NEAT EVALUATION FOR INFOSYS:

SAP Cloud Migration Services

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

Introduction

This is a custom report for Infosys 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 Infosys 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.

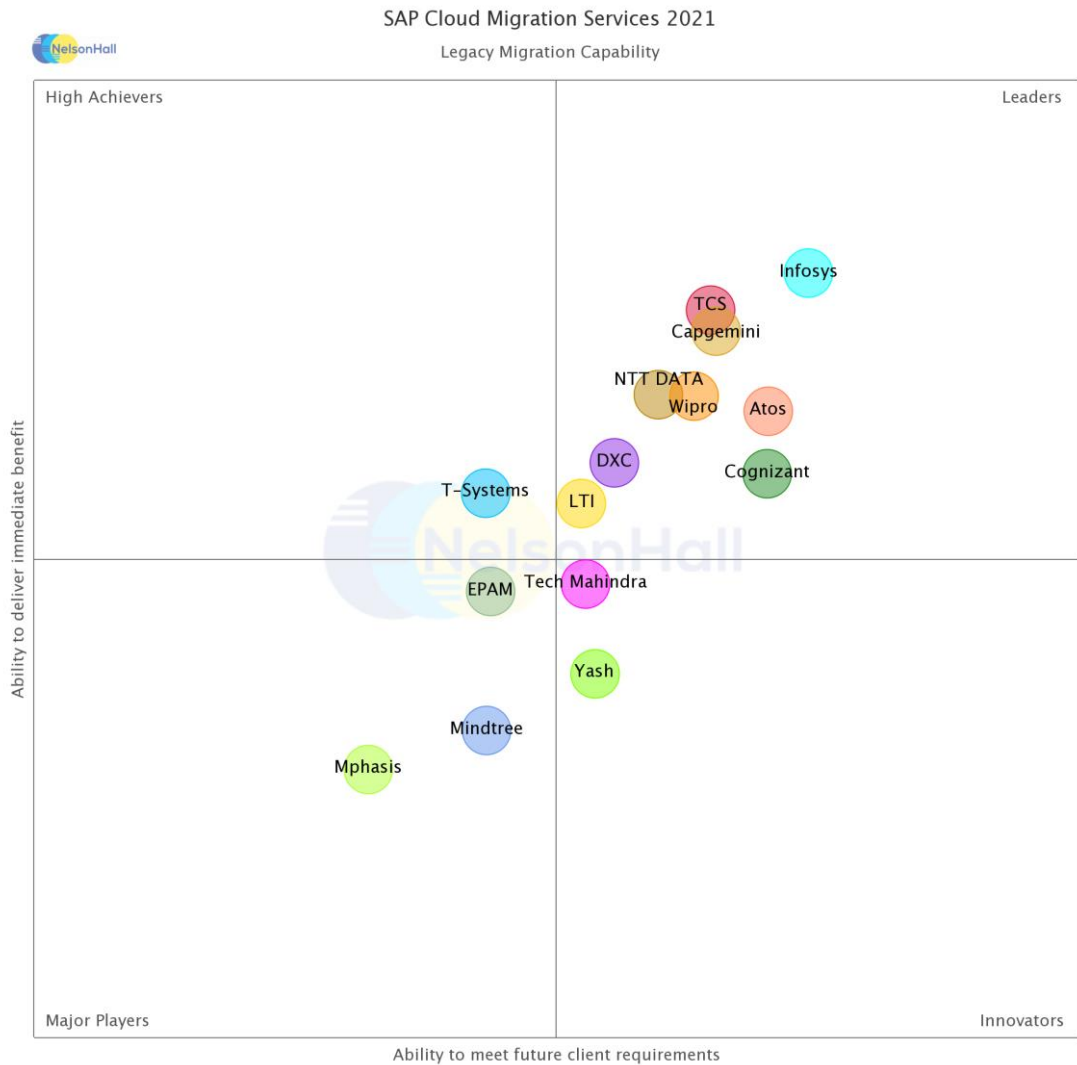# NEAT Evaluation: SAP Cloud Migration Services (Overall)
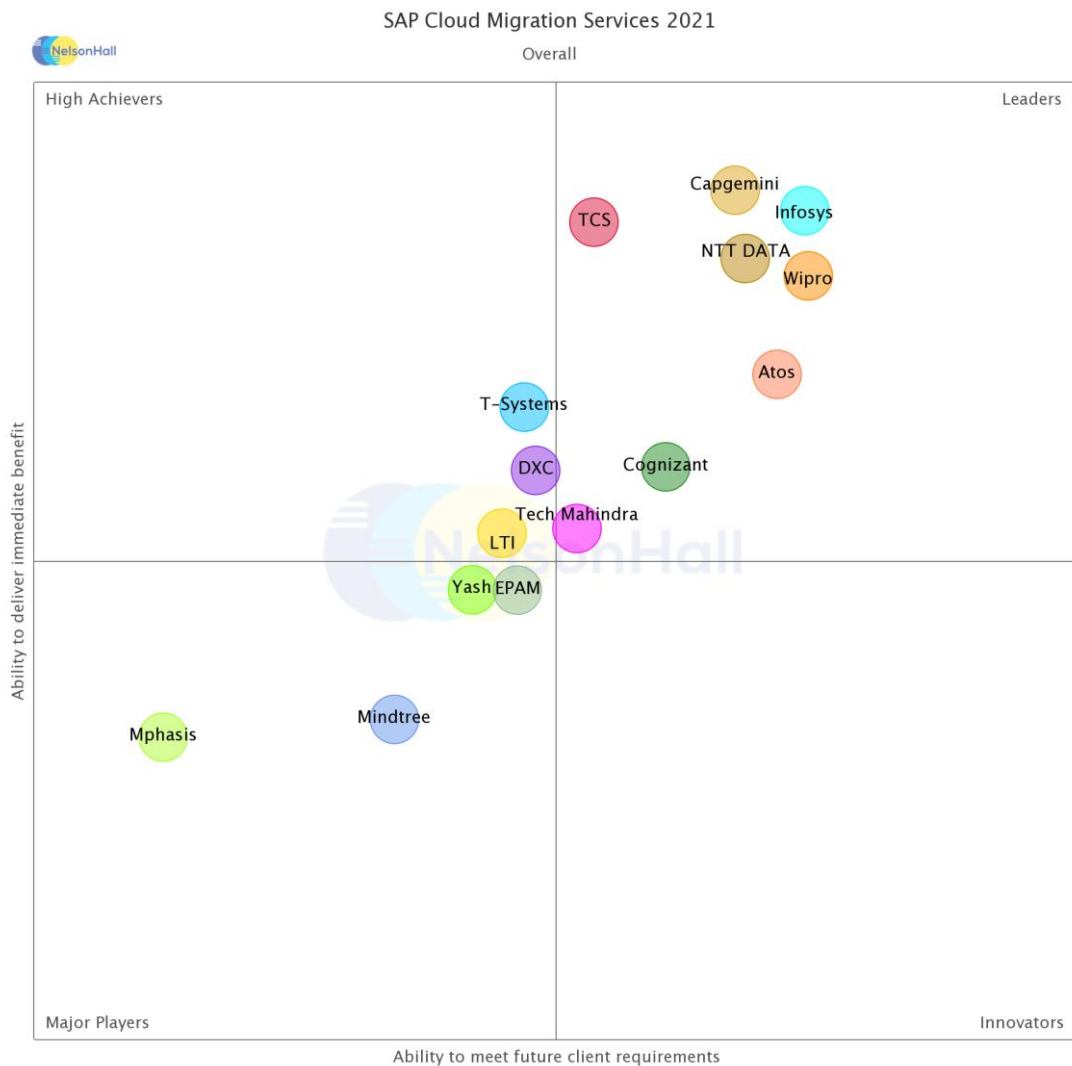
NelsonHall has identified Infosys as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Infosys' overall ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration services clients.

