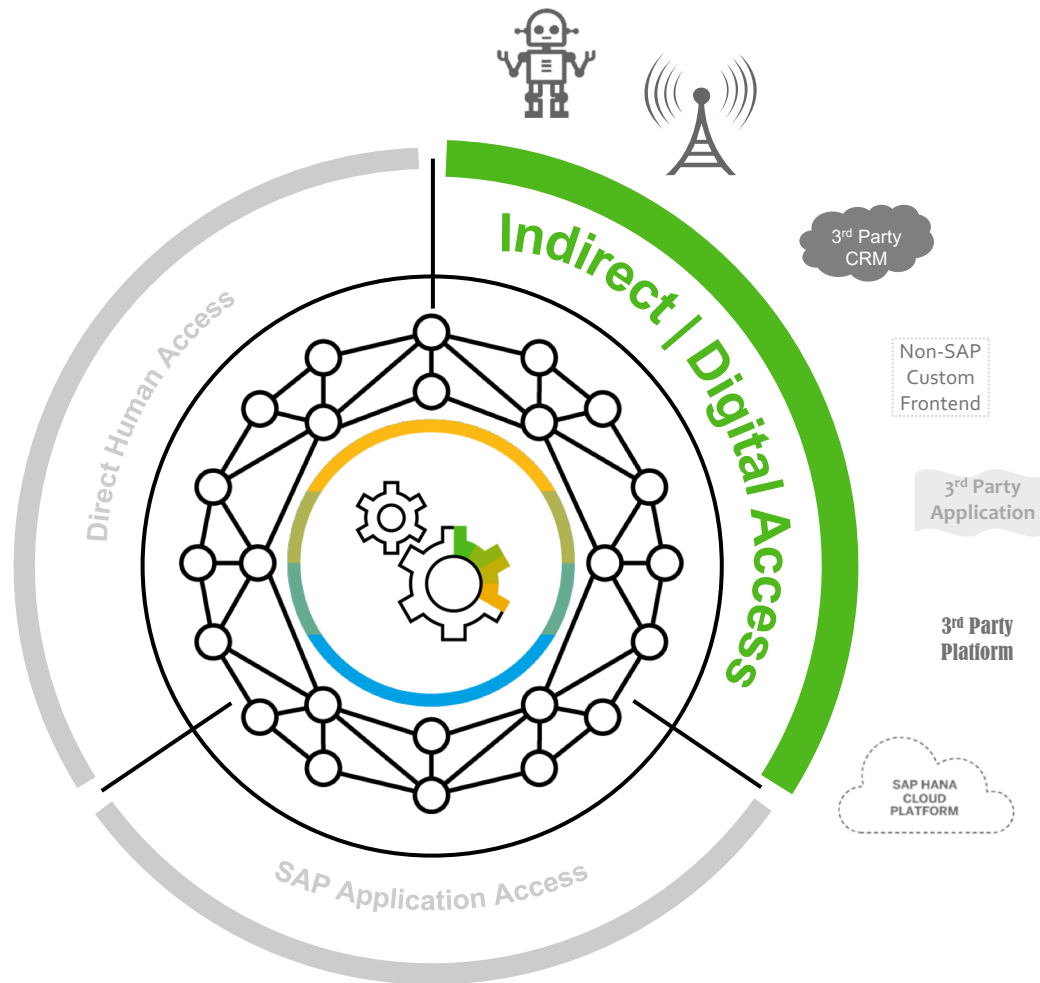
Document Types	Multiplier
• Sales Document Line Item	
• Invoice Document Line Item	
• Purchase Document Line Item	
• Service & Maintenance Document	1.0
• Manufacturing Document	
• Quality Management Document	
• Time Management Document	
• Financial Document Line Item	0.2
• Material Document Line Item	

