White Paper

SAP S/4HANA, ORACLE & 2025
- background, current thinking & options for the future
Introduction

SAP HANA was launched in late 2010 and was originally perceived as an analytics engine. The following year it continued to be developed and support for SAP Netweaver Business Warehouse was announced. Further development has seen support for SAP HANA Cloud Platform and more recently Business Suite on HANA which is allowing customers to run SAP ERP functionality.

The forecast was that the uptake of the new technology would be very high with SAP customers. At each stage of development many industry analysts expressed their views that, due to the speed of this in-memory database, it would sound the death-knell for older, slower databases.

However, it became apparent more quickly than SAP would have liked, that it had not achieved the rapid growth in uptake that some within the company expected. One reason for this has been the reluctance of existing customers to discard their legacy systems running on established and reliable databases.

Why would you, as a customer, spend years investing resources into making something work, to simply throw it away and start over with something new and unproven?

SAP efforts to regain momentum have since resulted in the launch of S/4HANA, targeting both new and existing customers running ERP suites like SAP ECC 6.0, and while this has undoubtedly helped, it has still not had the impact on numbers that they wanted to see going forward.

In addition to the introduction of S/4HANA, several deadlines have been shared and some new deals have been announced, which all points to a big change in the SAP world at the end of 2025.

If you are one of those customers with a stable SAP system and you have no desire to undergo another big IT investment cycle, then what can you do, in advance of 2025?

This paper aims to provide some background, our current thinking and look at some of the available options for the future. This information should, in turn, help you to balance future budgets, plan sensible business decisions and ensure that you optimise your IT investment, thus providing continued success within your organisation.

The Story So Far

Up until now, as a SAP customer, you have always had a wide choice from many differing hardware and software combinations, allowing you to choose one with which you feel most comfortable. For ERP customers, this flexibility has always been a key option in decision making.

You can, for example, currently choose your database from ORACLE, Microsoft SQL Server, IBM DB2, SAPDB, SAP ASE or SAP HANA and match this onto any supported hardware and operating system combination. This provides a very large choice of possible configurations.

With the introduction of SAP HANA, and more recently the associated SAP Business Suite offering, S/4HANA, (as a way forward for SAP ECC customers), it appears in the short term that there is more choice than ever.

However, looking a little further down the line, SAP is encouraging customers to move away from their more traditional database engines and enticing them towards their various SAP HANA based offerings with, amongst other things, generous licensing incentives. This is great for SAP but not for other database vendors.

The database vendor likely to be affected the most by this, is Oracle. They have been the largest database supplier for SAP customers since the first releases of client/server SAP R/3 software back in the early 1990’s and they generate a substantial degree of revenue from the SAP customer base.
In fact, for anyone involved with SAP since the advent of SAP HANA in late 2010, you may recall that SAP sales people were telling customers that come 2017, there would be no support for Oracle products within the SAP environment. If that had happened, then many organisations would have struggled to cope with unsupported systems.

Happily, for Oracle customers, that was not the case and while a great deal has been said and written since those early days, we also now know that there is an integrated support agreement in place, (between SAP and ORACLE), that is currently set to run up until the end of 2025. This allows time for customers running their SAP solutions on Oracle databases, to consider how to plan for post 2025.

**What is SAP S/4HANA?**

SAP S/4HANA is still a maturing product consisting of essentially two parts.

The first part is the application which is based on SAP’s proven core product set; this had originally evolved as an On-Line Transaction Processing (OLTP) based system, capable of running on a variety of older database engines.

The second part is the database which is now based solely on the newer SAP HANA in-memory solution which excels in the On-Line Analytical Processing (OLAP) area.

It is further enhanced with the inclusion of newer digital technologies, innovations and features, for example, SAP Fiori, SAP Leonardo, the ability to support mobile, integration with SAP Ariba, SAP SuccessFactors, SAP Fieldglass and other solutions. Further additions will no doubt be included as the product evolves.

SAP claims that they have the fastest database engine when using the latest benchmark, but there is dispute from competitors, as SAP designed the new benchmark. When some of the competition used the same new benchmark with their own databases they claimed better, faster results.

There is little doubt that memory based data is well suited to running analytics, hence the original SAP HANA database release was seen more of an OLAP tool than anything else. In short, analysing very large amounts of data quickly, for example scanning billions of records in seconds or less is easily possible within a SAP HANA database.

With the release of S/4HANA, the type of processing being applied to the underlying database technology is now in the OLTP area. This means entering newly acquired data into existing memory-based data structures. Manipulating large amounts of data in-memory is not efficient and in the OLTP world, this is what is required.

