NEAT EVALUATION FOR NTT DATA:

SAP HANA and S/4HANA Services

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

Introduction

This is a custom report for NTT DATA 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 NTT DATA 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.

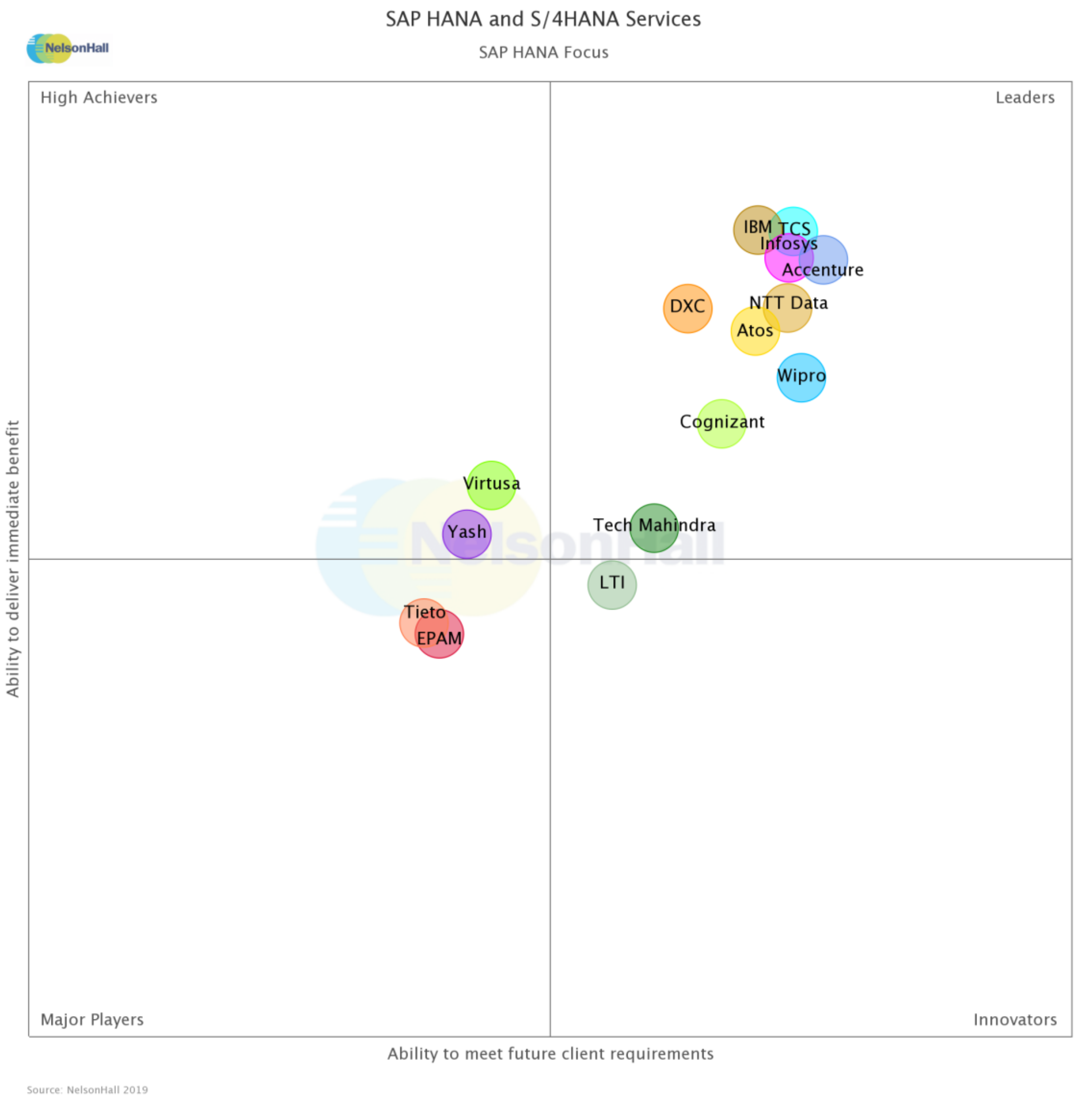
NEAT Evaluation: SAP HANA and S/4HANA Services (Overall)

NelsonHall has identified 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 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.