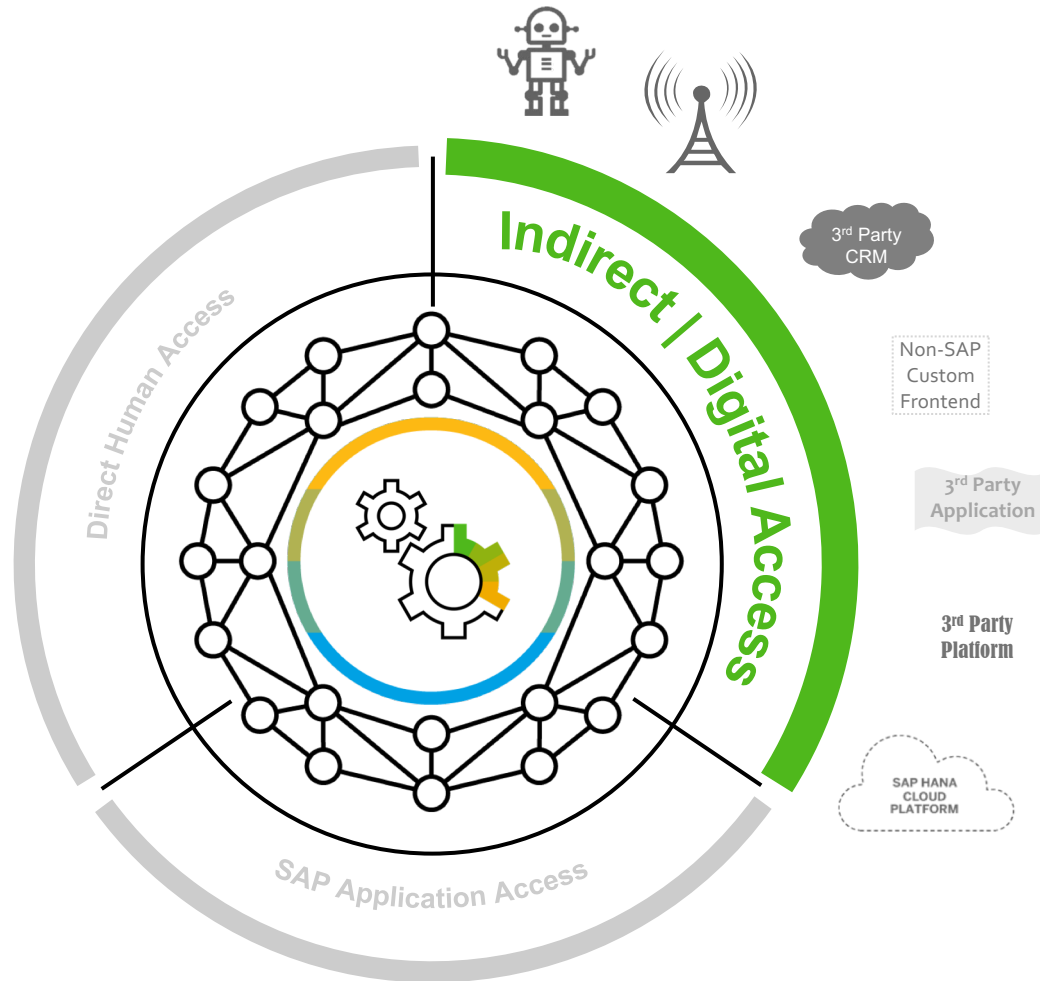### License Calculation

License calculation based on *initial Document created*
Read, Update, or Delete Documents are not counted

(Document (#) * Multiplier) + … + (Document (#) * Multiplier)

Where (#) is the Document Type from 1-9

Value of SAP Indirect / Digital Access Outcome Based Pricing

3rd Party CRM

Non-SAP Custom Frontend

3rd Party Application

3rd Party Platform

SAP HANA CLOUD PLATFORM

Indirect / Digital Access

Direct Human Access

SAP Application Access

Value based – pay for system activity

Eliminates the need to count "users" accessing ERP, addresses concerns around IOT (devices, bots, etc.)

Outcome Focused

9 Document types address most valuable business outcomes
No additional charge for other document types

Transparent

Counts creation of documents by Indirect/Digital Access
- Cost for *read, update*, and *delete* actions via Indirect/Digital Access included in creation
- Subsequent document types created, as a result of the automatic processing of the original document created via Indirect/Digital Access, are not counted

Flexible - Interchangeable Document Capacity

Counts total documents created - regardless of type

Built-in volume discounts

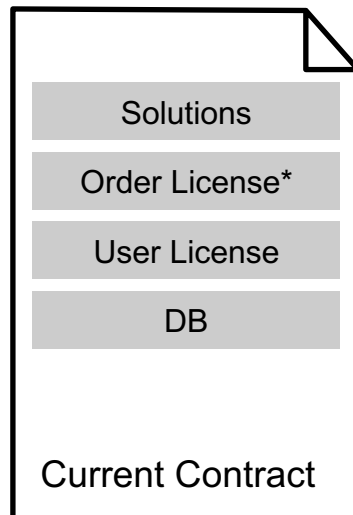Tiered pricing – the more you buy, the less you pay per unit

Measurable

Entitlement to consumption dashboard planned

Options for existing SAP ERP customers

Status Quo – Do Nothing

For customers happy with their contract and who do not want to change

──── **Option 1** ────

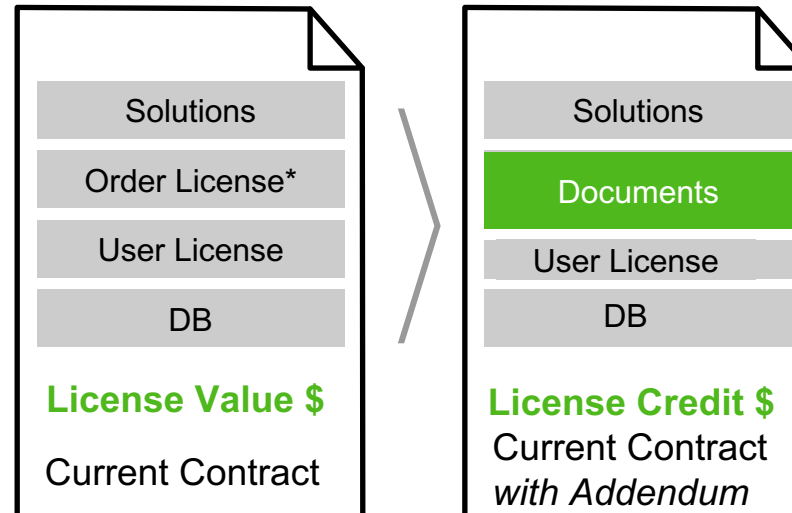| Solutions |
|---|
| Order License* |
| User License |
| DB |

License Value $ (appears as)

Current Contract

- Continue with current contract. No change.
- Continue to use User and Order* Licenses for all types of use and access
- Back maintenance for indirect access waived

License Exchange

For customers wanting improved transparency for Indirect/Digital access & remain in existing contract

──── **Option 2** ────

Solutions
Order License*
User License
DB

License Value $
Current Contract

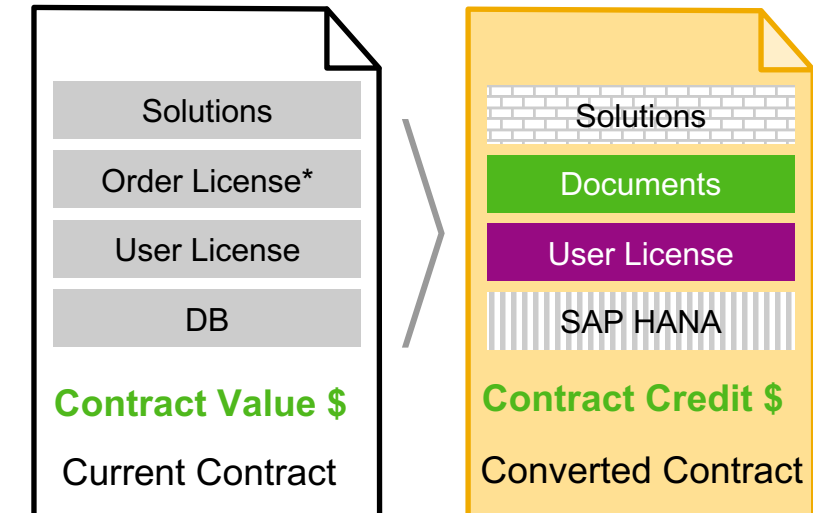| Solutions |
|---|
| Documents |
| User License |
| DB |

