IDC MarketScape

IDC MarketScape: European SAP Modernization Services 2024 Vendor Assessment

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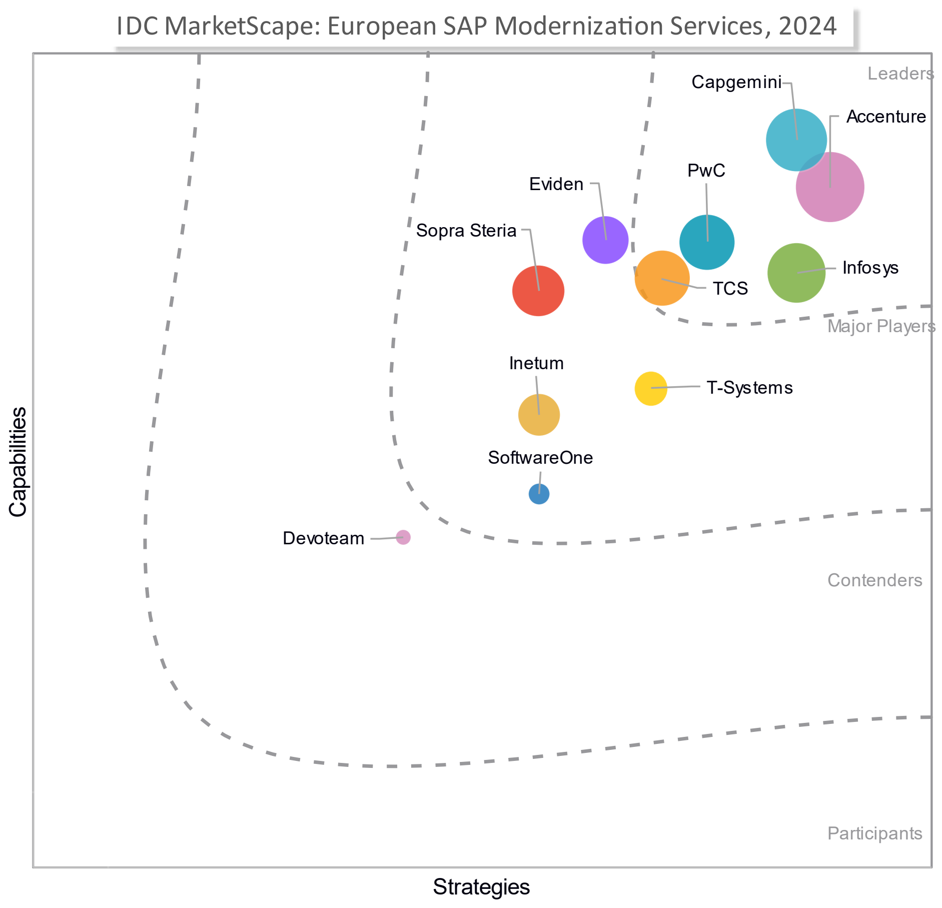
THIS EXCERPT FEATURES PWC AS A LEADER
IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape: European SAP Modernization Services Vendor Assessment



Source: IDC, 2024

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

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ABOUT THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: European SAP Modernization Services 2024 Vendor Assessment (Doc # EUR151806724).

IDC OPINION

With over half of European companies using SAP — such as enterprise resource planning (ERP) system functions, along with other SAP applications such as human capital management (HCM) and customer relationship management (CRM) — this system forms the backbone of organizations' critical IT infrastructure. According to IDC's *CEO Survey*, 2024, 52% of European CEOs view SAP as a top-tier strategic partner supporting their operational and economic models.

However, SAP's strategic road map has significantly impacted the IT landscape of its users. With a strong shift toward cloud solutions, SAP has set the end of mainstream support for its legacy ECC6 core for 2027 (extendable to 2030 with additional costs), compelling organizations to either transform their application foundations with alternatives or transition to next-gen SAP platform S4/HANA.

