

The time is now: Prepare for S4

Consumer goods companies need a
well-planned S/4HANA roadmap

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The world was a different place in 1992— the last time SAP updated its enterprise resource planning.

S/4HANA is coming to the consumer packaged goods (CPG) sector. As CPG firms contemplate the journey toward this next-generation SAP environment, informed executives appreciate the enterprise-class nature of this transformation. Most also recognize the need for careful planning, expertise, and a clear SAP-oriented roadmap.

Benefits to CPG companies

By adopting a logical, strategic approach to S/4HANA/S/4HANA deployment, CPG companies can realize a number of significant benefits. A well-planned S/4HANA implementation can help them:

- Simulate financial close at any time, and take corrective action earlier.
- Increase productivity, with shortened period-end close.
- Shorten planning cycles: Real-time “what if?” analysis support faster replenishment. Faster material requirements planning (MRP) runs reduce inventory on hand.
- Use personnel better, with role-based versus transactional navigation and a common user interface across devices.
- Improve and accelerate end-to-end financial closing and forecasting.
- Use more powerful data capabilities to streamline and strengthen sales order and purchase order entry.
- Accelerate data transfer and access—supporting smarter and faster CPG operations and more intelligent business innovation.
- Streamline the analysis of open sales orders, driving better cash management.
- Speed purchase price simulations for improved gross margins.
- Accelerate MRP runtimes, reducing inventory levels and strengthening control of the supply chain.
- Leverage data tiering and only-live data in memory to significantly reduce HANA costs, enabling greater efficiencies in platform maintenance, support, and other activities.
- Improve processing and analytic performance, which translate into better service to retail customers, vendors, and other stakeholders.
- Consolidate data from heterogeneous systems at geographically dispersed production facilities.
- Reduce cost and greater efficiency across the CPG supply chain, freeing resources to focus on innovation and growth.

S/4HANA is coming for consumer goods organizations—and it will replace the current SAP platform.

Increased employee productivity

The last time SAP updated its foundational enterprise resource planning (ERP) environment—the 1992 introduction of a then-revolutionary R/3—the world was a different place. SAP was not yet a market-dominating software company, and ERP was yet to become a ubiquitous force in manufacturing. Analytics was in its infancy. Cloud-based efficiencies were unheard of.

Today, the introduction of S/4HANA, a true fourth-generation ERP solution, heralds major changes for consumer products firms. The original SAP HANA combined database and hardware infrastructure. It leveraged in-memory processing to deliver remarkable gains in data management and analytics.

Now organizations in CPG and other industries want more. The real value of S/4HANA is in the processing of business transactions with greater speed and efficiency. These benefits translate directly into increased employee productivity.

S/4HANA will replace the current SAP platform. To ensure full maintenance and support, all SAP ERP customers must eventually make the transition to S/4HANA. Waiting is not a workable option. To ensure optimum success for this critical transition, CPG firms need a solid understanding of the challenges to come, a clear roadmap forward, and a unique set of HANA-oriented skills and capabilities.

In this viewpoint paper, DXC Technology examines the requirements of S/4HANA and the benefits of addressing this migration in a phased and logical way.

Changing CPG landscape

The consumer sector continues to evolve: CPG firms face shifting consumer preferences, the consumer-driven requirement for a common experience across channels, declining margins, and greater operational, distribution, and business challenges.

To survive and succeed in the omni-channel environment—where consumers now shop and purchase in-store, online, and across multiple devices—companies must meet consumer expectations for more personalized and satisfying product experiences. At the same time, organizations must pursue leaner value chains, more effective business models, and cost and operational efficiencies.

For many organizations, the in-memory computing (IMC) capabilities developed by SAP—as realized in the SAP HANA platform—provide the clearest and fastest pathway to those needed gains. SAP HANA leverages advanced data compression techniques to store information in RAM, enabling performance that is 10,000 times faster than traditional disk-based systems.

Organizations can leverage in-memory computing to cache vast amounts of data constantly, ensuring extraordinarily fast search response times. IMC can be used to handle very complex event processing, and by storing session data more efficiently, IMC supports customized live sessions and better website performance.

With the 2012 introduction of SAP Business Suite on HANA, organizations could realize the positive benefits of integrated transactional and analytics processing. This development validated the use of IMC technology for a far broader spectrum of general-purpose corporate applications.

Now with the recent introduction of S/4HANA, CPG and other firms have a real opportunity to simplify key processes to better use their personnel, and to gain much-needed productivity.

To fully realize the promise of S/4HANA, however, organizations must first understand the capabilities and requirements of this complex platform. In this paper, DXC Technology examines those issues and offers a vision for how CPG firms can best implement and leverage this new SAP environment.