License Credit $
Current Contract
with Addendum

- Continue with current contract with addendum
- Up to 100% credit for User and/or Order license value** applied to new Document license value
- 100% of the maintenance base of the converting licenses is carried forward.
- Back maintenance for indirect access waived

Contract Conversion

For customers licensing SAP S/4HANA and wanting to consolidate / simplify old contracts

──── **Option 3** ────

Solutions
Order License*
User License
DB

Contract Value $
Current Contract

Solutions
Documents
User License
SAP HANA

Contract Credit $
Converted Contract

- Replace current BOM with new BOM that includes a simplified licensing structure
- Opportunity to reconfigure solution landscape (new bill of material)
- Up to 100% credit for old contract value** applied to new S/4HANA contract value
- 100% of the maintenance base of the converting licenses is carried forward
- Back maintenance for indirect access waived

Option 1 – Do Nothing
For customers happy with their contract and who do not want to change

| Solutions |
| --- |
| Order License* |
| User License |
| DB |
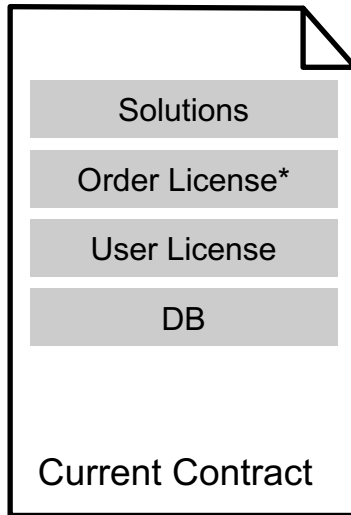
Current Contract

Original SAP Contract

- Continue with current contract. No change.

- Continue to use User and Order* Licenses for all types of use and access

- Audit for Indirect Access focused on transactional data

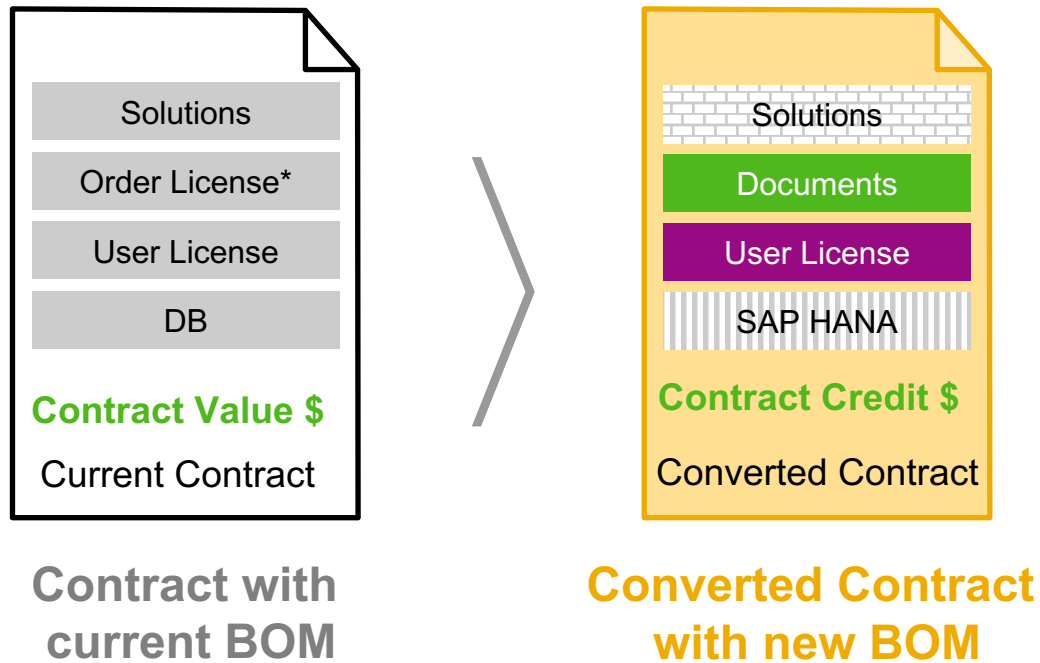- SAP will waive back maintenance for indirect access

*Sales & Service Order Processing/Execution and Purchase Order Processing/Execution

Option 2 - License Exchange

For customers wanting transparency for Indirect / Digital access and wish to remain in existing contract

**Original
SAP Contract**

**Original
SAP Contract
with Addendum**
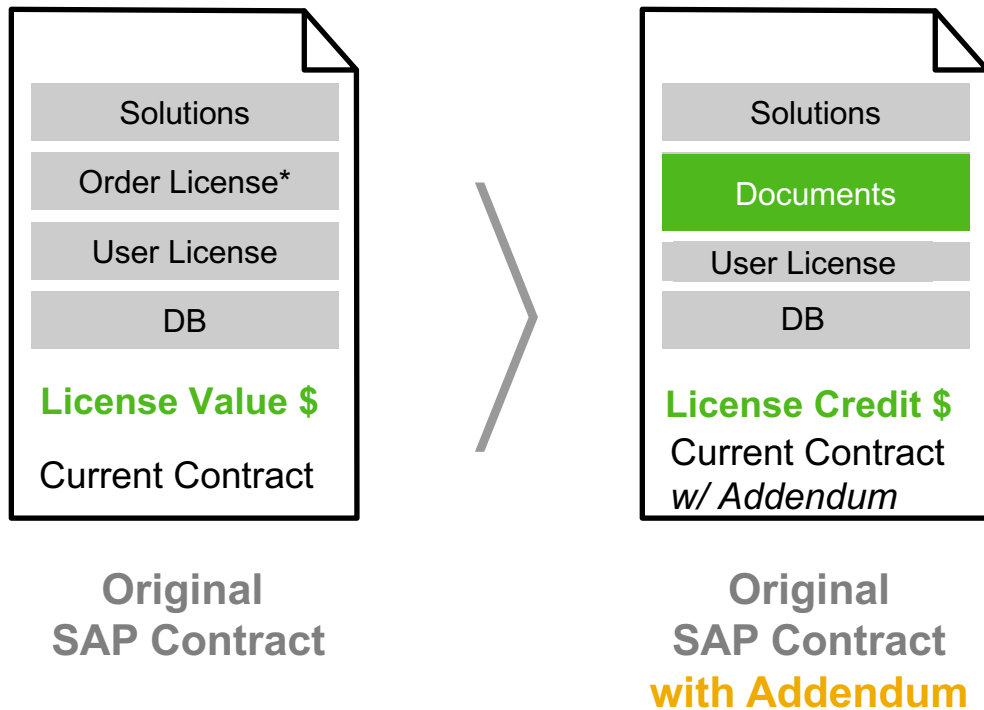
- Continue with current contract with addendum