Beyond moving to the cloud and S4/HANA, organizations must also address the following deadlines:

- To secure ECC6 extended support beyond 2027, organizations must upgrade their ERP core (EHP 0-5) to the latest versions (EHP 6-8), further supercharging their modernization agendas. Support for older versions will end in 2025.
- Companies must update early S4/HANA deployments conducted before the RISE with SAP program, as support for these will end in 2025.

Given this urgency, European CEOs now consider SAP modernization an essential component of their IT strategies for the coming years. Depending on the criticality of each SAP application, this plan may take various forms and be executed in multiple stages, according to the role of SAP within the organization, the company's IT and cloud maturity, and its digital ambitions.

According to IDC's *EMEA Cloud Survey*, over 62% of companies have now deployed S4/HANA in the cloud (34% in private cloud and 28% in public cloud environments). The remaining 38% are still evaluating their ERPs' next moves, contemplating the future direction of their SAP environments.

However, this migration represents only a part of the SAP modernization market. Adding new functionalities including AI and GenAI capabilities, building new integrations, extending application management, converting the base code, and modernizing SAP is a broader journey than just a move-to-cloud shift.

Preparing to Effectively Engage with Organizations Across Europe

In response to this potential, service providers have strengthened their activities related to SAP modernization and migration. This is reflected, for example, in the following actions:

- **Targeted acquisitions.** Some service providers in this IDC MarketScape have made acquisitions to enhance their technical, consulting, and dedicated resources either for SAP or for a specific industry, or to internalize a key ecosystem partner. Others have pursued acquisitions to establish new delivery centers in other European countries, supporting their geographic expansion ambitions with new local resources.
- **Dedicating an SAP business unit or practice to focus resources and accelerate delivery.** In response to critical client needs, IT service providers have chosen to accelerate their delivery and go-to-market (GTM) strategies by restructuring around SAP and creating dedicated business units. Their goal is to generate groupwide synergies, encourage cross-functional and technical skill sharing, and capitalize on a fast-growing market through a dedicated profit & loss (P&L).
- **Providing functional or industry-specific accelerators.** To address urgent modernization timelines and reduce risks, most service providers have industrialized processes, best practices, and expertise into platforms or verticalized solutions specific to an industry. Additionally, initiatives have been developed to support migrations to RISE with SAP, identify use cases, and prepare environments and processes for modernization. Some service providers leverage these solutions to add value beyond RISE with SAP, aiming to elevate their partnership levels with the vendor. These IP solutions offer a way to accelerate modernization efforts and integrate customers into a complete industrialized end-to-end process. Additionally, they enable service providers to develop unique assets that boost their revenue, enhance their visibility, and establish expertise within the SAP partner ecosystem.
- **Integrating SAP Core into digital strategies.** As a key component of European organizations' core IT, SAP — spanning ERP, HCM, and supply chain functions — often serves as a transformative element that accelerates digital transformation efforts. While Greenfield deployments of S4/HANA are frequently highlighted, Brownfield and Bluefield integrations are emerging as viable alternatives for some organizations migrating at their own pace. Some service providers focus on the value of modernization specifically for midmarket companies, which may have less ambitious digital strategies and budgets but are high-potential opportunities.
- **Gradual industry-specific expansion by country.** Service providers recognize that Europe is a diverse landscape of distinct cultures and business practices. The maturity and approach to SAP modernization vary by country

and industry. Some providers build sector-specific expertise in SAP by leveraging local successes and scaling them regionally across Europe. Additionally, the ability to expand regionally is closely tied to the availability of delivery centers and resources in each area.

Consulting and Advisory as the Foundation for SAP Modernization

The ability to provide business-focused consulting services has become a critical differentiator among the vendors in this IDC MarketScape. The approaches and depth of expertise vary by provider — some have a strong foundation in business consulting and have subsequently expanded their technical capabilities, while others are building or enhancing their SAP consulting services to strengthen their historical technical positioning.

Given that SAP environments form the critical IT backbone for managing core business functions — and considering the high risks associated with modernizing this core — the advisory component has become essential to SAP modernization service offerings. This advisory dimension supports the entire life cycle, delivering a comprehensive, end-to-end solution. In SAP modernization, consulting drives projects from the outset, leveraging tools that provide granular analysis of existing business processes, performance, efficiency, security access, usage, and the impact of modernization.

