Quick Answer: What Is the Level of Adoption of SAP S/4HANA in 3Q23?

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Initiatives: ERP; Enterprise Applications Strategy; IT Contracts Negotiations

SAP is the leading vendor in the ERP applications market, and it promotes S/4HANA as its core enterprise ERP suite. Because CIOs frequently ask Gartner to help them understand this suite's adoption level, this research shares our latest estimates and advice.

Quick Answer

What is the current level of adoption of SAP S/4HANA?

According to Gartner estimates:

- **SAP ERP Central Component (ECC) customers evaluating their transition to SAP S/4HANA:** Gartner's analysis indicates that, by the end of 3Q23, approximately 34% of ECC customers had bought or subscribed to licenses to start their transition to S/4HANA.

- **SAP S/4HANA sales:** As of 3Q23, SAP S/4HANA had close to 23,100 customer sales — approximately 60% are net new customers.

- **SAP's cloud transition program:** RISE with SAP, a commercial package launched in 1Q21, accounted for 71% of SAP S/4HANA sales deals signed in 3Q23, with 82% of those related to businesses with annual revenue of less than $5 billion. SAP released a new program in 1Q23, called GROW with SAP. It's focused on commercial packages tailored to SAP S/4HANA Cloud, public edition midsize prospects (turning RISE with SAP primarily as SAP S/4HANA Cloud, private edition deals).

More Detail

SAP S/4HANA is a set of foundational ERP applications that could be considered a natural upgrade from SAP ECC for many global and other large enterprises. However, as of 3Q23, Gartner estimates indicate that approximately 66% of SAP ECC clients had not licensed SAP S/4HANA. Gartner still sees little evidence that migrations to SAP S/4HANA are taking place at the rate needed to meet SAP's target to terminate mainstream maintenance support for ECC in 2027. After this date, SAP will continue to offer extended maintenance until the end of 2030. However, to opt into this, there will be a 2% premium for software support fees, and will only be allowed for customers that are under one of the latest three published versions of the ECC EHP Packages (EHP6 to EHP8).

The data in this research reflects SAP's 3Q23 earnings announcements and derived Gartner estimates (see Figure 1 and Table 1). [1]

Figure 1: SAP S/4HANA Adoption Rates

SAP S/4HANA Adoption Rates
Gartner Estimates: Migration Status of Existing SAP ECC Customers
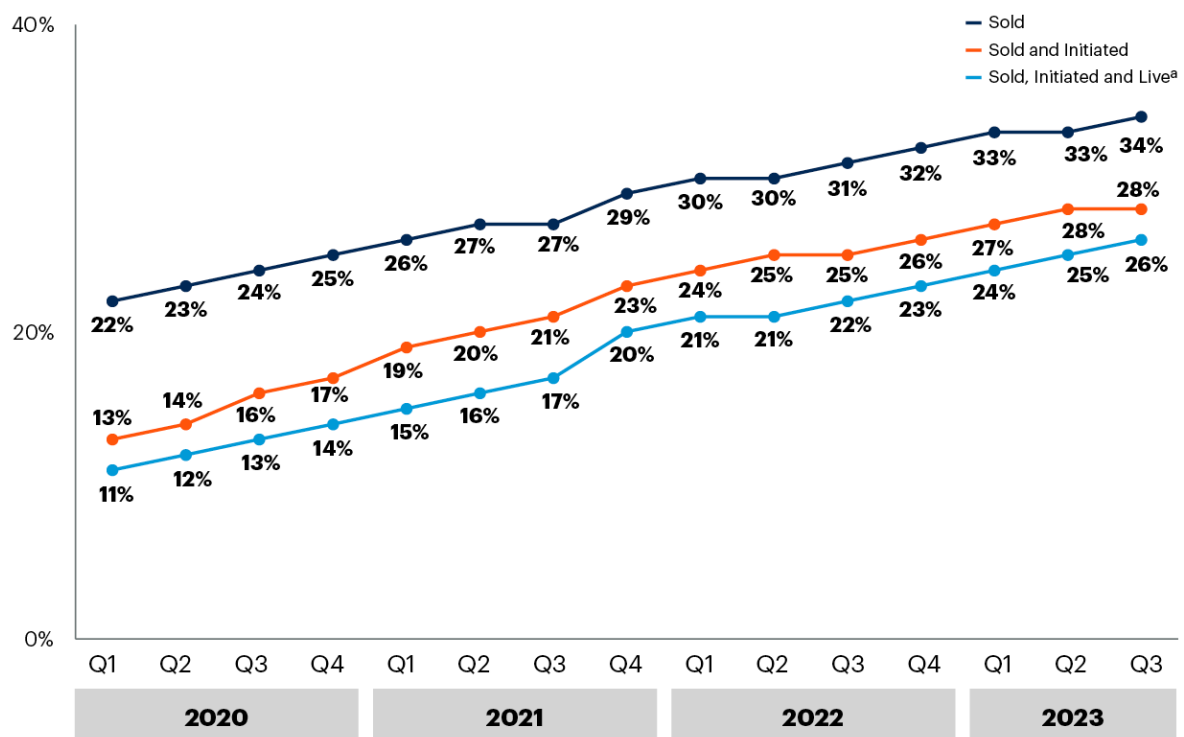
Source: Gartner (October 2023)
Note: Percentages are of the estimated total number of SAP ECC customers
[a]At least one component live
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Gartner (October 2023)