- Exchange existing user or order licenses* (e.g., Sales & Service Order Processing or Purchase Order Processing) for Document licenses. Or purchase Document licenses under existing contract terms.

- Receive a credit of up to 100%** of the fees paid for the user and order licenses being exchanged

- Maintenance base does not go down

- Audit for Indirect/Digital Access focused on *Create* transactions for the nine document types

- SAP will waive back maintenance for indirect access

Option 3: Contract Conversion
For customers licensing SAP S4/HANA

Contract with current BOM

Current Contract

- Solutions
- Order License*
- User License
- DB

Contract Value $

Converted Contract with new BOM

Converted Contract

- Solutions
- Documents
- User License
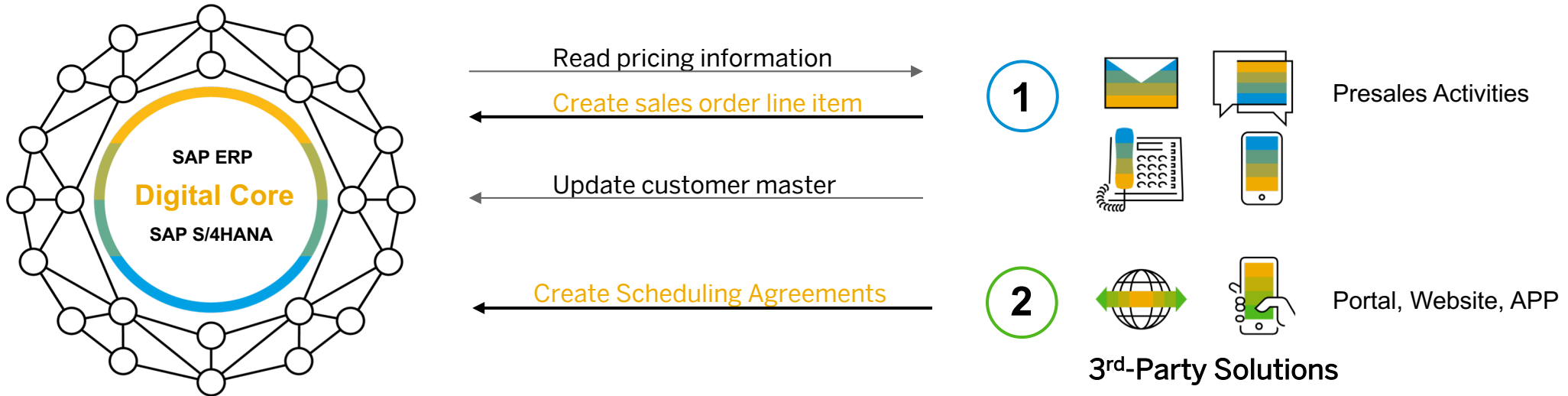- SAP HANA

Contract Credit $

- Replace current licensing structure with new simplified licensing structure

- Full flexibility to reconfigure solution landscape based on current and future needs

- Up to 100% credit for old contract value** applied to new contract value

- Maintenance base does not go down

- Customers can continue using converted legacy ERP software during defined transition period**

- Audit for Indirect Access to Digital Core focused on Create transactions for the nine document types

- SAP will waive back maintenance for indirect access

*Sales & Service Order Processing/Execution and Purchase Order Processing/Execution; ** Conditions apply

APPENDIX – Use Scenarios

Application of New Policy for Common Indirect/Digital Access Scenarios
Illustrative Examples

Each scenario in the following pages is licensed by the number of documents created in the Digital Core. The specific document in each scenario is displayed in *highlighted type*. The subsequent automatic processing of these documents in the Digital Core may result in the creation of additional document types (e.g., material or financial document line items) which are NOT counted towards the SAP customer's total licensed document level. Statements of "no additional licensing needed" apply to licensing for Indirect/Digital Access, and assume proper licenses are in place for any use via SAP Applications or Humans directly logging onto the Digital Core.

Sales document line items

Read pricing information

Create sales order line item

1 Presales Activities

Update customer master

Create Scheduling Agreements

2 Portal, Website, APP

SAP ERP

Digital Core
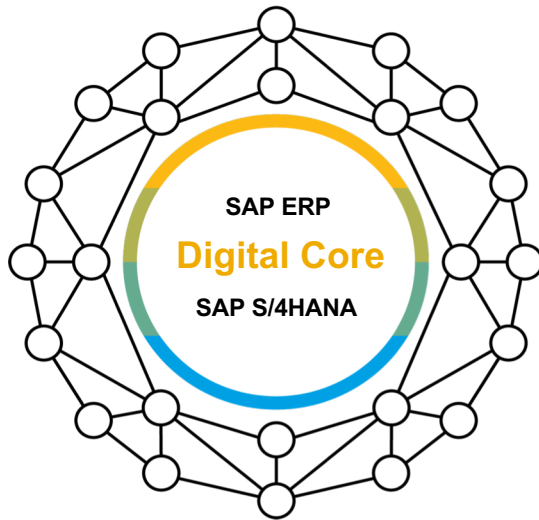
SAP S/4HANA

3rd-Party Solutions

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1 The SAP customer is using a 3rd party external solution managing the presales activities (lead, quote, etc), and the following occurs as a result of such use:

- In this process, customer is reading pricing information from the Digital core - **no additional licensing needed**
- Updates customer master records within the Digital Core via the 3rd party solution - **no additional licensing needed**
- Creates Sales orders within the Digital Core, triggered by the external system - sales order line items **counted as a Documents which must be licensed**
- The sales order line item is automatically processed within Digital Core resulting in the creation of subsequent Document types (e.g customer invoice line items, financial document line items) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2 The SAP customer is using a 3rd party external solution managing customer portal /website/APP, where the end customer or business partner can enter scheduling agreement details. These scheduling agreements are processed in SAP S/4HANA –scheduling agreement **counted as a Document which must be licensed**

Invoice document line items

SAP ERP

Digital Core

SAP S/4HANA

Read Sales orders → **1** Warehousing application (e.g., EliNext)

Creates invoices for shipped FG inventory ← **2** Ecommerce site with its own warehouse for FG (e.g., Amazon z-shops)

Creates a sales order and Invoices ←

Supplier Invoices ← **3** EDI / IoT interface from supplier

3rd-Party Solutions

1 The SAP customer is using a 3rd party external party system to do logistics of finished goods inventory, and the following occurs as a result of such use

- In this process, customer is reading the sales orders booked in ERP - **no additional licensing is needed**
- Once the goods on the sales order are shipped to the end consumer, the the third party solution triggers the creation of an invoice in the Digital core - the invoice line items created by such Indirect/Digital Access **counted as a Document which must be licensed**
- The invoice is further automatically processed within Digital Core resulting in the creation of subsequent Document types (e.g., accounts receivable and GL posting) to complete the transaction – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**
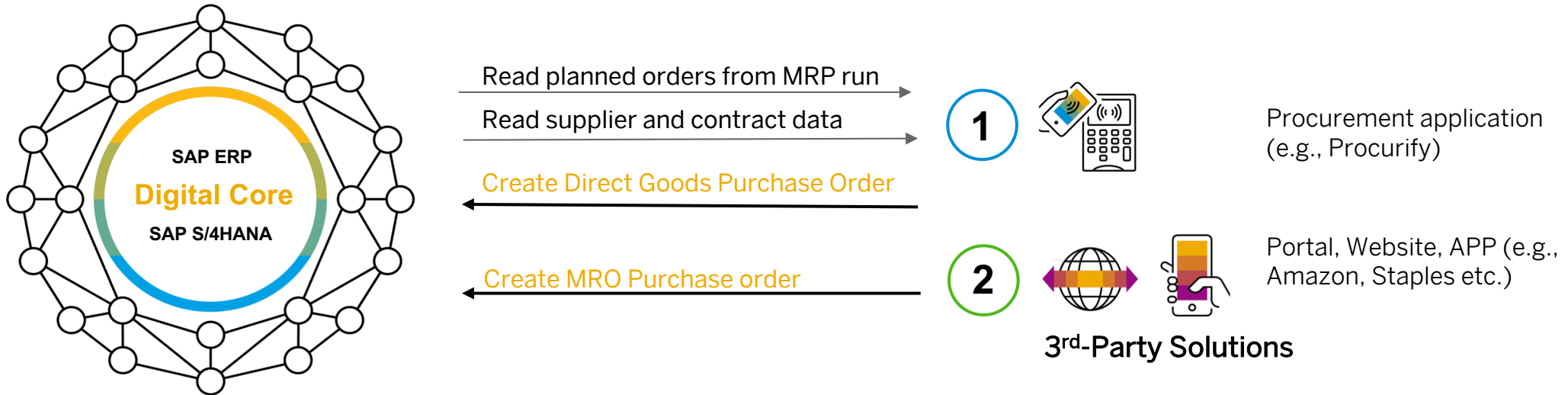
2
- Ecommerce sites may directly post both the sales order and invoices into the Digital Core. – **here the customer must license Documents for both the sales order line items and invoice line items created by Indirect/Digital Access.** Note that in this example both these documents are being received from 3rd party ecommerce site. So, both are countable.
- No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original sales orders and invoices document.

3
- Supplier invoices are received via EDI interface - the supplier invoice line item created are counted as a Document which must be licensed.
- No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original supplier invoice line item document.
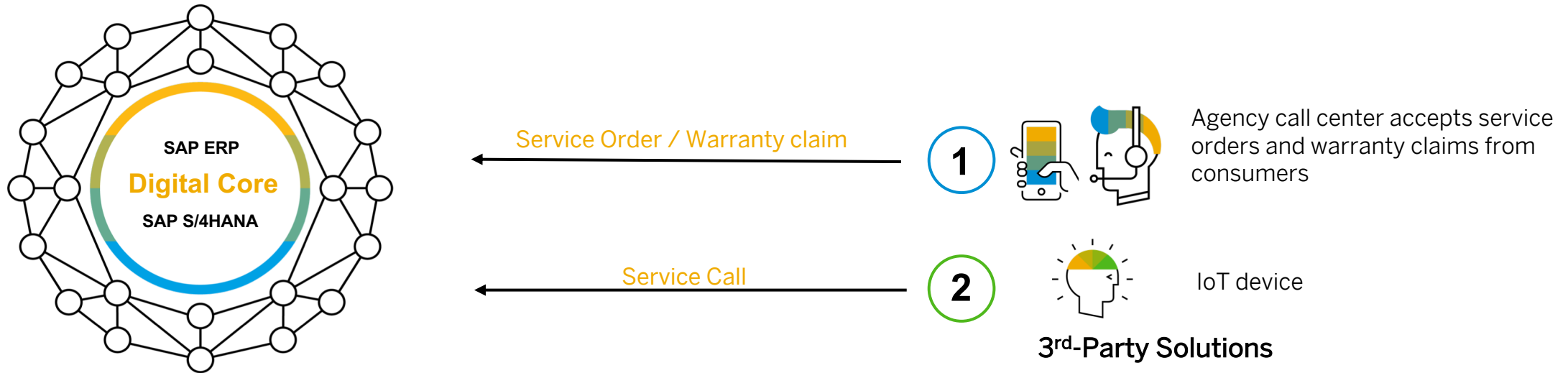
Purchase document line items

Read planned orders from MRP run

Read supplier and contract data

1

Procurement application (e.g., Procurify)

Create Direct Goods Purchase Order

SAP ERP

Digital Core

SAP S/4HANA

Create MRO Purchase order

2

Portal, Website, APP (e.g., Amazon, Staples etc.)

