New Business Models Driven by Digital Technology SAP S/4HANA – The Next Generation Business Suite

Fernando Lewis – S/4HANA Business Development October 26th 2016



Agenda

- New Business Models Driven by Digital Technology
- The World is Changing
- SAP S/4HANA Strategy The Digital Core
- Digital Transformation
- SAP S/4HANA Simplifications and Innovations in Detail
- How to get started

The Digital Economy is Here and it's Here to Stay

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."

Charles Darwin

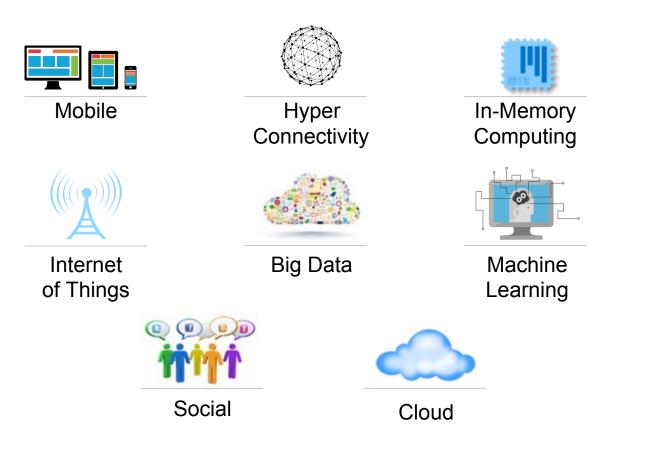
New Business Models Driven by Digital Technology



- 01 Outcome based models
- 02 Expansion into new industries and markets
- 03 Digitization of products and services
- 04 Competing as an ecosystem
- 05 Shared Economy
- 06 Digital Platform

New Business Models Driven by Digital Technology

Grow Revenue - Stave off Threat



Digitization of data and interactions increasing at an exponential pace.

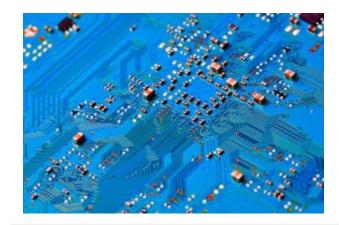
Mobile, Internet of Things and Hyper-connectivity enabling immediate access to every "thing"

In-Memory changing the speed of computing and delivering the vision of real time

Big Data and Machine learning technologies changing how data is being analyzed with predictive analytics

Cloud enabling digitization with commodity storage, and ondemand computing at scale

Digital technologies are disrupting business models



Leaders are Emerging from Nowhere

90% of CEOs believe the digital economy will impact their industry, but less than 15% are executing on a digital strategy *

• Early Adopters are Winning

Early adopters are achieving +9% revenue creation, +26% impact to profitability, and +12% market valuation.*

Industry Boundaries are Blurring

Every company is expanding beyond traditional industry boundaries and also becoming a technology company

Digital business models are disruptive. The rules have changed.

Under Armour is not just selling shirts and shoes, they are connecting 38 million people on a digital health platform

facebook

Facebook is not just a social network, it is the largest media company even though it doesn't create content



Uber is not just another taxi company, it is transforming into an "urban logistics" company

SIEMENS

Siemens is not just an industrial powerhouse,they are a software company connecting their industrial assets in the cloud

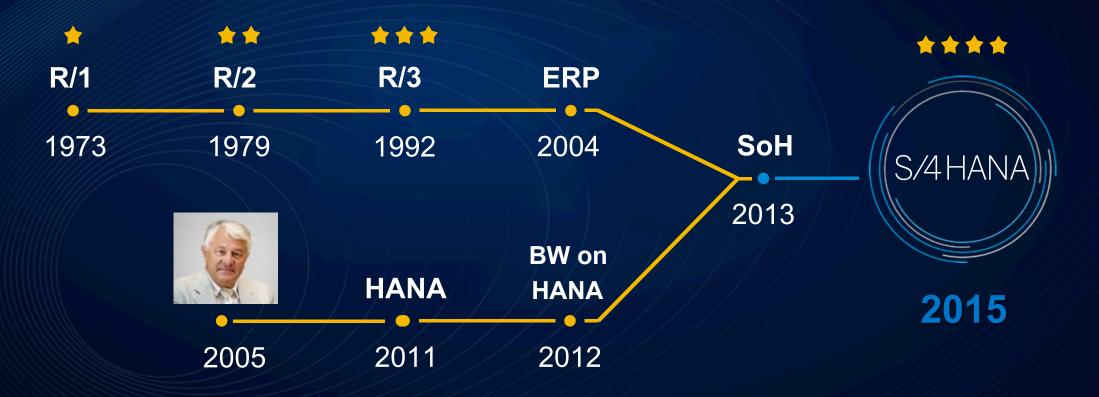
Source: * MIT Sloan and CapGemini, 2013,

