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RED'S SAP MARKET INSIGHTS US

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Right now, the US is the largest tech market in the world, accounting for 31% of the total \$ 5.16 trillion global market. In 2018 there were over 40,500 tech startups taking tech business establishments in the US to over half a million.

Digitalisation, the demand for increased products and services coupled to the rapid growth of Big Data, Blockchain, AI, ML, IoT and VR are making a huge impact on the tech industry. It's an exciting time to be in the mix.

As a global SAP talent provider, RED has been heavily invested in the tech industry since 2000. Our close relationships with SAP professionals and SAP partner and customer organizations has provided us with first-hand insights into how the market has evolved and how tech professionals, particularly SAP professionals, and companies are adapting to meet these demands.

In 2018, the ERP software market grew 10% to a global market value of \$35 billion, with SAP maintaining its number 1 spot as the leading ERP software vendor, according to *Gartner's Market Share Analysis: ERP Software, Worldwide, 2018*. Last year, SAP led the pack of top ten ERP software vendors with nearly 7% market share, according to *Apps Run the World*, riding on a 6.4% jump in ERP license, maintenance and subscription revenues.

What's driving this increase? Businesses require greater intelligible data that enables organizations to respond in real time, stay competitive and be relevant. The way companies deal with customers, suppliers, partners, internal processes and employees — all of which are critically enabled by ERP — has changed because of digital business. This in turn drives software upgrades to modern ERP systems which can handle real digital business.

And it's not going away. Customers are investing in ERP applications because of new capabilities and features that are expected to replace their existing legacy systems — competitive upgrades and replacements that could have a profound impact on future market share.

For all major non-cloud native ERP providers, it's a multi-year journey to move customers to their latest generation ERP platforms. Migration has remained muted for a few reasons: presence of efficient legacy systems, migration complexity, cost-justification, and lack of the right resources.

But, spring has finally sprung for SAP, as global customer brands are making the S/4 transition with demonstrable results — a sure sign that more organizations will start to follow this trend.

What does this mean for these organizations and SAP professionals?

As global SAP talent providers, RED has first-hand insights into challenges organizations face fulfilling their SAP talent needs and an understanding of what SAP professionals want.

Looking at the last three years, we've taken a deep dive into our own data to find out how SAP trends are affecting SAP professionals and organizations across the US. Combining data from our Salary Hub (with vital data provided by SAP professionals), our extensive client and candidate database together with insights from our SAP market specialists, we've compiled an informed analysis of the US SAP talent market to help support organizations develop and fulfill SAP talent requirements.

This report offers valuable insights into key challenges facing organizations and how best to address the war on talent. We hope you find our US SAP talent market overview a useful tool as you consider your SAP talent requirements and better understand the career needs of SAP professionals.

We'd love to hear your thoughts on our findings and welcome a discussion.



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LET'S TALK ABOUT S/4HANA

With great fanfare in February 2015, SAP released its very first version of SAP S/4HANA, SAP's next generation ERP. SAP views this as one of their flagship products, with CEO, Bill McDermott, hailing S/4HANA as their "biggest launch in 23 years if not in the entire history of the company".

Furthermore, to remain on SAP support, every SAP ERP system must be upgraded to the new standard of S/4HANA by 2025.

Due to this looming deadline, S/4HANA is influencing resource demand globally. According to *The Centiq State of SAP HANA Report 2019*, 94% of survey respondents cited skills as their primary concern.

SAP TALENT

As of July 2019, 11,500 SAP customers purchased S/4HANA licenses – a 29% uplift against same time a year ago. Good news for SAP... except that two-thirds of these licenses remain "shelf-ware". A shortage of skills coupled with indecision on what path to take means many SAP users are not quite ready to make the leap.

What's the hold up?

Whichever way you slice it, moving and upgrading your ERP is a major project, particularly for large, established organizations that trust their current and robust landscape.

2019's SAPPHERE NOW conference highlighted that major global brands, such as Shell, retailer Tapestry and sports brand, Under Armour, are making, or have made, the transformation to S/4 with demonstrable results. Prior to that, only small SAP customers had made the leap.

A tactical move by SAP perhaps to offer reassurance to customers that SAP is in control, despite high-profile leadership departures and of course to encourage an increase in live adoption. Whatever the motivation, providing evidence of large, global organizations who have successfully completed complex transitions is a fundamental prerequisite to other organizations to follow suit, with some level of confidence.