3rd-Party Solutions

1 The SAP customer is using a 3rd party external solution to conduct the procurement process outside of the SAP ERP, and the following occurs as a result of such use

- In this process, customer is reading planned order from the MRP run and possibly the supplier and contract data from the Digital Core - **no additional licensing is needed**
- Once the procurement process is complete the external application posts the Purchase Orders back into the digital core – the purchase order line items created are counted as a Document which must be licensed
- The purchase orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., goods receipt, quality control, vendor payment and post to GL) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2
- For MRO orders, SAP customer can place an order on a web site (e.g., Amazon, Staples; etc.) and a PO can be created in the digital core. – here the MRO purchase order line items created are counted as a Document which must be licensed
- No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the MRO purchase order document.

Service & Maintenance documents – example 1

SAP ERP

Digital Core

SAP S/4HANA

Service Order / Warranty claim

1

Service Call

2

Agency call center accepts service orders and warranty claims from consumers

IoT device

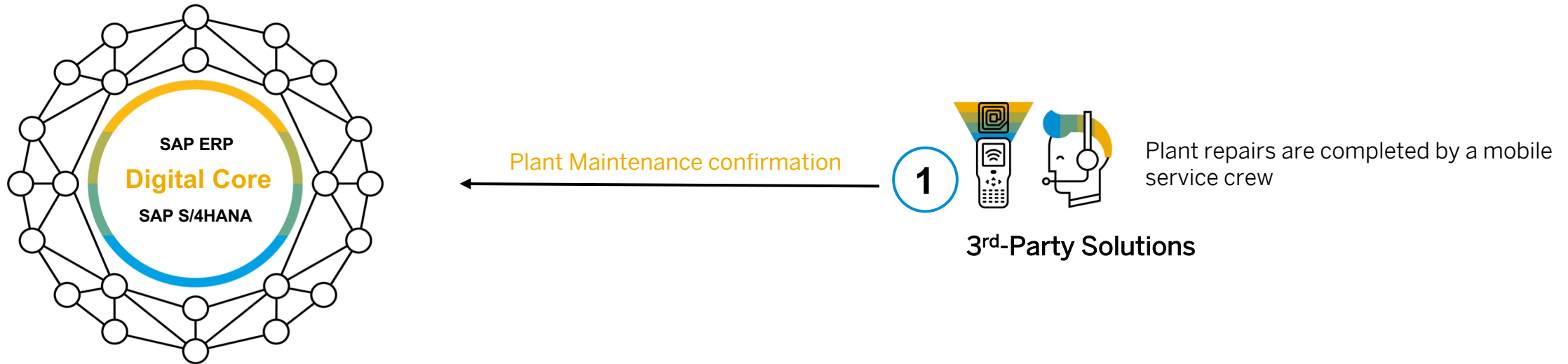**3rd-Party Solutions**

1 Customer contracts with a call center to accept all service and warranty claims, and the call center submits the claims to customer's SAP Digital Core through a third party system, and the following occurs as a result of such use

- Service Order / Warranty Claims are created by this Indirect/Digital Access - the service order documents created are counted as a Document which must be licensed

- The Service Orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., generate invoice and perform financial transactions) – no additional licensing needed for such subsequent Document types triggered within the Digital Core

2
- An IoT device might detect a failure and automatically request a service call creating a record – the Service Orders created are counted as a Document which must be licensed
- No additional licenses are required for subsequent document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original service order document.