In this field, many service providers have developed proprietary tools as vital intellectual property, although certain applications (such as process mining tools) are particularly notable. Signavio, now part of the toolkit for many players in this IDC MarketScape, is highly integrated within SAP environments and is instrumental in shaping the next phases of modernization and/or migration. It facilitates the transformation of legacy business processes to standardized, modernized states within the new "Clean Core" of S4/HANA, enhanced through the SAP Business Technology Platform (BTP) or maintained as-is.

This consulting approach enables service providers to anchor SAP modernization within the broader business transformation, directly supporting clients' digital ambitions. By evolving from pure integrators to strategic partners, service providers engage closely with CXOs and CEOs, aligning SAP modernization and migration with the company's strategic vision.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The IDC MarketScape categorizes and observes the market of services provided by digital services providers to help organizations modernizing and optimizing their SAP stacks, applications, and their SAP-based business processes. Selection criteria include:

- Having an installed base in Europe with a specific portfolio dedicated to SAP modernization and being able to address the client with local/regional resources
- Operating in at least two European countries with clients in each country or having a road map defined to address another country in the following years
- Minimum two years of existence as service provider for SAP modernization services
- Dedicated SAP practices, center of excellence (COE), or domain expertise, with associated revenue
- The service provider should offer services on at least three SAP applications, as follows:
  - Financial management solutions
  - ERP solutions (S/4HANA Cloud private edition, S/HANA Cloud public edition)
  - HCM solutions
  - CRM and customer experience solutions
  - Spend management solutions
  - Supply chain management solutions
  - Sustainability solutions
  - Business intelligence (BI)/analytics

ADVICE FOR TECHNOLOGY BUYERS

Service providers play an essential role in SAP modernization and must be considered as partners throughout the transformation life cycle, from the assessment and preparation phases, through to operational maintenance and the critical technical implementation phase. When choosing an SAP modernization partner, European end-user organizations should consider the following recommendations:

- **Digital sovereignty support.** Digital sovereignty is now a requirement for some highly regulated industries in Europe. Some of SAP users — particularly in utilities and the public sector in Europe — have stringent requirements not only for data protection, but also for compliance with strict national laws regarding immunity from extraterritorial legislation (such as in France). Consequently, their industrial processes must adhere to these constraints when migrating SAP to the public cloud. It is a key request from major SAP user groups in Europe — providing a sovereign alternative to RISE with SAP. Service providers offering SAP modernization services have adopted various approaches in response, some closely aligned with their strategic positioning. These approaches include partnering with regional cloud providers, developing "sovereign" solutions compliant with national sovereignty principles, or viewing sovereignty as solely the responsibility of cloud providers. Organizations in which sovereignty is a selection criterion should thoroughly evaluate their specific requirements and constraints as well as incorporate this consideration early in the assessment phases (including eligibility of processes and data) to ensure alignment with their service providers' capabilities. Some of their critical business processes (SAP workloads and data) could be eligible for "sovereign" modernization services.

