NEAT EVALUATION FOR NTT DATA:

SAP Cloud Migration Services

Market Segments: Overall, Legacy Migration Capability,
S/4HANA Transformation Capability

Introduction

This is a custom report for NTT DATA presenting the findings of the NelsonHall NEAT vendor evaluation for *SAP Cloud Migration Services* in the *Overall, Legacy Migration Capability,* and *S/4HANA Transformation Capability* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of NTT DATA for SAP cloud migration services, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering SAP cloud migration 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 specific capability in legacy migration and in S/4HANA transformation.

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: Atos, Capgemini, Cognizant, DXC Technology, EPAM Systems, Infosys, LTI, Mindtree, Mphasis, NTT DATA, TCS, Tech Mahindra, T-Systems, Wipro, and Yash Technologies.

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

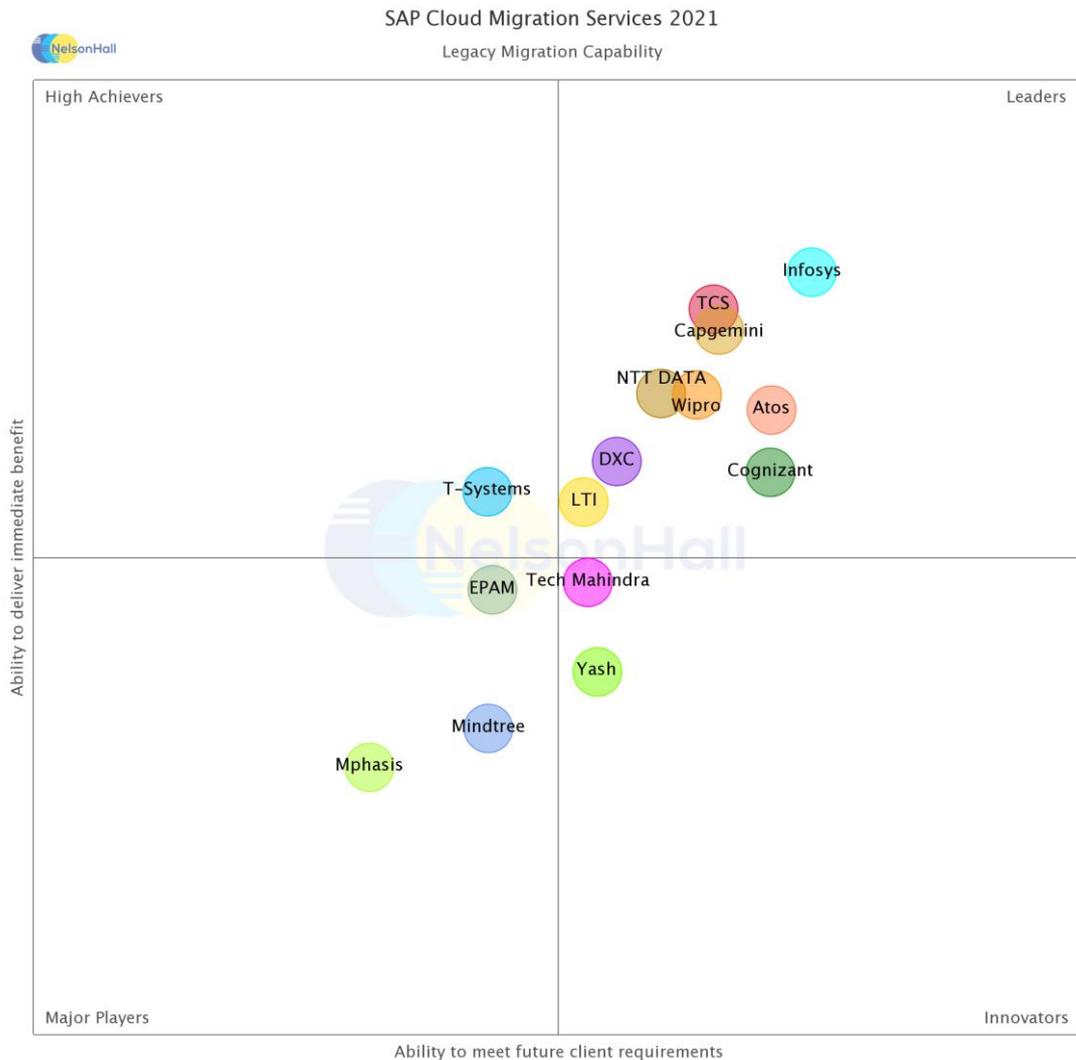# NEAT Evaluation: SAP Cloud Migration Services (Overall)
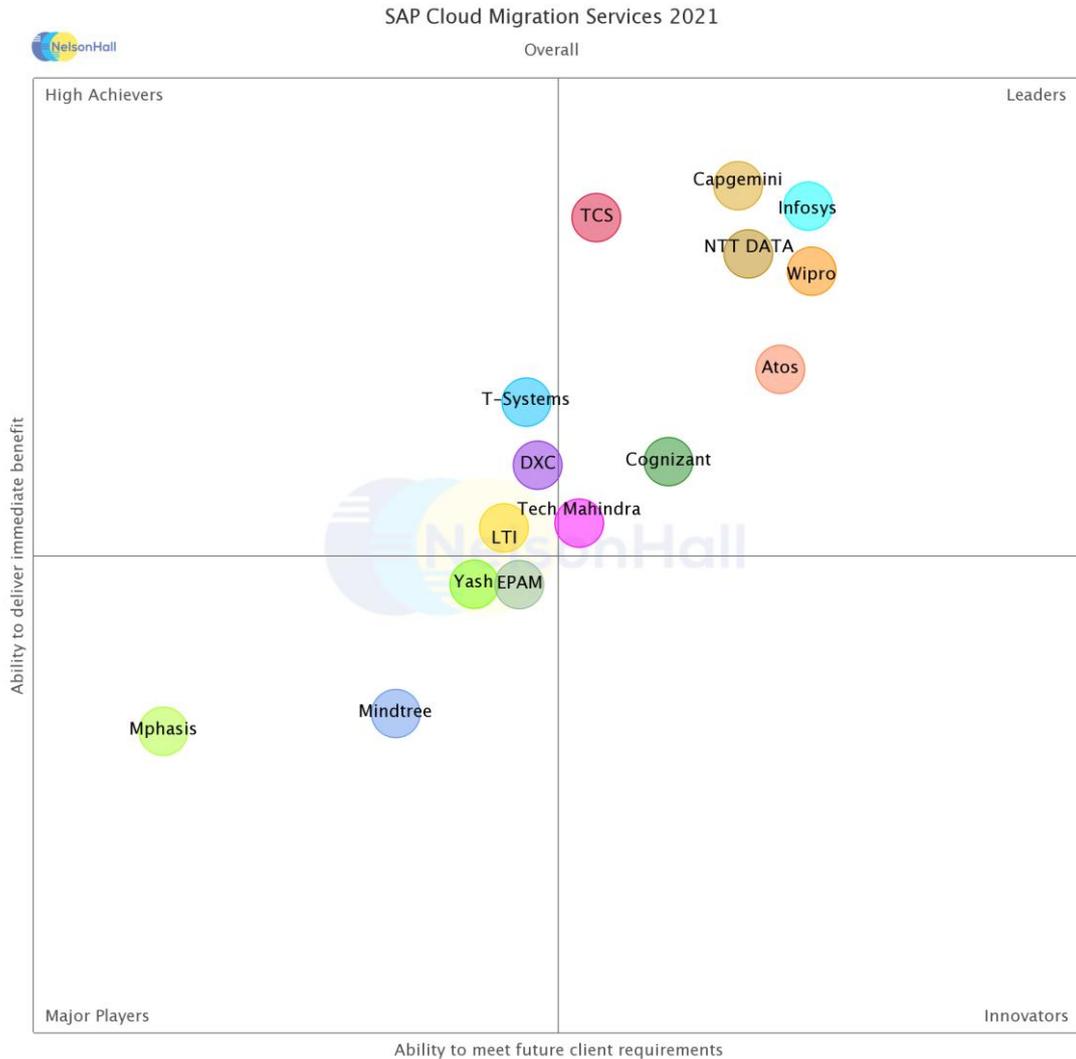
NelsonHall has identified NTT DATA as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's overall ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration services clients.

