

SAP S/4 Hana Contract Conversion

The migration to S/4 does not only have technological benefits, but also offers companies the opportunity to redesign their traditional processes. Also potentially interesting: updating your licenses with contract conversion.

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SAP's new S/4 technology simplifies and speeds up business processes, improves customer satisfaction, and taps into new business potentials. Especially digital transformation is a fundamental prerequisite for a successful future. The migration to S/4 Hana not only gives companies a chance to get rid of outdated processes and technologies; it also gives companies an opportunity to update their licenses. This is an opportunity that companies should not waste.

However, it will not be easy to take this opportunity, with all the migration effort and costs surrounding S/4 Hana. Companies therefore need to thoroughly plan the migration to make sure everything goes smoothly. One of the first questions companies should ask themselves is, "Which products will we use in the future?" These products can be grouped as follows.

S/4 Hana products: SAP account managers will be eager to help with the selection, but there are also useful tools which facilitate the decision, like SAP Pathfinder or SAP Transformation Navigator. However, companies have to differentiate if they already operate an ECC predecessor or not, as this impacts the new processes and licenses.

ECC products which companies will continue to operate: Not every ECC product has a successor in the new S/4 world. This is subject to change, of course, but future contracts have to define how companies manage their licenses nonetheless.

Third-party products: Whatever will come of the discussion centered around SAP's licensing model Indirect Access, third-party systems will certainly continue to play a big part in every SAP environment. However, technological innovations like the cloud pose ever new questions. Where will the digital core be? In the SAP or non-SAP cloud or on-prem?

SAP cloud products: Sooner or later, SAP customers will have to implement cloud-based SAP products. Customers can choose between public and private cloud. However, these solutions aren't part of traditional SAP contract conversions, as they do not fall

under the same category of traditional licenses.

Licenses can be billed according to one of three ways: purchase and maintenance, lease, or dependent on utilization. All three of these have different parameters to deal with - whether the systems are operated in the private or public cloud, or on-prem. Consequently, they all have their own measurement tools. It's important to evaluate which billing type works best for which system or department as a whole, as it can save companies a lot of money to use the right type of billing for them. In the context of contract conversion, the License Utilization Information Application (LUI) becomes crucial.

The new types of S/4 Hana users are especially important, as they hold a lot of potential for optimization. S/4 has three types of user licenses: professional use, functional use, and productive use. Companies should evaluate which licensing type works best for them, and which user needs which licenses, authorizations, and access rights. Many users may not need all of them, some might even need only one of them. If companies know exactly what they need and what they don't, SAP might be open to negotiate with them regarding the different types of user licenses. It is also important to note that not every user needs a professional use license, so keep that in mind when you analyze your contract and your licensing needs.

Contract conversion

Analyze your contract. Which licenses do you have? Analyze your tools. Which tools do you actually use? Analyze your need for tools. Which tools will you need in the future?

Analyze your costs. Which model is more cost-efficient?

Only if you know your past and present can you successfully shape your future. Use the opportunity for contract conversion that S/4 Hana migrations grant and only buy licenses that you really need. Cost savings will soon follow, keeping the company happy and successful.

SAP licensing is complex and needs technological and legal know-how. Only those who optimize their licenses don't have to pay more than necessary.

Also have a look at the community info on page 69

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