- **Regional presence and ambition**. Beyond the need to store data locally or regionally (as may be required by digital sovereignty regulations), a localized go-to-market and delivery model enhances client proximity through localized support in the client's language, an understanding of the local industrial landscape, and more responsive feedback and decision-making loops. Depending on the project's scope (global, regional, or local), end-user organizations should assess the current presence of the service provider and its forthcoming geographic expansion ambitions, potential new delivery centers, innovative initiatives, and accessibility to specialized resources.
- **Industrial and business expertise.** Modernizing an environment requires transforming, and sometimes reimagining, business processes. Depending on the level of transformation needed, organizations should assess the ability of service providers to conceptualize these changes in the advisory phases and implement them technically in the target environment. While process discovery — sometimes enabled by generative AI (GenAI) — is a critical first step, the second phase calls for a more granular approach. Service providers may adopt various strategies. Some leverage their experience in specific industries to aggregate processes and best practices into a platform or develop pre-integrated solutions to accelerate the transition to a target model. Organizations should consider the scope of their process transformation and evaluate the added value these solutions may bring to their projects.
- **Bridging the technical gap between SAP and cloud environments.** Technical expertise is a crucial component of any modernization program. On one hand, service providers should provide deep technical knowledge of legacy SAP systems. For instance, old systems built on NetWeaver and ABAP architectures require specialized skills to transition them into modern environments. On the other hand, cloud expertise is essential to bridge legacy systems with the modern architectures offered by hyperscalers. Beyond understanding infrastructure models, service providers must be proficient in data models, the necessary transformations for modernization, applicable standards, and understand the workloads that cannot be migrated. Depending on the depth and complexity of their modernization efforts, organizations should evaluate their service providers' ability to connect legacy and modern architectures and industrialize this transition. For example, most vendors in this IDC MarketScape have partnered with SNP to manage data migration across environments, while some also offer proprietary tools for

specific use cases. Another key consideration is the service provider's expertise in cloud operational models, which enables it to integrate cost management into modernization efforts, directly linked to the business outcomes expected from modernization. This expertise also supports the assessment of programs such as RISE with SAP.

- **Evaluating the partnership model.** SAP modernization is not just about migrating to S4/HANA; it also involves enhancing the core with custom developments, adding proprietary functions, integrating a new ecosystem of applications and partners, or simply optimizing license usage. Depending on the scale of the transformation and optimization project, organizations should recognize that modernization is are medium- to long-term engagements with their service providers. Therefore, it's essential to assess the provider's capability to support this journey, evolve alongside the project (SLA, pricing, commitments), and guide you through SAP's road map.
- **SAP (or non-SAP) application ecosystem.** Modernizing SAP involves integrating new functions or existing non-modernizable business applications into a revamped architecture. Knowledge of interoperability with other SAP applications (such as SuccessFactors, CRM, Supply Chain, BI/Analytics, Sustainability) or non-SAP solutions (such as Microsoft, Salesforce, ServiceNow) is a critical partner selection criterion, especially if you operate within a hybrid application environment.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and opportunities.

PwC

According to IDC analysis and buyer perception, PwC is positioned as a Leader in this 2024 IDC MarketScape for European SAP Modernization Services vendor assessment.

PwC — one of the "Big Four" professional services firms — is globally renowned for its audit, tax, and consulting services. In recent years, PwC has expanded significantly into the IT modernization and digital transformation space, offering services that include cloud migration, data analytics, cybersecurity, and business process automation. With presence in 151 countries and 695 offices, PwC serves clients with a broad industry focus covering numerous industries, including financial institutions, utilities (including resources and energy), public sector, health, manufacturing, automative, telecommunications, and media. PwC operates a global SAP practice with a strong European footprint.

The company draws on its extensive business expertise and knowledge of SAP processes to provide end-to-end support for the modernization and migration of SAP environments. The company is closer to CEOs and CXOs than to CIOs, enabling it to take modernization to a strategic level.

PwC often sees the transformation of SAP systems as part of a wider transformation of business models, offering organizations a vision focusing on the next strategic changes in the company and its business processes, rather than positioning itself as a technical integrator only. PwC is positioning itself as a "business integrator," collaborating with companies to deliver business value and facilitate the creation of new business models.

To achieve this positioning, PwC has developed a broad portfolio of accelerators, tools, solutions, and AI/GenAI enablers to cover the entire SAP modernization life cycle (from IT and business advisory to application management). PwC leverages advanced technologies to enhance its service offerings and deliver value to clients, including GenAI/AI. Automation and GenAI integration are leveraged to accelerate the business outcomes with SAP. Service delivery is a domain which has been enhanced by GenAI.

In terms of verticalization, PwC provides Industry Edge, which enables S4/HANA deployments to be brought as close as possible to the business processes of organizations. The solution, which covers 14 industries, industrializes access to PwC's vertical expertise by offering 700 reconfigured business scenarios and processes. By predefining sector-specific processes for S4/HANA, PwC intends to accelerate deployment.