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

Buy-side organizations can access the *SAP Cloud Migration Services* NEAT tool (*Overall*) here.

NEAT Evaluation: SAP Cloud Migration Services (Legacy Migration Capability)
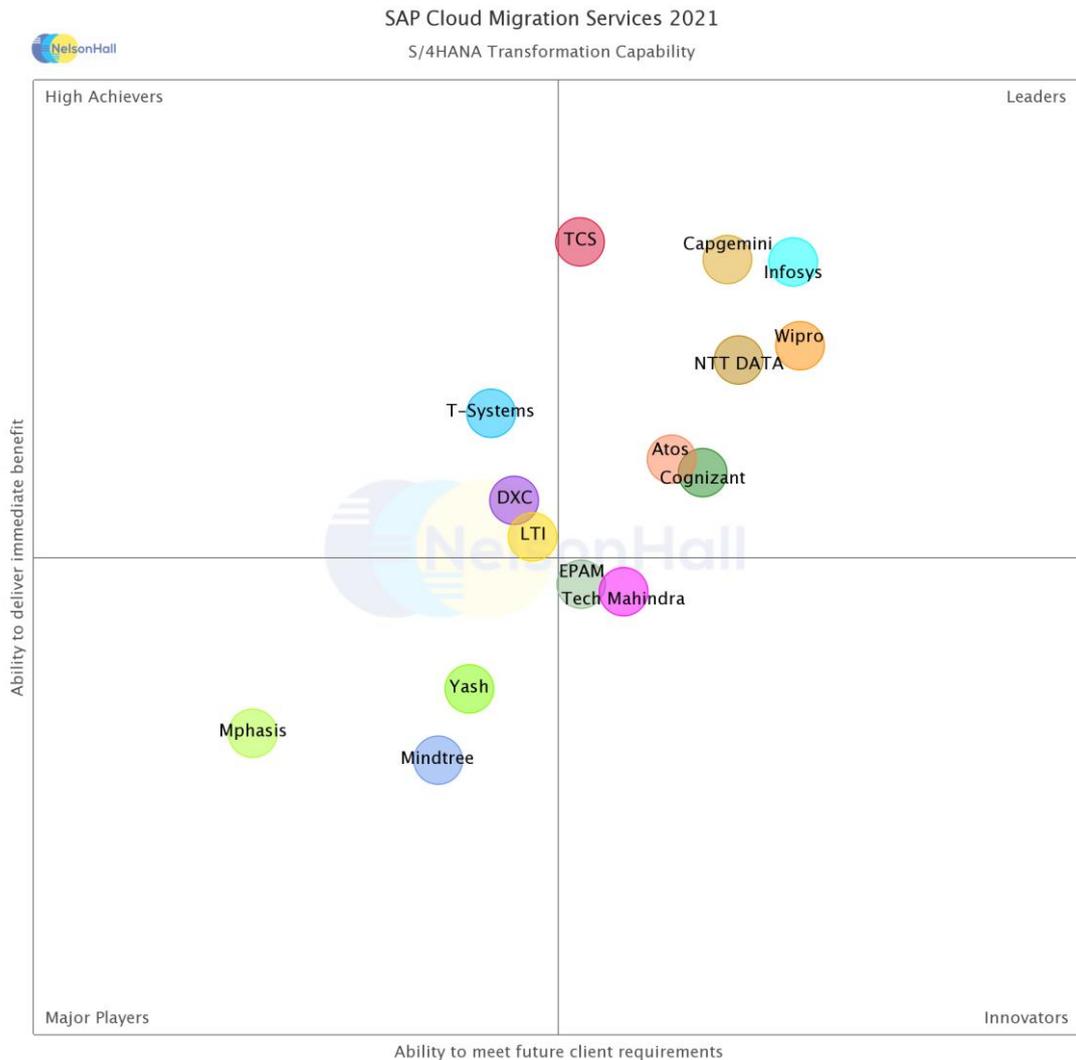

NelsonHall has identified NTT DATA as a Leader in the *Legacy Migration Capability* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration clients with specific capability in legacy migration services.

Buy-side organizations can access the *SAP Cloud Migration Services* NEAT tool (*Legacy Migration Capability*) here.