S/4 in Consumer Packaged Goods

S/4HANA leverages in-memory technology and other advances to accelerate key business processes and analytic capabilities. CPG organizations can deploy S/4HANA to better manage:

- Production and material requirement planning
- Accounting and financial close
- Asset planning, scheduling, operations, and maintenance
- Logistics
- Warehouse management
- Sales strategy
- Financial planning, analysis, and management reporting
- Customer service
- Cost, profitability, and financial planning and analysis

Preparing for 4th-Gen ERP

The reality for CPG firms and other organizations is that S/4HANA is coming—and it will replace the current SAP platform.

SAP Business Suite 4 SAP HANA, or SAP S/4HANA, is an entirely new product. This suite incorporates a new data model, new code lines, a modern user experience, and today's most advanced in-memory platform.

To realize the full advantages of a real-time platform, SAP has changed how its core ERP system operates. Financials, customer relationship management (CRM), product lifecycle management (PLM), and other components now share a common platform, which eliminates the need for data transfers between those elements.

While previous component additions have added complexity to the SAP environment, the more integrated S/4HANA approach is designed to provide a cleaner, simpler ERP environment.

S/4HANA introduces a greatly simplified data model, with no aggregates, redundancies, or indices. Because satellite applications no longer need their own instance, data volumes are reduced.

A pair of examples may illuminate crucial advantages of the S/4HANA platform.

Finance

The S/4HANA Simple Finance application provides robust new functionality, including the ability to run real-time “what if?” scenarios from a profit-and-loss (P&L) or balance sheet perspective. By gaining mid-month insights into key financial variables, CPG firms can address cost or revenue variations earlier in the financial cycle.

The SAP Simple Finance add-on provides universal journal entry, single chart of accounts, and soft close capabilities. In-memory transaction processing also can measurably shorten closing times. Greater processing efficiency enables resources to be shifted to more valuable activities—such as accelerating collection efforts or more closely analyzing inventory.

Planning

In today's fast-paced environment—where major retailers can and do require near instantaneous response to last-minute changes—CPG firms need more responsive and flexible material requirements planning systems. A simple date change for a canned vegetable promotion, for example, requires a massive data crunch to replan timing, sourcing, volumes, and other variables.

Because S/4HANA's in-memory computing does not require time-consuming database reads, CPG firms can run planning scenarios in near real time. Multiple MRP runs can take place, without slowing the entire ERP system. The SAP Simple Logistics component enables digital connectivity, streamlined data models, and KPI-driven process controls. So companies can better manage inventories, respond to major retailer requirements, and better meet the needs of all retail customers.

S/4HANA promises speed, simplification, and greater productivity. It replaces SAP's ECC platform so this transition is a given for many if not most CPG firms. Waiting means more costly and less reliable ERP support—so forward-looking companies should begin this journey now.

A good roadmap is essential for any successful HANA evolution.

Thoughts on the transition

DXC recommends that consumer product goods organizations consider several key variables when contemplating the transition to HANA or to S/4HANA.

SAP-oriented organizations must move to S/4HANA or face the inevitable challenges of higher maintenance expense and the eventual withdrawal of non-HANA maintenance support. It is also true the in-memory qualities of HANA deliver greater or lesser payback, depending on the type and volume of processed transactions.

A good roadmap is essential to any successful HANA evolution.

All-inclusive S/4HANA migrations are possible when managed as a Greenfield/cutover deployment, but given the time and cost, few large enterprises are likely to adopt this approach. In addition, the full functionality of S/4HANA is being phased in over the next two years, which in the interim will require customers to adopt a hybrid solution.

The more logical pathway, for many CPG enterprises, is to move to SAP Business Suite on HANA, and then move to S/4HANA. To migrate to HANA, the organization must be on ECC 6.0, Enhancement Pack 7, and must be on HANA before any move to S/4HANA.

In any case, timing and strategy are important. According to SAP, S/4HANA reduces database table size and hardware requirements by 20 percent—but those are future gains. The challenge for many organizations is: How to achieve those promised gains, and how to accelerate return on investment (ROI) during the entire HANA journey.

A HANA-related implementation is costly. Some organizations will want an on-premise solution. Many, though, will prefer the economic advantages of locating S/4HANA in a cloud-computing or an as-a-Service environment.

Finally, astute executives are evaluating this transition within the context of the larger forces now driving change in the consumer sector and other industries. What could be called the “digital enterprise” is emerging across five critical business areas:

1. Customer experience
2. Core business processes
3. Globalized supply chains
4. The extended workforce
5. Analytics, data, and connectivity

As CPG organizations consider digitization across those key areas of activity, most now recognize the need for an enterprise-wide digital strategy—one that addresses overall objectives, a core platform, infrastructure, and the talent needed to drive innovation and optimization.