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)
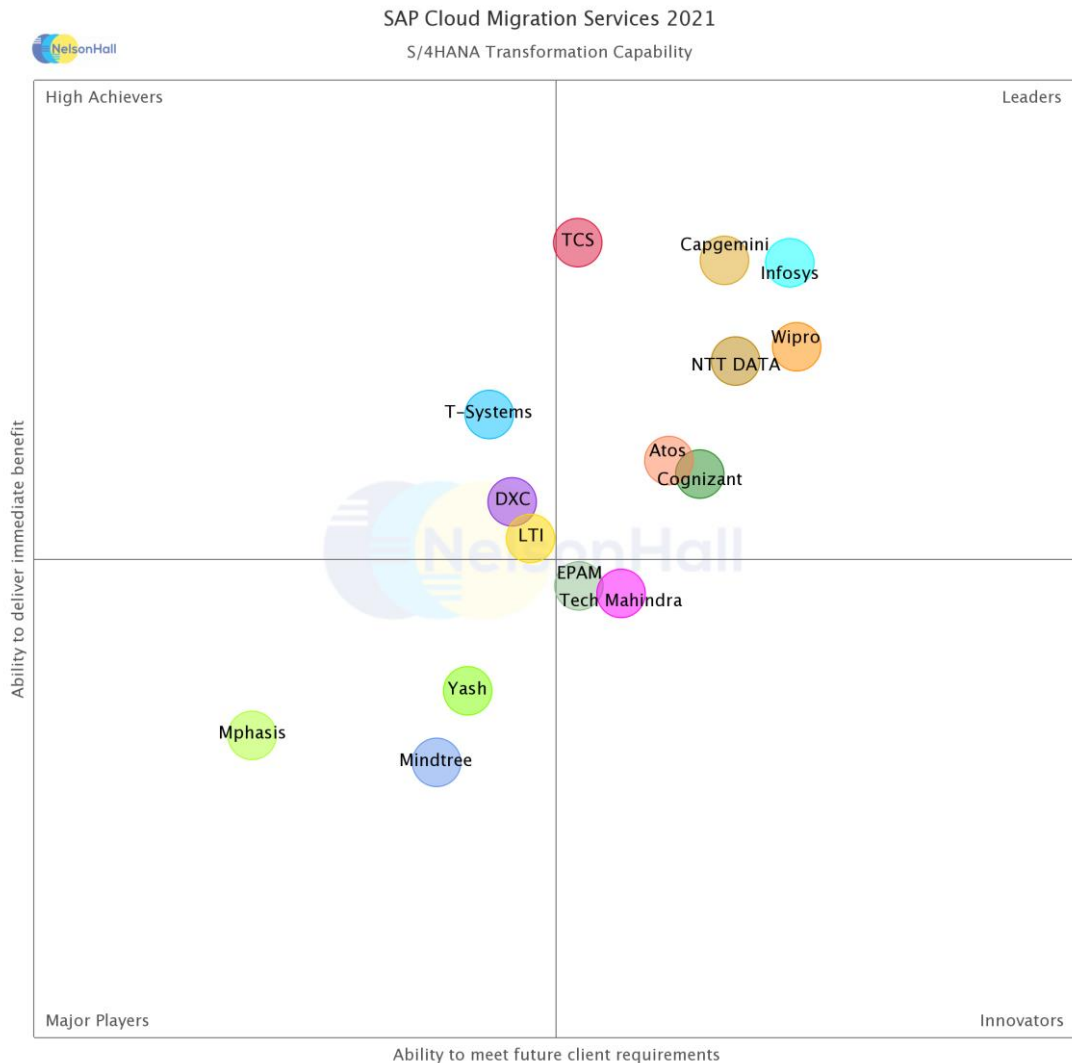