Business leaders need to digitally transform across five key pillars

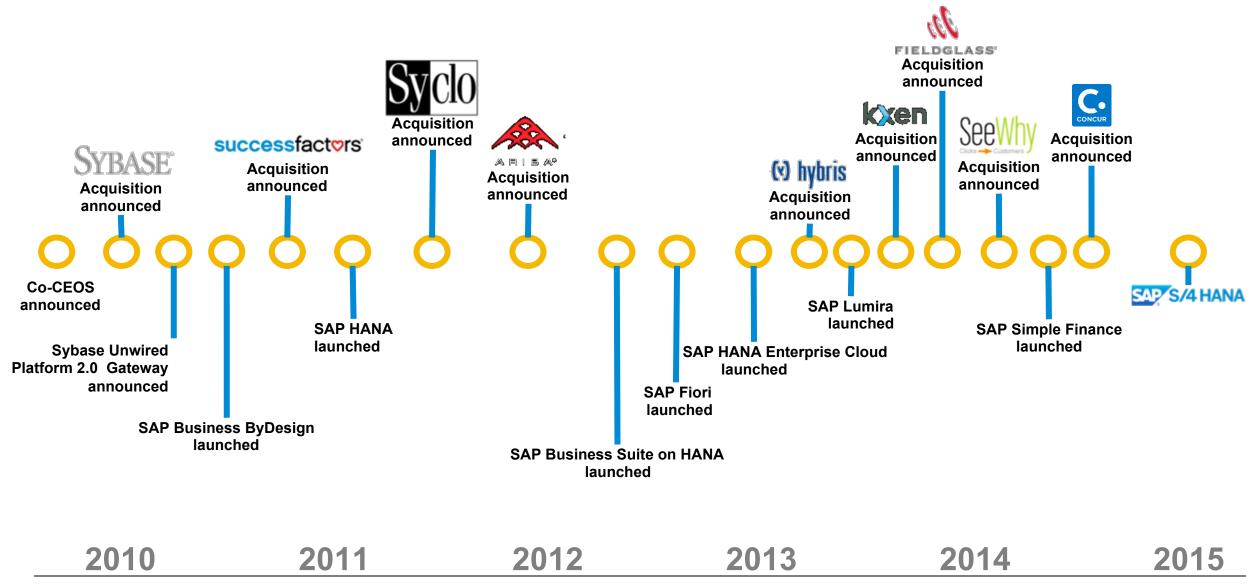
Assets and Internet of Things	Customer Experience Omnichannel	Core Business Processes	Workforce Engagement	Suppler Collaboration and Business Networks
Analyze sensor data from products, and deliver outcome-based experiences	Engage customers more personally with one-to-one marketing	Move away from lengthy and time-consuming batch processes	Attract and retain talent by clearly communicating business impact	Extend business processes, and deliver new value to customers
Monitor assets on the factory floor to predict failure and decrease downtime Gain instant visibility into whereabouts of in-transit materials to drive new scheduling efficiencies	Personalize products and offerings by slicing and dicing customer data on the fly Predict customer behavior, and make context-relevant product recommendations	React quickly to market signals happening in real- time across the value chain Connect my enterprise to people, devices, business and social networks	Enhance decision making with a cross-device, personalized user experience Gain full visibility into critical human resource gaps to prevent business disruption	Gain the flexibility to customize to changing customer demands in shorter planning cycles Orchestrate profitability with real-time sensing of demand- and-supply data
How can I better utilize my products and assets?	How can I deliver an omni- channel experience?	How can I digitize my core?	How can I better engage my workforce?	How can I increase supplier collaboration?



