



April 2018

SAP ERP Pricing for the Digital Age

Addressing Indirect/Digital Access

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This document provides a general description of the new outcome-based ERP pricing for the digital age announced on April 10, 2018.

For additional information contact your SAP Account Executive.

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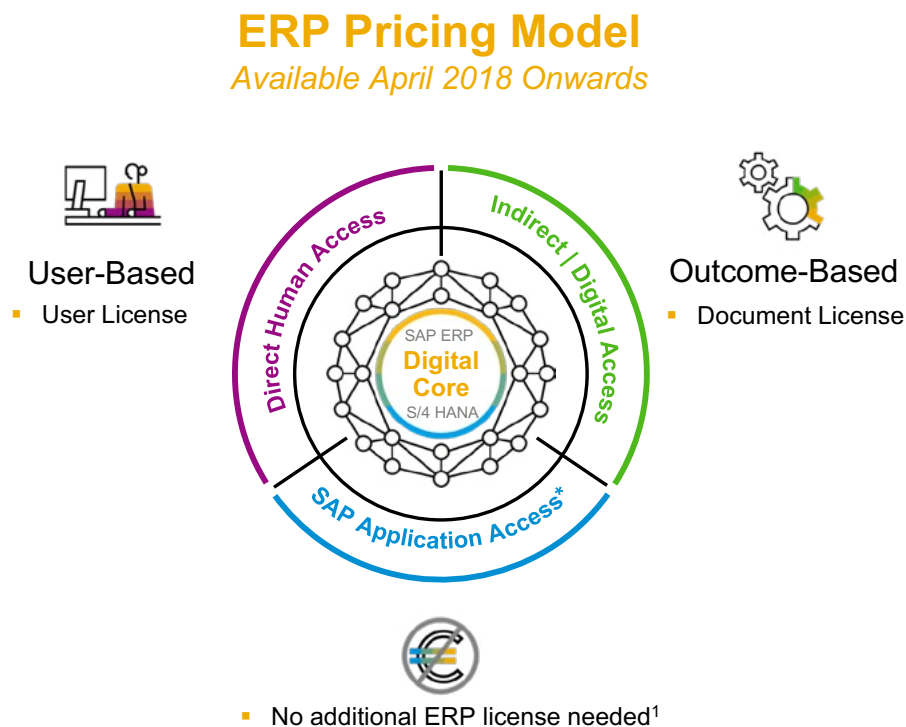
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SUMMARY

The technology landscape and how customers consume and use SAP software has undergone dramatic changes. Not only are our customers' employees using the Digital Core (i.e., SAP ERP, SAP S/4HANA and SAP S/4HANA Cloud), their business partners, consumers, third-party applications, IoT devices, automated systems, and RPA/bots are also using the Digital Core. Indirect/Digital Access is when people or things use² the Digital Core without directly logging into

the system. It occurs when humans, any device or system, indirectly use the Digital Core via non-SAP intermediary software, such as a non-SAP front-end, a custom-solution, or any other third-party application. It also occurs when non-human devices, bots, automated systems, etc. use the Digital Core in any way. It is hard to measure use accessing via Indirect/Digital Access, hence SAP is modernizing its pricing model to be more transparent and predictable.

Figure 1: Use of SAP ERP and Types of Access



1. Provided ERP is otherwise licensed, no additional ERP license is needed for use of the Digital Core resulting from access by properly licensed SAP Applications.

2. **SAP On Premise Contractual Definition of Use:** 'Use' is defined as...to activate the processing capabilities of the Software, load, execute, access, employ the Software, or display information resulting from such capabilities. Use may occur by way of an interface delivered with or as a part of the Software, a Licensee or third-party interface, or another intermediary system. All 'use' of SAP software, regardless of the method of access, requires an appropriate license.

PRICING MODEL OBJECTIVES

The new pricing approach for Indirect/Digital Access focuses on business outcomes and provides an objective measure for the use of the Digital Core.

NEW INDIRECT/DIGITAL ACCESS PRICING MODEL

SAP has identified nine document types that represent system generated records of commonly valued business outcomes from the Digital Core. Use of the Digital Core through Indirect/Digital Access will be licensed based on these nine document types; there is no additional charge for other document types.

