NEAT EVALUATION FOR INFOSYS:

SAP HANA and S/4HANA Services

Market Segments: Overall, SAP HANA Focus, S/4HANA Focus

Introduction

This is a custom report for Infosys presenting the findings of the NelsonHall NEAT vendor evaluation for *SAP HANA and S/4HANA Services* in the *Overall*, *SAP HANA Focus*, and *S/4HANA Focus* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of Infosys for SAP HANA and S/4HANA services, and the latest market analysis summary for SAP HANA and S/4HANA services.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering SAP HANA and S/4HANA services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with a specific focus on SAP HANA and S/4HANA services individually.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Accenture, Atos, Cognizant, DXC Technology, EPAM Systems, IBM, Infosys, LTI, NTT Data, TCS, Tech Mahindra, Tieto, Virtusa, Wipro, and Yash Technologies.

Further explanation of the NEAT methodology is included at the end of the report.

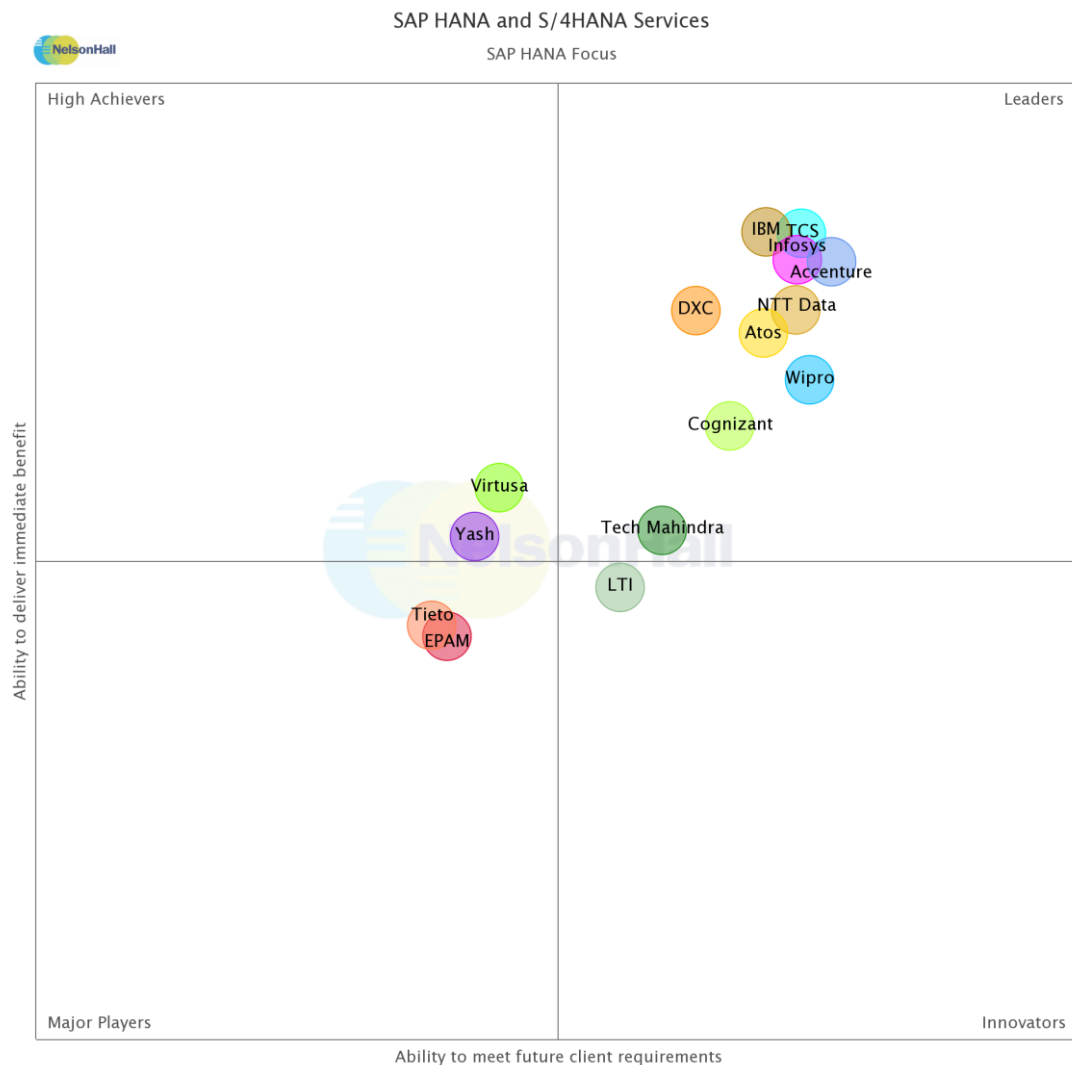# NEAT Evaluation: SAP HANA and S/4HANA Services (Overall)
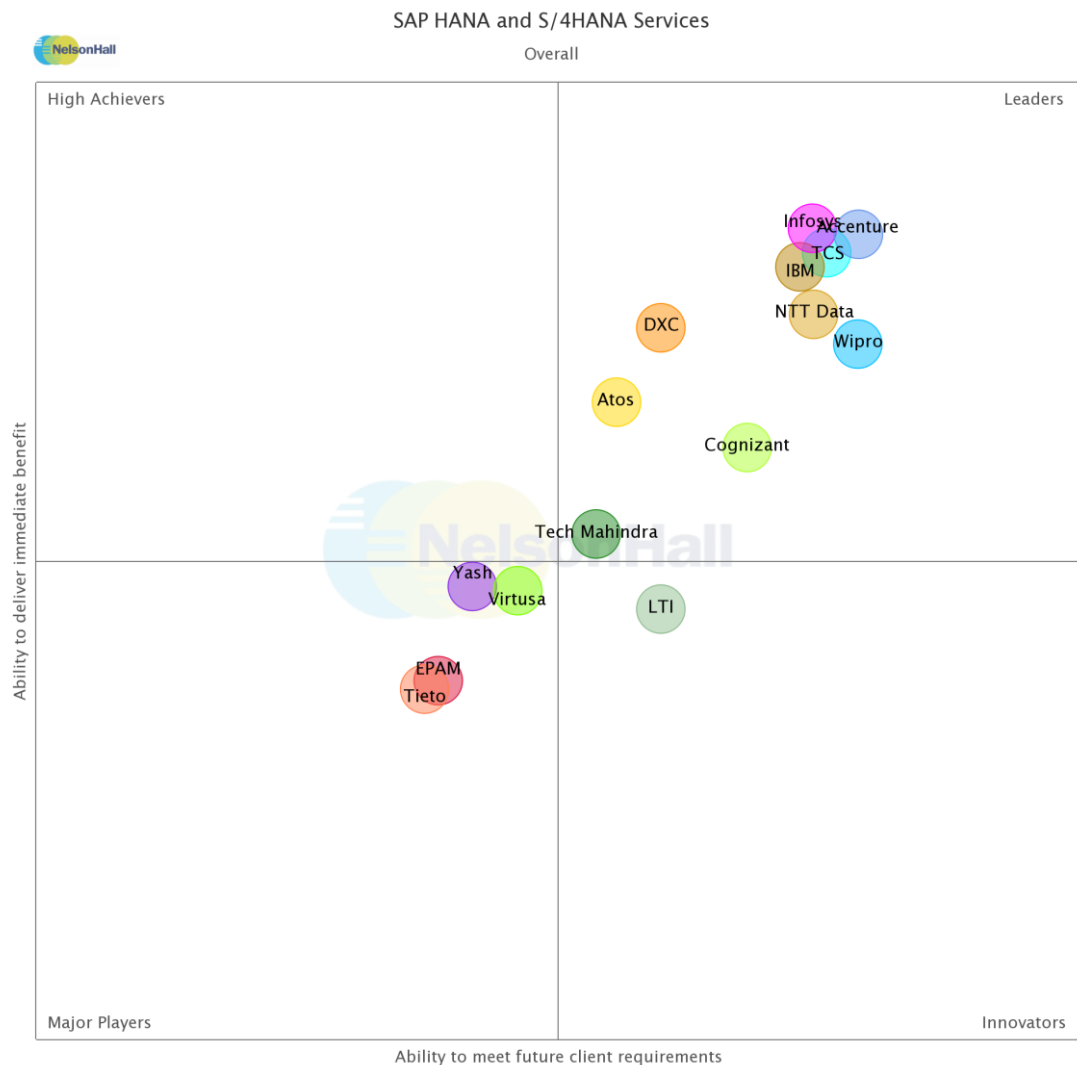
NelsonHall has identified Infosys as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Infosys' overall ability to meet future client requirements as well as delivering immediate benefits to SAP HANA and S/4HANA services clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the SAP HANA and S/4HANA Services NEAT tool (Overall) here.