The New Business Suite



Transformation Journey

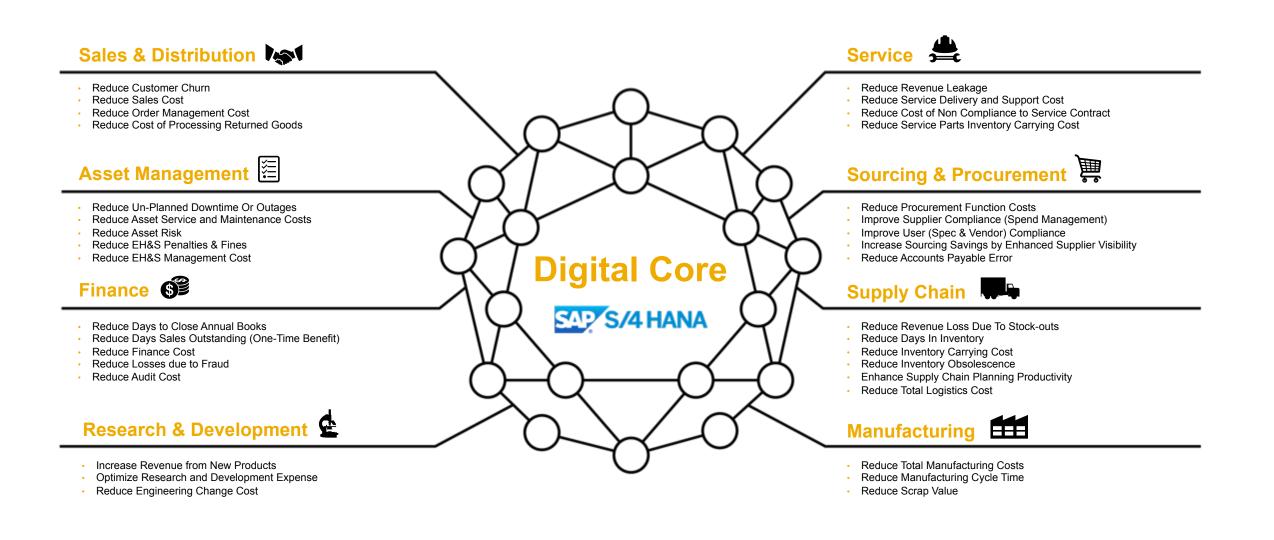


SAP S/4HANA reimagines businesses for the digital economy

- The entire value chain is digitized, including the digital core that serves as the foundation for business innovation and optimization.
- The digital enterprise interconnects all aspects of the value chain to drive and anticipate business outcomes in real time.
- Enterprises across industries can lead the digital transformation by completely reimagining business models, business processes, and work.



Key Lines of Business (LOB) Dimensions of S/4HANA Value Based on SAP expert and customer feedback



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S/4HANA for Supply Chain Function

Sales & Distribution

- Reduce Customer Chur
- Reduce Sales Cost
- Reduce Order Management C
- Reduce Cost of Processing Returned Goods

Asset Management

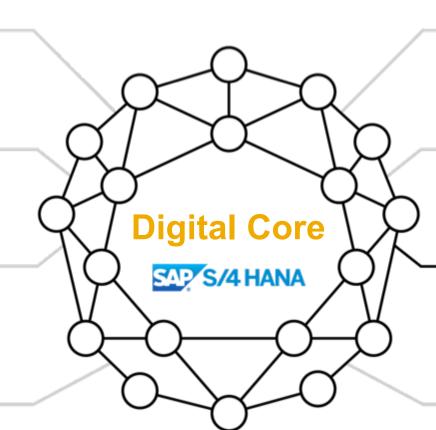
- Reduce Un-Planned Downtime Or Outages
- Reduce Asset Service and Maintenance C
- Reduce Asset Risk
- Reduce EH&S Penalties & Fines
- Reduce EH&S Management Cost

Finance S

- Reduce Days to Close Annual Books
- Reduce Days Sales Outstanding (One-Time Benefit
- Reduce Finance Cost
- Reduce Losses due to Fraud
- Reduce Audit Cost

Research & Development

- Increase Revenue from New Products
- Optimize Research and Development Expense
- Reduce Engineering Change Cost



Service

- Reduce Revenue Leakage
- Reduce Service Delivery and Support Cost
- Reduce Cost of Non Compliance to Service Contract
- Reduce Service Parts Inventory Carrying Cos

Sourcing & Procurement

- Reduce Procurement Function Costs
- Improve Supplier Compliance (Spend Management)
- Improve User (Spec & Vendor) Compliance
- Increase Sourcing Savings by Enhanced Supplier Visibility
 Reduce Accounts Payable Error
- Supply Chain

.....

- Reduce Revenue Loss Due To Stock-outs
- Reduce Days In Inventory
- Reduce Inventory Carrying Cost
- Reduce Inventory Obsolescence
- Enhance Supply Chain Planning Productivity
- Reduce Total Logistics Cost



- Reduce Total Manufacturing Cost
- Reduce Manufacturing Cycle Time
- Reduce Scrap Value

S/4HANA for Supply Chain Function Key value drivers and representative benefit ranges





Supply Chain: Key Value Drivers Impacted

Value Driver	Improvement Range	Solution Enabler
Reduce revenue loss due to stock-outs	10% -15%	Real-time alerts based on current stock requirements with integrated decision support. Significantly improved ATP via fast mass product availability checks for sales, planned and production-orders (all items of an order at once, releasing large production orders). Enhance on- time delivery performance by integrating pick, pack, and ship processes.
Reduce days in inventory	10% -12%	Increase inventory turnover by making informed decisions based on accurate demand and supply data. Simplified data model resulting in increased throughput, flexible analytics at the most granular level and accuracy based on primary data.
Reduce inventory carrying cost		Leverage mobile inventory management and warehouse applications via SAP Fiori apps.
Reduce inventory obsolescence		Get the ability to automate warehouse operations with RFID and sensors with IoT framework for integration to manage just-in-time availability, unit handling, serial numbers, electronic data interchange, and proof of delivery.
Enhance supply chain planning productivity	3% -5%	Enable personalized views for planners with relevant analytics as well as easy to use Microsoft Excel. Use embedded decision support tools and Fiori role-based interface. Reduce supply chain costs by 3-5%.
Reduce total logistics cost	10% -12%	Leverage new planning algorithms and predictive analytics (e.g. demand sensing) algorithm in combination with optimization. Increase process flexibility through optimized logistics processes.

