SoftwareOne strategy brings speed, ease, flexibility and low cost to SAP clients in DACH region

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A look at SoftwareOne's strategy for SAP clients in DACH

In a June chat with SoftwareOne's DACH (Germany, Austria and Switzerland) leadership, TBR came away with three observations on what might make SoftwareOne a potentially unique player in the SAP ecosystem. At a minimum, SoftwareOne in DACH appears to be taking a different approach to the market opportunities created by the confusion around RISE with SAP, GROW with SAP, migrations to S/4HANA, and the 2027 deadline for the end of ECC support. From the presentation by and discussion with SoftwareOne's Stephan Timme, president DACH; Vincenzo Boesch, sales leader for SAP Services; and Oliver Berchtold, service director DACH, TBR noted that:

- SoftwareOne remains focused on customers' current SAP environments and helping those customers get to S/4HANA and to the cloud. SoftwareOne is decidedly not focused on business processes. TBR believes that distinction, while subtle, matters because almost every other IT services company and consultancy in the SAP ecosystem of SoftwareOne's scale and larger starts with identifying business problems and processes that need to be fixed and then declaring, "Hey, look at that, SAP RISE is a perfect solution to fixing these problems!" SoftwareOne does not dance around the business issues but instead gets straight to what it excels at: solving the SAP challenges of licensing, migrating and maintaining.

- SoftwareOne recognizes SAP customers have been struggling with the confusion and costs around S/4HANA and RISE, along with all the other changes wrought by the end of support for ECC coming at the same time as the rise of generative AI (GenAI). During the SoftwareOne analyst event that TBR attended in Austin, Texas, in April, PF Grillet, SoftwareOne's global SAP leader, told us there has "never been a more complex time for decision-making around SAP." SoftwareOne's answer to the confusion is a value proposition rooted in four promises: fast, easy,

agile/flexible and cost-effective. TBR would summarize that value proposition and SoftwareOne DACH's overall approach to clients in one word: pragmatic. And TBR suspects DACH clients value pragmatism.

- When TBR noted the absence in SoftwareOne's presentation of the SAP catchphrase "clean core," Vincenzo Boesch explained that for him and his colleagues, SoftwareOne's readiness services provided a comprehensive approach to what SAP calls clean core, emphasizing the need to prepare for migration, migrate only what is needed, and then maintain the benefits of a clean core throughout the transition and ongoing functioning of SAP within the client's environment. SoftwareOne aims to remove complexity and streamline a customer's environment, modernize and prepare customers for innovation, and then adopt an iterative transformation approach, more focused and agile, to continue the move to full clean core over the time frame best suited to the customer's needs and capabilities. SoftwareOne recognizes few customers will have the means and the appetite to do it all in one go. In short, SoftwareOne is honest about the challenges, does only what is necessary and sets the client up for sustained success.

On the last point, TBR believes this approach to clean core likely fits the needs of small and midsize businesses with less complex IT environments. In follow-on discussions with TBR, SoftwareOne explained that the company is not targeting all customers but rather focusing on those customers that have limited need for business transformation, already have efficient business processes, and are driven to modernize their ERP and remove the mainly technological limitations of ECC. With enterprise clients migrating complex and highly customized SAP instances, SoftwareOne's focus purely on SAP runs the risk of discounting business process change management cost and potentially pushes complex and problematic processes into the future, setting clients up for aggravation, not success. Failure seems unlikely given SoftwareOne's overall track record of success with SAP. A more likely outcome for SoftwareOne would be selling additional consulting services related to complex migrations.

Stepping back to look at the bigger SAP picture

Just as there has "never been a more complex time for decision making around SAP," as Grillet said in April, there also has never been a better time for a services firm to take a pragmatic approach to helping small to midsize businesses migrate to S/4HANA. As of 4Q23, GROW with SAP had amassed only 700 customers, which pales in comparison to the estimated 24,000 customers on ECC, 14,600 on S/4HANA and 8,800 in S/4HANA Cloud. Furthermore, GROW's install base skews toward new logos, suggesting many legacy SMB customers have been comparatively slow to adopt the offering. SAP will look to change this trend, primarily through its ecosystem, which will present opportunities for partners focusing on the SMB segment. The partners that succeed will recognize the oversized impact that cost and complexity have on SMBs, which are more likely to be resource-constrained in technical staff relative to larger enterprises. These customers are

more apt to pursue the simplest path to the cloud possible, aligning closely with how SoftwareOne is positioning its services.

The contrast between SoftwareOne's pragmatic approach and the strategies of much of the rest of SAP's services ecosystem is becoming more stark. While RISE and GROW still hold S/4HANA migration at their core, SAP has become vocal about the offerings' ability to drive multiproduct sales motions. In 1Q24, SAP released new add-on packages for RISE that bundle line-of-business (LOB) suites in finance and supply chain, and the company will look to partners to lead the charge in their adoption. Yet, cross-selling initiatives risk adding to the complexity of an already challenging migration and implementation process. In the coming years, efforts to encourage business AI adoption will add to the noise for customers simply looking to bring their ERP deployments to the cloud. Many customers, especially SMBs, will appreciate a service provider whose value proposition is a fast, easy, agile/flexible and cost-effective migration. This will be a key differentiator for SoftwareOne as the vendor positions as a services provider capable of cutting through the noise and guiding customers toward the path of least resistance.

Minding the minefields before stepping in them

During the early days of robotic process automation, some IT services companies and consultancies advised clients to automate their processes before evaluating the efficacies and benefits, betting that automating even less-than-optimal processes would generate cost savings. Predictably, that bet did not always pay off. Two considerations for SoftwareOne: First, the company should ensure that its message and what it delivers reinforces the pragmatism of speed, flexibility and value. In other words, promote this really well to ensure SoftwareOne's approach and value proposition stand out in a large and noisy market. Second, in TBR's view, while Boesch and his colleagues presented a compelling value proposition for SoftwareOne's DACH clients, this approach will not necessarily apply to the customers that need a broader business process transformation. For more than a decade, many consultancies and IT services companies have been stressing a business-first and technology-second mindset, but TBR believes SoftwareOne's approach will appeal to clients – maybe especially in but certainly also outside of DACH – that are similarly focused on pragmatic, technology-first outcomes.

Note: The following company mentioned in this special report is publicly traded: SAP (NYSE: SAP).