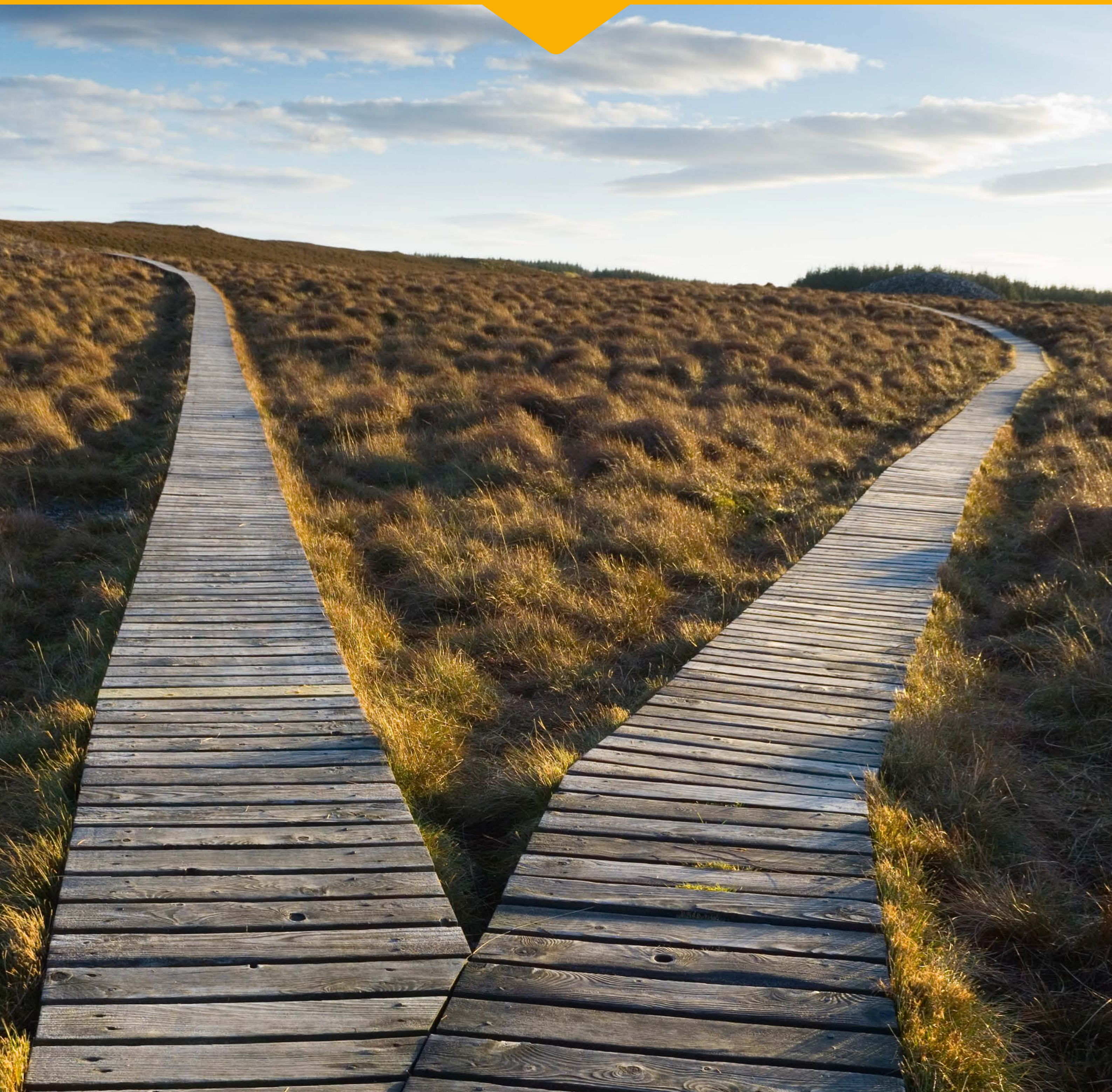
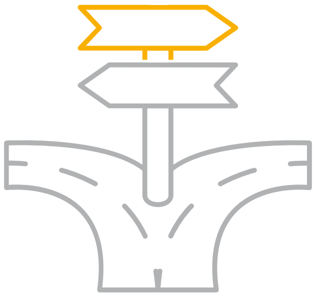
WHITE PAPER

SAP® INDIRECT VS. DIGITAL ACCESS

How to make a decision your budget won't regret





CONTENT

INTRO

Indirect access has been a complicated financial and legal headache for SAP and its customers since its introduction. SAP's decision to charge for data exchanged between its software and third-party applications has strained the business solutions provider's relationship with its customers, even as it tries to settle on a price structure and define what counts as indirect access. The situation is so complex that SAP has even taken its customers to court, hoping to resolve the issue.

In April 2018, SAP tried solving the indirect access issue by removing the vagueness, complexity, and uncertainty from the topic by introducing the Digital Access price model.

BUT HOW DID WE GET HERE?

All too often, indirect access is dismissed as too complicated to effectively address. In this paper we will clear it up by diving into the history of indirect access and looking at some of the recent legal background. With that foundation, the following chapters will consider the pros and cons of each SAP pricing model and provide some advice on what to consider when deciding which model to choose.

We will cover how each model works and the challenges you will face. Each price model is different and poses different challenges for SAP customers. Better knowledge will help you to handle these challenges and make a decision your budget won't regret.

A BRIEF HISTORY OF INDIRECT ACCESS

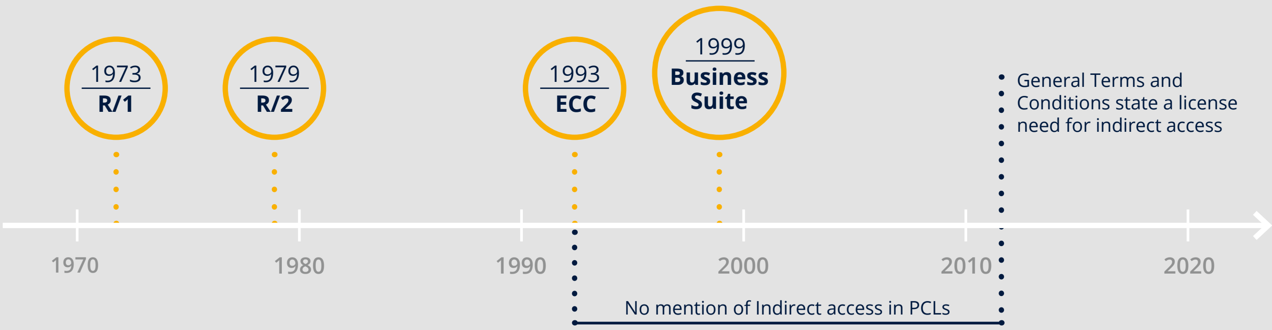
Since launching its ERP Central Component (ECC) in 1993, SAP has been a success in part because of its open software architecture. But what began as a tremendous advantage for SAP and its customers has become a serious point of contention between them. Indirect access is key to SAP's flexibility, a feature that customers rely on, and one that SAP has decided to charge increasingly more for.

— SAP partners and SAP customers can extend the standard functions of SAP software with self-developed programs (either as an Advanced Business Application Programming [ABAP] solution in its own name space or via interfaces such as Remote Function Call [RFC]). As a result, with SAP technology, almost every business application can be developed by the customer and third-party providers to meet a vast array of business needs, and the SAP standard software's functional scope can be expanded. This has helped business to avoid data silos and redundant data storage. It's also one of the many reasons why customers choose SAP as their ERP provider, making SAP the market leader in the ERP field.

But despite their endless usefulness, SAP solutions come at a price. After all, like any other innovator, SAP has the right to receive payment for its intellectual property.

When the SAP ERP Central Component was originally launched, there was no mention of indirect access and no reference to it in the general terms and conditions or the Price and Conditions List (PCL). With a few exceptions, customers did not have to purchase additional SAP licenses for partner solutions between 1993 and 2014. Since 2011, the General Terms and Conditions have stated that direct and indirect access are sub-ject to licensing. The PCL did not mention this, but it did offer the "SAP Platform User" license, which authorizes users to access and use SAP software via interfaces.

TIMELINE OF SAP ERP PLATFORMS



What does indirect access look like in practice? For example: An automobile manufacturer uses SAP software and is sufficiently licensed. An automotive supplier also uses SAP software and is also sufficiently licensed. They connect their SAP systems and exchange data. According to the new Digital Access pricing model, the person who is receiving these documents in their SAP system must now also license those documents. Ac-cording to the old pricing model, the "SAP Platform User" license would have to be purchased for each user of the other company.

But isn't this a type of double licensing? Why should automotive manufacturer and supplier both pay extra for systems they already have access to?

Whether it's double licensing or not, SAP had not clearly defined indirect access and how to license it. SAP justified its licensing system for indirect access because of the economic added value created by the SAP ERP system. For this, the customer must eventually pay. This ambiguity and insistence on licensing indirect access has made it a legal issue.

THE LEGAL BACKGROUND

SAP justifies its licensing system for indirect access with a very broad term 'access' in their PCL. Legal experts are, however, of the opinion that indirect access is already covered by the license fee for direct use. For them, indirect access is part of the "intended" access for which the licensor charges under the Copyright Act and therefore cannot require additional, separate license fees.

—— Unsurprisingly, SAP's legal experts don't agree. They maintain that SAP has the right to charge for indirect access. There are exemptions, such as error correction, but this doesn't include indirect access. SAP usually tries to find a business solution with its customers, but it has resorted to litigation in the past. SAP successfully sued international drink manufacturer Diageo for outstanding license fees for indirect access, for example, supporting their claim that charging for indirect access is valid. Still, many customers disagree and have also taken the issue to court (see Case Study).

Eventually the courts will decide whether the practice is legal. From a purely economic argument, it is certainly difficult for customers to understand why they are expected to pay additional license fees for use using their own database to access a third-party application on the database of the ERP system.

CASE STUDY:

In October 2018, the IT-Verband Voice e.V. filed a complaint at the German Federal Trade Commission against SAP.

Voice believes, based on opinions from two legal experts from the law office Osborne Clarke, that the SAP licensing requirements regarding indirect access and Digital Access are illegal, that SAP has taken ad-vantage of its monopoly position within the ERP software market, and that the licensing requirements are neither transparent nor fair.

Voice also argues that SAPs behavior would hinder the third-party vendors' market. Their business model would not work anymore if SAP requests additional software licenses. That would be anticompetitive behavior and could be illegal.

The SAP customers on the other side have no freedom of choice – which could also be illegal, according to German law. With reference to the German law, software must guarantee interoperability and the interaction between different software components must be free of charge.

VOICE urges SAP to make its license terms regarding indirect access and Digital Access more user-friendly and transparent to avoid overburdening users in times of digital transformation and exposing them to incalculable cost risks. This requirement explicitly includes SAP's audit practice. The market for third-party applications must be kept open.

VOICE demands the audits be legally-binding, and not be retroactively applied, which is a problem that some users have experienced with indirect access. When new SAP regulations are retroactively applied to existing agreements, customers suddenly and unexpectedly face compliance issues that they did not face in their original agreements. This makes SAP's licensing policy seem arbitrary.

In February 2020, Voice ended its conversation with SAP due to SAP's unwillingness to properly discuss the Voice's request. The German Federal Trade Commission is still working on the complaint, and the SAP community is waiting for the results.

Takeaway:

Until the courts decide, if you're an SAP customer wrestling with your SAP licensing strategy, a clear decision must be made: Will you challenge SAP over indirect access fees, or pay them and move on?

Many SAP customers face a similar choice. You will undoubtedly consider your relationship with SAP and the possibility that you might resort to litigation. Or you may submit to paying for your indirect access. If you decide to pay the fees, be sure to get help in navigating SAP's pricing models. There are still ways to save money and challenge some of SAP's measurements. In this white paper, we'll give you useful advice for find-ing cost-avoidance opportunities in your indirect access.

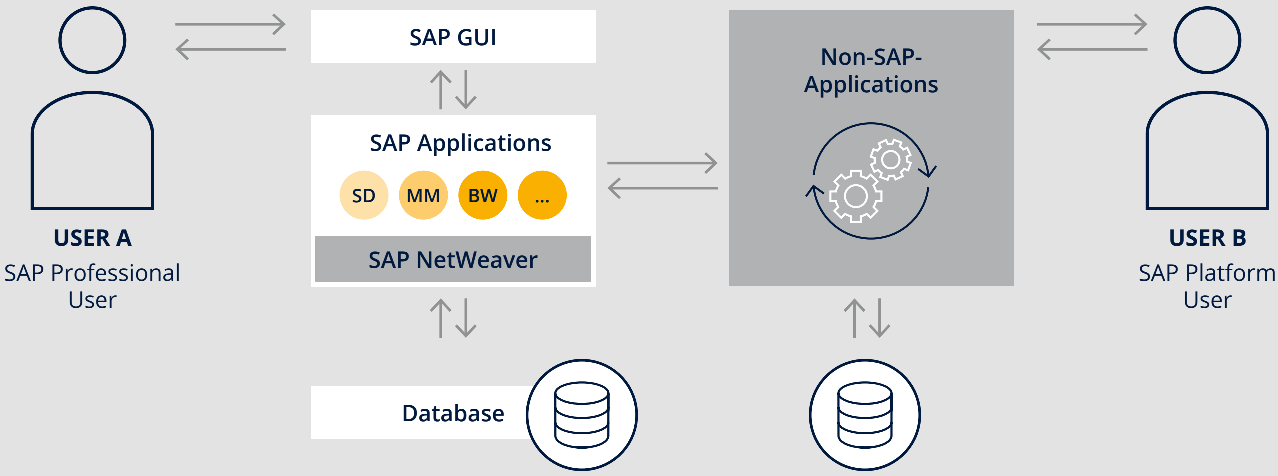
Aspera's SAP experts can help you find the best pricing model for your individual circumstances.

Find out how

THE CHALLENGE OF INDIRECT ACCESS

Indirect access is easily explained. In principle, it occurs when a third-party application makes use of SAP data. Any individual using that third-party application, which uses SAP data, needs an SAP license. Customers often do not have full transparency on this indirect access.

INDIRECT ACCESS



In the diagram, User 'A' works via the SAP GUI directly in the SAP system. He/she has an SAP account and logs into the SAP application server. Based on his/her usage, he/she needs a specific SAP license type – "SAP Professional User." User 'B' logs onto a non-SAP (third-party) application. The non-SAP application is con-nected via an RFC interface to the SAP system. If the third-party application is using a sales and distribution transaction, the user 'B' – who started the transaction indirectly – needs an SAP named user license, in this case the "SAP Platform User."

So far so good. SAP's challenge is that their measurement tool (USMM) is unable to measure the user from the non-SAP application. Therefore, SAP does not know how many users are 'using' the SAP system or what license type they need. SAP solved this problem by asking customers to self-declare their indirect access. Now SAP customers must find out who is accessing and using their SAP systems indirectly.

It sounds easy, but gets much more complex because there are many exceptions to consider:

- Does the customer have other licenses like “Sales/ Service Order Processing” that cover the indirect access?
- Is the access only for reading data out of the database?
- Is the access using the SAP application or just using the interface to connect to the database?
- What kind of data is read or written into the SAP database?

To solve these challenges, SAP customers must run a project. The project starts with an interface analysis of their most used data connection, followed by interpreting whether the interface’s third-party application is causing indirect access. Customers should ask themselves a few questions to identify if it’s indirect access, like:

- What are the third-party applications doing?
- Who is using them?
- Is the data coming out of SAP systems to non-SAP software?
- If so, is the data going back into the SAP systems unaltered?
- Or is it going back at all?
- Is the data coming out of 3rd party system into the SAP system?
- What kind of protocol is used?
- What’s the trigger event?

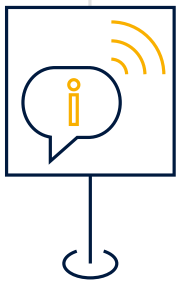
Then the customer must decide which license type should be assigned to the user or application. Finally, the customer must find out whether the third-party application user already has an SAP license and if it covers the indirect access.

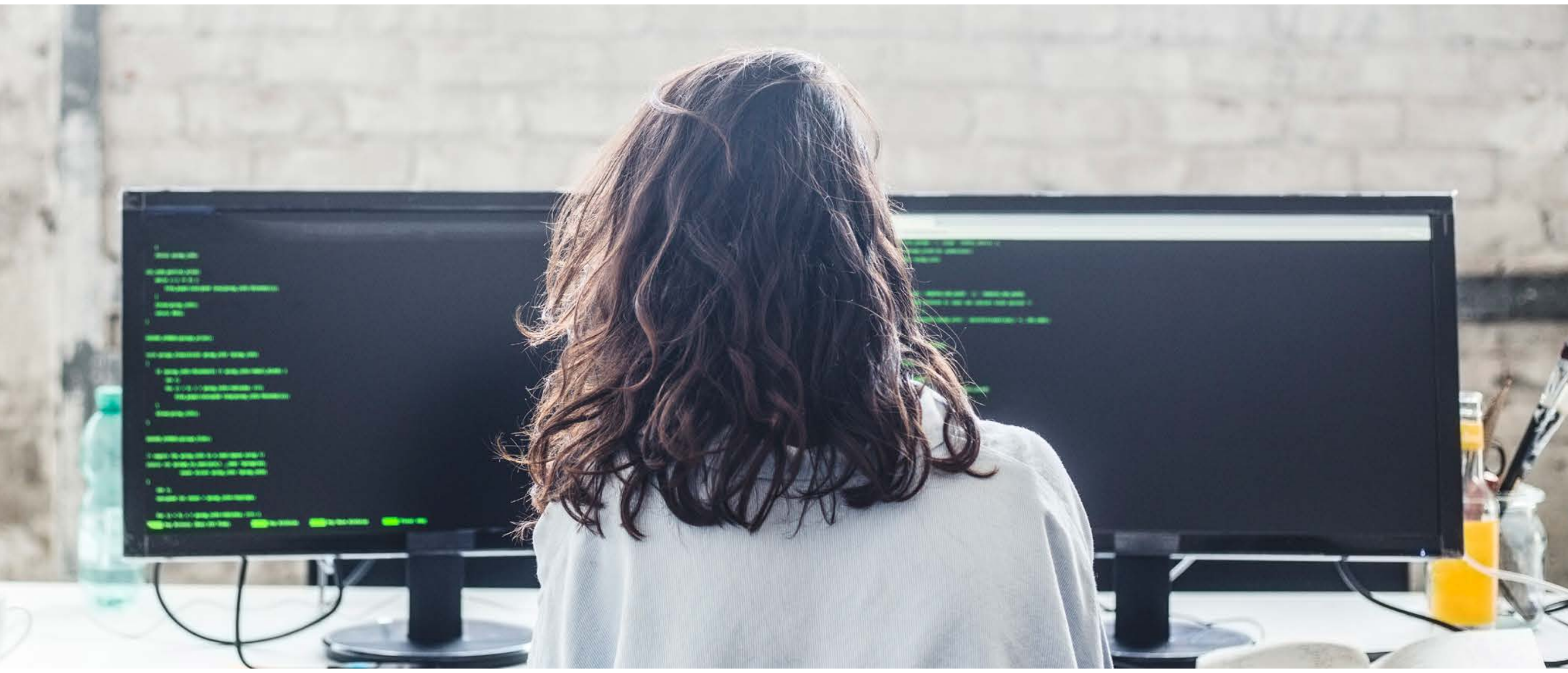
Understanding which licenses the user needs requires analysing the user’s usage. If they’re simply entering their timesheets or booking vacation time, an Employee Self Service Core (ESS-Core) license will do. It’s inexpensive and covers the basic indirect access scenarios such usage creates.

On the other end of the price scale, the previously mentioned “SAP Platform User” license covers the indirect access for heavy users of third-party applications interfacing with SAP software, while the “SAP Professional User” license has the most comprehensive authorizations for direct and indirect access.

Takeaway:

An SAP license management tool can analyze the interfaces that users access with a non-SAP application to reveal their usage. This also reveals what named user license they will need. In an audit with SAP, when you self-report indirect access, you can purchase the correct (and possibly more affordable) named user licenses, instead of the default (and more expensive) SAP Platform User.





THE CHALLENGE OF DIGITAL ACCESS

From 2015 to 2017 the definition and challenges of indirect access caused a lot of trouble within the SAP community. On the one hand, SAP found that charging for indirect access didn't generate as much revenue as expected. On the other hand, their customers felt they were paying more and had to take on the chore of carrying out their own analysis to report to SAP.

SAP faced:

- A growing number of unhappy customers worldwide
- A price model that was difficult to explain
- A growing number of exceptions for satisfying their customers, such as 'read only'
- No license revenue if the indirect access was executed by a machine (bots, Internet of Things, etc.)

SAP presented their new Digital Access price model in April 2018, probably to solve all these issues. The main idea was that SAP counts documents created inside the SAP digital core by a third-party application via interfaces. With this concept, SAP could do the measurement themselves and easily explain it to everybody. For SAP, it looked like all those issues were solved, apart from the legal discussion.

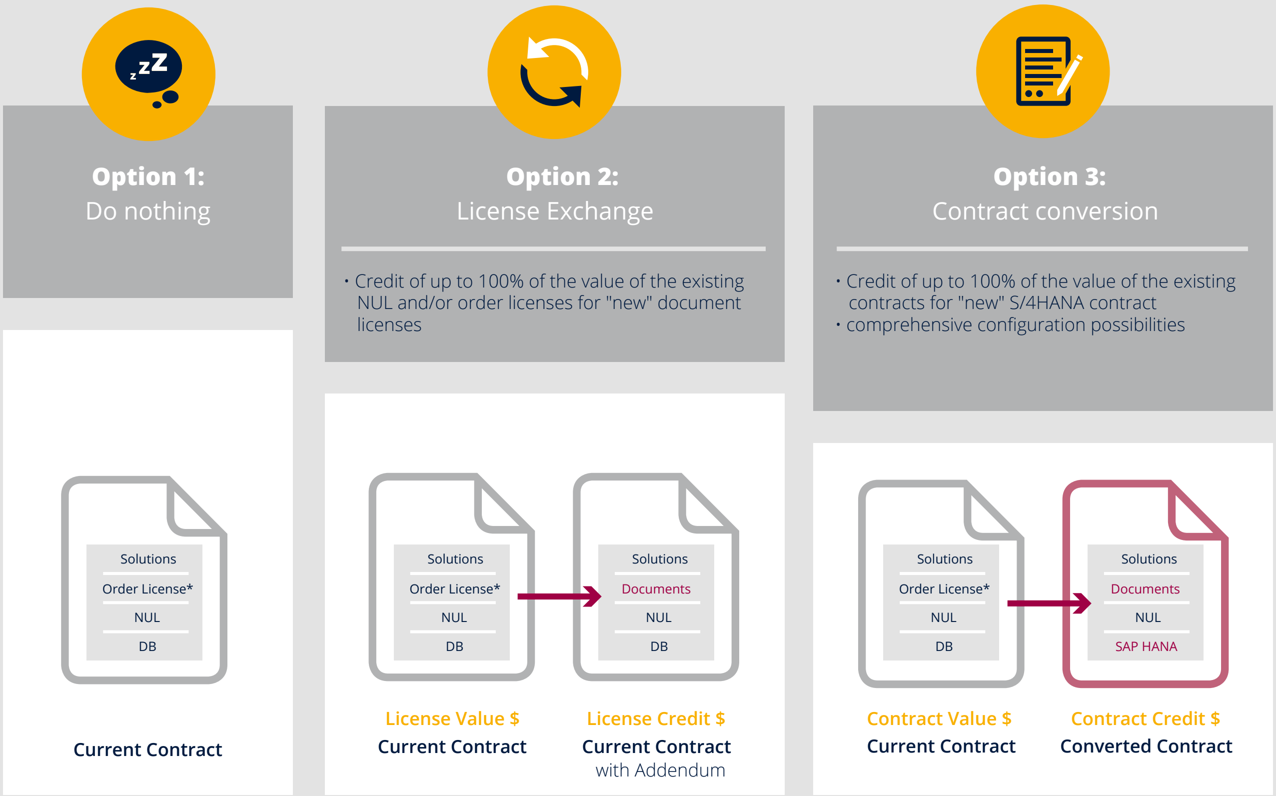
Nine kinds of document types are counted:

Document type	Payment level	Multiplier
Sales document	line items	1
Invoice document	line items	1
Purchase document	line items	1
Service & maintenance document	document	1
Manufacturing document	document	1
Time management document	document	1
Quality management document	document	1
Financial document	line items	0.2
Material document	line items	0.2

UPDATE

Existing SAP customers have the choice to use the old named user-based price model – "Do nothing" – or switch to the new price model, through either a license or contract conversion. As of August 2020, SAP has said that Digital Access is not mandatory for a product conversion in an S/4HANA migration. This means that licensing indirect access is still possible according to the old licensing model – named users or Sales & Service Processing Order.

CONTRACTUAL OPTIONS



Source: SAP ERP Pricing for the Digital Age, Addressing Indirect/Digital Access,
PDF: SAP Pricing Update 180420 PKL 02/2018, S. 11 / 23 von 29

Many customers did not make the switch to document licenses for indirect access, opting for the “Do Nothing” option – the devil they knew was better than the devil they didn’t know. So, SAP sweetened the deal and began promoting the new Digital Access price model with the ‘Digital Access Adoption Program’ (DAAP) in May 2019.

SAP customers are now seriously considering making the switch to document licensing, despite the risks of double-licensing users and over-licensing for document creation. In other words, SAP has sweetened the deal enough that customers are ignoring the risk of higher than expected costs.

If you are an existing SAP customer and want to switch to the new price model, you must buy the licenses up front. The challenge is estimating how many documents will be created in the 12 months by external applications. The price model is new, so there’s no experience guiding the estimations. Your first step in the Digital Access Adoption Program will be checking your system requirements to find out which options you have to estimate your documents.

SAP has provided two estimation notes (2644139 for ECC and 2644172 for S/4HANA) to help you with the assessment. The other option is to update your SAP systems to use the SAP Passport tool. The drawback is the Passport tool doesn’t account for past indirect access, so it must run for at least a month, which when multiplied by 12, gives you a rough annual estimate of your document license demand. Ideally, you would measure with the Passport tool for a full year.

SAP MEASUREMENT TOOLS

Estimation Note

Tool for SAP to determine an approximate number of documents per system based on entered user names.

PRO

- Installation effort: small
- Review measurement immediately
- Past measurements is possible

CONTRA

- Pre-analysis needed for technical users
- Estimate only: Counts high
- Only high-level view
- Ignores delections and cancellations

Passport-Tool

Differentiates between SAP-to-SAP and non-SAP-to-SAP communication based on a “passport” exchange between SAP tools.

PRO

- Measurement is more precise
- Low preparation effort
- Detailed info for document numbers

CONTRA

- Installation effort: high
- Can’t measure until system is updated
- No user info available
- Ignores deletions & cancellations

Fig. 1: The first step in the Digital Access Adoption Program is choosing a measurement option

The second step in the DAAP is choosing a financial incentive (see fig. 2). Customers can choose between licensing 115% of their demand and then only paying for the 15% overflow. Or they can license 100% of the document count and get a 90% discount. A thorough analysis might reveal that, after the measurement, the DAAP is the best option because, depending on your indirect access, you could receive a 90% discount.

DAAP INCENTIVE OPTIONS

A

100 % | +15 %

Customer licenses at least 115 % (15 % growth) of current estimated document use and the license fee charged for this transaction is only for such licensed growth**.

- 1.150.000 documents licensed overall
- 150.000 documents that are actually paid for
- Standalone order form!
- No additional discounts negotiable!

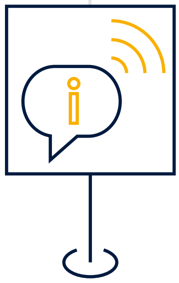
B

90 % | 10 %

Customer licenses at least 100 % of current estimated document use and receives a 90 % discount on Digital Access.

- 1.000.000 documents licensed overall
- 100.000 documents that are actually paid for
- Combine’able within otherwise used order forms
- 90% discount only for Digital access within this order form!

Fig. 2: The second step in the Digital Access Adoption Program is choosing a financial incentive



Takeaway:
We recommend analyzing your actual use of third-party access and then choosing the license model that is right for your organization. With an SAP license management tool, determine your actual volume of digital evidence with objective data to make a forecast that reflects historical and current developments without SAP. With this foundation, you can begin to negotiate the exact number of required digital documents with SAP.

Know the risks and rewards before you sign a Digital Access contract. LicenseControl offers a clear, flexible overview of all documents created through indirect access. You can check each users' document creations and decide if you agree with SAP's findings.

Find out how

THE RISING PRICE OF THE SALES & SERVICE ORDER PROCESSING EXCEPTION

When SAP announced their new license model (Digital Access) in April 2018, they told their customers that they have a choice between staying with their existing contract or moving to Digital Access. Existing contracts include two license types for indirect access:

- Named user licenses
- Order licenses (e.g. Sales & Service Order Processing)

Sales & Service Order Processing licenses cover externally created documents, like sales quotes, service contracts, and other business documents. This license is needed when an outside source, like a customer, creates or changes a business document in your SAP systems through an electronic data interchange. In this case, because they're external, you wouldn't assign them a named user license, so a different type of license for processing is needed for this activity. Think of it as an early version of the document license.

Until Q4/2016 the price for 1,000 orders was €100. The price increased in the PCL for Q1/2017 by 200%. The price for 1,000 orders is now €20,000. By raising its pricing for these licenses so sharply, SAP clearly indicated that it wanted to move customers to the new Digital Access model.

Starting with the German PCL for Q2/2018, SAP removed this license type completely, so new SAP customers can only buy licenses for Digital Access.

Existing SAP customers can still buy Sales & Service Orders, but they face two important questions: "What price will I pay for 'Sales & Service Orders'" and "Do I still get a discount?" SAP prefers its customers move to Digital Access, so they will likely look for similar ways to nudge existing customers towards Digital Access.

COMPARISON OF THE OLD AND NEW SAP PRICE MODEL

	Pros	Cons
Legacy SAP Price Model **INDIRECT ACCESS**	Lots of exceptions for potential savings	Complex to evaluate
	Interpretations and gray zones	Difficult to manage
	Potentially at a reduced rate	Difficult to understand
		Grey zones might lead to unwanted discussions with SAP
New SAP Price Model **DIGITAL ACCESS**	Transparent	Difficult to estimate cost
	Easy to understand	Potentially expensive
	SAP measures it, so no self-reporting	More process automation, more sensors in the future leads to unexpected costs
		Initial setup for measurement migh take a lot of effort (system updates in case of Passport tool or note implementation and user determination in case of Estimation Note)

CONCLUSION

If you want to reduce your financial risk of indirect access, there is no choice: you must analyze all interfaces in the SAP landscape and decide per application whether they cause indirect access. Also, the transition to the new licensing model should be carefully considered.

As a customer, you can choose between the old pricing model or the new one. If you choose the new one, you must be careful: being charged per document generated by external applications in the digital core can be significantly more expensive than the old user-based licensing model.

Even though the DAAP seems like a good deal, you won't know for certain. Analysis of both pricing models is required before deciding to move to the new document licensing or to stick with the old licensing model. Only that will show if the DAAP is a good deal for you, so you can make a decision that your budget won't regret. Aspera can run the analysis with you and give you independent advice on how to handle negotiations.

ABOUT ASPERA

At Aspera, we simplify the complexity of your software licenses. For nearly two decades, we have helped hundreds of enterprises and over 50 Fortune 500s to assess cost and risk within their IT environments. Aspera is part of USU Software AG (ISIN DE 000A0BVU28), which is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

For more information, please visit **www.aspera.com**.

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IMPRINT

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