Benefits are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA + LOB/cloud capabilities. As each enterprise is at different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.

S/4HANA implemented by NTT/Itelligence

We want to be the number one retailer based on customer satisfaction. financial performance and employee satisfaction.

Large European retailer Over 100 years old, over

1400 stores with 9 million

customers daily

" " " "

Customer

#1 nation-wide grocery retailer

International retailing

- Franchises (e.g., Starbucks)
 - **Online stores**

S/4HANA for Supply Chain Function

Saving money for a large European retailer

20% of \$150M

Is the goal to save in the first year of S/4HANA operations:

Real-time data on previous day's sales, not 2-3 days later Immediate adjustments: pricing, supplier orders (volume)





Enterprise Management

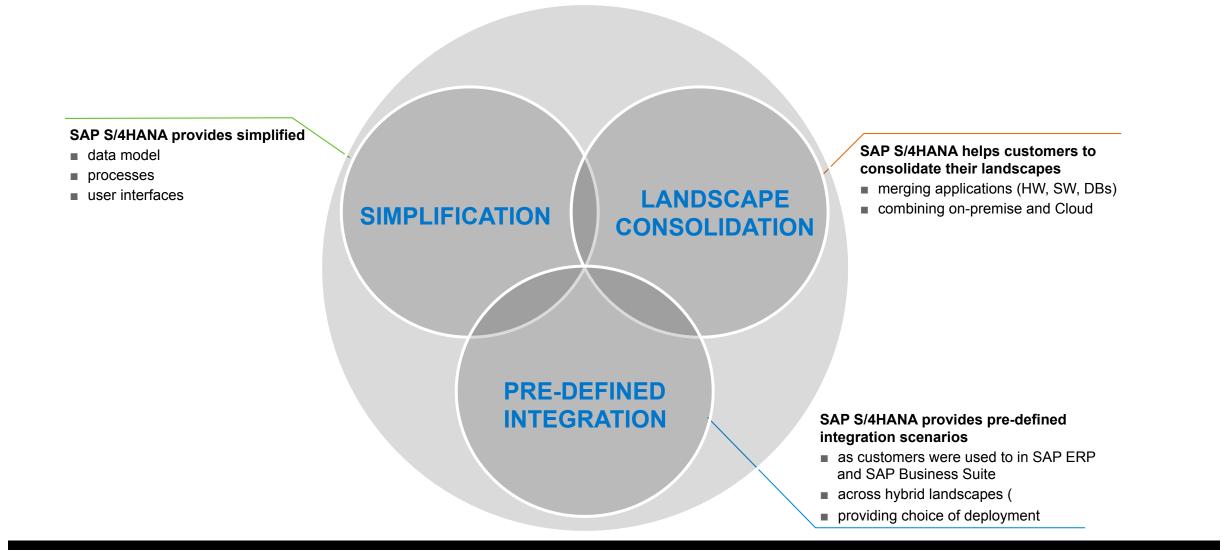
Suite	SAP S/4HANA FINANCE SAP Ariba A C CONCUR • Integrated business planning	SAP S/4HANA HUMAN RESOURCES SAP SuccessFactors S SAP Fieldglass () • Core human resources and payroll • Talent management • Time and attendance management • Human capital analytics	SAP S/4HANA SOURCING & PROCUREMENT SAP Ariba C CONCUR SAP Fieldglass	 SAP S/4HANA MANUFACTURING Manufacturing Integration and Intelligence Manufacturing Execution System Quality Issue Management 	 SAP S/4HANA SUPPLY CHAIN Supply Chain Control Tower Integrated Business Planning Extended Warehouse Mgmt Transportation Mgmt
Products	 Accounting and financial close Treasury and financial risk management Receivables management 			 Manufacturing Planning and Execution* 	 Extended Warehouse Management* Advanced ATP*
	 Accounting and Closing Operations Accounting 	Time and Attendance Management	 Supplier information and master data Operational procurement Invoice and payables management 	 Production Orchestration and Execution Quality management and 	 Inventory and basic warehouse management Production planning
	Cost management and profitability analysis		Operational sourcing and contract management	compliance	
Digital Core		nterprise Management			
Digital Core	analysis	 Service management Service master data management Service parts management Service agreement management 			 Production praining Product development and project control Production Engineering
Digital Core Products	sap S/4 HANA En	 Service management Service master data management Service parts management 		compliance	Product development and project control