NEAT Evaluation: SAP Cloud Migration Services (S/4HANA Transformation Capability)

NelsonHall has identified NTT DATA as a Leader in the *S/4HANA Transformation Capability* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration clients with specific capability in S/4HANA transformation services.

Buy-side organizations can access the *SAP Cloud Migration Services* NEAT tool (*S/4HANA Transformation Capability*) here.

Vendor Analysis Summary for NTT DATA

Overview

NTT DATA Communications Systems Corporation was spun off as a separate company from NTT Corporation in 1988, subsequently changing its name to NTT DATA Corporation in 1996. NTT Corporation retains a 54% shareholding in NTT DATA, and NTT DATA works jointly with other companies in the NTT Group to deliver services to clients.

NTT DATA's SAP practice had ~$2.2bn in annual revenues in 2019. It has ~5k clients across 55 countries and 25 industries.

In August 2018, the parent NTT Holdings announced its intention to group within a new firm, NTT Inc., several units including Dimension Data, NTT Comms, and NTT Security and to amalgamate them (with NTT DATA within the portfolio of NTT Inc. but remaining independent of the rest of NTT Inc.).

While NTT DATA will remain the core of NTT Inc.'s SAP service capabilities, it does see the new entity as providing it new avenues and client possibilities; for example, targeting the cloud client base formerly of Dimension Data for new SAP engagements.

NTT DATA has been very aggressive in leveraging inorganic growth to expand its SAP capabilities. In 2008, it acquired majority ownership of itelligence, a Germany-based SAP consultancy. NTT DATA has used itelligence to form the core of its SAP Global One organization, which standardizes offerings and delivery across the NTT DATA global operating units.

Since taking total control of itelligence, NTT DATA and itelligence have made several acquisitions to add incremental SAP capabilities and geographic coverage. It made 13 acquisitions from 2016 through 2018, with the following acquisitions since 2018:

- January 2020: NTT DATA Services closed its acquisition of Texan cloud migration and DevOps consultancy Flux7. Austin, Texas-based Flux7 is an AWS Premier Consulting Partner and provides cloud implementation and migration, automation, and DevOps consulting services to support clients in the financial services, pharma, software, manufacturing, and retail industries. Flux7 has 65 employees and will bring in proprietary DevOps IP

- October 2019: itelligence AG acquired a majority stake in FH S.A. to enhance its SAP capabilities in Brazil and Latin America. FH was founded in 1999 and is headquartered in Rio de Janeiro, with an additional six offices across Brazil and European offices in Madrid and Stuttgart. It has ~700 employees. FH provides SAP consulting and SI services across multiple sectors, including manufacturing, retail, financial services, utilities, and agribusiness. Key clients include Dupont, Elektro, Renault, Pearson, and Lojas Americanas

- July 2019: itelligence AG acquired ISS Consulting (Thailand) Ltd to enhance its SAP capability in Thailand and South East Asia. ISS Consulting (Thailand) Ltd was founded in 1997 and provides SAP consulting services across manufacturing, retail, and food & beverage industry sectors. It has 250 employees with offices across Thailand and Malaysia and specializes in S/4 HANA, C/4 HANA, SAP SuccessFactors, SAP Ariba, SAP HANA Cloud, and SAP Business By Design

- April 2019: itelligence U.K. acquired a majority stake in Weaveability Ltd. to enhance its CRM and e-commerce capabilities. Weaveability was founded in 2009 and is based in Lancashire, U.K. An SAP ERP software specialist, it provides end-to-end services for eCommerce, supplier portal, and call center solutions. Weaveability capability includes SAP B2B Customer Portals, SAP B2C Portals, SAP Process Integration, eCommerce, Hybris, SAP CX, SAP B2B Supplier Portals, SAP eCommerce, and Digital Engagement Solutions. Key clients include Smyths Toys, Warburtons, and Wedgewood Waterford Royal Doulton.

Financials

NelsonHall estimates NTT DATA's CY 2019 revenues were ~$20.0bn.

NTT DATA estimates that $2.2bn in revenues are associated with SAP. NelsonHall estimates that ~21% ($470m) of CY 2019 SAP revenues comes from ERP cloud migration services.

Strengths

- Broad geographic delivery footprint

- Deep Microsoft partnership

- Corporate focus and willingness to invest in growing SAP capabilities.

