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SAP Licensing: Carrot And Stick

With RISE with SAP, SAP creates incentives to switch to S/4 Hana in the cloud. Analogous to Digital Access, there is the option of using user licenses universally and as needed. This will appeal to many SAP customers.

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With RISE with SAP, SAP offers its existing and new customers business transformation as a service. In other words, everything from a single source with more or less one single contract. It means that existing customers can migrate their old ECC contracts via a contract conversion and run their S/4 solution in the cloud.

There are a number of framework conditions that need to be taken into account during contract conversion. Among other things, SAP requires an extended investment and a minimum contract term of three to five years. Before conversion, SAP customers are supposed to do a license audit, which must not be older than six months. In addition, there are a number of options that can be tailored and selected to meet the customer's own requirements. Continuing to purchase add-ons from SAP partners or free choice of cloud providers are such options.

RISE with SAP currently consists of the following components: S/4 Hana in the public or private cloud, embedded services and tools, SAP Business Process Intelligence, SAP Business Technology Platform, and the SAP Business Network. S/4 cloud licensing is subscription-based and is divided into four areas: User Access (Advanced Use, Core Use, Self-Service Use); Digital Access (via APIs); Add-on Modules (industry and LoB solutions); and Infrastructure Add-ons.

(8010836): RISE with SAP S/4 Cloud. The metric is Full Use Equivalent (FUE). FUE can be allocated to different usage types throughout the contract term with a specific weighting factor.

It is interesting to compare costs to find out where the journey is going. For example, if one acquires 1,750 FUEs (35 must be acquired as a minimum), then according to the price list Q2/2021, these cost a total of 2,940,000 euros per year (1 FUE costs 140 euros per month). This could be broken down as follows: 10 for S/4 Hana Cloud, Developer Access (20 FUEs); 900 for S/4 Hana Cloud, Advanced Use (900 FUEs); 1,000 for S/4 Hana Cloud, Core Use (200 FUEs); and 18,900 for S/4 Hana Cloud, Self-Service Use (630 FUEs).

What would those same licenses cost for S/4 Hana on premises? Using the above figures, a total of about 10,080,000 euros investment plus 2,217,600 euros for maintenance equals 12,297,600 euros in the first year. However, subscription-based offerings and on-premises licenses are only comparable to a limited extent. So, draw your own conclusions from the comparative calculation.

All roads lead to S/4

There is no way around the migration to S/4 Hana. It's obvious that SAP wants to get customers to move to the cloud. Being able to switch between user license types indefinitely via the FUE metric is a very good deal. Using an external SAM tool to determine the license types needed before and after migration therefore makes sense in the cloud as well. However, the pressure to migrate within the next six years has not been taken off with RISE with SAP.

A thought experiment

The carrot comes in the form of full use equivalence in User Access. All S/4 cloud usage types can be purchased via one license material number

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