

# Optimizing Your SAP Licenses: Understanding the New Landscape and How to Save Costs



## Introduction

SAP licensing has traditionally been a complex process, involving various models based on the type of usage and access levels required by different users within an organization. Licenses are essentially legal agreements that allow users and systems to access SAP software according to specific terms.

SAP licensing models have evolved significantly, especially with the introduction of cloud-based solutions, bringing new ways to measure and optimize usage, but also new challenges.

Within this BLOG, BR1GHT will take you through the theory on the measurement and management of licensing, facts and limitations, a particular/specific SAP example and we will end up what you can do yourself and how BR1GHT can help you.

Note: This document is not intended to be complete. BR1GHT interpreted SAP Note 3113382 for STAR analysis and the rulebook and are based on the information available to us., BR1GHT doesn't guarantee on these statements as the license structure is changed frequently and company specific agreements can be made.

## How Is It Managed and Measured in R/3 ECC?

In traditional SAP R/3 ECC environments, license management and measurement are typically handled using the License Administration Workbench (LAW) tool. LAW consolidates license measurement data from multiple systems and provides an overview of your organization's compliance status. The measurement process involves:

- **User Classification:** Each user is assigned a classification based on their role, such as Professional, Developer, or Limited Professional. Misclassifications can lead to either overpaying for underutilized licenses or facing compliance risks due to underreporting.
- **Indirect Access Measurement:** Indirect access occurs when non-SAP systems access SAP data, which can lead to hidden licensing costs if not properly managed.
- **Annual Audits:** SAP requires an annual submission of license usage reports, which can trigger costly true-up scenarios if actual usage exceeds the agreed license terms.

## How Will It Be Measured in S/4HANA and Later in RISE? What Will Be the Difference?

With the move to SAP S/4HANA and cloud-based solutions like RISE with SAP, the licensing model is becoming more dynamic, reflecting the shift towards subscription-based models rather than perpetual licenses. Key changes include:

- **Digital Access Licensing:** Digital access is now measured by the number of documents created by third-party applications accessing SAP data. This shift emphasizes the need for businesses to monitor and optimize not just direct user access but also the indirect access of connected systems.
- **RISE with SAP Model:** RISE is a comprehensive offering that bundles software, infrastructure, and support into a single subscription. It simplifies the procurement process but introduces a more stringent approach to license management, focusing on "can use" rather than "did use".
- **Simplified User Types:** SAP has streamlined user types to reduce complexity, but this also means that users who previously had minimal access may now fall into a broader category, potentially increasing costs if not optimized properly.

## SAP's Licensing Shift: Navigating the Push to RISE

SAP is actively encouraging its customers to transition from their existing on-premises systems, like ECC and S/4HANA, to its cloud-based RISE with SAP model. This shift represents more than just a change in technology—it's a transformation in how SAP licenses are structured, procured, and managed. Understanding these changes is crucial for businesses looking to optimize costs and navigate SAP's evolving ecosystem.

## Comparison of Licensing Options: SAP ECC vs. S/4HANA vs. RISE with SAP

The table below summarizes the key differences in licensing options when moving to the cloud from traditional SAP ECC and on-premises S/4HANA instances.

Customers on SAP ECC	Customers on SAP S/4 HANA (On-prem)
<ul style="list-style-type: none"> <li>• New RISE licenses need to be procured.</li> <li>• Existing contracts will be canceled, ending their Annual Maintenance Contract (AMC).</li> <li>• Customers can receive a percentage discount on RISE as a "Transformation Incentive."</li> <li>• Discounts are based on factors like usage, good-standing contracts, etc.</li> <li>• Taking new licenses under RISE can be challenging, often defaulting to list pricing.</li> </ul>	<ul style="list-style-type: none"> <li>• Can continue using on-premises S/4HANA.               <ul style="list-style-type: none"> <li>- Moving to RISE can unlock extra transformation incentives.</li> <li>- No mandatory migration required before 2030.</li> </ul> </li> <li>• Lift and shift to RISE is relatively easy, allowing a smoother transition.</li> <li>• Additional licenses (e.g., Ariba) may be required if staying on-premises.</li> </ul>

## Why Should You Optimize Licenses?

Optimizing SAP licenses is crucial for several reasons:

1. **Cost Efficiency:** By accurately aligning user roles with the correct license types, organizations can avoid paying for licenses they don't need or overpaying for higher-tier licenses that aren't fully utilized.
2. **Compliance and Risk Management:** Properly managed licenses ensure compliance with SAP's auditing requirements, reducing the risk of unexpected fines or compliance issues.
3. **Future-Proofing Investments:** As SAP continues to evolve, staying ahead of licensing changes allows businesses to adapt quickly and take advantage of cost-saving opportunities.