Challenges

- Maintaining global delivery alignment with its inorganic growth model

- GCP migration experience still nascent.

Strategic Direction

NTT DATA has defined a strategy to grow its SAP cloud migration practice by investing in its capabilities across the following areas:

- Expanding the footprint of S/4HANA adoptions leveraging cloud environments

- Leveraging revamped SAP cloud offerings

- Investing in new technologies

- Training employees to advise clients.

Outlook

NTT DATA has been significantly more aggressive in pursuing acquisitions to expand its SAP capabilities than many of its competitors. This has provided a strong, broad global delivery capability with specific industry and locally-tailored capabilities. On the flip side, though, this presents the continuous challenge of ensuring consistent delivery capabilities. NTT DATA has addressed this through its SAP One Method approach, as well as a structured acquisition enablement program to onboard new acquisitions to the global delivery platform and enable consistency of delivery. This provides an industrial model as it continues to pursue its inorganic growth strategy.

NTT DATA's close relationship and breadth of offerings on Azure provide a strong positioning in support of SAP cloud migration efforts. However, with a more recent relationship, and limited experience with migrating SAP to GCP, it will need to focus on building out a greater GCP footprint given its potential to grow quickly in the SAP space. NTT DATA recognizes this as well and is working with GCP to build its capabilities and a joint go-to-market model.

While NTT DATA has a solid and growing S/4HANA implementation footprint, it has commonly seen this demand hosted on-premise or in a private cloud. Applying its depth of S/4HANA capability to platforms across a variety of hyperscaler-hosted environments will further strengthen its position in the market.

SAP Cloud Migration Services Market Summary

Overview

Historically, the most common path used to migrate SAP ERP to the cloud has been migration of legacy ERP landscapes with minimal transformation. At most, transformation was the migration of the database to HANA or the OS. Over the last two years, with the increasing adoption of S/4HANA, it is taking on an increasing proportion of SAP cloud adoptions, whether through migration of a legacy environment or through a new implementation on the cloud. However, NelsonHall estimates it still represents less than 40% of SAP ERP cloud migrations completed by vendors to date.

Clients that have undertaken the migration or adoption of SAP ERP landscapes in cloud environments have most commonly realized value through the reduction of IT and ERP costs. The shift from on-premise infrastructure to a cloud landscape with the ability to scale up and down to meet demand and eliminate ongoing operations and maintenance allows clients to realize IT cost savings of 20-30% on average.

Vendors are expanding their portfolio of cloud adoption offerings to ensure their portfolio has the breadth to meet client needs. A technical lift and shift of a legacy SAP ERP environment has been the starting point for ERP cloud adoption offerings, but now leading vendors are offering bundled offerings that provide an industrialized migration to a new landscape pre-configured to address specific industry or functional requirements.

To deliver these services, IT service vendors are investing heavily in their SAP ERP cloud migration capabilities. These investments are frequently focused in four main areas:

- Transforming the skillsets of their teams

- Evolving cloud-focused offerings

- Evolving and maturing assets and tools

- Expanding portfolio of industry-focused offerings.

Buy-Side Dynamics

The key capabilities sought by organizations in selecting a vendor to deliver SAP cloud migration services are:

- Experience delivering equivalent services in geography/industry

- Remote SAP ERP cloud migration capabilities

- Flexibility in commercial arrangements

- Demonstrated business case value achievement

- Automated migration tools.

Market Size & Growth

The market for SAP ERP cloud migration services is poised to grow ~16.6% CAAGR to reach $19.4bn by 2025.

After a spending slowdown in 2020 revenues as the COVID-19 pandemic delays SAP transformation investments, clients will return to a focus on SAP ERP cloud migration services in 2021 as it is seen as a path to both drive cost reduction and position the firm for further digital transformation. In parallel, as the 2027 end of support deadline comes closer, S/4HANA adoption will see faster growth to take on a larger proportion of the market.