• Counting Documents.

- **One time create cost.** SAP counts and charges for the creation of documents triggered via Indirect/Digital Access.
 - **Read, update, delete included.** All read, updates, and deletion of documents via Indirect/Digital Access do not incur an additional charge.
 - **Initial document creation only.** SAP counts only the initial documents created. For example: a sales document created by Indirect/Digital Access is automatically processed in the Digital Core resulting in the creation of invoice, material or financial documents. SAP would charge only for the sales documents initially created and not for the subsequent documents.
 - **Multiplier.** Not all documents are weighted equally. Most documents are weighted at 100% (multiplier =1), documents of lower value and more frequently used are weighted at 20% (multiplier = 0.2).
- **Volume Discounts.** the higher the number of documents, the lower the price per document.

INDIRECT/DIGITAL ACCESS DOCUMENT LICENSE CALCULATION

- A Document License reflects the total documents licensed for a 12-month period. This total is the sum of all document types times their respective multiplier.
- New SAP customers with no historical data may estimate the number of documents needed by using benchmark data applicable to the customer's business. For existing customers, an estimate of needed documents can be calculated using historical data.
- SAP is planning to provide customers with tools to monitor and measure ERP use.

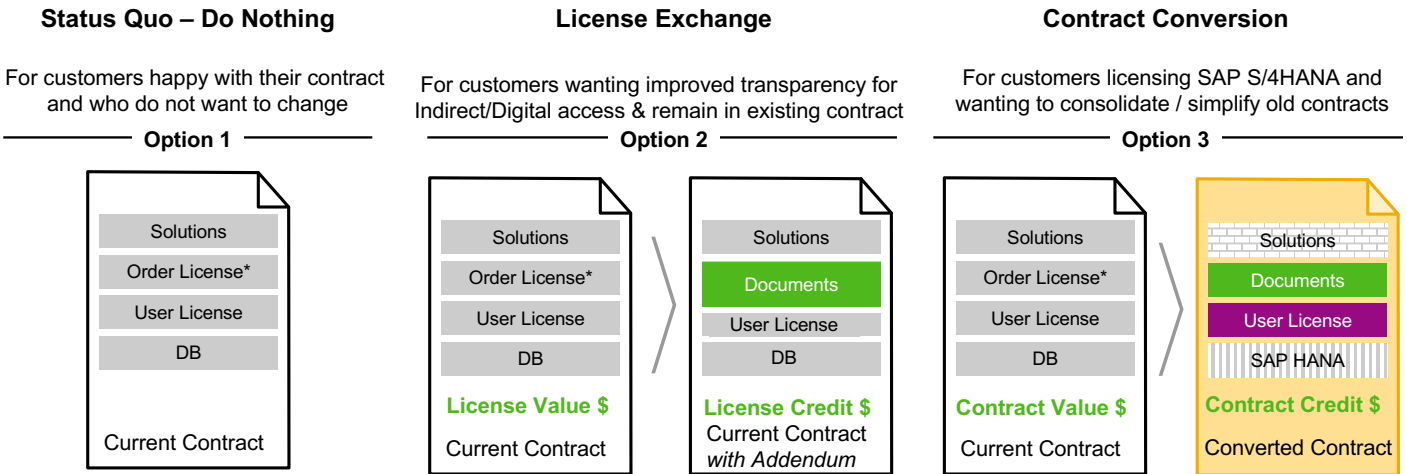
PRICING FOR DIRECT AND SAP APPLICATION ACCESS

Direct Human Access to the Digital Core continues to be licensed based on users.¹ Provided ERP is otherwise licensed, no additional ERP User license is needed for use of the Digital Core resulting from access by properly licensed SAP Applications. SAP applications refer to line of business and industry applications (on premise and cloud); it also refers to SAP Solution Extensions. This does not include technology solutions (e.g., database, middleware integration, SAP Cloud Platform, etc.)