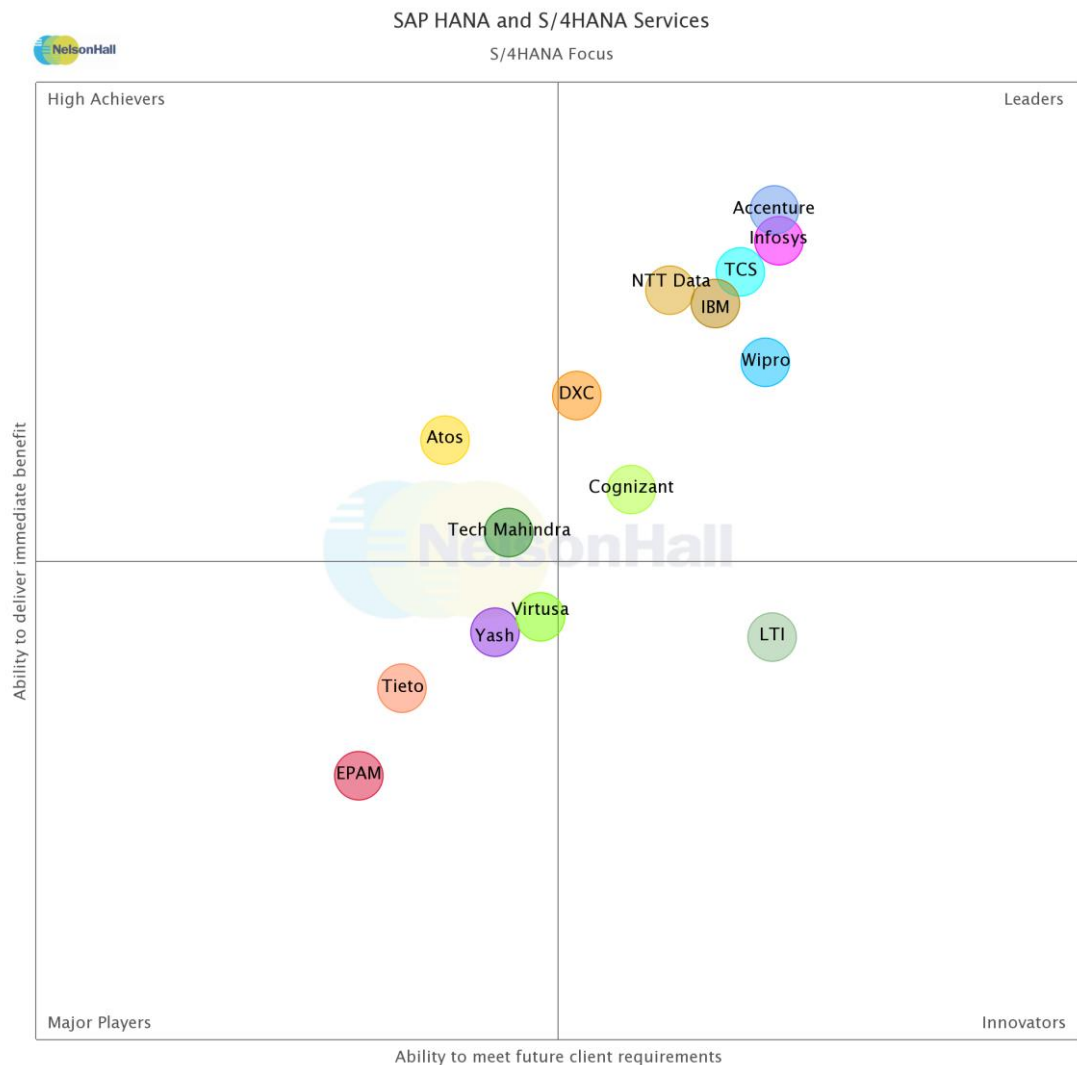# NEAT Evaluation: SAP HANA and S/4HANA Services (SAP HANA Focus)

NelsonHall has identified Infosys as a Leader in the *SAP HANA Focus* market segment, as shown in the NEAT graph. This market segment reflects Infosys' ability to meet future client requirements as well as delivering immediate benefits to clients with a specific focus on SAP HANA capability.