Service & maintenance documents - example 2
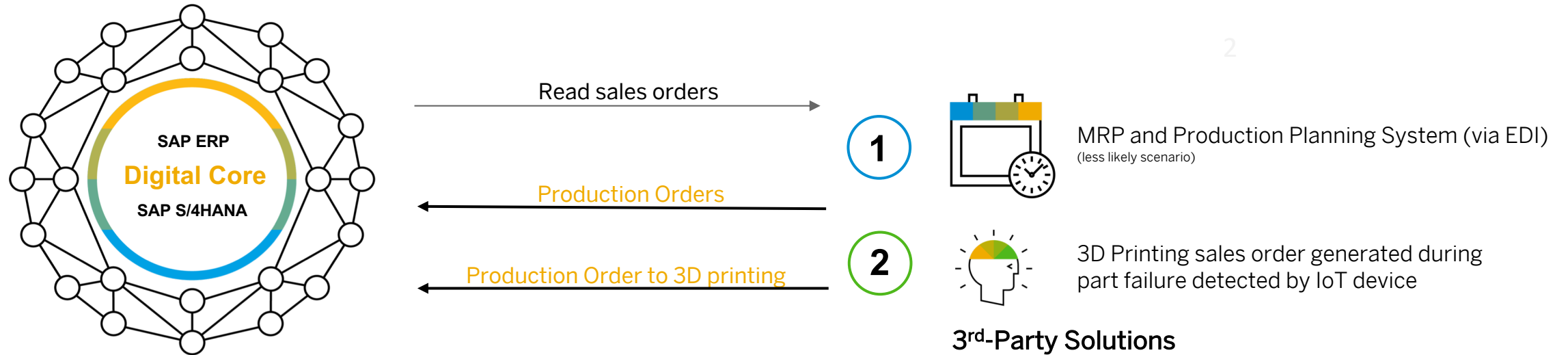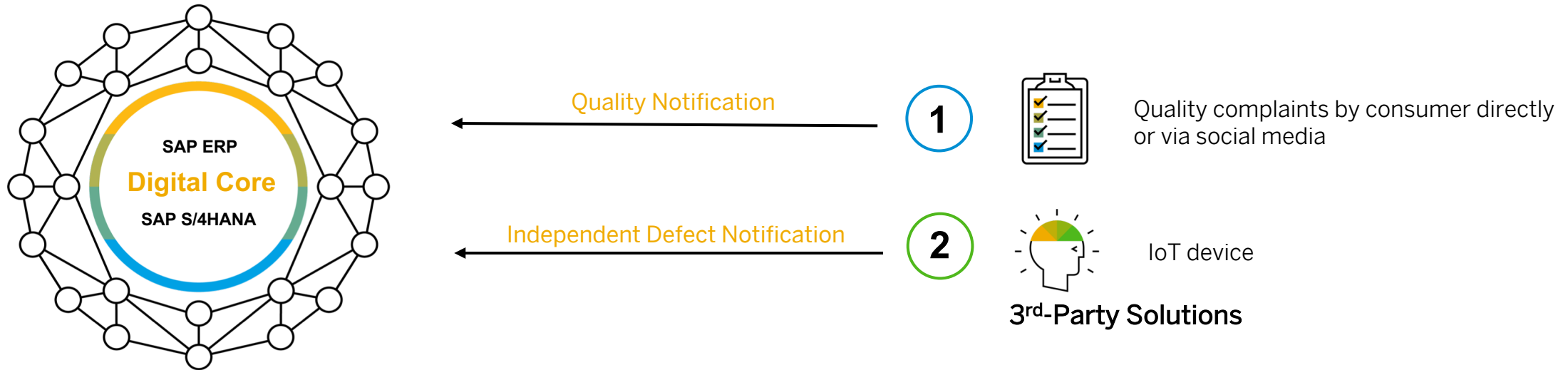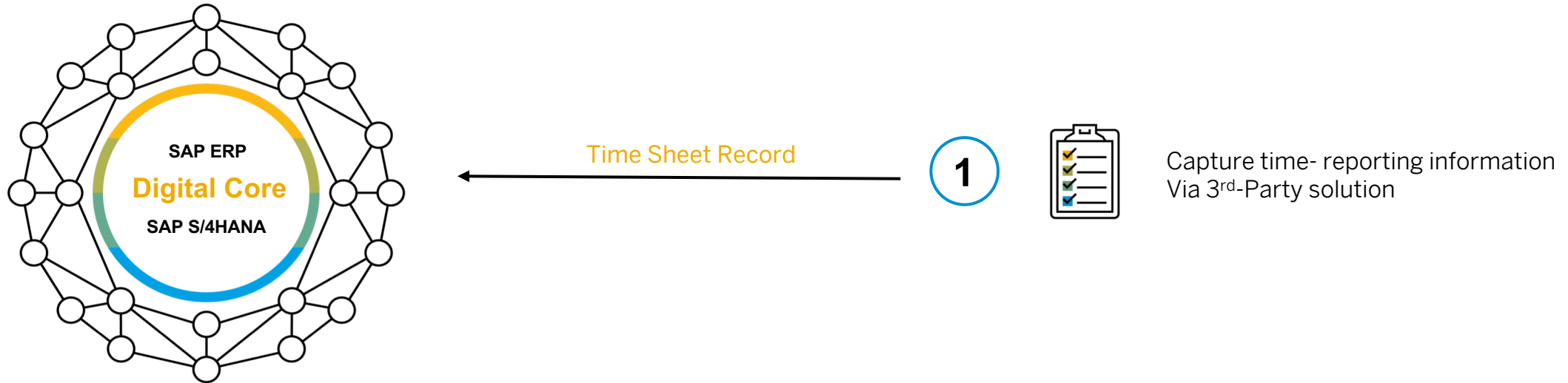
SAP ERP

Digital Core

SAP S/4HANA

Plant Maintenance confirmation

1

Plant repairs are completed by a mobile service crew

3rd-Party Solutions

1 Customer contracts with a third party to maintain their production equipment, and the third party submits confirmations via a device to service the customer's SAP Digital Core, and the following occurs as a result of such use

- Once the service / repairs are completed then a plant maintenance confirmation is sent to the Digital Core –the Plant Maintenance documents created are counted as a Document which must be licensed
- The Plant Maintenance confirmations are automatically processed within Digital Core resulting in the creation of subsequent Document types (e.g., regulatory reporting and financial transactions) – no additional licensing needed for such subsequent Document types triggered within the Digital Core

Manufacturing documents

Read sales orders →

SAP ERP
Digital Core
SAP S/4HANA

← Production Orders

← Production Order to 3D printing

1 MRP and Production Planning System (via EDI)
(less likely scenario)

2 3D Printing sales order generated during part failure detected by IoT device

3rd-Party Solutions

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1 The SAP customer is using a 3rd party external solution to run their MRP only and the following occurs as a result of such use.

- In this process, 3rd party solution reads the sale order - **no additional licensing is needed**
- After the third party MRP solution runs the production order, creation is triggered within the Digital Core for manufacturing–the production orders created are counted as a Document which must be licensed
- The Production orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., quality management, good delivery and other financial transactions) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2
- A IoT Device detects a parts failure and places a production order to print the part on a 3D printer– the production order created is counted as a Document and must be licensed
- No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original production order documents.
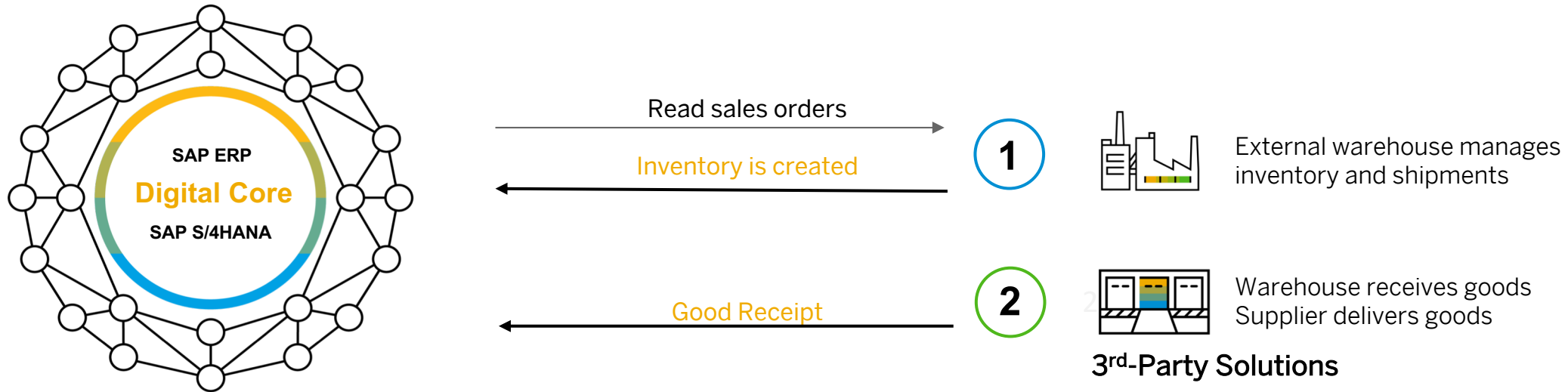
Quality management documents

