

## Case Study | European Retailer

# Livingstone Group Helps International Retailer Optimize SAP S/4HANA Contract to Achieve Significant Savings



This Livingstone Group customer is a major international retailer with approximately 1,000 stores in numerous markets. Headquartered in Northern Europe and turning over billions of dollars in revenue per year, it has over 150,000 employees, with highly complex supply chain and business operations.

The vast majority of this retailer's ERP business systems – including Finance, Procurement, Sales, warehousing, HR, and more – run on SAP. As is the case with many SAP customers, it has now started to migrate these systems from its older, legacy infrastructure to S/4 HANA.

This is a challenge that numerous businesses are facing, as SAP support for the current ECC systems is due to finish in 2027. Although this deadline appears to be far in the future, this type of migration requires substantial planning and resources, particularly as it impacts business-critical systems meaning there is no room for error.

Migrating to S/4 HANA offers many benefits too. Additional functionality will enable organizations to accelerate their digital transformation programs and improve operational efficiencies. With this retailer already on course with its migration program, it approached Livingstone Group to help optimize licensing requirements as well negotiate a new cost-optimized and flexible contract.

### Assessing future requirements and usage

The first step Livingstone's team of SAP experts undertook was a **functional mapping** exercise to establish all of the retailer's business and functional processes. For example, which users access which solutions, and how different SAP solutions interoperate, as well as which ones are needed to support business operations, looking at both current and historical usage. From here, Livingstone was able to accurately advise on what licenses should be included under the scope of the new contract.

Livingstone Group played a crucial role in helping the organization forecast future licensing requirements. In addition to factoring in its digital transformation plans and wider business objectives, close consideration had to be paid to how the future use of other vendors' solutions, for example, Salesforce, would impact SAP licensing. Anticipating **Digital Access** requirements is a common challenge faced by organizations.

“S4/HANA migrations are notoriously difficult to manage from a licensing perspective. However, our deep SAP expertise meant we understood the vendor complexities from the outset and could provide this retailer with actionable advice on how to assess its licensing needs and secure the best possible contract terms”

SAP Practice Lead,  
Livingstone Group



Livingstone's team undertook the labor-intensive process of making analyses of the interfaces and conducting interviews with the customer's team of stakeholders. This provided the retailer with an accurate picture of future Digital Access requirements, ensuring that all anticipated license requirements were factored into the contract negotiation.

Livingstone also scrutinized the amount of **shelfware** the client had accumulated and provided recommendations on whether this should be traded-in, transferred to the new contract, or continued but without maintenance.

### Choosing between contract migration and product conversion

Once this groundwork was complete, Livingstone Group was able to help the retailer answer a commonly encountered question faced during a S/4 HANA migration: Is it better to undertake a full contract migration – where an entirely new contract is agreed between the customer and SAP – or a product conversion – where only a proportion of solutions would be converted to a new contract?

There are pros and cons to each approach. A new contract provides a blank slate to negotiate new terms, but there is usually a price premium associated with S/4/HANA. A product conversion may be more cost effective, but only if the previous contract has been carefully managed to ensure there is no overspend or any unnecessary risk exposure.

In this instance, based on the size and complexity of the migration, the level of shelfware and anticipated Digital Access requirements, the retailer elected for the first option; to negotiate an entirely new contract with SAP. This would be a single, consolidated agreement, replacing upwards of 50 previous SAP contracts.

### Negotiating the new contract

Most SAP customers lack visibility into how much the vendor charges for its solutions and services as it is one of a number of suppliers which do not publish their price lists externally. While a customer will know the net-price it paid for a product, it will have little understanding of how it was discounted or whether it was offered a reasonable value. This makes comparing a new contract offer with those secured in the past almost impossible, as SAP is continually changing the metrics and S/4HANA product prices also increase at variable rates.

While some are a few percentage points higher than on legacy systems, others are magnitudes more expensive because of the way SAP has changed its metrics in an unbeneficial way for the customer. Again, this makes comparing and negotiating new contracts particularly complex.

Livingstone's deep understanding of how SAP operates, what discounts it generally offers, and the impact of the new metrics, meant it could provide the retailer with granular advice on how to negotiate the best terms for each individual product line.

### Securing a flexible contract and multi-million-dollar savings

As a result of this nine-month engagement, Livingstone was able to help the retailer secure impressive initial cost savings of 23 per cent. These savings are expected to increase in the future. While SAP typically offers three-year terms, with Livingstone's assistance, this retailer was able to extend this to five years, which will deliver more savings for a longer period of time.

“The outcome was impressive and a testament to the team's diligence. We're expecting to see many more of these cases as businesses prepare for SAP to switch off support for the old systems in 2027.”

SAP Practice Lead,  
Livingstone Group