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Table 1: Total Existing and Net New SAP S4/HANA Customers

(Enlarged table in Appendix)

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Sold	14,100	14,600	15,100	16,000	16,400	17,000	17,500	18,800	19,300	19,950	20,430	21,230	21,760	22,390	23,105
Sold and Initiated	8,000	9,000	10,100	11,000	12,100	12,800	14,100	15,400	15,900	16,550	17,030	17,830	18,360	18,990	19,705
Sold, Initiated and Live*	6,700	7,400	8,100	8,700	9,600	10,100	11,400	13,100	13,900	14,500	15,280	16,250	17,000	17,560	18,280
* At least one component live															

Source: Gartner (December 2023)

SAP's current go-to-market strategy embraces cloud delivery of S/4HANA for customers; however, SAP will continue to provide the array of options that most of the complex, global companies require. RISE with SAP is the subscription commercial package for SAP S/4HANA Cloud services (for both private and Public Cloud Editions) targeting the SAP ECC installed base, launched in January 2021. It combines the following into one program:

- Licenses

- Maintenance

- Cloud infrastructure hosting and management

- Technical management services

- Other tools and SAP Business Technology Platform (BTP) consumption credits

In addition to RISE with SAP, in March 2023, SAP released its GROW with SAP program, which is focused on clients interested in SAP S/4HANA Cloud, public edition offerings, specifically net new midsize organizations in a predefined set of industries. Like RISE with SAP, this commercial bundle includes SaaS licenses, BTP consumption credits and accelerated adoption assets. As of the release of this research, there is a stronger functional focus of those assets in preconfigured (packaged activation services) solutions focused in finance capabilities.

As of 3Q23, Gartner estimates that, since its inception in the market, SAP S/4HANA Cloud, public edition, has been adopted by slightly more than 1,300 customers.

Figure 2 shows the evolution of the adoption figures for RISE with SAP versus SAP S/4HANA from 2021 to 2023.