To remain on SAP, CPG firms and other organizations must transition to S/4HANA.

Working with partners

Given the scope and complexity of any S/4HANA initiative and the mission-critical enterprise resources that system supports, forward-looking consumer industry executives recognize the unique challenges of this crucial deployment. As we have seen, an S/4HANA journey raises significant questions of cloud or on-premise delivery, Greenfield versus phased migration—and timing, cost, and return on investment.

Not surprisingly, most CPG firms want a value-based, strategic roadmap to guide their HANA-oriented evolution. Many now also recognize the importance of working with experienced partners during this important transition.

When evaluating potential partners, CPG companies may wish to consider allies with demonstrated experience in the consumer sector, SAP HANA and S/4HANA, and enterprise-class transformation projects. Proven expertise in applications services and infrastructure are also important, as is the ability to plan and execute in a converged systems environment.

For many CPG organizations, DXC can be that SAP HANA partner.

DXC has a unique heritage in the consumer sector. With its industry-leading platforms, partnerships, and a global scale, the company offers solutions designed to accelerate growth at the shelf. DXC also offers a full range of SAP solutions—including on-premise, cloud, and as-a-Service alternatives—and advice and road mapping for SAP journeys.

While others offer HANA-oriented hardware, DXC pioneered this space and has a 20-year collaboration as the SAP leading infrastructure provider. DXC continues to invest in infrastructure to support the SAP HANA evolution, and has thousands of joint SAP-DXC installations and 25,000 joint customers. DXC supports more than 1.8 million SAP users in more than 54 countries.

DXC enables CPG firms to securely migrate applications to the cloud, including SAP HANA and related solutions. The [HPE Helion] cloud is ideally suited to manage S/4HANA. The DXC proof-of-concept approach enables consumer goods firms to run SAP HANA-based applications in the cloud, without the need for capital investments. DXC also offers comprehensive transformation services for SAP HANA—including initial assessments, impact and financial analysis, migration, and rapid deployment solutions.

In fact, further strengthening the S/4HANA value proposition for consumer goods companies, DXC has partnered with SAP to offer SDAPE, a fully integrated, full-stack solution offered within an as-a-Service commercial framework. In doing so, we have brought together two of the world’s leading technology companies to accelerate your return on investment through transformation to the digital enterprise.

Bringing together the world’s leader in cloud infrastructure, applications, and transformation services and the world’s #1 leader in SAP Software Services to deliver the promise of S/4HANA

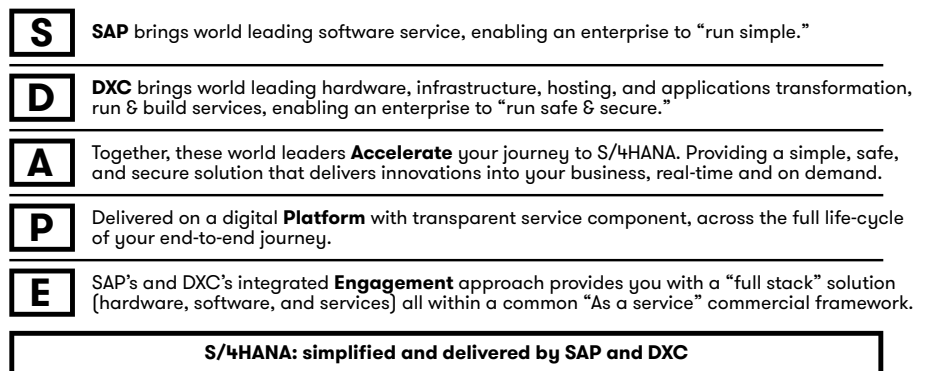


Figure 1. The SDAPE Value Proposition

Learn more at www.dxc.technology/consumer_packaged_goods

The S4 path forward

The S/4HANA evolution is well under way.

To remain on the SAP environment, consumer packaged goods firms and other organizations must make the transition to S/4HANA. Delay is not a viable option. To ensure optimum maintenance and support, consumer-oriented companies should act soon.

Successful transitions will start with a clear understanding of S/4HANA challenges and opportunities. They will be guided by careful planning and a logical roadmap—propelled by expertise in the consumer sector, SAP HANA, and the demands of enterprise-class transformation.

About DXC

DXC Technology (NYSE: DXC) is the world’s leading independent, end-to-end IT services company, helping clients harness the power of innovation to thrive on change. Created by the merger of CSC and the Enterprise Services business of Hewlett Packard Enterprise, DXC Technology serves nearly 6,000 private and public sector clients across 70 countries. The company’s technology independence, global talent and extensive partner alliance combine to deliver powerful next-generation IT services and solutions. DXC Technology is recognized among the best corporate citizens globally. For more information, visit www.dxc.technology