Document Type	Quantity	Multiplier	Total
Sales (counted at line item level)	100	1	100
Invoice (counted at line item level)	200	1	200
Purchase (counted at line item level)	300	1	300
Service & Maintenance	0	1	0
Manufacturing	0	1	0
Quality management	0	1	0
Time management	0	1	0
Material (counted at line item level)	0	0.2	0
Financial (counted at line item level)	1,000	0.2	200
Total Capacity			800

License Cost = Total documents x document price

Figure 2: Options for existing SAP ERP customers



*Sales & Service Order Processing/Execution and Purchase Order Processing/Execution

WHAT ARE THE OPTIONS FOR EXISTING CUSTOMERS GIVEN THIS NEW INDIRECT/DIGITAL PRICING MODEL?

Existing SAP ERP on premise customers may choose to do nothing and keep current contract terms in place, or choose to take advantage of the new Indirect/Digital Access pricing with either option of a License Exchange or a full Contract Conversion to a new simplified contract. We are committed to working with customers interested in reconfiguring their licenses per the new model. SAP assures customers who proactively engage with us in good faith that we will not pursue back maintenance for under-licensing of SAP Software associated with indirect access.

Do Nothing

This option is best suited for existing customers happy with their contract terms who do not want to change. There are no changes to existing contract terms, and customer will continue using User and Order Licenses for all types of access.

License Exchange

For existing SAP ERP customers wanting improved transparency for Indirect/Digital access while not converting existing contract

The License Exchange option keeps existing contract in place and adds an addendum outlining the new modern ERP pricing using Document Licenses for Indirect/Digital Access use.

- Customer receives a credit of up to 100% of the license fees paid³ for the user and/or order licenses exchanged (e.g., Sales & Service Order Processing or Purchase Order Processing) for equivalent value in Document Licenses. (100% credit is limited to the net fees owed for the Document License)

100% of the maintenance base of the converting licenses is carried forward. **An example follows:**

Description	Value in €
Calculated Cost for documents (Based on historical records on documents needed)	500,000
Credit for Sales and Service Order Processing Licenses	(150,000)
Credit for subset of User Licenses	(350,000)
Net Cost to Customer	0
Maintenance Base Carried Forward (based on total credits exchanged)	500,000

Contract Conversion

For existing SAP ERP customers licensing SAP S/4HANA and wanting to consolidate/simplify old contracts (full contract conversion)

The Contract Conversion option applies the value of the licenses in the customer's existing contract as a credit towards a new reconfigured SAP S/4HANA-based solution landscape that meets current and future business needs.

- Replaces current bill of materials (BOM) with new SAP S/4HANA based BOM that includes simplified licensing structure
- Opportunity to fully reconfigure solution landscape (new BOM) based on current and future needs
- Up to 100% credit³ for old contract value applied to new bill of material
- Access to legacy SAP software during the transition
- One-time event
- Maintenance base does not go down

SAP CLOUD EXTENSION

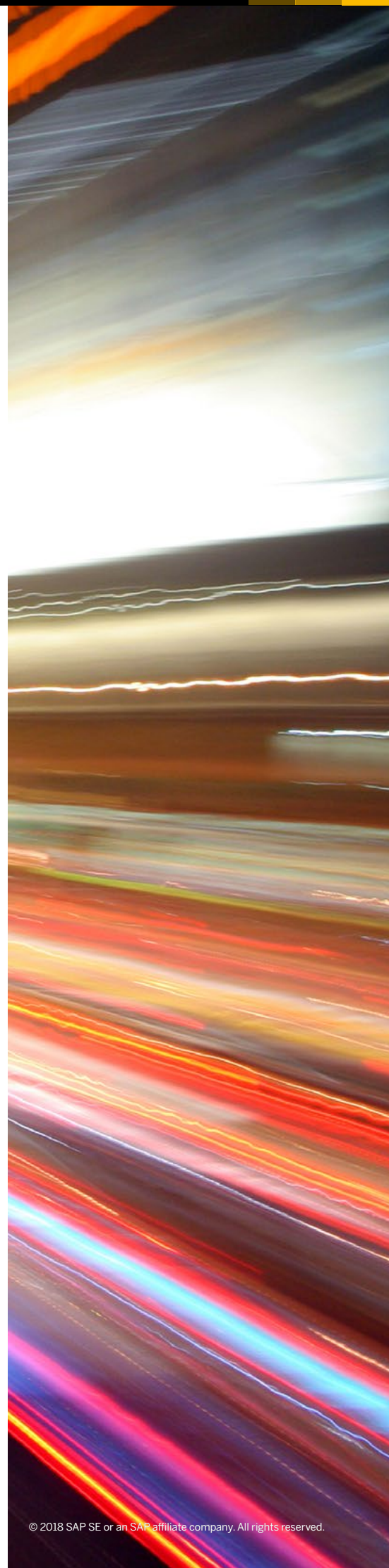
Customers ready to move to the cloud or opt for a hybrid (on premise and cloud) landscape may take advantage of the SAP Cloud Extension policy to convert on premise maintenance fees to a subscription service spend on SAP Cloud solutions.

