

SAP Outsourcing for Mid-Market Companies:

A Comparison of Three Leading Providers

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1. Ask a Lot From Your SAP Outsourcer

Do you run your business on SAP? If so, you know that the application must be available 7x24, your data must be secure, the application needs to grow and change with your organization, and you want someone to respond quickly when you have an issue or a question.

Therefore the decision to select an outsourcer goes far beyond finding a data center. You should expect not only reliable hosting, but also expert systems administration, continuous monitoring, a wide range of application services, deep expertise in both SAP software and business issues, and a partner with a proven track record serving your type of company.

If you make the right choice, an SAP outsourcer can offload a lot of work and relieve you from many headaches. But you need to know the questions to ask.

Our goal is to help you understand what makes an outstanding SAP outsourcing provider. In this white paper we will:

- Describe the characteristics of an outstanding SAP outsourcing company in four key areas:
 - Data center management.
 - Application monitoring.
 - SAP application services.
 - The client-outsourcer relationship.

- Review additional success factors for SAP outsourcing.
- Compare three leading SAP outsourcing service providers against each other,
- Provide you with a checklist: "What to Ask Your SAP Outsourcing Company"

If you run your business on SAP, you should ask a lot from your SAP outsourcer. This white paper will help you do that.

2. Four Elements of Outstanding SAP Outsourcing

The first time organizations look at hosting or finding an outsourcing company, they tend to focus on data center management. But these organizations quickly learn that they need to look at a bigger picture.

Experienced organizations have found that they need to evaluate outsourcing companies based on how well they monitor applications, how fast they react to performance and security issues, how they help implement, integrate and enhance the solution, how well they can support industry-specific requirements, and what kind of processes they have in place to work together with clients.

While this sounds complex, the good news is that the best outsourcers can take a tremendous burden off your IT organization, leaving you much more time to focus on business issues.

Data center management

Competent data center management is "table stakes" for any hosting or outsourcing company. Yet the level of resources and professionalism can vary surprisingly, so organizations do need to perform due diligence in this area.

A top-flight SAP hosting facility should provide not only 24x7, three-shift operations, but also 24x7 server monitoring and 24x7 onsite security guards.

To ensure continuous operations, state-of-the-art facilities should provide not only redundant server hardware, but also stand-by replacement hardware, redundant storage networks, redundant telecommunications connections, redundant emergency power generators, redundant air conditioning, and advanced fire protection systems.

For backup and disaster recovery purposes, the outsourcer should offer data replication between independent data centers, as well as fire-protected data safes and off-site tape storage.

Of course, reliable hosting depends on people and processes as well as hardware. Hosting and outsourcing companies should commit to bottom-line results by providing Service Level Agreements (SLAs) and penalties for failing to meet them. Clients should look for SLAs covering availability (e.g. 99.0% or 99.5% uptime), system response times (e.g. <2 seconds or <1 second) and service desk response time (e.g. 30 minutes for Priority 1 issues and 24 hours for low-priority questions).

Hosting companies should also be able to pass SAS 70 Type II audits at a minimum.

The tables in Section 4 of this white paper show how itelligence and two other outsourcing companies rate on these criteria.

Monitoring and incident response

Complex software products in dynamic environments are inevitably subject to performance bottlenecks, and require hardware tuning and software patching.

With outsourcing you don't have to deal with these problems yourself. But you want to make sure your outsourcing company is prepared to respond to these issues quickly and effectively. To ensure high uptime, an outstanding SAP outsourcer will monitor customers' servers, operating systems, databases and SAP application software, all on a 24x7 basis. The company should also perform security-related monitoring, including tracking the state of defenses like firewalls and intrusion-detection systems, and watching for security events.

SAP application services

An outsourcing company needs to be able to help you through all phases of the SAP lifecycle, including:

- Implementation.
- Integration with other SAP and non-SAP applications.
- Application updates, including patches, releases and upgrades.
- Application support and error correction.
- Application enhancements, including feature enhancements and customized reporting.
- Application optimization, including improved configuration and process improvements.

In this area there is no substitute for experience. For example, some SAP outsourcing companies can point to successful examples of deploying and integrating:

- SAP-certified industry solutions for wholesale companies, consumer package goods firms, manufacturers, chemical companies, technology companies and others.
- Cross-industry solutions like archiving and document management, fax, email, EDI and EAI solutions, SAP CRM, SAP Business ByDesign and SAP BusinessObjects Edge BI.
- Third-party technologies like Citrix terminal services and mobile devices (iPhones, iPads and Blackberry devices).

You should look particularly hard at this kind of experience, because it has a major impact on how quickly you can generate a return on your SAP investment.