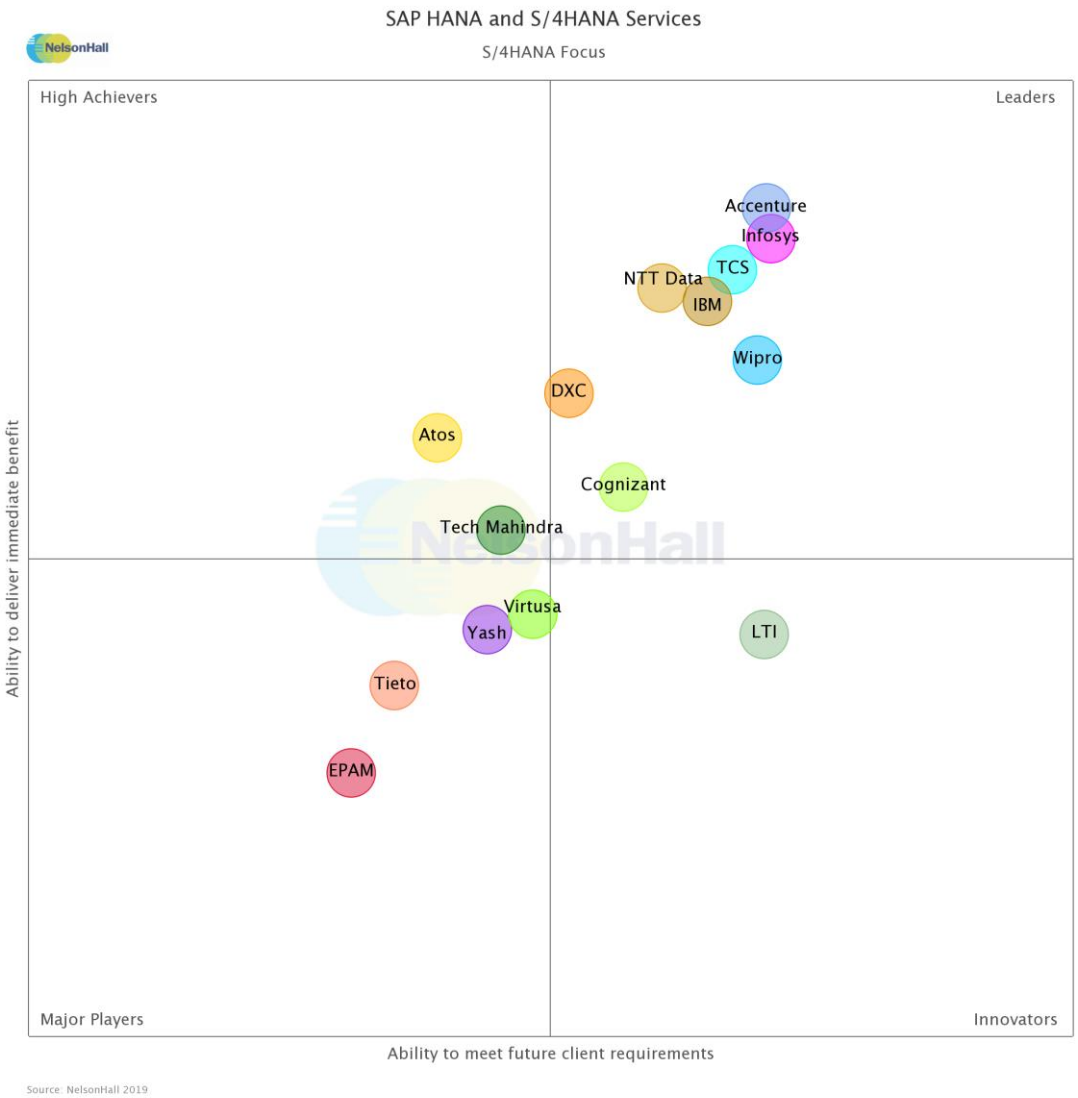
NEAT Evaluation: SAP HANA and S/4HANA Services (SAP HANA Focus)