3. Conditions apply.

APPENDIX

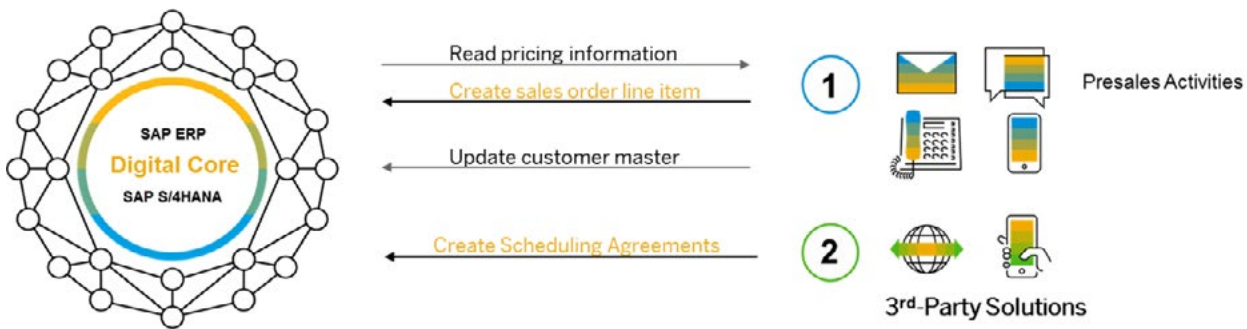
Application of New Policy for Common Indirect/Digital Access Scenarios: **Illustrative Examples**

Each scenario below is licensed by the number of documents created in the Digital Core. The specific document in each scenario is displayed in **highlighted type**. The subsequent automatic processing of these documents in the Digital Core may result in the creation of additional document types (e.g., material document or financial document) which are NOT counted towards the SAP customer's total licensed document level. Statements of "no additional licensing needed" in the following examples apply to licensing for Indirect/Digital Access, and assumes proper licenses are in place for any use via SAP Applications or Humans directly logging onto the Digital Core.



SALES DOCUMENT

Figure 3



Our new model requires Document Licenses when indirect access triggers the creation of certain **sales-related documents**.

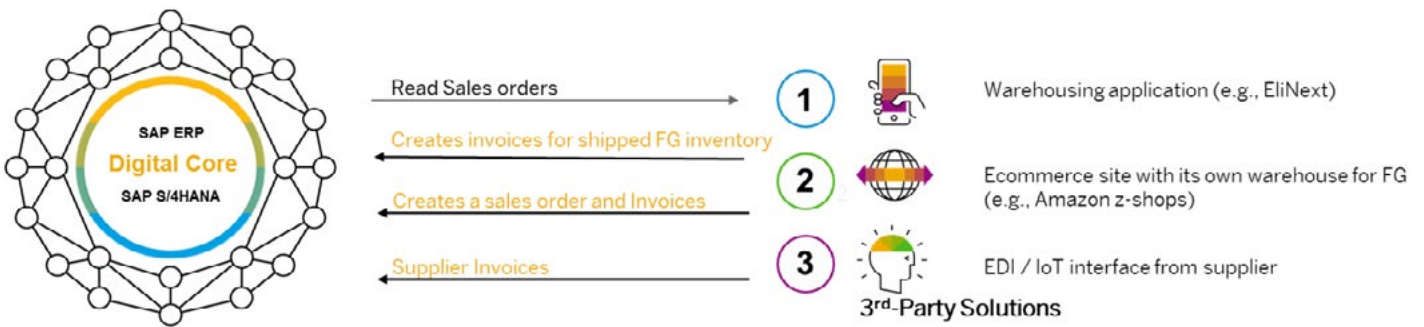
Examples of scenarios where sales documents are created and licensed, include but not limited to:

1. The SAP customer is using a 3rd party external solution managing the presales activities (lead, quote, etc), and the following occurs as a result of such use:
 - In this process, customer is reading pricing information from the Digital core – **no additional licensing needed**
 - Updates customer master records within the Digital Core via the 3rd party solution – **no additional licensing needed**
 - Creates Sales orders within the Digital Core, triggered by the external system – **sales order line items counted as a Documents which must be licensed**
 - The sales order line item is automatically processed within Digital Core resulting in the creation of subsequent documents (e.g., customer invoice line items, financial document line items) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. The SAP customer is using a 3rd party external solution managing customer portal /website/ APP, where the end customer or business partner can enter scheduling agreement details. These scheduling agreements are processed in SAP S/4HANA – **scheduling agreement counted as a Document which must be licensed**.

INVOICE DOCUMENT

Figure 4



Our new model requires Document Licenses when indirect access triggers the creation of certain **invoicing-related documents**.

Examples of scenarios where Invoice documents apply, include but not limited to:

1. The SAP customer is using a 3rd party external party system to do logistics of finished goods inventory, and the following occurs as a result of such use
 - In this process, customer is reading the sales orders booked in ERP – **no additional licensing is needed**
 - Once the goods on the sales order are shipped to the end consumer, the third party solution triggers the creation of an invoice in the Digital core – **the invoice line items created by such Indirect/Digital Access counted as a Document which must be licensed**
 - The invoice is further automatically processed within Digital Core resulting in the creation of subsequent Document types (e.g., accounts receivable and GL posting) to complete the transaction – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. Ecommerce sites may directly post both the sales order and invoices into the Digital Core – here the **customer must license Documents for both the sales order line items and invoice line items created by Indirect/Digital Access**. Note that in this example both these documents are being received from 3rd party ecommerce site. So, both are countable. No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original sales orders and invoices document.
3. Supplier invoices are received via EDI interface – **the supplier invoice line item created are counted as a Document which must be licensed**. No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original supplier invoice line item.

PURCHASE DOCUMENT

Figure 5



Our new model requires Document Licenses when indirect access triggers the creation of certain **purchasing-related documents**.

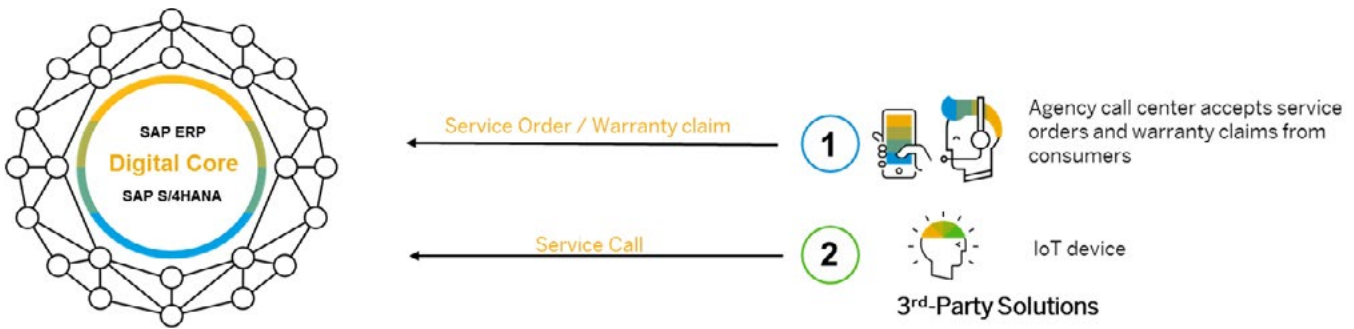
Examples of scenarios where Purchase documents apply, include but not limited to:

1. The SAP customer uses a third-party external solution to conduct the procurement process outside of the SAP ERP and the following occurs as a result of such use
 - In this process, customer is reading planned order from the MRP run and possibly the supplier and contract data from the Digital Core – **no additional licensing is needed**
 - Once the procurement process is complete the external application posts the Purchase Orders back into the digital core – **the purchase order line items created are counted as a Document which must be licensed**
 - The purchase orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., goods receipt, quality control, vendor payment and post to GL) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. For MRO orders, SAP customer can place an order on a web site (e.g., Amazon, Staples; etc.) and a PO can be created in the digital core – **here the MRO purchase order line items created are counted as a documents which must be licensed**. No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the MRO purchase order line item.

SERVICE & MAINTENANCE DOCUMENT

Figure 6



Our new model requires Document Licenses when indirect access triggers the creation of certain service order & warrant claim-related documents.

Examples of scenarios where service order & warrant claim-related documents apply, include but not limited to:

1. Customer contracts with a call center to accept all service and warranty claims, and the call center submits the claims to customer's SAP Digital Core through a third party system, and the following occurs as a result of such use
 - Service Order/Warranty Claims are created by this Indirect/Digital Access – **the service order documents created are counted as a Document which must be licensed**
 - The Service Orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., generate invoice and perform financial transactions) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. An IoT device might detect a failure and automatically request a service call creating a record – **the Service Orders created are counted as a Document which must be licensed**. No additional licenses are required for subsequent document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original service order document.

Figure 7



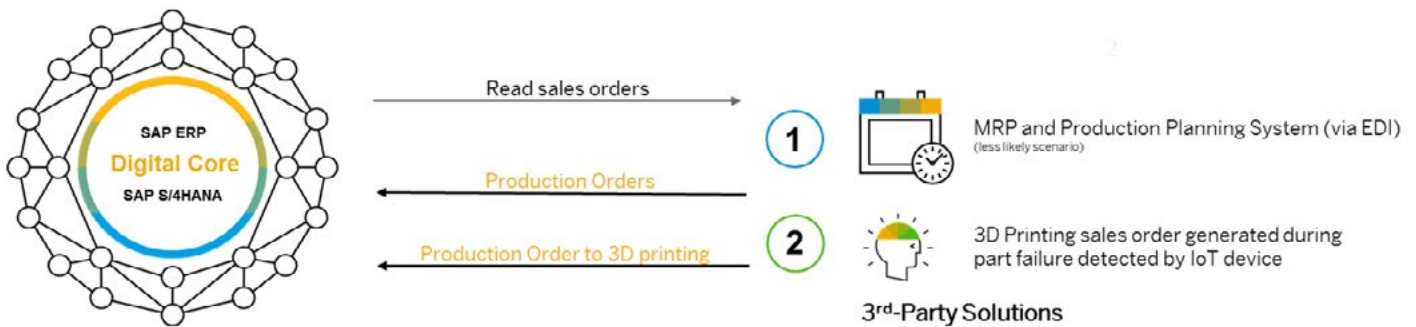
Our new model requires Document Licenses when indirect access triggers the creation of certain plant maintenance-related documents is monetized via the new licensing policy.

Examples of scenarios where plant maintenance-related documents apply, include but not limited to:

1. Customer contracts with a third party to maintain their production equipment, and the third party submits confirmations via a device to service the customer's SAP Digital Core, and the following occurs as a result of such use
 - Once the service/repairs are completed then a plant maintenance confirmation is sent to the Digital Core – **the Plant Maintenance documents created are counted as a Document which must be licensed**
 - The Plant Maintenance confirmations are automatically processed within Digital Core resulting in the creation of subsequent document types (e.g., regulatory reporting and financial transactions) – **no additional licensing needed for such subsequent document types triggered within the Digital Core**

MANUFACTURING DOCUMENT

Figure 8



Our new model requires Document Licenses when indirect access triggers the creation of certain production or **process-related documents**.