Figure 2: S/4HANA and RISE With SAP Quarterly Figures

S/4HANA and RISE With SAP Quarterly Figures
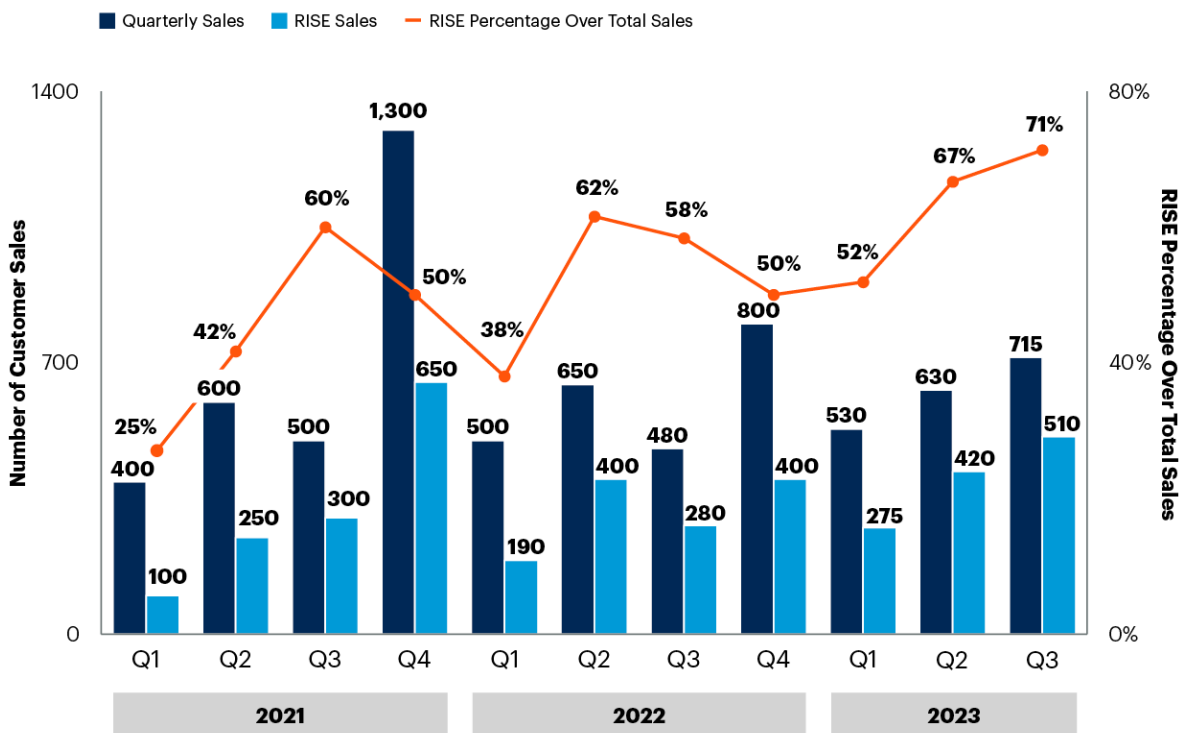
Source: Gartner
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Recommendations

As a CIO at an organization considering migrating to SAP S/4HANA, you should:

- **Review your broader ERP strategy:** SAP S/4HANA is the successor to SAP ECC; however, no single approach justifies its adoption by everyone. CIOs need to focus on actions that will accelerate analysis of the suitability of an SAP S/4HANA migration for their broader ERP strategies. If you need to make a thorough business case, you may require external support. You will also need engagement from your own organization, including business stakeholders, to make it work.

- **Assess your options:** Use the charts in this research to help you design an SAP S/4HANA adoption strategy. Many SAP ECC customers have not yet made a final decision about S/4HANA, but most are evaluating their options. It is acceptable to decide that you will not adopt S/4HANA, or that you will opt for partial adoption or even third-party support, as long as you define your next steps (for more see What Are My ERP Sourcing Options as Support for SAP ECC Ends?). Consider the implications of moving your ERP applications from an owned model to a consumption-based SaaS model to help ensure alignment with your business goals. On-premises licensing options should continue to be available, in addition to the RISE with SAP and GROW with SAP offerings.

- **Avoid shortcuts:** Time is running out for organizations planning to move to SAP S/4HANA. Not every organization will complete its migration before the announced end-of-life support date for SAP ECC. The more complex your environment, the more likely it is that migration will be a multiyear journey, and will require more resources — from your organization and from an implementation partner. Resist the temptation to cut the planning process short. Consider the wider implications of moving forward to stay in step with the end-of-life target dates.

Evidence

[1] SAP Quarterly Statement Q3 2023 (PDF), SAP.

Document Revision History

Quick Answer: What Is the Level of Adoption of SAP S/4HANA in 2Q23? - 4 October 2023

Quick Answer: What Is the Level of Adoption of SAP S/4HANA in 1Q23? - 11 July 2023

Quick Answer: What Is the Level of Adoption of SAP S/4HANA in 4Q22? - 23 March 2023

Quick Answer: What Is the Level of Adoption of SAP S/4HANA in 3Q22? - 2 December 2022

Quick Answer: What Is the Level of Adoption of SAP S/4HANA? - 15 September 2022

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Vendor Rating: SAP

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Critical Capabilities for Cloud ERP for Product-Centric Enterprises

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Table 1: Total Existing and Net New SAP S4/HANA Customers

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Source: Gartner (December 2023)