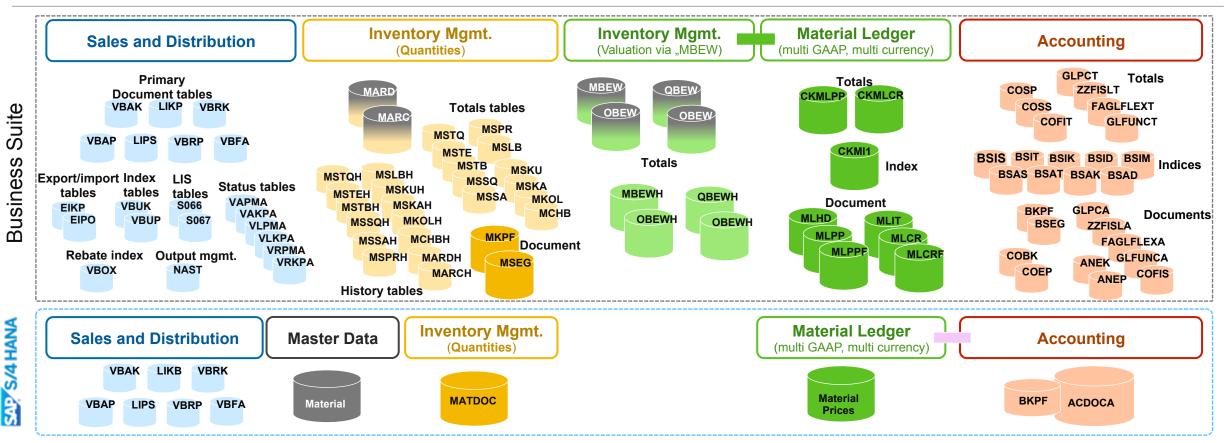
SAP S/4HANA Differentiating Capabilities – Simplifications and Innovations



SAP S/4HANA Suite – fights Complexity of Application Landscapes Customer Expectations along 3 Categories



S.1 - Data Model Simplification



SIMPLE DATA MODEL

- » Only main tables remaining, no redundancies
- » Clear separation of master data from transactional data
- » Reduction of memory footprint

PRINCIPLE OF ONE

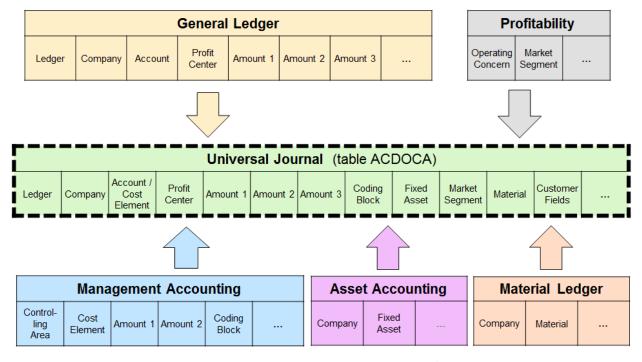
- >> Only one valuation method (Material Ledger) instead of 2 (IM + ML)
- Flexible rebate management instead of cumbersome and expensive redundancies

THROUGHPUT INCREASE

INSERT only on database level (MM-IM), no locks for standard price valuation

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S.1 - Data Model Simplification - Universal Journal



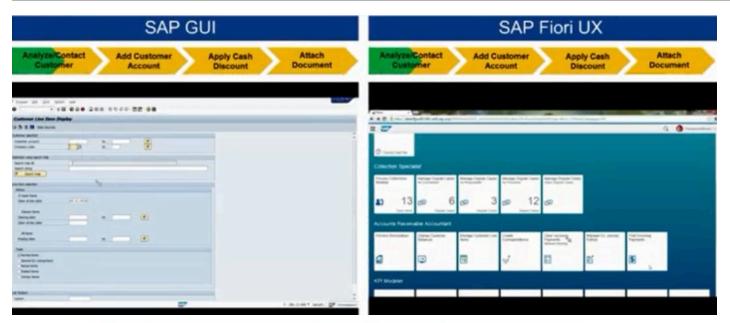


Planned Architecture

- Concept: "Take the best of all worlds" (e.g. ledger, market segment, coding block, etc.)
- ONE line item table with full detail for all applications for instant insight & extensibility
- > This replaces the "logical document" of release 1.0.
- Secondary cost elements are G/L accounts.
- Data stored only once: no reconciliation needed by design
- Reduction of memory footprint through elimination of redundancy.
- Fast multi-dimensional reporting possible without replicating data to business warehouse (BW).
- If BW is in place anyway, only one single BI extractor needed (instead of many today).

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S.3 - UI / business flow Simplification



SAP Simple Finance - receivables management

SAP GUI	SAP Fiori UX	
Duration: 2:12 mins	Duration: 47 secs	
Clicks: 39	Clicks: 11	
Screen changes: 8	Screen changes: 2	
Fields filled: 5	Fields filled: 2	

64% reduction in duration71% reduction of clicks75% reduction in screen changes60% reduction of fields filled

SAP Simple Finance - Clear Incoming Payments

SAP GUI	SAP Fiori UX
Duration: 2:25 mins	Duration: 1:07 mins
Clicks: 49	Clicks: 22
Screen changes: 26	Screen changes: 1
Fields filled: 9	Fields filled: 3

53% reduction in duration55% reduction of clicks96% reduction in screen changes66% reduction of fields filled

