

Now Is the Time for Transformative ERP Migration

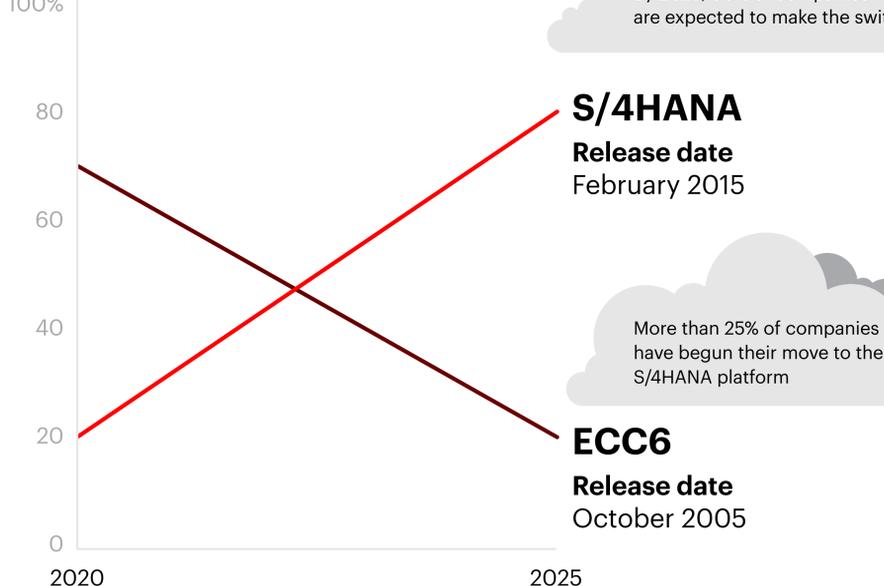
Leading consumer products companies are transitioning to S/4HANA, SAP's newest cloud-based platform for enterprise resource planning. When—and how—should you start your own journey?

By Florian Braun, Skylar Shephard, and Markus Puttlitz

The Great ERP Migration Is Underway

As SAP prepares to end support for its ECC6 ERP system by 2027, many CPG companies face a potentially disruptive migration. We can help.

Share of SAP customers using the platform



The transition presents risks—and opportunities

Executives have plenty of reasons to fear such a complex, fundamental, and potentially costly change—but the benefits make the transition worthwhile

Risks

Complexity

ERP transformations impact a range of stakeholders who will push for quicker, cheaper options

Competing priorities

A focus on back-office technology can distract companies from consumer-facing marketing or data technology

Timing

Migrations can take years, with crunch periods stressing talent and resources

Operational hazards

Disruptions, freeze periods, and security concerns could impact business

Expense

Costs can exceed \$100M, with ROI remaining unclear in the short term

Opportunities

Technical enhancements

A modern digital core unlocks access to cloud-native applications, catalyzing digital transformation

User experience

A much easier-to-use interface has fewer screens and more intuitive steps

Artificial intelligence

Native AI capabilities enhance data insights and reduce additional automation technology spending

Operational efficiency

A faster database allows for greater operational efficiency and real-time data visualization

By thinking strategically, leaders can avoid the risks and seize the opportunity to radically optimize ways of working

What level of upgrade is right?

S/4HANA transformations are a continuum, ranging from a purely technical upgrade to a full overhaul of your company's ways of working

Technical upgrade

Business-focused redesign



Shorter duration

1.5 years min.



Longer duration

3+ years



Suitable for smaller CPGs with already optimized processes



Suitable for large CPGs aiming to optimize processes



Low complexity and minimal customization in place



High degree of existing complexity (e.g., multiple ERPs, heavy customization)



Limited direct business value



Significant ROI, fostering innovation and growth



10%–30% lower cost

How leaders succeed

Leading companies do several things well to address the risks and ensure a successful S/4HANA transformation



Define the scope

Identify the business processes impacted by S/4HANA or satellite systems



Rethink delivery

Build a strong internal talent pool; balance and scale by leveraging external sourcing to manage time and costs



Identify funding

Estimate as early as possible the level of investment needed to win



Communicate intentions

Engage all parties on business and processes before starting the technology work



Set the goal

Define clear targets for end-state architecture using “future back” thinking



Establish process

Ensure strong sponsorship from the top through the entire transformation; define the governance model and drumbeat



Defend the standard

Stick to out-of-the-box processes; push back against customization at every stage of implementation