Buy-side organizations can access the SAP HANA and S/4HANA Services NEAT tool (SAP HANA Focus) here.

NEAT Evaluation: SAP HANA and S/4HANA Services (S/4HANA Focus)

NelsonHall has identified Infosys as a Leader in the *S/4HANA Focus* market segment, as shown in the NEAT graph. This market segment reflects Infosys' ability to meet future client requirements as well as delivering immediate benefits to clients with a specific focus on S/4HANA capability.

Buy-side organizations can access the SAP HANA and S/4HANA Services NEAT tool (S/4HANA Focus) here.

Vendor Analysis Summary for Infosys

Overview

Headquartered in Bangalore, Infosys was founded in 1981 in Pune by a group of seven programmers. It became a public limited company in India in June 1992 and was listed on NASDAQ in 1999, having set up development centers in several Indian cities to serve the global market.

Infosys has had a relationship with SAP since 1997. It became a Global Services Partner in 2008. It estimates that it has ~450 SAP clients and ~15.5k SAP skilled resources.

Over the first half of 2018, Infosys saw a rise in the focus on adopting S/4HANA among its large enterprise client base and has been evolving how it positions its offerings. It is looking to take a broader business outcome-centric approach with its clients rather than a strictly technical view of the S/4HANA migration. This is in alignment with clients increasingly looking to use S/4HANA as a foundational element of a broader business transformation driven by changing business models and a desire for simplified, standardized business processes.

This approach has included incorporating broader Infosys capabilities with its SAP delivery capabilities to provide broader bundled services to its clients. This can include using deep industry expertise, UX-UI consulting and design thinking to define the end state experience and roadmap as well as its NIA platform to support adoption and operations.

To expand its SAP capabilities, Infosys has made the following acquisitions:

- Lodestone, in 2012: headquartered in Switzerland, Lodestone was founded in 2005 (the founders' heritage was in PwC and IBM). It had 850 employees including 750 SAP consultants, and 2011 revenues were ~$200m across ~200 clients, concentrated in the life sciences and automotive sectors, with ~15% of revenues coming from the insurance sector

- Panaya: in 2015: Infosys' second largest acquisition since its purchase of Lodestone. Founded in 2005 (formerly known as ChangeSoft Technologies), Panaya is based in Ra'anana, Israel and has ~150 employees. Its flagship CloudQuality suite automates the assessment and migration of SAP environments.

To support the increased use of design thinking sessions and UX-UI design in the delivery of HANA and S/4HANA services, Infosys has made the following recent acquisitions:

- In September 2017, it completed acquisition of Brilliant Basics, a privately held London-based digital innovation and CX design firm. The acquisition added to Infosys' Digital Studios capabilities for the financial, retail and telco sectors, primarily in the Europe and Middle East region.

- In May 2018, Infosys completed its acquisition, for up to $75m including earnouts, of WONGDOODY, a U.S.-based creative and consumer insights agency. Founded in 1993, WONGDOODY is headquartered in Seattle and has an office in Los Angeles. It has served clients in the telecoms, media, consumer electronics, healthcare, consumer goods, and other sectors. Clients have included Amazon Fire TV.

These acquisitions represent Infosys' further commitment to the expansion of a worldwide, connected network of Digital Studios. With Infosys Digital Studios spanning the globe – from Bangalore and Pune to New York, London, and Melbourne – the addition of WONGDOODY and Brilliant Basics strengthens Infosys' ability to fulfill the needs of global clients.

Financials

Infosys' total revenues for CY 2018 were $11.5bn.

NelsonHall estimates that Infosys' SAP services revenues account for ~17% of the total revenues (~$1.9bn). NelsonHall further estimates that CY 2018 HANA and S/4HANA revenues account for ~23% of SAP revenues, or ~$450m.