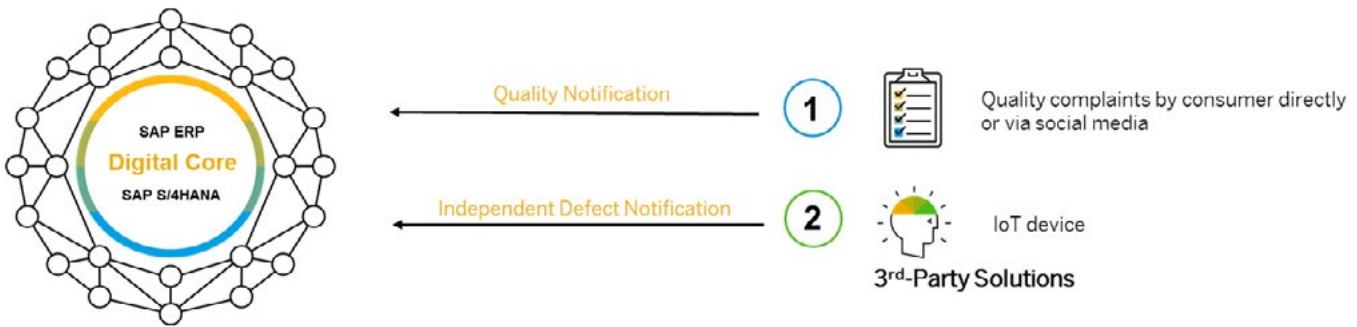
Examples of scenarios where production documents apply, include but not limited to:

1. The SAP customer is using a 3rd party external solution to run their MRP only and the following occurs as a result of such use.
 - In this process, third party solution reads the sale order – **no additional licensing is needed**
 - After the third party MRP solution runs, the production order creation is triggered within the Digital Core for manufacturing – **the production orders created are counted as a Document which must be licensed**
 - The Production orders are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., quality management, good delivery and other financial transactions) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. A IoT Device detects a parts failure and places a production order to print the part on a 3D printer – **the production order created is counted as a Document and must be licensed**. No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original production order document.

QUALITY MANAGEMENT DOCUMENT

Figure 9



Our new model requires Document Licenses when indirect access triggers the creation of certain **Quality Management-related documents**.

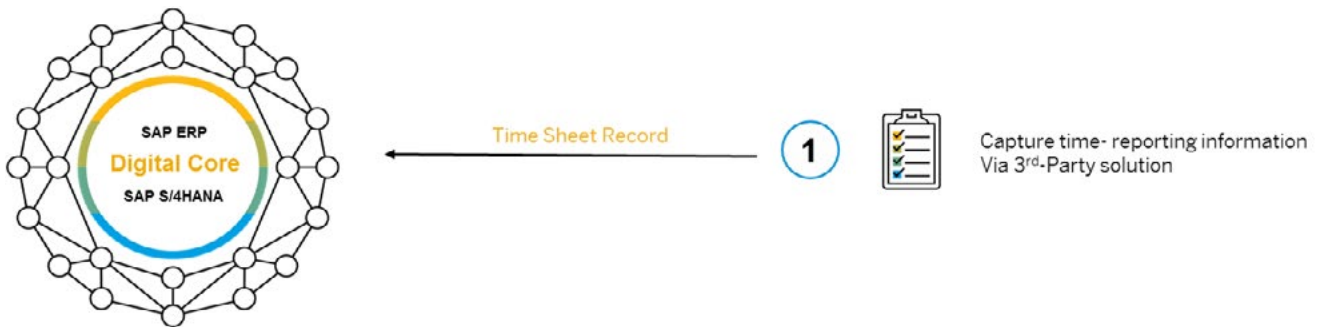
Examples of scenarios where quality related documents apply, include but not limited to:

1. Quality Complaints gathered directly from customer interaction or aggregated via social media and the following occurs as a result of such use
 - Quality Notifications are created in the Digital Core – **the quality management documents created are counted as a Document which must be licensed**
 - The Quality management notices are automatically processed within Digital Core, resulting in the creation of subsequent document types (e.g., production orders and financial transactions) – **no additional licensing needed for such subsequent document types created within the Digital Core**

2. An IoT device might detect a defect in one product and creates independent Defect Notification – **the independent defect documents created are counted as a Document which must be licensed**. No additional licenses are required for subsequent document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original Defect Notification document.