## Facts and Limitations

The current SAP licensing and evaluation process faces numerous challenges that can significantly impact cost-efficiency and compliance. Key limitations and facts include:

- **No Consolidated Role/User Evaluation:** There is no unified approach to assessing roles and user access across the system, resulting in a fragmented view that complicates license management.
- **Evaluations Based on Estimates:** Licensing assessments often rely on guesswork rather than concrete data, heavily depending on the high-level expertise of security teams. For instance, License Administration Workbench (LAW) reports submitted to SAP are frequently based on assumptions rather than thorough audits, leading to inaccuracies.
- **Licensing Categorization Not Based on Usage:** License assignment is often determined by roles assigned to users rather than their actual system usage. This approach can result in over-licensing or incorrect categorization of user roles, driving up costs unnecessarily.
- **Lack of Usage Correlation and Cleanup:** There is little to no connection between license evaluations and real usage details, making it challenging to identify unused or redundant roles. This absence of regular cleanup can lead to inefficiencies and inflated licensing costs.
- **Limited Automated Response Capabilities:** The system lacks robust automated tools to adjust, reassign, or clean up licenses based on evolving needs. This gap forces organizations into manual, reactive management that is time-consuming and error-prone.
- **Absence of Ready-to-Use Analytics:** Pre-built analytics and insights that could guide decision-making are often unavailable, making it difficult to analyze and respond promptly to licensing challenges.
- **No Trade-In Options for New Licenses:** Organizations need to be strategic when purchasing new licenses because SAP typically does not offer trade-in options. This limitation necessitates careful planning to avoid excess or mismatched licenses.
- **Importance of Periodic Reviews:** Regular review and re-categorization of authorizations are essential to ensure that licenses are correctly categorized based on current user needs and usage patterns. This ongoing process helps maintain compliance and optimize license spending.

These limitations and facts underscore the necessity for a more structured, data-driven approach to SAP license management. By implementing regular audits, leveraging accurate data, and utilizing advanced tools, organizations can better optimize costs, align licenses with actual usage, and make informed purchasing decisions.

## Understanding SAP License Types and FUE Calculation

SAP offers a range of license types, each designed to meet different user needs and access levels. The licenses typically fall into four categories:

1. Professional/Advanced Licenses: Intended for high-level users who require extensive access to SAP's functionalities, including developers and advanced users. These licenses are the most costly due to the broad and in-depth system access they provide.
2. Functional/Core Licenses: Designed for users who need access to core functionalities within specific modules or business processes. These licenses are less expensive than Professional licenses but more costly than Productivity licenses.
3. Productive/Self-Service Licenses: Tailored for users performing basic tasks or self-service activities. These are the least expensive licenses, suitable for users with minimal system interaction.
4. SAP Developer Licenses: Specifically for developers who need extensive access for system customization and development.

### FUE Calculation (Functional User Equivalent):

The Functional User Equivalent (FUE) is a metric used to standardize and compare the cost and impact of different types of SAP licenses. It provides a common basis for understanding how various license types translate into a unified cost measure.

Here's how the FUE is calculated:

- SAP Developer User: Each Developer User counts as 0.5 FUE.
- S/4 HANA for Advanced Use: Each advanced user counts as 1 FUE.
- S/4 HANA for Core Use: Each core user counts as 1/3 and in some cases 1/5 FUE.
- S/4 HANA for Self-Service Use: Each self-service user counts as 1/30 FUE.

Example Calculation:

For a scenario with:

- 30 Professional Users (each counted as 30 FUE) –  $30/1 = 30$
- 25 Functional Users (each counted as 5 FUE) –  $25 / 5 = 5$
- 300 Productivity Users (each counted as 10 FUE) –  $300 / 30 = 10$

So the total UE = 45.

### Example: Old vs. New Licensing Model and Its Impact

The following discussion illustrates the impact of the transition from the old to the new SAP licensing model, referencing SAP Note S/4HANA Trusted Authorization Review (STAR) - SAP Note 3113382 (in

Given the following table:

Module	Auth. Object		Activity		License Category
Materials Management	M_BEST_EKO	Purchasing Organization in Purchase Order	75	Remove	HC Functional
			01	Create	HD Productivity
Finance	F_BKPF_BUK	Accounting Document: Authorization for Company Codes	22	Enter, Include, Assign	HB Professional
			06	Delete	HC Functional
			01	Create	HD Productivity
Sales and Distribution	V_VBRK_VKO	Billing: Authorization for Sales Organizations	01	Create	HC Functional
			02	Change	HD Productivity

in the table three single roles are outlined. What you see is that not the transaction itself leads to license category but the specific activity within the transaction. So will reduce the "75" activity the MM role from a more expensive HC functional license to a cheaper HD productivity

This is also the case for the finance role to remove the 22 activity, the role will be reduced to a HC functional license in stead of the more expensive HB professional license.