The client-outsourcer relationship

Prospective clients sometimes assume that all outsourcing companies are equally good at working with clients. Yet many technically capable firms don't have the processes or the attitude to make a good partner. Others work hard during implementation, but don't devote enough resources over the long term to handle ongoing tuning and enhancement.

Outsourcing firms should have:

- Well-defined processes for assessing client environments and application needs.
- Dedicated local account teams that stay with the client from implementation through ongoing support and enhancement.
- Account team leaders with business as well as technical skills.

In fact, the outsourcer's track record working with clients may make the biggest difference between satisfaction and frustration.

3. Additional Success Factors for SAP Outsourcing

The four topics discussed above are central considerations for all SAP outsourcing clients. But depending on your circumstances, additional factors that may be critical for your success. Some of these are summarized in Table 1.

| If you: | You want the outsourcer to have: | So you can benefit from: |
|---|---|--|
| Run your business on SAP | An SAP focus and deep relationship with SAP | <ul style="list-style-type: none"> • More SAP expertise. • A total commitment to success of SAP customers. • Faster access to SAP software and support information. |
| Have a lean IT organization. | A mid-market focus | <ul style="list-style-type: none"> • An understanding of the staffing and resource constraints of mid-market companies. |
| Have operations on more than one continent. | Global reach | <ul style="list-style-type: none"> • Better support of users outside of North America. |
| Need high availability and fast response times. | Service level agreements (SLAs) | <ul style="list-style-type: none"> • Commitments backed up by metrics and penalties. |
| Need SAP solutions beyond basic ERP. | SAP certifications, industry partnerships and technology partnerships | <ul style="list-style-type: none"> • Increased ability to implement <ul style="list-style-type: none"> ◦ SAP add-ons (fax, email, EDI, document management, etc.). ◦ SAP vertical industry solutions (automotive, high tech, etc.). ◦ SAP cross-industry solutions (CRM, Human Capital Management, Business Process Management, Business Intelligence, etc.). |
| Are growing and changing. | A full range of SAP support and hosting options | <ul style="list-style-type: none"> • Options to change between outsourcing, remote administration, and basic monitoring services, and to utilize different services in different business units. |
| Need new technologies. | Cloud and virtualization expertise | <ul style="list-style-type: none"> • Tailored services, at lower cost, with better security. |

4. Comparing Leading SAP Outsourcing Companies

Three outsourcing companies and a composite

Based on the criteria discussed in the previous sections of the white paper, we will now compare three leading SAP outsourcing companies.

Note: Unless specifically foot-noted, all information in this white paper is from the company web sites or from documents downloaded from the company web sites. Care has been taken not to overlook information available on these web sites and other public sources. However, it is possible that the companies may have attributes or services that have not been published or announced on their web site.

itelligence

itelligence is a leading full-service provider of a broad range of consulting and customer support services to maximize SAP solutions, including implementations, application support, and hosting. Headquartered in Bielefeld, Germany, with US headquarters in Cincinnati, Ohio, it has 2,500 em-

ployees in 19 countries. Seven data centers and five support centers are distributed across North America, Europe and Asia. Revenues in 2010 totaled over \$360 million (€272 million). itelligence supports over 450 customers worldwide, including 220+ clients of SAP outsourcing services with 63,000 SAP users.

Competitor A

Competitor A provides SAP hosting, Oracle hosting, eCommerce hosting, private cloud computing, and other hosting services for large enterprises and middle-market companies. Headquartered in Southfield, Michigan, it has data centers in Michigan and Arizona. Competitor A has 150 employees (as of July 2010), and the total customer base exceeds 150 customers. Revenue in 2009 was \$16.9 million.ⁱ

Competitor B

Competitor B provides consulting, hosting and support services for SAP, MES (Manufacturing Execution Systems) with the Adicom® Software Suite. The company has 550 employees and 8 data centers at 16 locations in Europe, North America and Asia. Headquarters in is Weinheim, Germany, with US headquarters in Raleigh-Durham, North Carolina.