Quality Notification

1 Quality complaints by consumer directly or via social media

Independent Defect Notification

2 IoT device

3rd-Party Solutions

SAP ERP
Digital Core
SAP S/4HANA

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1 Quality Complaints gathered directly from customer interaction or aggregated via social media and the following occurs as a result of such use
- Quality Notifications are created in the Digital Core –the quality management documents created are counted as a Document which must be licensed
- The Quality management notice are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., production orders, quality checks and financial transactions) – no additional licensing needed for such subsequent Document types created within the Digital Core

2
- An IoT device might detect a defect in one product and creates independent Defect Notification –the independent defect documents created are counted as a Document which must be licensed.
- No additional licenses are required for subsequent document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original Defect Notification document .

Time management documents

SAP ERP
Digital Core
SAP S/4HANA

Time Sheet Record

1

Capture time- reporting information
Via 3rd-Party solution

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1 SAP customer uses a third party external solution to capture time-reporting information and the following occurs as a result of such use

- Time sheet Records are created in the Digital Core - the Time Sheet Records created are counted as a Document which must be licensed.
- The Time Sheet Records are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., Financial Documents) – no additional licensing needed for such subsequent Document types triggered within the Digital Core

Material document line items

Read sales orders →

Inventory is created ←

1 External warehouse manages inventory and shipments

Good Receipt ←

2 Warehouse receives goods
Supplier delivers goods

SAP ERP
Digital Core
SAP S/4HANA

3rd-Party Solutions

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1 The SAP customer is using a 3rd party warehouse that manages inventory and does shipments and the following occurs as a result of such use

- In this process, 3rd party solution reads the sales order - no additional licensing is needed
- Post shipment the third party solution triggers the creation of an inventory record in the Digital Core –the material document line items created are counted as Documents which must be licensed.
- The inventory updates are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., invoice generation and financial transactions) – no additional licensing needed for such subsequent Document types triggered within the Digital Core

2
- Physical goods are delivered to the external warehouse by suppliers; good receipt information is created in Digital Core –the Goods receipt line items created are counted as a Document which must be licensed.
- No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original goods receipt documents.

Financial document line items

SAP ERP

Digital Core

SAP S/4HANA

FI and CO transactions

1

Ecommerce, e-Pay; Production systems

Reconciliation Account Postings

2

Consolidation System

3rd-Party Solutions

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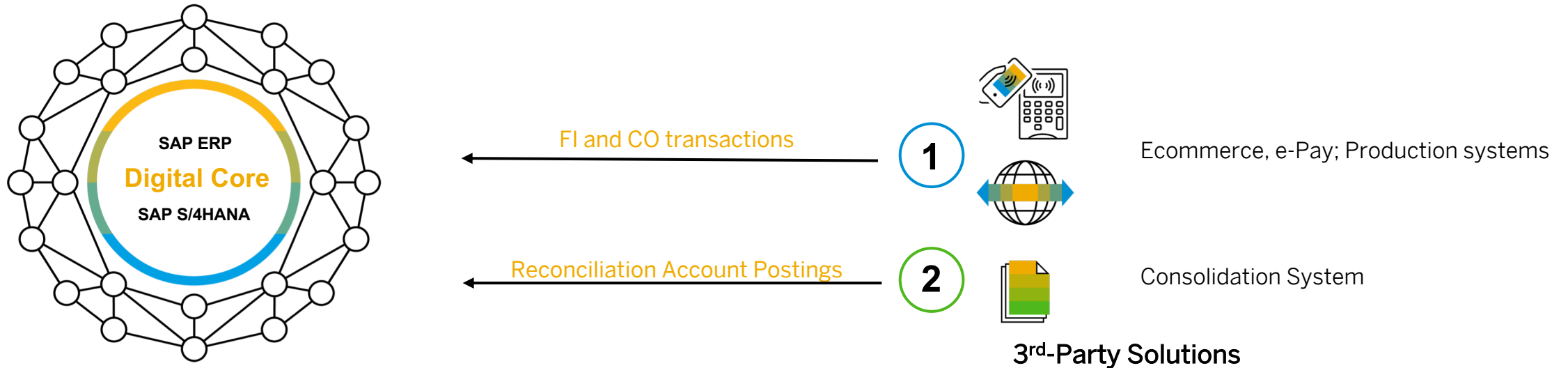
1 Third party ecommerce sites, ePay solutions and even production systems need to post to the digital core and the following occurs as a result of such use.
- Financial and Costing transactions are created in the Digital core– the financial line items created are counted as a Document which must be licensed.
- No additional licensing needed for subsequent document types triggered within the Digital Core as a result of the automatic processing in the Digital Core of the original Financial and Costing transactions line item documents.

2
- Consolidation systems posts reconciliation account postings into the Digital core – the financial line items created are counted as a Document which must be licensed.
- No additional licensing needed for subsequent documents triggered within the Digital Core as a result of the automatic processing in the Digital Core of the original reconciliation account postings documents.

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