Strengths

- CMO, S/4Assist and accelerator and migration toolset
- Catalyst industry offerings
- Complex, large enterprise HANA and S/4HANA adoption experience
- User and business objective centric approach
- Long-term, multi-faceted partnership with SAP
- Intelligent Enterprise offering.

Challenges

- Limited focus on SMB client base slowing S/4HANA delivery growth
- SAP workforce is weighted toward India relative to competitors.

Strategic Direction

Infosys has defined a strategy to grow its S/4HANA and HANA practice by focusing on the following areas:

- Increase the skilled resource base
- Expand the Catalyst offering to new industries
- Develop Leonardo and NIA use cases.

Outlook

Infosys' efforts to build solutions to complement its core capabilities and re-skill functional SAP consultants positions it to support its large enterprise client base as adoption have started to accelerate with the looming end of the ECC support deadline in 2025. More than doubling its HANA and S/4HANA skilled workforce have provided Infosys with a significant footprint of skills, even with a considerable proportion of these remotely based in its India HANA CoE. Continuing to reskill its existing workforce and attracting and growing its client proximate workforce to deliver industry-specific skills onsite with clients will be an important focus area going forward.

To augment its still growing workforce, Infosys has invested heavily in building automated toolsets across the lifecycle of HANA and S/4HANA adoption. The use of S/4Assist, CMO, Panaya and other tools positions Infosys to both de-risk and accelerate its client's adoption

of S/4HANA. The use of Intelligent Enterprise in the operational phase enables it to apply intelligence to the automation of a broad set of use cases across industries.

In addition to Intelligent Enterprise use cases, Infosys' Catalyst offerings and other industry-tailored extensions also enable it to demonstrate to its targeted client base how it understands their needs and can support achieving their objectives. As new and emerging technologies mature, it is important for Infosys to continue to evolve these focused offerings, including incorporating Leonardo and NIA capabilities.

SAP HANA and S/4HANA Services Market Summary

Overview

NelsonHall estimates that 68% of migration and implementation work completed by IT service vendors has been to Suite or BW on HANA rather than to S/4HANA, up from 27% in 2016. For many organizations, however, this is the beginning of a multi-phase approach, ultimately leading to S/4HANA hosted in the cloud.

With the introduction of S/4HANA 1809, combined with new migration paths (such as a hybrid bluefield approach), Model Company offerings and incremental capabilities, organizations are increasingly migrating directly to S/4HANA from legacy ERP landscapes.

NelsonHall expects this to continue to accelerate as S/4HANA, Leonardo and C/4HANA offerings mature. By 2022, we expect ~55% of IT service vendor SAP HANA or S/4HANA revenues to be derived from S/4HANA rather than BW or Suite on HANA.

NelsonHall estimates that ~65% of new S/4HANA adoptions are being completed through the implementation of a new system, rather than migrating existing legacy ERP landscapes. This is driven by early S/4HANA adoption being dominated by new buyers (particularly small and medium businesses) who can more easily adopt S/4HANA's best practice business processes rather than organizations with large, customized, legacy ERPs.

Organizations that have adopted SAP HANA have focused on simplifying their technical environment to reduce costs and increase agility in accessing data.

As S/4HANA adoption accelerates, organizations are increasingly using it to drive broader business change including introducing new business models and transforming business processes. These broader benefits aren't solely measured in traditional IT cost reduction but through greater agility within the business. However, S/4HANA's simplified technical architecture (data, custom object, etc.) are also driving IT cost benefits.

Buy-Side Dynamics

The key capabilities sought by organizations in selecting a vendor to deliver SAP HANA and S/4HANA services are:

- Tying of fees to desired outcomes
- SAP technical delivery capabilities
- Local SAP HANA and S/4HANA consulting capabilities
- SAP functional delivery capabilities
- SAP HANA migration tools and accelerators.

Market Size & Growth

The global SAP HANA and S/4HANA services market is estimated by NelsonHall as ~$10,405m in 2018. It is expected to grow at 21% CAGR to ~$29,765m by 2023.