Comparison on the four key elements

The table below shows how itelligence, Competitor A, and Competitor B compare on the four key criteria discussed earlier. The information in the table is based on data found on the companies' web sites and other public sources.

| Area | itelligence | Competitor A | Competitor B |
|------------------------------|--|--|---|
| Data Center Management | 7 data centers in North America, Europe and Asia 24x7 three-shift operations Redundant servers, storage, telecom, emergency power and air conditioning. Standby replacement hardware Fire-protected data safes and off-site tape backup SaS 70 Type II audits | 4 data centers in North America 24x7 three-shift operations Redundant servers, storage, telecom, emergency power and air conditioning. SaS 70 Type II audits FFIEC audits ISO 27001 and ISO 27002 certification | 8 data centers in North America, Europe and Asia 24x7 three-shift operations Redundant servers, storage, telecom, emergency power and air conditioning. SaS 70 Type II audits ISO 27001 certification ISO 9001 certification |
| Monitoring and System Admin. | 24x7 monitoring of servers, operating systems, databases and applications. | 24x7 monitoring of servers, operating systems, databases and applications | 24x7 monitoring of servers, operating systems, databases and applications |
| SAP Application Services | Implementation Incident management and resolution End user support Enhancement Optimization Education | Implementation Incident management and resolution End user support Enhancement Optimization | Implementation Incident management and resolution End user support Enhancement Optimization Education |
| Collaboration with Clients | Dedicated full-time employee team for each client 100% contract renewal in 2010 | | |

ⁱ Employees reported in MLive.com, July 9, 2010. Revenues in 2009 from INC 500 2010 report, September 2010.

Comparison on additional factors

The table below shows how itelligence, Competitor A, and Competitor B compare on the additional criteria discussed earlier. The information in the table is based on data found on the companies' web sites and other public sources.

| Factor | itelligence | Competitor A | Competitor B |
|---------------------------------|---|----------------------------------|--|
| Solutions supported | SAP (all solutions) | SAP, Oracle, eCommerce (various) | SAP, MEMS, Adicom® |
| SAP relationships | SAP Channel Partner Gold SAP Hosting Partner — Global SAP Services Partner — Global SAP Support Partner — Global SAP Go4Gold Partner (Business Objects) | SAP Hosting Partner — Americas | SAP Hosting Partner — Global |
| SAP Pinnacle Awards | Winner SME Global Volume Partner of the Year (2010) Winner, SME Channel Partner — North America (2009) Winner, SME Global Top Volume Reseller (2009) Winner, SME Channel Partner — EMEA (2007, 2008) | Finalist — Hosting (2010) | Finalist — SME Channel Partner (2008, 2009) |
| Customer focus | Mid-market and large enterprise | Mid-market and Fortune 500 | Mid-market |
| Global reach | North America, Europe, Asia | North America | North America, Europe, Asia |
| Service level agreements (SLAs) | Service level agreements (SLAs) System availability — 99.5% System response time < 1 second Service desk response time — 30 minutes to 4 hours, depending on severity. Zero SLA breaches in 2010 | "Detailed" SLAs | System availability — 99.5% |
| SAP certifications | SAP Hosting Services SAP Cloud Services (in process) SAP Application Management Services SAP NetWeaver Run SAP methodology | SAP Cloud Services | SAP Hosting Services SAP Cloud Services SAP Application Management Services |
| SAP technology initiatives | SAP "Operation Quality" Initiative SAP Collaborative Business Initiative SAP BusinessObjects EPM SAP BusinessObjects Intelligence Platform SAP NetWeaver Partner Initiative SAP NetWeaver Application Server SAP NetWeaver IDM SAP NetWeaver Process Integration | SAP NetWeaver Application Server | SAP NetWeaver Portal SAP NetWeaver BI SAP NetWeaver Application Server BusinessObjects Intelligence BusinessObjects Planning Solutions |

| Factor | itelligence | Competitor A | Competitor B |
|--|---|---|---|
| Integrations | <ul style="list-style-type: none"> EDI and EAI integration Citrix terminal server Lotus Notes integration iPhone and iPad integration BlackBerry integration Adobe integration | | <ul style="list-style-type: none"> EDI integration |
| SAP industry partnerships | <ul style="list-style-type: none"> SAP Business Process Management SAP CRM SAP Financials SAP Human Capital Management SAP ERP Upgrade SAP Automotive SAP Consumer packaged goods SAP Chemical SAP Machinery, High Tech & Electronics SAP Supply Chain Management SAP for Trade SAP PLM | | <ul style="list-style-type: none"> SAP CRM SAP Financials SAP Automotive Asset Inventory System SAP for Trade SAP Supply Chain Management |
| Range of SAP support and hosting options | <ul style="list-style-type: none"> Emergency basis service Basic monitoring Remote administration Full hosting and support Disaster recovery | <ul style="list-style-type: none"> Remote basis support Full hosting and support Disaster recovery | <ul style="list-style-type: none"> Emergency basis service Basic monitoring Remote administration Full hosting and support Disaster recovery |
| Cloud and virtualization expertise | Cloud and virtualization expertise | Cloud and virtualization expertise | Cloud and virtualization expertise |

5. Checklist: What to Ask Prospective SAP Outsourcing Companies

Data Center Management

- Do you have 24x7 three-shift operations in your data center?
- Do you have redundant servers? Storage? Network connections? Emergency power and air conditioning?
- Do you have standby replacement hardware?
- What options do you offer for off-site tape backup and disaster recovery?
- Have you passed SaS 70 Type II audits?