Success Factors

The key success factors for SAP ERP cloud migration services vendors include:

- *Automated migration assets*: Successful vendors have assets that automate activities within the migration effort to simplify and accelerate service delivery. Primary focus areas include landscape assessment, data migration, cloud provisioning and code remediation

- *Tailored offerings*: Successful vendors have developed a set of offerings tailored to clients' specific sector or functional requirements to increase the value of migration. These include industry functional extensions and bundled offerings tailored to provide all necessary capabilities for a target industry

- *Flexible delivery framework*: As clients are taking a diverse set of paths to move ERP landscapes to cloud environments, vendors need to have methodologies, tools and approaches that are adaptable to whatever path is taken by the client

- *Broad partner ecosystem*: Vendors are supplementing core partnerships with SAP and all key hyperscalers (AWS, Azure and GCP) with other more targeted hyperscalers (ex. Alibaba for China and APAC) and migration tool vendors such as SNP Group

- *Business, process and OCM consulting*: In parallel with migrating at least some portion of their ERP landscape to a cloud environment, clients are frequently looking to also add new capabilities or transform their processes. To realize the value of these changes, clients need to transform not just the technology landscape but also processes and organization. Vendors must be positioned and capable of supporting these broader transformation objectives.

Outlook

Many clients have invested in and evolved their legacy ERP landscapes over many years to customize to their specific requirements. This customization and the large amount of data in systems significantly increases the complexity of migration. This complexity increases the effort and risk to migrate either to a cloud landscape or in transforming it to S/4HANA in parallel with a cloud migration.

After the onset of the pandemic and the attendant economic uncertainty, clients are increasingly focusing on rapid value realization rather than solely on longer, broader transformational objectives. In defining a migration roadmap, vendors need to ensure that the client is realizing interim value throughout each phase of the migration to maintain buy-in across the organization.

The future direction of the market will include the following:

- Transforming from legacy SAP ERP to S/4HANA becomes the majority cloud migration approach

- Cloud migration approaches primarily bifurcate into two models:

  - Adopting pre-configured all-in-one, tailored S/4HANA landscapes

  - De-coupling incremental capabilities to be hosted in public cloud with slimmed down digital core, on-premise or in private cloud

- Hyperscaler becomes first choice cloud destination for transformed landscapes

- Objectives will be focused on implementing new capabilities such as IoT, AI/ML and analytics to improve business operations

- Greater adaptability of ERP landscape enables companies to pursue new business models as opportunities arise

- End-to-end migration and operations packaged as a single-cost engagement

- Fully automated discovery and assessment develops a detailed understanding of objects requiring transformation for cloud and S/4HANA, and then is able to automatically execute remediation and migration of objects

- Target landscape is pre-configured to industry-specific requirements and supplemented by additional functional extensions and new capabilities that expand value of system

- De-coupled legacy system is extended with cloud-based functionality, but acts as the first phase of the ultimate journey to S/4HANA in the cloud.

NEAT Methodology for SAP Cloud Migration 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 capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements

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

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet future client 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.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offering	Overall SAP ERP Cloud Migration Capability Cloud Migration Strategy Development and Planning Cloud Data Migration Services Legacy ERP Cloud Migration Services Proprietary Functional Extensions Bundled Cloud Migration Offerings ERP Cloud AMS S/4HANA Cloud Migration Services
Delivery	Client-Proximate consulting capabilities Remote Cloud Migration Delivery Migration Delivery Capability Automation in Assessment and Planning Automation in Legacy Cloud Migration Automation in S/4HANA Transformation Industry Templates
Presence	Scale of Ops - Overall Scale of Ops - Legacy ERP migration to cloud Scale of Ops - S4HANA Transformation on Cloud Scale of Ops – N. America Scale of Ops - EMEA Scale of Ops - APAC
Value Delivered	Value for Money Timeliness of Implementation Access to range of technical expertise Correlation of vendor fees to objectives Cost Savings Achieved Reduction in Infrastructure

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Overall Future Commitment to SAP Cloud Migration	Commitment to SAP Cloud Migration Consulting Commitment to Legacy ERP Cloud Migration Commitment to S/4HANA Cloud Migration Commitment to Service Innovation
Investments in SAP Cloud Migration Capabilities	Investment in cloud migration consulting Investment in scaling SAP cloud migration capabilities Investment in targeted capabilities (geographic or industry-focused) Investment in automation and tools
Ability to Partner and Evolve Services	Key partner (suitability of vendor to meet needs) Ability to evolve services

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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