SAP Simple Finance - Post Incoming Payments

SAP GUI	SAP Fiori UX	
Duration: 1:26 mins	Duration: 0:59 mins	
Clicks: 27	Clicks: 17	
Screen changes: 14	Screen changes: 2	
Fields filled: 14	Fields filled: 7	

31% reduction in duration37% reduction of clicks86% reduction in screen changes50% reduction of fields filled

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SAP S/4HANA Sourcing & Procurement Fiori Apps for Procurement - Launchpad



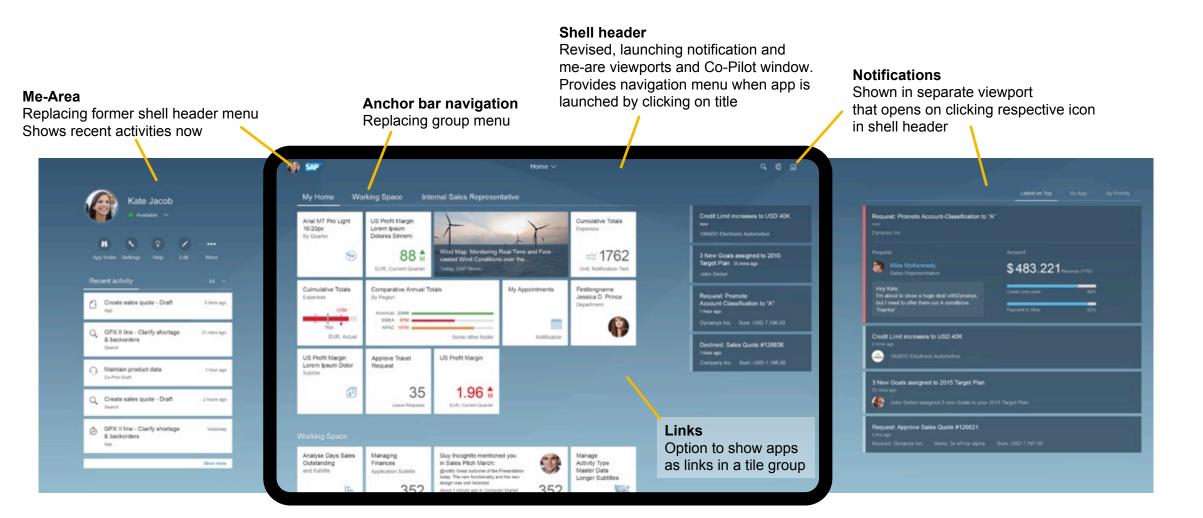
- Single Entry Point for all User Activities via Fiori Launchpad
- HANA Search available via Launchpad at every time
- Apps clustered by areas (e.g. Home Area, Accounts Payable Area,...)
- Transactional Apps and KPI Apps
- User Management and Customizing via own Fiori Apps
- Personalization for Launchpad Entry Page
- New In-App Help for contextual help, guided tour and learning content

SAP S/4HANA Sourcing & Procurement

FIORI Apps for Procurement 1511 On Premise

Trans	actional	Analytical	Object Pages with Contextual Navigation	
Task-based Access Access to tasks like cha processes with guided	navigation	Insight to Action Visual overview over a complex topic for monitoring or tracking purposes	Search and Explore View on essential information about an object and contextual navigation between related objects	
 All Approvals via Fior Inbox (Purchase Requisition, Purchase Order, Contract and Supplier Invoice) Create Purchase Requisition My Purchase Requisitions Confirm Goods and Services Manage Purchase Requisitions Manage Purchase Orders (incl. Create) Manage Purchase 	8. Manage Sources of	1.Purchase Order Value10.Spend Variance Nor-Managed Order Items2.Non-Managed Spend11.Overdue Purchase Order Items3.Unused ContractsPurchasing Group Analysis3.Unused Contracts13.Supplier Evaluation On-time delivery5.Off-Contract Spend14.Supplier Evaluation Price Variance6.Contract Leakage14.Supplier Evaluation Price Variance7.Purchasing Spend Change15.Supplier Evaluation Quantity Variance9.Purchase Order Average Delivery Time16.Supplier Evaluation	 Purchase Requisition Purchase Requisition Item Purchase Order Supplier Invoice Purchasing Info Record Purchase Contract Purchase Contract Item Purchasing Category Supplier 	

SAP Fiori 2.0 – What's New



Me-area

Workspace

Notifications

The Digital Boardroom Turning Finance into a live business



Total transparency

- Real-time view of complete company situation
- Comprehensive view on key figures across divisions

Instant data-driven insights

- Instantly access accurate information to address ad-hoc questions
- Improve decision-making with analysis of alternatives and implications

Simplified boardroom processes

- Reduce preparation time and offline discussion topics
- Focused collaboration to leverage expert knowledge