With its IP and tools, PwC advocates a standardization approach that enables it, for example, to carry out ultra-critical SAP transformation projects in minimum time. This is the case, for example, during a carve-out following an M&A operation, which involves the rapid separation of activities and associated systems, including SAP. A company in the beverage sector, for example, claimed a go-live in 18 months with PwC, including setting up a new infrastructure and a new company.

PwC's EMEA SAP practice relies on PwC's global reach, with a strong regional footprint. The group has nine delivery centers in the region, in addition to multiple offices in each of the European countries.

Strengths

PwC has an extensive pool of skills and talents and tools to support all the services in the SAP modernization life cycle and offers to dedicate the same team throughout the project. PwC has a high number of experts and certifications. This guarantee of team stability to support a modernization project that is generally very long is one of the advantages cited by customers. In Europe, PwC has supported large-scale, business-centric projects over several years. PwC's presence in Europe, as well as its delivery centers, means that it can be close to its clients and maintain the consistency of its consultants over the long term.

Challenges

PwC offers a global approach, with the intention of standardizing its service model. Despite an extensive portfolio of services and tools, some customers may feel trapped in this approach, fearing customization will be an obstacle. Despite the desire to transform SAP environments with faster modernization cycles, PwC remains a company for large-scale projects only, in which strategic business transformation with the cloud and process modernization remain the challenge #1.

Consider PwC When

IDC recommends PwC to take on large-scale transformations with the aim of positioning SAP as the driving force behind the company's strategy for modernizing its processes and activities. PwC is therefore targeting major accounts with highly complex business processes or with urgent critical transformations.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is with customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/ delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represent the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores — and ultimately, vendor positions on the IDC MarketScape — on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

SAP modernization services are a specialized subset of application modernization focused specifically on SAP environments. SAP modernization encompasses migrating SAP environments to the cloud and extend beyond standard S4/HANA deployments (whether private or public edition), RISE with SAP, or independent implementations. It includes core system updates, new functionalities development, integration with other application ecosystems, customization, hybrid deployments, as well as application management and hosting services. As a driver of business process optimization, SAP modernization also offers comprehensive consulting and advisory services, covering both technical and business domains.

LEARN MORE

Related Research

- *Modernizing Application Estates to Cloud Native: A View from EMEA* (IDC #EUR152654924, October 2024)
- *European Application Modernization Services Market Events, 1H24* (IDC #EUR152576724, September 2024)
- *Capgemini's Acquisition of Syniti: Enhancing SAP Modernization and S/4HANA Migration With new Data Management Capabilities* (IDC #EUR152588124, September 2024)
- *European Application Modernization Sentiment by Persona: Insights from IDC's 2023 European IT Services Survey* (IDC #EUR152344524, June 2024)
- *How Does Enhancing Software Quality Through Generative AI Affect Service Providers' Application Modernization Engagements?* (IDC #EUR152059524, April 2024)

Synopsis

This IDC MarketScape provides a comprehensive analysis of IT and consulting services related to SAP modernization in Europe, highlighting the need for organizations in Europe to manage the transformation of their SAP environments, optimize their business processes, and reinvent their activities with new SAP-based digital processes, including AI and GenAI. Additionally, the study considers the urgent need of organizations to modernize their SAP stacks following the end of support of ECC6 (i.e., the legacy SAP core IT) in 2027. It evaluates service providers based on their capabilities and strategies to meet customers' present and future needs. It focuses on depth of services, modernization life cycle, verticalized migration, accelerators and IP solutions, innovation, customer satisfaction, and the ability to support European firms at the local and regional level.

"Service providers are pivotal in driving successful SAP modernization. Leveraging deep expertise in deployment strategies, they minimize migration risks, manage costs effectively, and ensure transformations align with industry best practices. This partnership accelerates cloud adoption and fosters innovation, which is a critical advantage as organizations prepare for SAP's end-of-support deadlines and seek scalable, resilient ERP capabilities for future growth," said Cyrille Chausson, research manager, IDC.

ABOUT IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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