Imagine if you are constantly entering new data with, for example, order entry. Your hardware resources are likely to spend a large proportion of time restructuring data-sets within memory, which reduces their availability to perform any other tasks, then inevitably your performance degrades.

As far as databases go, it is still fast, but is it fast enough to warrant an investment in a possible conversion or move from your existing system, plus paying for new software, hardware and associated technology and training that may not add additional functionality?
What we know today

SAP and Oracle have both made announcements, statements, claims and counter claims over the last few years which attempt to persuade SAP customers, prospective and existing, that the way forward is with their own respective database engine.

This has generated a lot of speculation concerning what will be provided to cover the on-going support for SAP and Oracle systems.

Whether due to aggressive marketing, favourable sales agreements or customer desire, the adoption of SAP HANA database technology is certainly growing. The latest results from SAP, Q3 2017 results, were released on 19th October 2017 in Walldorf, Germany. These results state:

“Digital core business soars with over 6,900 S/4HANA customers – around 70% growth year over year”

This figure represents approximately 1.9% of the SAP customer base which is 365,000 according to the latest SAP Corporate Fact Sheet (also dated 19th October 2017).

These figures are in line with the Diffusion of Innovations theory by Everett Rogers. The theory describes a bell curve with the start or lowest numbered part labelled Innovators (2.5%) followed by Early Adopters (13.5%) then accelerating up to the peak. If proven true then this is a theory which will be warmly welcomed by SAP although not so much by Oracle and the other database vendors.

The Future Revealed

Since the introduction of SAP HANA, and the subsequent exchange of claims and counter claims with Oracle, new information has been published by both parties which should help you to understand how they intend to provide support for several years, through to the end of 2025.

This Oracle/SAP overview statement, dated 24th May 2017, is published on the Oracle website:

“SAP and Oracle would like to announce that they have agreed to a long-term extension of SAP’s global reseller and technical support relationship. For more than twenty years, SAP and Oracle have worked together to provide customers with a supported SAP/Oracle environment, running SAP applications and an Oracle database. During this extension, new and existing SAP customers can continue to acquire Oracle licenses from SAP or Oracle to support their SAP business applications, and SAP and Oracle will continue to offer technical support for the combined Oracle/SAP offering.”

The following announcement restates the above and then expands upon it with further SAP/Oracle relationship information. This was published on 29th June 2017 and can be found on SAP Australian User Group (SAUG) website, which is endorsed by SAP:

“Between now and 2025, SAP will continue to offer integrated support for all Oracle/SAP environments (full time and runtime). SAP will continue its current resale practices Oracle runtime licenses for the first part of the extension period, through December 31, 2023. For the final two years of the extension, between January 1, 2024 and December 31, 2025, SAP will sell Oracle runtime licenses only to existing Oracle runtime customers.”

These announcements dovetail nicely with the current SAP mainstream lifecycle information for Business Suite products, available from SAP.

From the dates which have been published so far, it would appear that many things will end after 31st December 2025.
Approaching Current Known Deadlines

To recap, between now and 2025, SAP have said that they will continue to offer integrated support for all Oracle/SAP environments (full time and runtime).

SAP will continue its current resale practices for Oracle runtime licenses for the first part of the extension period, through to 31st December 2023.

For the final two years of the extension, between 1st January 2024 and 31st December 2025, SAP will sell Oracle runtime licenses only to existing Oracle runtime customers.

It should be noted that while there is currently no commitment to offer integrated support for Oracle beyond 2025 by SAP, neither is there any statement or information saying that this will not be the case. The implication is there but 2025 remains some time away so things may change.

Something else to consider

Since the announcements made by both SAP and Oracle, the Oracle runtime DBMS license pricing has gone up to 25% of software application value (SAV), which could influence your decision. This is more than twice what would have been paid a few years ago!

So, if you’re running SAP on Oracle and you’re forecasting a higher license requirement then you need to think very carefully about how to achieve the best value for money through the coming years.

So, what are the options moving forward?
1. In the first instance, whether you’re an existing SAP customer or not, you could opt for a brand-new implementation using S/4HANA. If you’re a current SAP customer, you could opt for a re-implementation for various reasons, for example:

- Perhaps you are running a very heavily customised system for legacy purposes, which would be streamlined by reducing the amount of resources employed for ongoing maintenance
- You have a variety of problems that will cost more to overcome than to start from scratch with S/4HANA
- Maybe you’re on very old hardware which requires costly effort to upgrade due to other pre-requisites
- Your business wants to make use of technological innovations which are only available by moving to S/4HANA

2. Another obvious option would be to convert an existing SAP ECC system to S/4HANA. If your organisation is already running SAP and the system does not contain excessive customisations then, for many existing customers, SAP could offer favourable licensing terms to encourage such a move.