Monitoring and System Administration

- Do you have 24x7 monitoring of servers, operating systems, databases and applications?
- Do you have the Basis experience to respond to monitored incidents?

SAP Application Services

What services do you offer for SAP implementation? Incident management and resolution? End user support? Application enhancement? Application optimization?

Do you offer SAP education and training?

Collaboration with Clients

How many dedicated (full-time) personnel do you assign to each client? How many of these continue with the client after implementation is complete?

How will your account team interact with our team?

Focus

How much of your organization is dedicated to SAP support and hosting?

What percent of your customers are mid-market versus large enterprises?

Are all of your support centers in North America, or do you have them in Europe or Asia as well?

SLAs

What Service Level Agreements do you offer for uptime? System response time?

Service desk response times?

SAP Relationships

Are you an SAP Americas or Global partner? In what areas — hosting, services or support?

Have you been a finalist or a winner of any SAP Pinnacle awards?

What SAP certifications do you have?

Technology and industry solutions

What SAP technologies have you implemented at one or more customers: SAP CRM, BusinessObjects, HCM, PLM, NetWeaver, etc.?

What SAP vertical market solutions have you implemented at one or more customers: SAP automotive, consumer packaged goods, process manufacturing, trade and wholesale, etc.?

What technologies have you integrated with SAP: document management, EDI, iPhone and iPad, etc.?

Hosting options

What SAP support and hosting options do you offer: Emergency basis service?

Remote monitoring and administration? Full hosting and support? Disaster recovery?

>> “We don’t have a large IT department. We wanted to grow our capabilities without growing our IT staff, and itelligence offered the perfect solution... Whether a business needs SAP expertise for two days or two months, itelligence provides the same level of expertise and excellence throughout the entire length of the project. You get exactly what you need, when and where you need it.”

Dean Marino, director of IT for Cobra Electronics Corporation.

>> “Working with itelligence means gaining access to an experienced group of experts with a broad range of skill sets... itelligence is there to handle anything that comes up. It offers me peace of mind knowing that when I go home at night, the system will work for all subsidiaries across the globe... We selected itelligence as our hosting partner because they really do have solutions that are a good match for our needs, and they understand our niche market better than anyone else.”

Peter Scanlon, chief information officer, Hu-Friedy

>> “We were essentially looking for SAP to be a utility. We wanted SAP on our desktop, without having to invest in the hardware and human support required to sustain it... When we looked at itelligence we immediately saw that they were going to be a perfect support partner... They have quickly addressed every problem we’ve thrown at them.”

Mike Manning, chief technology officer of Polyglass USA

Conclusions

The quality of an SAP outsourcing relationship can have a major impact on the efficiency and nimbleness of a business. The outsourcer needs to bring far more than just competence managing data centers. It needs to bring a deep level of technical and business knowledge, as well as the processes and attitudes to work closely with clients.

And there is no need for outsourcing clients to settle for less.

This white paper is an attempt to educate potential clients on what to look for in an SAP outsourcing company.

The tables shown above indicate that the three outsourcing vendors discussed here are fairly similar in terms of data center management and monitoring capabilities.

However, compared to the other two, itelligence:

- Has a much deeper relationship with SAP.
- Has won many more SAP awards.
- Has more SAP certifications.
- Has much greater experience with SAP industry solutions, technology solutions, and special initiatives.

More About itelligence SAP Outsourcing

itelligence reduces the risks associated with running SAP systems and getting projects up and running quickly, so organizations can focus on running their business processes. The company supports the full SAP product footprint, offers predictable cost at a 30% savings versus on-premise hosting, and allows customers to pay only for the services they use. itelligence provides a unique one-stop shop for integrated application support and hosting, dedicated customer focus, and industry knowledge. To minimize risk for new customers, itelligence offers an unmatched three months of free implementation hosting and contracts with early termination options.

Other reasons to consider itelligence

Expertise on a budget: Access to a broad range of SAP application, database, operations and networking specialists, at less cost than hiring one jack-of-all-trades.

Global support: Presence in 23 countries and consistent, knowledgeable local SAP support across the globe.

Predictable costs: flexible pricing plans based on actual needs.

Peace of mind: guaranteed service level agreements, not one SLA breach in 15 years.

For More Information

Itelligence would be happy to answer additional questions, and better yet, to put people in touch with SAP outsourcing clients to hear about their experiences.

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