Success Factors

The key success factors for SAP HANA and S/4HANA services vendors include:

- **Automated assessment, migration and roadmapping capabilities**: successful vendors offer a portfolio of automated tools and methodologies to assess the impact of migration on current ERPs (including custom objects and legacy data), develop a migration roadmap and execute the migration of legacy objects and data including automated custom code modification

- **Vertical-centric offerings**: successful vendors develop a portfolio of offerings to complement core HANA and S/4HANA capabilities with tailored industry-centric applications, analytics, and edge capabilities. These include proprietary migration accelerators (pre-configured industry blueprints), SAP Model Company offerings and industry or LoB specific functional extensions

- **Business Process and OCM Capabilities**: as organizations look to use S/4HANA as a catalyst for modernizing and simplifying business processes, vendors need to be able to provide the non-technical capabilities that help the client organization to migrate to the new processes and organization in parallel to migrating to the new system

- **Incorporating emerging technologies**: successful vendors are looking to develop offerings that incorporate new and emerging technologies such as those offered by Leonardo and C/4HANA. Building capabilities that incorporate IoT, AI/ML, analytics and blockchain to increase the value that organizations can realize by adopting S/4HANA

- **Business case development capabilities**: successful vendors use experiences and benchmarks to help organizations shape a defined business case incorporating direct cost reduction and indirect business value from enhanced capabilities and improved processes

- **Geographically diverse delivery team**: successful vendors possess onshore resources capable of consulting with clients in initial stages (including migration, business process, OCM planning and business case development), coupled with strong offshore migration and application management factories.

Outlook

Companies that have already invested in legacy ERP are slow to migrate to S/4HANA. This can be driven by concerns about the change required (see next slide) as well as the level of effort required to migrate. Migration effort is driven by the custom code changes required to operate in the new environment and the level of configurations to tailor the system to operate in the client's industry.

Where large enterprises were initially hesitant to adopt S/4HANA due to its impact on customized processes built over time in legacy ERPs, increasingly organizations are viewing S/4HANA as a way to transform the organization and processes in addition to modernizing technology. These organizations are looking to S/4HANA implementation vendors to help guide them on this broader transformational journey instilling new business processes and managing related organizational and change management.

The future direction for SAP HANA and S/4HANA service vendors include:

- Approach and objectives:

  - Large enterprise SoH and ECC clients accelerate replacing legacy with S/4HANA, focusing on simplifying custom business processes, organization and application landscapes

  - Cloud based S/4HANA based on pre-configured industry templates becomes the primary hosting approach to improve business case

  - Large enterprise adoption is driven by digital transformation objectives and the desire for incorporating expanded capabilities such Leonardo's IoT and AI/ML offerings and C/4HANA

  - Vendors continue to bolt on functionality to core S/4HANA capabilities, but focus on value-add functionality tailored specifically to client industry needs.

- Benefits:

  - Organizations use S/4HANA as a foundation to gain access to digital transformation technologies (IoT, machine learning) that expand their business case to increased revenues and improved customer service

  - Old business models, processes and organizations are modernized and simplified to improve agility

  - Incremental infrastructure cost saving realized through the use of cloud-hosted S/4HANA.

- Delivery model:

  - S/4HANA implementation is foundational step of a broader digital transformation roadmap

  - Assessment, roadmapping, and code and data migration are primarily completed by automated tools

  - Migration factories located primarily offshore accelerate the migration from ECC to S/4HANA

- Onshore consulting focus primarily on business process and organization transformation.

NEAT Methodology for SAP HANA and S/4HANA Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements

- **High Achievers**: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit

- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Overall HANA & S/4HANA Capability
	HANA migration capability
	S/4HANA implementation capability
	HANA & S/4HANA cloud offerings
	Leonardo offerings
	Proprietary functional extensions
	Migration tools
	Ongoing management capabilities
	Model company
Delivery	Breadth of HANA & S/4HANA capabilities
	HANA & S/4HANA consulting capabilities
	Functional skilled resources
	Technical skilled resources
	Use of Activate
	N. America
	EMEA
	APAC
	LATAM
Presence	Scale of operations - overall
	Scale of operations - HANA
	Scale of operations - S/4HANA
Benefits Achieved	Skills & capabilities
	Timely project completion
	Value for money

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Future Commitment	Financial rating
	Commitment to S/4HANA
	Commitment to innovation in S/4HANA services
Investments	In HANA capabilities
	In S/4HANA migration capabilities
	In proprietary offerings
	In geographic expansion
Ability to Partner & Evolve Services	Key partner
	Ability to evolve & use best practices

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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