How to get started? Implementation and deployment considerations



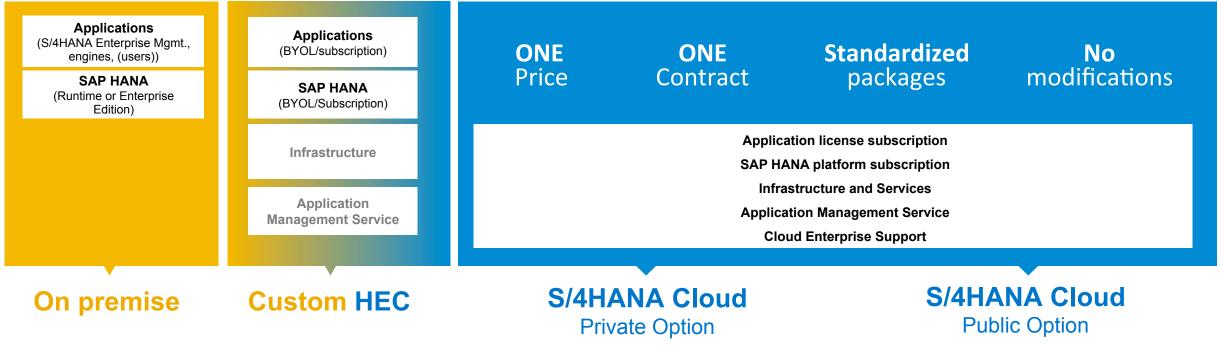
SAP S/4HANA 1511

Manage all parts properly

Relevant primarily for System Conversion
 Relevant for New Install and System Conversion

Simplified S/4HANA Enterprise Management **Functionality Process** OLAP&OLTP FIORI Redesign CDS Virtual Data S/4HANA Finance Role based / exception Models based user experience **Functional Scope Technical & Methodology** Changes SAP S/4 HANA Projects Cloud New Customer/Partner Editions Development Framework Deployment Options **Principle of** On Premise **SAP** Activate **ONE** Edition **HANA** Optimization Optimizations Transition Compatibility **Database Migration** Simplification Custom Code Refactoring & Unicode database Released Installation & **Modification** Released **Syntax** System conversion Industry Landscape **Custom Code** Clearing Add on's **Corrections** activities & SUM Solutions **Optimizations** Management

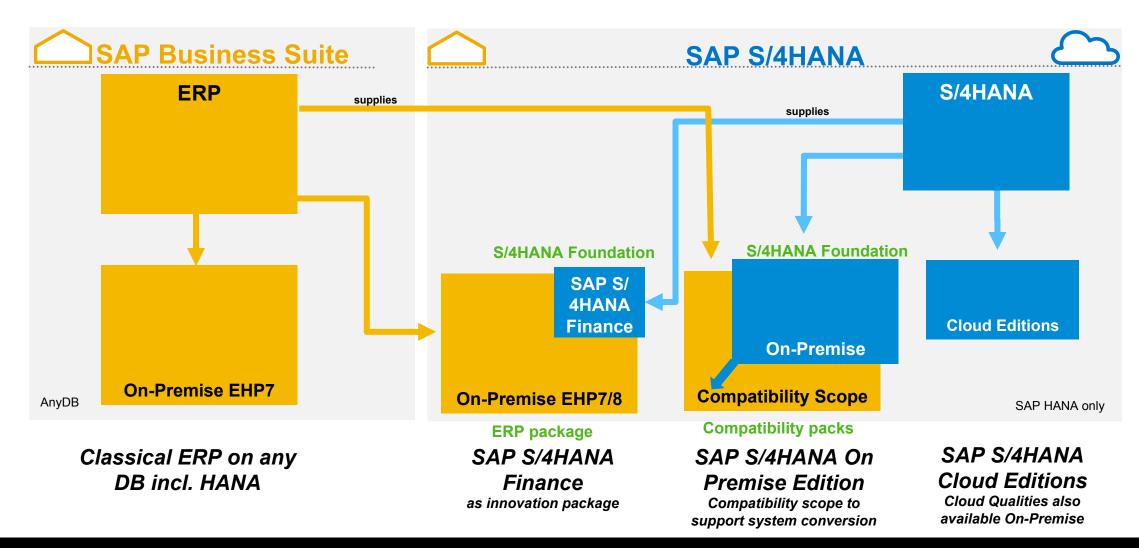
SAP S/4HANA – deployment options



On premise deployment of S/4 HANA will continue to deliver new innovations, leveraging the potential of inmemory technology and new user interfaces. The SAP HANA Enterprise Cloud (HEC) offers individually sized infrastructure and application management services as additional, customer specific options to software licenses.