TIME MANAGEMENT DOCUMENT

Figure 10



Our new model requires Document Licenses when indirect access triggers the creation of certain **Time Management Documents**.

Examples of scenarios where Time Management Documents apply, include but are not limited to:

1. SAP customer uses a third party external solution to capture time-reporting information and the following occurs as a result of such use
 - Time sheet Records are created in the Digital Core – **the Time Sheet Records created are counted as a Document which must be licensed.**
 - The Time Sheet Records are automatically processed within Digital Core, resulting in the creation of subsequent document types (e.g., Financial Documents) – **no additional licensing needed for such subsequent document types triggered within the Digital Core**

MATERIAL DOCUMENT

Figure 11



Our new model requires Document Licenses when indirect access triggers the creation of certain material-related documents.

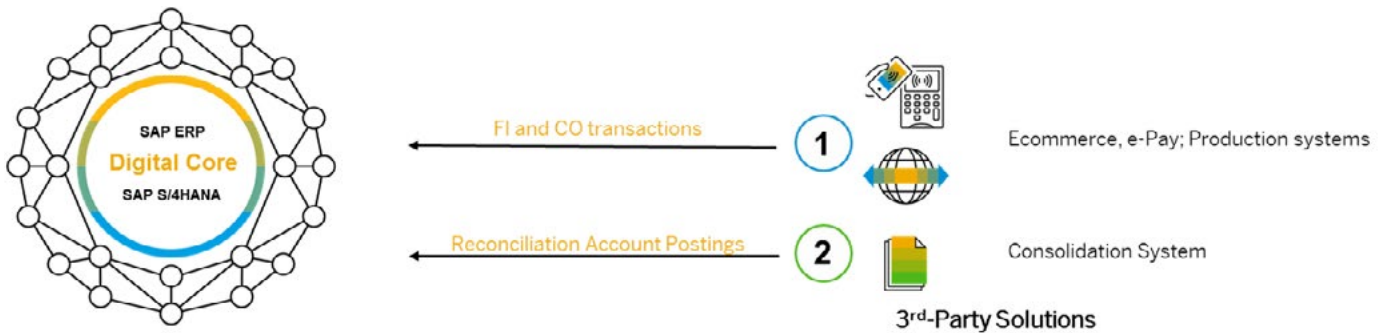
Examples of scenarios where material documents apply, include but not limited to:

1. The SAP customer is using a 3rd party warehouse that manages inventory and does shipments and the following occurs as a result of such use
 - In this process, 3rd party solution reads the sales order – **no additional licensing is needed**
 - Post shipment the third party solution triggers the creation of an inventory record in the Digital Core – **the material document line items created are counted as documents which must be licensed**
 - The inventory updates are automatically processed within Digital Core, resulting in the creation of subsequent Document types (e.g., invoice generation and financial transactions) – **no additional licensing needed for such subsequent Document types triggered within the Digital Core**

2. Physical goods are delivered to the external warehouse by suppliers; good receipt information is created in Digital Core – **the Goods receipt line items created are counted as documents which must be licensed**. No additional licenses are required for subsequent Document types created within the Digital Core as a result of the automatic processing in the Digital Core of the original goods receipt line items.

FINANCIAL DOCUMENT

Figure 12



Our new model requires Document Licenses when indirect access triggers the creation of certain **financial document**.

Examples: of scenarios where financial documents apply, include but not limited to:

1. Third party ecommerce sites, ePay solutions and even production systems need to post to the digital core and the following occurs as a result of such use.
 - Financial and Costing transactions are created in the Digital core – **the financial line items created are counted as documents which must be licensed.**
 - **No additional licensing needed for subsequent document types triggered within the Digital Core** as a result of the automatic processing in the Digital Core of the original Financial and Costing transactions line items.

2. Consolidation systems posts reconciliation account postings into the Digital core – **the financial line items created are counted as a Document which must be licensed.** **No additional licensing needed for subsequent documents triggered within the Digital Core** as a result of the automatic processing in the Digital Core of the original reconciliation account postings line items.

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