### Right-Sizing Your User Licenses

To optimize SAP licensing costs, consider the following strategies:

1. **Conduct a User Audit:** Start by reviewing your current user base and their activities to identify any discrepancies or inefficiencies in license allocation.
2. **Adjust User Classification:** Reassess and categorize users according to their actual needs and activities. This helps in aligning license types with user requirements, ensuring that licenses are not over-provisioned.
3. **Implement Role-Based Access:** Adopt a role-based access model to streamline permissions and reduce unnecessary license usage. This approach ensures that users have access only to the functions they need.

#### Managing Indirect Access

1. **Review Interfaces and Integrations:** Examine your SAP system's interfaces and integrations to identify and address any indirect access issues that could lead to unexpected costs.
2. **Negotiate Terms for Indirect Access:** Work with SAP to establish favorable terms for indirect access, potentially securing better pricing or terms that reflect your actual usage.

#### Negotiating with SAP

1. **Negotiate Terms and Conditions:** Engage in negotiations to secure better terms and conditions tailored to your specific needs and usage patterns.
2. **Less relevant, but can be an option: Leverage Competitive Quotes:** Use competitive quotes from other vendors to strengthen your negotiating position with SAP, aiming for more advantageous pricing or terms.

### Assessing Current Module Usage

1. **Deactivate Unused Modules:** Review and deactivate any modules that are no longer in use, reducing unnecessary licensing costs.
2. **Consolidate Modules:** Consider consolidating modules to streamline operations and potentially lower costs by focusing on essential functionalities.
3. **Optimize Module Utilization:** Regularly assess and optimize module usage to ensure you are fully leveraging the capabilities you are paying for.

### Evaluating Cloud and Subscription Models

1. **Align Subscriptions with Actual Usage:** Review your cloud and subscription models to ensure they match your actual usage patterns, adjusting as necessary to avoid overpayment.
2. **Adopt Subscription Models:** Explore subscription-based models that offer flexibility and scalability, which can be more cost-effective compared to traditional licensing approaches.

By implementing these strategies, you can better manage SAP licensing costs, ensuring that your expenditures align with your actual needs and usage.

## Why Redesigning Authorizations Could Be the Key to Success

Redesigning authorizations is not just about limiting access to sensitive data or complying with regulations like GDPR; it's also about optimizing the "need to pay" aspect. By focusing on access based on "need to know" and "need to have," businesses can ensure that they are not only compliant but also cost-effective.

### Key Benefits of Redesigning Authorizations:

- **Cost Reduction:** By optimizing roles, businesses can significantly reduce unnecessary license costs.
- **Enhanced Security:** Reducing excessive access minimizes the risk of unauthorized actions and potential breaches.
- **Regulatory Compliance:** Properly designed authorizations help meet regulatory requirements and minimize the risk of compliance violations.

### Best Practices for Effective SAP License Management

- **Regularly Review and Adjust Licensing Needs:** Align licenses with changing business requirements and user activity.
- **Keep Track of SAP Updates and Licensing Policy Changes:** Stay informed to ensure compliance and explore cost-saving opportunities.
- **Invest in License Management Tools:** Use tools to gain insights and automate tracking and optimization.
- **Maintain Open Communication with SAP Representatives:** Address concerns, negotiate terms, and stay updated on best practices and trends.

## What BR1GHT Can Do for You

At BR1GHT, we specialize in helping businesses navigate the complexities of SAP licensing and authorizations. Our tailored services include:

- **Baseline Measurement (pre audit) and audit support:** We can conduct an initial assessment of your current license usage, identifying risks and opportunities for optimization. We can also help you in the process of an license audit.
- **SAP License Optimization:** Our experts help you align your licensing strategy with the latest SAP models, ensuring cost efficiency and compliance.
- **SAP License by Design:** integrate license control into the authorization role design & user access provisioning'
- **SAP Redesign:** We offer comprehensive redesign services, optimizing your SAP environment to meet business needs while controlling costs. BR1GHT applies the need-to-pay-concept which classifies roles based on license types.
- **Periodic Support:** Our ongoing support services ensure that your license management processes remain optimized, helping you stay ahead of audits and changes.