NelsonHall has identified Infosys as a Leader in the *Legacy Migration Capability* market segment, as shown in the NEAT graph. This market segment reflects Infosys' ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration clients with specific capability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

Overview

Infosys had CY 2019 revenues of ~$12.6bn. Infosys' FY20 (period ended March 31, 2020) revenues were $12,780m, up 8.3% y/y, up 9.8% in CC. Its headcount at the end of Q1 FY21 (ending June 30, 2020) was ~240k.

Infosys has defined an offering called Live Enterprise to help clients on their digital transformation through a proprietary approach and IP developed in-house. Infosys has utilized these technologies for its internal transformation as a starting point. The core of Live Enterprise focuses on the expanded use of data and automation to support an evolving workforce. Infosys has introduced several tools and accelerators to orchestrate its services and facilitate these changes both internally and for clients.

Infosys has had a relationship with SAP since 1997. It became a Global Services Partner in 2008. NelsonHall estimates that it has ~500 SAP clients, ~17k SAP skilled resources, ~84k cloud skilled employees and ~6k SAP on Cloud skilled employees.

Since 2018, Infosys has seen an increasing focus among its clients in migrating from legacy SAP environments to HANA and S/4HANA in part to achieve broader business objectives around improved operational visibility and accelerating service delivery. It is also increasingly looking to incorporate cloud hosting as an avenue to reduce the cost, improve the S/4HANA adoption business case, and enable incremental capabilities to be built on top of S/4HANA.

Infosys is looking at SAP transformation through a different lens than much of its competition. Rather than focusing on SAP cloud migration as an extension of its SAP services, transforming the ERP to reduce costs and improve performance, Infosys is looking at SAP cloud migration as a single workstream within the broader enterprise transformation achieved through cloud adoption. S/4HANA becomes a foundational pillar of emerging capabilities such as improved analytics and the application of AI/ML and IoT to build an intelligent enterprise.

During March 2019, Infosys launched a program, Innov8, in partnership with SAP and Microsoft to transform clients through Intelligent use cases built on AI/ML, SAP implementations and cloud adoption together. During 2020, Infosys defined its Live Enterprise offering for SAP combining its Innov8 solutions and its industry solutions platform, Catalyst. In August 2020, Infosys launched Infosys Cobalt, a broad organization-wide cloud capability. Cobalt is the collection of assets, solutions, and methodologies that Infosys has built in, delivering cloud services across geographies, industries, and technical platforms. Cobalt takes a layered approach to cloud services. It starts with foundational cloud hosting provided by a broad set of delivery partners, including AWS, Azure, Google Cloud, IBM Cloud, Alibaba, Virtustream, HPE, and VMWare.

Cobalt builds on this through the application of key cloud modernization services that allow clients to enhance the value realized through a cloud investment. These services include data center consolidation, application and ERP modernization, mainframe transformation, API integration, data monetization and analytics, custom experience, and industry 4.0.

Infosys then builds industry-specific use cases encompassing cloud foundations and modernizing capabilities.

All of this is delivered by Infosys through an ecosystem of delivery partners. This includes practitioners across Infosys as well as startups.

To embed SAP-centric capabilities into Cobalt, Infosys has adapted its existing SAP migration and implementation assets to cloud-hosted SAP. It is also actively expanding its portfolio of assets. It now estimates it has ~110 Live Enterprise Solutions to enable SAP on the cloud.

Financials

NelsonHall estimates that ~25% of Infosys' CY 2019 revenues are associated with packaged application services, of which SAP services account for ~70% (~$2,200m). NelsonHall estimates that ~28% (~$615m) of these revenues relate to SAP ERP cloud services.

Strengths

- Strategic perspective on the value of cloud migration

- Organization-wide cloud focus through Cobalt

- Strong and extensive hyperscale partnership network

- Broad portfolio of assets and accelerators.

Challenges

- Upfront consulting capabilities are still growing

- SAP workforce weighted toward India.

Strategic Direction

To evolve and improve its SAP ERP cloud migration business, Infosys is focusing on the following strategic initiatives over the next 12 to 24 months:

- *Expand cloud offerings*: Infosys is building out a broader portfolio of cloud-based offerings. This includes tailored specific offerings for each of its hyperscale partners as part of the growth and evolution of its Cobalt offering

- *Expand industry offerings*: Infosys has developed a full life science industry cloud offering and is now looking at other industries to expand this to, including utilities, CPG, and automotive

- *Transform delivery approach*: Infosys is looking to improve the efficiency of its delivery through three specific areas:

  - The expansion of its toolset of accelerators across assessment and migration

  - Developing top-down roadmapping and solutions to align detailed migration to a broad strategic focus on the intelligent enterprise and evolving future of process

  - Evolving ways of working, including adopting DevSecOps capabilities, and improving remote working capabilities.

Outlook

Infosys is positioning its SAP cloud migration in the broader context of digital transformation. This allows its clients to look more strategically at making a significant investment in migrating or transforming its core ERP and expand the business value that can be realized, which improves the business case. One area where it can continue to grow its capabilities is expanding its client-proximate consulting capabilities to help guide clients on these up-front planning and roadmapping decisions.

In parallel, Infosys is investing in building assets and accelerators that enable clients to realize the required business case. Proprietary functional assets expand the functionality of core SAP capabilities while tools accelerate and de-risk the migration to the cloud. Additionally, its Catalyst offering for Azure provides an industry-tailored migration path with pre-configured S/4HANA and additional functionality hosted in Azure.

Leveraging its close partnerships with hyperscale cloud providers to build its go-to-market portfolio and unique offerings across a variety of partners also positions Infosys well to deliver cloud migration for clients, regardless of the type of migration, value sought, and target cloud architecture.

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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