Alternately, if you have multiple existing SAP systems spread across different platforms/operating systems/databases then, assuming they are all compatible, your organisation may choose to merge them into a single S/4HANA system. This could benefit you by reducing your licensing needs, cutting the overall number of systems needing on-going support and in turn consolidating your support requirements.

3. You could even elect to ignore SAP as an option altogether, and go with an alternate ERP offering such as Oracle E-Business Suite, Microsoft Dynamics among many. Your eventual choice of ERP vendor can be driven by many factors, with many well outside the scope of this document, so let’s just stick to SAP with Oracle for now.

For whichever option you choose, you will need to remember to factor in various costs for consultancy, hardware, software, re-skilling and/or re-training costs for your staff and users.

Of course, you can ignore these options for the time being and do absolutely nothing. That is, wait until nearer the time that a decision MUST be made, although many organisations have plans which extend for 5 to 10 years into the future, and so waiting for too long will not be a practical option in this case.

However, with no set roadmap available, then for those of you who can wait for clarity to be provided by SAP, you may see changes in the interim which you can use to your benefit.

For instance, if you think you can wait for several years before a decision is made, then do you also think you’re likely to remain with the same underlying software versions during that time too?

If the answer to that last question is yes, then perhaps you should stop wasting money on SAP provided support and consider moving to a third-party support model. Any unused budget can then be reinvested across other areas of IT.

Moving forward

If you choose to continue with your current preferred option, at least for the time being, even this can be expensive. Maintenance charges from the vendors are not cheap with typical annual charges now over up to 22% of license fees per annum.

If you believe your systems are stable and providing your business with what it needs and you’re not anticipating the need for change anytime soon, you should consider moving to a third-party support model to reduce your costs.

Third-party support is one way to keep more of your IT budget, allowing you to invest in other areas. Independent
support provides maintenance of customisations as well as covering the application and database software and can save organisations between 50% and 90% each year.

**Mitigating the Risks**

Support Revolution provides independent third-party support for SAP systems. We provide our own legislative and regulatory patches to replace those that you previously received from the vendor and we take over the maintenance that you receive for SAP.

We provide a personal level of service which includes a dedicated account management team who you will get to know personally, and provide regular management reports and onsite review meetings to ensure that you are completely delighted with our service and our teams’ performance.

With over 19 years of direct industry experience, Support Revolution is supporting SAP customers across a wide range of private and public-sector organisations; saving each customer a minimum of 50% on support costs.

Our sister company is a SAP partner, so we can supply additional licences at discounted rates should you need them. Check out our website for full details.

**What happens after 2025?**

In truth, nobody really knows what will happen after the current agreements expire, so after 31st December 2025, anything is possible.

If, as is implied, the SAP/Oracle integrated support agreements do conclude at the end of 2025, then customers wishing to continue using their SAP systems on Oracle are facing escalating license and maintenance costs from both vendors. You can be sure that they will be doing their very best to try to persuade you that you will be better off with one or the other, as opposed to both combined.

**Summary**

The SAP HANA database is no longer a brand-new product and, despite all the hype, it’s sales growth figures are not shooting upwards anywhere near as quickly as SAP would like. SAP is, as you would expect, doing everything in their power to drive up sales for SAP HANA and SAP HANA based products.

Competitors, particularly Oracle, are not taking the threat of being edged out of the SAP database vendor market lying down. Consequently, they too are pushing hard to get customers into their sphere of influence.

The 31st December 2025 is currently the date at which many agreements and deadlines run out and, for some, decisions need to be made sooner rather than later.

If your business is going to need an enterprise class ERP system then there are several options available, you can choose from:

- a brand-new implementation using S/4HANA
- a conversion from an existing SAP ECC system to S/4HANA
- merging multiple SAP systems into a single S/4HANA system
- going with another ERP vendor
- wait and move to third-party support and reinvest the savings you make

If you don’t need to make an immediate decision and you don’t expect your existing SAP systems to be changing in the coming years then, the third-party support model will release budget allowing you to reinvest it across other areas within IT.
About Support Revolution

Support Revolution is the only independent, third-party software support provider for Oracle and SAP systems headquartered in the UK. Due to an unparalleled depth of industry and local knowledge and over 19 years’ experience, Support Revolution provides first-class support and maintenance whilst saving customers between 50% and 90% on their support bills – significantly reducing support costs and releasing funds for pioneering new projects.

Unlike Oracle and SAP that enforce software upgrades and discontinue support for older systems, Support Revolution enables organisations to remain on existing versions for as long as they wish – supplying necessary patches and fixes and supporting all customisations – giving complete control back to customers.

For further information see the Support Revolution website