NelsonHall has identified NTT DATA as a Leader in the *SAP HANA Focus* 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 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 NTT DATA as a Leader in the *S/4HANA Focus* 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 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 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.

In 2008, NTT DATA 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 a number of acquisitions to add incremental SAP capabilities and geographic coverage. It made seven acquisitions through 2016. Across 2017 and 2018, NTT DATA and itelligence have made five more acquisitions to expand its global SAP capabilities including:

- May 2017: NTT DATA acquired a majority stake in PT. Abyor (Abyor), an Indonesian SAP services provider
- June 2017: itelligence acquired Goldfish ICT, a Netherlands based SAP consultancy. Founded in 2000, Goldfish has ~70 employees and focuses on the food, agriculture, life sciences, and chemical sectors. itelligence says the acquisition will result in ~200 employees in the Netherlands and annual revenues of ~€40m
- October 2017: itelliegence acquired vCentric, a Hyderabad, India-based SAP service provider
- March 2018: itelligence acquired EINS Consulting, a Sweden based full-service provider of SAP services with ~65 employees based in Stockholm
- June 2018: itelligence acquired a majority stake in German Hybris and SAP Gold Partner, Sybit. It was established in 2000 and has ~170 employees
- June 2018: NTT DATA acquired gen-ius, a provider of SAP consulting and services to the automotive sector, supporting sales and after-sales services. It was established in 2000 and is headquartered in Bielefeld, Germany with ~50 employees.

NTT DATA’s SAP practice had ~$2bn in annual revenues in 2017, realizing ~13% annual growth. It has ~5k clients across 58 countries and 17 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. NTT DATA will be in the portfolio of NTT Inc. but will remain 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 Dimension Data’s cloud client base for new SAP engagements.

Financials

NTT DATA reported full calendar year 2017 revenues of ~$18.7bn. NTT DATA estimates that $2bn in revenues are associated with SAP, with an objective to grow this to $3bn by 2020, via both organic and inorganic growth.

Of the total current SAP revenues, NelsonHall estimates that ~17.5% ($350m) of CY 2017 SAP revenues comes from HANA and S/4HANA services. NelsonHall further estimates that CY 2018 HANA and S/4HANA revenues to be ~$470m.

Strengths

- Strong EMEA and SMB HANA and S/4HANA practice
- Willingness to grow SAP skills inorganically to expand the functional and geographic breadth
- Model Company certified
- SAP Leonardo Medallion program membership
- The breadth of S/4HANA implementation experience.

Challenges

- The concentration of clients in EMEA
- S/4HANA adoption experience overweighted toward SMB implementations
- Expanding S/4HANA and HANA workforce in reaction to demand rather than proactively.

Strategic Direction

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

- Strong EMEA and SMB HANA and S/4HANA practice
- Willingness to grow SAP skills inorganically to expand the functional and geographic breadth
- Model Company certified
- SAP Leonardo Medallion program membership
- The breadth of S/4HANA implementation experience
- SAP-certified industry solutions.

Outlook

Unlike many of its competitors, NTT DATA has explicitly targeted acquisitions to increase its SAP capabilities. Its acquisitions of itelligence and everis have provided it with a strong base in the EMEA SMB market, which has been one of the strongest adopters of S/4HANA to date. It is continuing this approach, making several targeted acquisitions per year primarily to expand geographically but also adding incremental capabilities such as in C/4HANA. This inorganic growth separates it from many competitors and allows it to identify and exploit new markets more quickly than others.

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.

research.nelson-hall.com

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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