Standardization, TCO and scalability of the cloud combined with the full functional scope, extensibility and geographical reach of the S/4HANA on premise solution Highly standardized, multi-tenant cloud services covering selected LoB- and industry scenarios and a comprehensive ERP scope

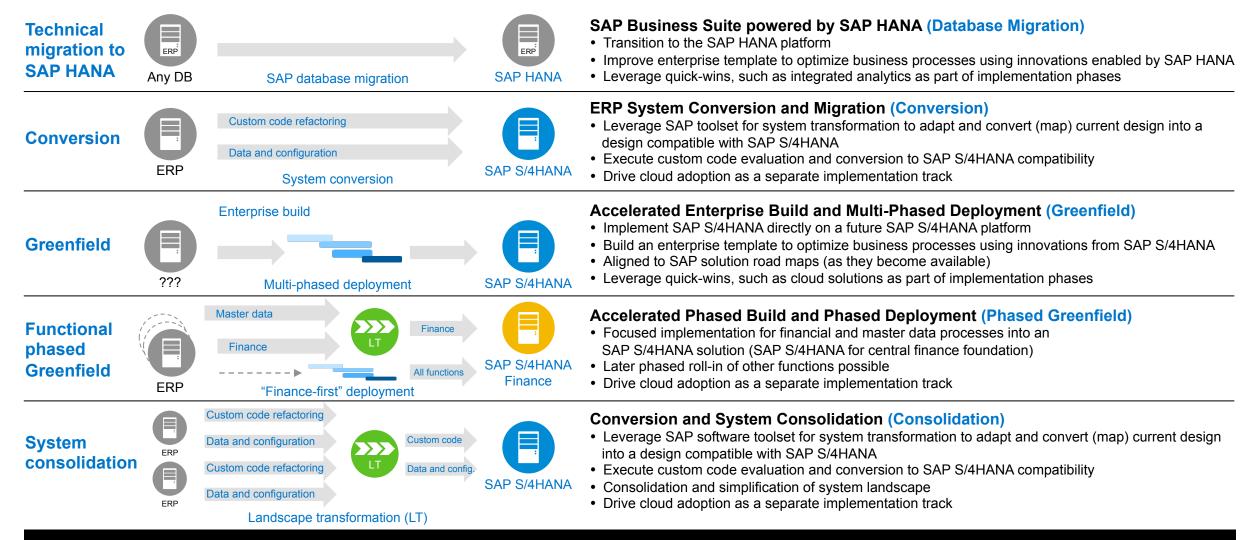
Relation between SAP ERP and SAP S/4HANA



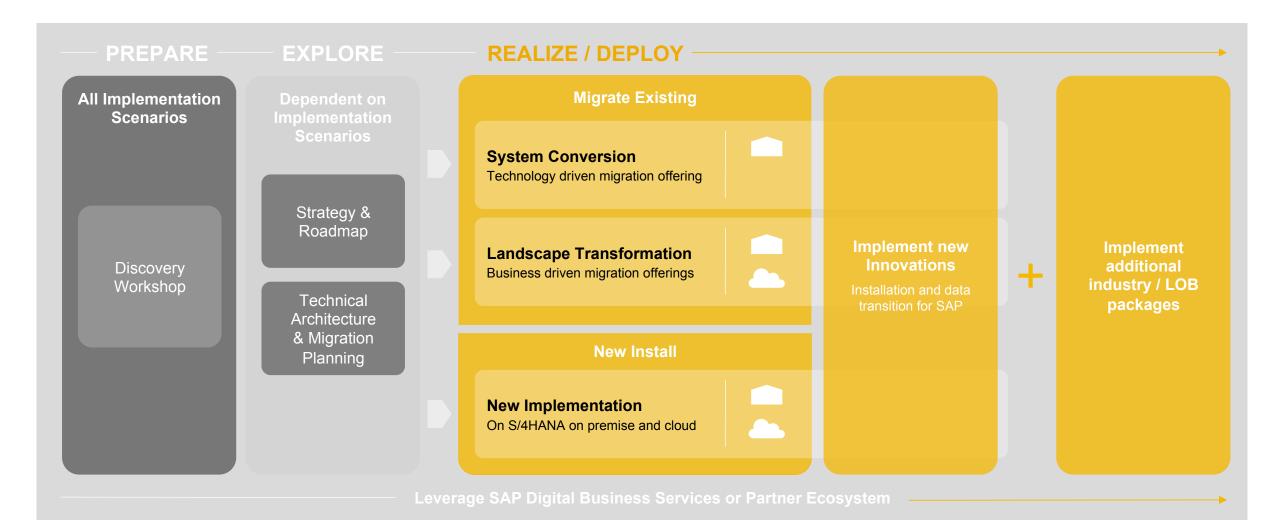
Potential transition scenarios to SAP S/4HANA



Learn More



Major Milestones in SAP S/4HANA Adoption



End to End Business Platform

- 25 Industries, decision making in real time, IOT that integrated the physical world to enterprise applications and Business Network that brings the world to companies' doorstep.

Unique Approach to Tailoring Digital Transformation

Executive Immersion Day, POC for new ideas, Helping Companies build their own design thinking,

Innovation Community SAP's new EDX (Executive Digital Exchange)

- Innovation Exchange through Live/virtual events, Share best Practices, Meet Industry experts and Digital Transformation Leaders



Thank you

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www.sap.com\s4hana

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