

UNDERSTANDING YOUR SAP LICENSING OPTIONS



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Implementing SAP can be a transformative step for businesses across industries. However, organizations must first understand their SAP licensing options.

SAP offers a wide range of licensing options that are structured around different business needs, sizes, industries, user types, and levels of access required. Selecting the appropriate licensing option can significantly impact both the cost and the operational [efficiency of your ERP solution](#).

In this guide, we will break down SAP licensing models to help businesses make informed decisions when getting started with SAP.



UNDERSTANDING SAP LICENSING MODELS

SAP's licensing structure can be complex because it is not a one-size-fits-all solution. It's designed to offer flexibility to accommodate a broad range of business sizes and industries. However, the key components of SAP licensing typically revolve around the following:

Perpetual Licensing

This model is one of the most common and straightforward approaches. Perpetual licensing is when companies pay an upfront fee for the license, and then typically pay a recurring maintenance fee for updates and support. It can also be based on the number of users who will access the system. Each user must have a specific license, and SAP offers various types depending on the user's role and the extent of their system usage.

The types of named users include professional users, with full access to [SAP modules](#) and functionalities, limited professional users, with restricted access to certain modules and functionalities, and employee users, with basic access.

This licensing is ideal for on-premise scenarios and for organizations that want control over who accesses the system and can [scale licenses according to team size](#).

Consumption Licensing

Consumption licensing is when users are charged based on the actual usage of the SAP system, allowing companies to scale up or down as needed. This is typically based on the specific functionalities or "engines" of the SAP system that a business uses, rather than the number of users. Companies pay based on the capacity or usage of certain engines, such as SAP HANA database or SAP CRM.

This model is more common for cloud offerings and is especially attractive for businesses that need SAP primarily for its powerful back-end functionalities or specialized modules and may not have many end users interacting with the system daily.

Subscription-Based Licensing

With the growing demand for [cloud services](#), SAP has increasingly shifted towards subscription-based licensing models, especially for its cloud ERP offerings like [SAP S/4HANA Cloud](#). In this model, businesses pay for access to SAP services on a monthly or yearly basis, similar to a SaaS model.

For companies that want to [minimize upfront investment](#) and stay agile with their software needs, subscription-based licensing for [SAP Cloud products](#) might be the best route.



CLOUD VS. ON-PREMISE CONSIDERATIONS

When it comes to SAP licensing, another critical decision point for businesses is choosing between cloud and on-premise solutions. Each option has distinct benefits and trade-offs in terms of flexibility, cost, and control.

On-Premise Licensing

On-premise licensing traditionally follows a perpetual model, where businesses purchase the licenses upfront and then pay annual maintenance fees for support, upgrades, [customizations](#), and patches. This model offers complete control over the SAP environment, as the system is hosted on the company's own infrastructure.

However, on-premise solutions often require significant infrastructure investment and may not offer the same flexibility as [cloud-based options](#) in terms of scaling or accessing new features.

Cloud Licensing

SAP's cloud solutions, such as [SAP BTP](#), follow the subscription-based licensing model mentioned earlier. The major benefit of cloud licensing is the ability to access SAP services through the cloud, eliminating the need for heavy on-premise infrastructure and associated maintenance costs. While there are obvious security concerns, businesses looking to adopt modern [ERP solutions](#) with less reliance on internal [IT resources](#) often view cloud licensing as more favorable.

CHOOSING THE RIGHT MODEL

The right SAP licensing model depends heavily on your business size, industry, needs, and long-term goals.

Here are some additional factors to consider:

- **Are you planning significant growth in the near future?** Cloud-based, subscription licensing models offer greater flexibility to adapt to changing business needs.
- **What role does budget play?** If upfront costs are a concern, consider a subscription model, which spreads out payments and reduces capital expenditures. However, for companies seeking to make a [long-term investment](#), perpetual on-premise licensing may offer better value.
- **What does your IT Infrastructure look like?** If you already have robust IT infrastructure, on-premise licensing may make sense. If not, cloud solutions reduce the need for large-scale IT support and hardware management.
- **Are you worried about security and compliance?** On-premise solutions may be more attractive for [highly regulated industries](#) requiring strict data control and compliance.

MAXIMIZING YOUR INVESTMENT

To ensure you're getting the most out of your [SAP investment](#), businesses should periodically review SAP usage and license allocation to avoid unnecessary costs. Licensing consultants or [SAP partners](#) can also help to optimize license allocation and [ensure compliance](#) with SAP's evolving licensing policies.

Navigating SAP licensing can be challenging, but with a clear understanding of the available options and careful consideration of your business's unique needs, you can choose a licensing model that maximizes your SAP investment. Regardless of what model you choose, being strategic about your choice will ensure your business is equipped with the right tools to thrive in the long term.

Whether your business is in the life sciences, consumer products, retail, or wholesale distribution industries, SAP has tailor-made solutions for you. No matter where you are on your SAP journey, Crescense is here to help.

Contact [the Crescense team](#) today to learn more.