RED anticipates the momentum to continue to accelerate sharply in 2020 and has already seen early signs of this, with an increase in talent requirements in 2019.

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1

TICK TOCK

Although the technical upgrade can take as little as three months, tech teams are taking on average, approximately 12-18 months, according to *Computer Weekly*. This would include the business process changes, retraining and quality assurance.

As the deadline ticks away, already limited resources are being snapped up. The longer organizations wait to secure SAP talent, the more likely costs will increase and not necessarily in line with the quality of SAP professionals.

2

FOREIGN-BORN TALENT OUT OF REACH

In the US, recent changes in labor legislation and the resulting H-1B visa cap have exacerbated the global talent shortages. 2018 saw a jump to a 32% denial rate, compared to just 10% in 2016. This has seen a significant increase in the H-1B denial rates, affecting the US labor market, of which the tech industry felt the impact.

Companies are now competing at a much higher level for in-country resources and modifying their offshore/onshore strategies.

The Fairness for High-Skilled Immigrants Act is currently in the works. This act would eliminate the 7% cap for employment-based immigrant visas, allowing more talent to obtain visas regardless of their country of origin. Removing that requirement would benefit big tech and Indian-based tech labor specifically, and organizations looking to ramp up their SAP talent.

3

SUPPLY VS DEMAND

With the US tech unemployment rate at its lowest in decades, there is a shortage of highly skilled available workers in the tech industry. Demand now outweighs supply, which means clients need to pay a premium to attract top talent. Because of this, tech salaries in general have grown 2.3% year-on-year in the second quarter of 2019, according to *Pay Scale*.

RED believes it is this trifecta of challenges that is heavily impacting organizations' abilities to source and secure the best SAP talent to support their future developments.

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HOT

There is a finite talent fountain from which everyone wants to drink to quench the growing demand for S/4HANA talent. To get ahead of the curve and secure hot SAP talent, organizations need to understand talent requirements and be willing to provide in-demand professionals with what they want.

What are the primary skills needed to support an SAP customer's choice of S4 migration?

SKILLS

GREENFIELD

So far, around 40% of S/4 software sales have been to brand new customers of SAP, i.e. "Greenfield" or S/4 implementations starting from scratch. They have the easiest task, as they have no SAP-based systems to worry about converting. Their biggest skills need is for senior SAP application architects, both financial and logistics, depending on the S/4 modules involved.

BROWNFIELD

Existing SAP ECC installed base customers have more work to do. They could decide to start again with their S/4 ERP system and re-implement from scratch, just taking some basic data from the old system. If their current ERP system is too customized, or out of date, re-implementing back on vanilla software could be best.

But most installed base customers will want to do some sort of system conversion in their transition to S/4. This is complex and involves:

- SAP Basis technical consultants for conversion planning plus infrastructure design and installation (unless moving to the Cloud),
- ABAP code experts for custom code removal/conversion,
- SAP application architects to understand S/4 functional differences, Fiori user interfaces and new ways of reporting and
- Individual S/4 financial and logistics module experts will be needed for detailed configuration and testing as the project progresses.



S/4 software sales are to brand new SAP customers.

LANDSCAPE TRANSFORMATION

Existing SAP installed base customers with several SAP ERP systems to consolidate onto an S/4 system have further complexity to deal with. They have to perform a landscape transformation project, which requires additional knowledge of specialized analysis and data transformation tools.

In all cases, selected SAP consultants should have experience of the new SAP Activate implementation methodology for S/4. For detailed transition planning and help with business case formulation the SAP consultants could really make a difference if consultants have experience in the SAP Transformation Navigator tool.

Regardless of the choice of migration, one thing is certain – the demand for the above-mentioned skills will only increase, with 84% of SAP HANA migration projects in the next 12 months predicted to be S/4HANA related, according to *The Centiq State of SAP HANA*.

SALARY TRENDS

Focusing on the desired skillset required to support the acceleration in S/4 projects, RED's Salary Hub data combined with candidate placement figures, provides insight into salary growth across these roles over the last two years.

SAP ARCHITECTS

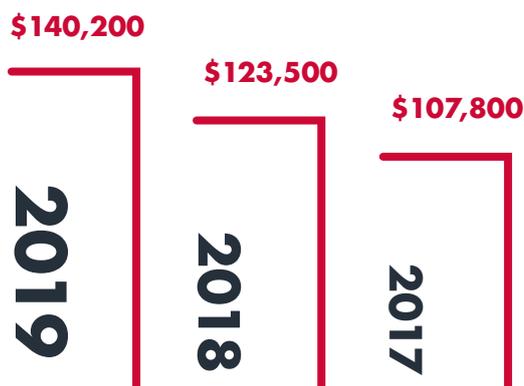
Permanent SAP architect's average salary of **\$137,893** reflects an annual increase of 2% in contrast to a 10% annual dip in 2018.

Are candidates realizing they have the power to ask for more?

This is a key role in high demand and the talent pool is limited. Organizations are leveraging compensation as an attraction tool for SAP architects. With less than 6 years until the S/4HANA deadline, we would anticipate to see the average salary rise. This is a sought-after role for any successful implementation. We anticipate a continuing increase in average salary for the role over the next few years as S/4HANA transformations are implemented.

PROJECT MANAGERS

Permanent project manager's average base salary has seen consistent increase in 2018 and 2019 of 15% and 14% respectively, averaging **\$140,200** in 2019.



SAP CONSULTANTS

Average base salaries for permanent SAP consultants dipped in 2018 against 2017 to \$100,600. In contrast we have seen a 10% spike in average base salary in 2019 to **\$110,563**.

SAP consultants on a contract basis saw an impressive increase in average day rate by 21% to **\$723**.

AVERAGE SALARY OF SAP SPECIALITIES

S/4HANA

% increase in the last year

\$243,333

52%

HANA

\$195,000

42%

HYBRIS

\$160,000

45%

FI

\$145,000

21%

FI/CO

\$141,181

26%

SD/LE

\$127,500

14%

SD/MM

\$90,000

15%

Whilst these early indicators support the overall observation that these are the skills that will be in demand as we move into 2020, the growth is currently not as rapid as SAP might lead us to believe. This could be some good news for organizations who are starting their migration planning and mapping their talent requirements now.

WHAT PROFESSIONALS WANT

Previously, the availability of H-1B visas contributed to lower labor costs. Rates were dictated by these visas. However, increased H-1B visa processing times and increased denial rates have seen a reduction in the talent pool for permanent hiring.

As a result, tech talent can demand higher salaries.

There are many factors affecting salary, namely: SAP knowledge, business process knowledge, vertical industry experience, years of relevant work experience and regional availability.

RED's Salary Hub data highlights that 88% of SAP professionals will change employers to receive higher compensation. Compensation remains a major consideration to incite a career move.

The data indicates that one-third of talent would consider a move for an increase in annual salary of between \$10,000 and \$20,000.

Companies who are willing to pay more will attract top talent.



THE BENEFITS OF BENEFITS

Never underestimate the power of benefits in the overall package offered. Adding benefits to an employee package is likely to increase loyalty, productivity, attendance, and recruiting – very important in a supply versus demand market that organizations could face in the next five years.

Let's find out which benefits are the winners with SAP professionals.

BONUS

For permanent SAP professionals, the idea of a bonus is less of a 'desirable' and more of an expectation. RED's Salary Hub data submitted by SAP professionals independently support this, with 96% of permanent SAP professionals receiving a bonus.

Another indicator that these skills are the most desirable are bonuses which are on the rise within these roles and skillsets.

- Project Managers
- S/4 related roles
- FI/CO skills

Not only are Project Manager base salaries experiencing a spike, Project Manager bonuses, on average, increased 16% in 2018 and 45% in 2019.

Additional average bonus increases in 2019 extend to S/4HANA-related and FI/CO roles, increasing by 27% and 41% respectively.

In contrast to the above, when reviewing all SAP professionals collectively, bonuses rewarded dropped by 5% in 2019 against the previous year – reinforcing the sentiment that top talent is demanding more.

96%

of permanent SAP professionals receive a bonus

45%

Project Manager bonuses, on average, increased 45% in 2019

41%

Additional average bonus increases in 2019

BENEFITS ARE MOST LIKELY TO SECURE IN-DEMAND TALENT.

29% of permanent employees currently don't receive any benefits at all, according to data submitted by SAP professionals. