

NEAT EVALUATION FOR COGNIZANT:

# SAP Cloud Migration Services

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

## Introduction

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This is a custom report for Cognizant 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 Cognizant 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.

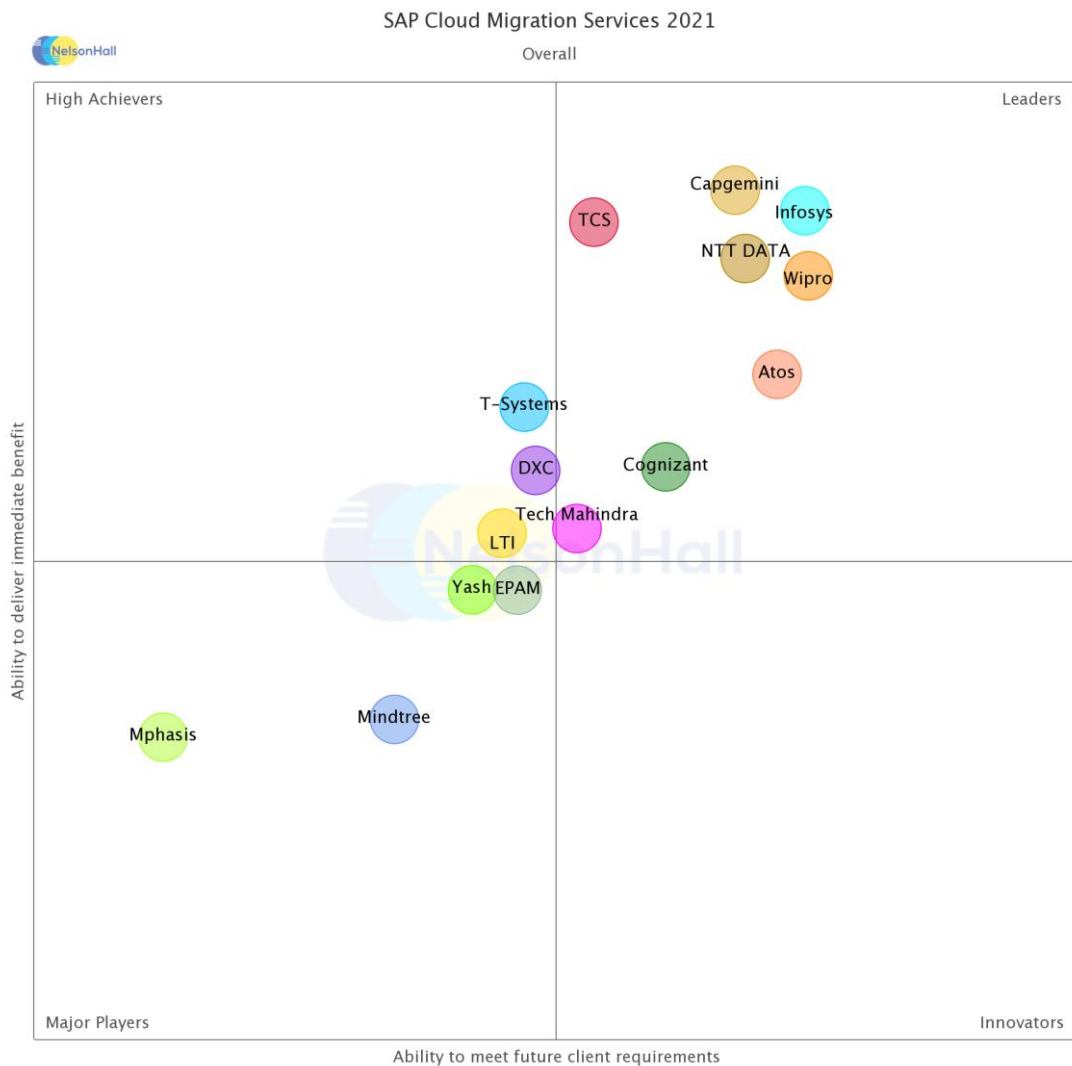
Evaluating vendors on both their ‘ability to deliver immediate benefit’ and their ‘ability to meet client future requirements’, vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

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)



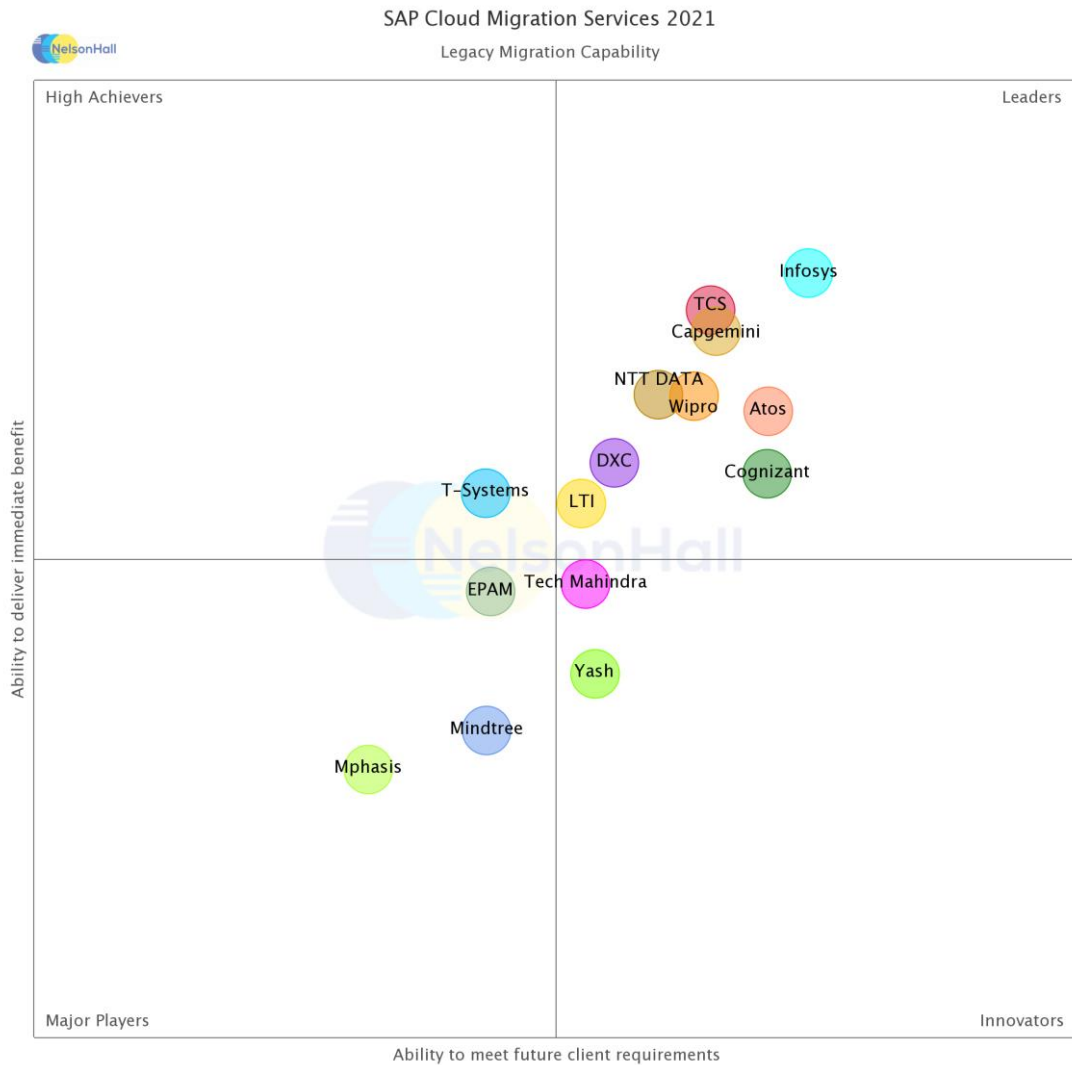
NelsonHall has identified Cognizant as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Cognizant’s overall ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration services clients.

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)

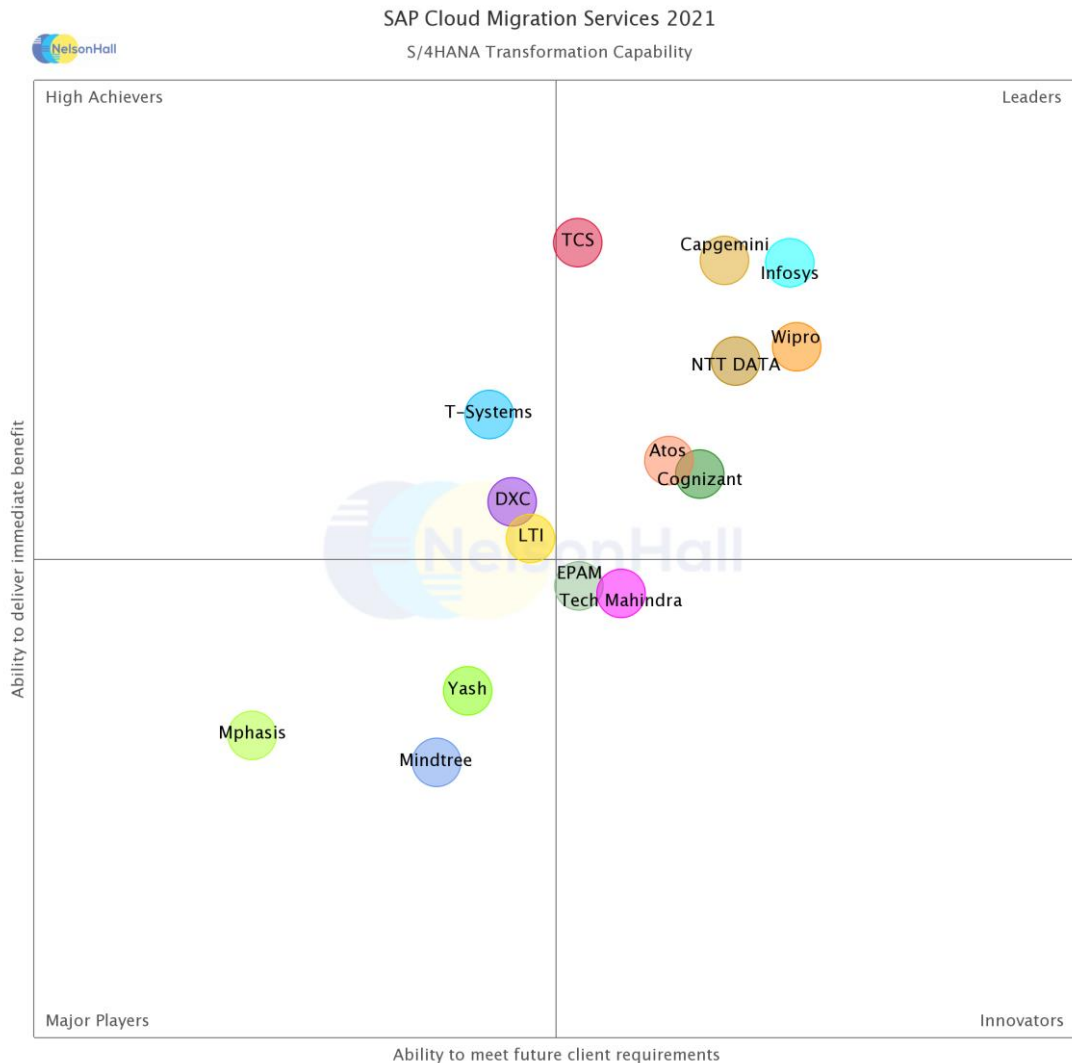


NelsonHall has identified Cognizant as a Leader in the *Legacy Migration Capability* market segment, as shown in the NEAT graph. This market segment reflects Cognizant’s ability to meet future client requirements as well as delivering immediate benefits to its SAP cloud migration clients with specific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

### Overview

Cognizant has positioned as an integrated service provider, combining insight and advisory consulting services, industry skills & knowledge, a culture of innovation and agility, and at-scale IT and service operations.

In 2017, Cognizant realigned its offerings into three broad practice areas, each headed by a president, all positioning on helping clients with their digital transformation agendas:

- *Digital Business*: includes the Digital Works unit set up in 2015. Key investments were in design, analytics, and data scientists; expanding the number of 'Collaboratories' globally
- *Digital Systems & Technology*: focused on modernizing, securing, and scaling legacy technology environments (e.g., migrating to AWS), and in the use of automation/AI
- *Digital Operations*: includes cloud-based offerings and platforms businesses such as TriZetto.

Cognizant initiated its focus on SAP ERP cloud capabilities in 2011, creating a dedicated SAP cloud practice and building out a proof of concept offering. It gained its first client for this offering in 2014. Through 2016 it focused its effort on cloud migration to address specific challenges being seen in on-premise SAP environments.

Beginning in 2016, the focus of this team began to shift to be primarily targeted at enabling the adoption of HANA and S/4HANA in the cloud. In 2018, this expanded to focus beyond infrastructure cost reduction initiatives to target improving client visibility to real-time operational data for use in analytics.

In parallel, it also began evolving its delivery capabilities to include simplified consumption-based pricing and to better leverage new, agile ways of working. It has also focused on building out industry-tailored offerings to simplify and accelerate client adoption.

While Cognizant has not made acquisitions specifically targeted at expanding its SAP capabilities, several of its acquisitions do impact its delivery of these services, including the following:

- *Digital engineering capabilities*: in November 2018, Cognizant acquired SoftVision for ~\$550m, bringing in 2,800 personnel, specialist capabilities, and scale in software engineering, including an extensive nearshore capability in Romania that Cognizant can use to serve European clients
- *Azure migration*: in 2020, Cognizant acquired both 10th Magnitude and New Signature to focus its capabilities in support of Microsoft Azure, the most commonly selected public cloud provider leveraged for SAP cloud migration by Cognizant clients to date
- *DevOps*: in 2019, Cognizant acquired Contino, which brings ~350 employees focused on DevOps, cloud-native development, and data platforms across the U.K., U.S., and Australia.

Cognizant has defined a broad set of offerings that spans the full lifecycle of cloud adoption, including consulting, assessment, planning, migration/implementation, management, and operations. It does this through sets of specific offerings and assets to address individual migration activities and bundled as end-to-end services. These bundled services reflect the different objectives that Cognizant sees clients looking to realize.



## Financials

For CY 2019, Cognizant had total revenues of ~\$16.8bn.

NelsonHall estimates that Cognizant's 2019 SAP ERP cloud services revenues accounted for ~\$105m. NelsonHall further estimates 2020 SAP ERP cloud services revenues to be ~\$120m.

## Strengths

- Globally broad delivery network
- Close partnership with Microsoft and strong SAP on Azure credentials
- Broad set of mature proprietary migration tools
- Mature industry-tailored offerings.

## Challenges

- Delivery model weighted to remote delivery
- Limited Europe-based SAP cloud employee base.

## Strategic Direction

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

- *Continuing to expand assets and offerings:* leveraging its innovation functions such as the SAP Digital HANA Labs, Cognizant is looking to continue to expand and mature its portfolio of assets and offerings in support of SAP cloud migration. This includes the intelligent enterprise platform offering, SmartMove migration automation, and intelligent ERP modernization QA offering (in partnership with Tricentis)
- *Investing in growing digital engineering for the cloud:* with acquisitions such as SoftVision and Contino that have grown its digital engineering and DevOps capabilities, Cognizant is looking to better integrate these capabilities into its SAP services
- *Expanding the skilled workforce:* Cognizant is focusing on expanding its SAP cloud skilled resource footprint. It has targets to grow its business ~30% per year going forward and is therefore looking to grow its skilled headcount in line to enable this. It is primarily looking to achieve this through upskilling and cross-skilling of existing employees rather than going to the market, given the limited skills available. Other skill areas it is looking to improve within its headcount are project management and DevOps.



## Outlook

Cognizant has focused on SAP cloud migration since 2011, providing it with a mature offering and delivery framework. This length of time has enabled it to build out a broad portfolio of offerings and assets. With specific assets and capabilities built to automate and simplify the cloud adoption process, Cognizant presents a compelling offering to clients.

While it sees adoption grow fastest in North America, Europe possesses a broad SAP client footprint and, under GDPR regulations, has a unique cloud-adoption environment. As EMEA has its smallest resource footprint, Cognizant is investing in growing out its resource base, including client-proximate teams. Growing its client-proximate resource base also helps alleviate any concern among clients about Cognizant's heavily remote delivery model. Cognizant's broad global delivery footprint, including specific region-tailored nearshore centers, also helps address any concerns about a nearly 100% remote delivery model.

Cognizant also possesses a strong relationship with Microsoft and a breadth of experiences in migrating SAP to Azure. This relationship and potential joint go-to-market provide Cognizant with strong reference experiences for new clients.

With the majority of SAP cloud migrations also meaning the adoption of S/4HANA, Cognizant's assets for S/4HANA adoption are also of value in cloud adoption. Its industry-tailored offerings provide an avenue for clients to accelerate the adoption of S/4HANA (and the cloud) while also implementing functionality tailored specifically to the demands of the client's sector.



## SAP Cloud Migration Services Market Summary

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### 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	<ul style="list-style-type: none"> <li>Overall SAP ERP Cloud Migration Capability</li> <li>Cloud Migration Strategy Development and Planning</li> <li>Cloud Data Migration Services</li> <li>Legacy ERP Cloud Migration Services</li> <li>Proprietary Functional Extensions</li> <li>Bundled Cloud Migration Offerings</li> <li>ERP Cloud AMS</li> <li>S/4HANA Cloud Migration Services</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>Client-Proximate consulting capabilities</li> <li>Remote Cloud Migration Delivery</li> <li>Migration Delivery Capability</li> <li>Automation in Assessment and Planning</li> <li>Automation in Legacy Cloud Migration</li> <li>Automation in S/4HANA Transformation</li> <li>Industry Templates</li> </ul>
Presence	<ul style="list-style-type: none"> <li>Scale of Ops – Overall</li> <li>Scale of Ops – Legacy ERP migration to cloud</li> <li>Scale of Ops – S4HANA Transformation on Cloud</li> <li>Scale of Ops – N. America</li> <li>Scale of Ops – EMEA</li> <li>Scale of Ops – APAC</li> </ul>
Value Delivered	<ul style="list-style-type: none"> <li>Value for Money</li> <li>Timeliness of Implementation</li> <li>Access to range of technical expertise</li> <li>Correlation of vendor fees to objectives</li> <li>Cost Savings Achieved</li> <li>Reduction in Infrastructure</li> </ul>



## Exhibit 2

### 'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Overall Future Commitment to SAP Cloud Migration	<ul style="list-style-type: none"> <li>Commitment to SAP Cloud Migration Consulting</li> <li>Commitment to Legacy ERP Cloud Migration</li> <li>Commitment to S/4HANA Cloud Migration</li> <li>Commitment to Service Innovation</li> </ul>
Investments in SAP Cloud Migration Capabilities	<ul style="list-style-type: none"> <li>Investment in cloud migration consulting</li> <li>Investment in scaling SAP cloud migration capabilities</li> <li>Investment in targeted capabilities (geographic or industry-focused)</li> <li>Investment in automation and tools</li> </ul>
Ability to Partner and Evolve Services	<ul style="list-style-type: none"> <li>Key partner (suitability of vendor to meet needs)</li> <li>Ability to evolve services</li> </ul>

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



[research.nelson-hall.com](https://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:

Beth Lindquist at [beth.lindquist@nelson-hall.com](mailto:beth.lindquist@nelson-hall.com)

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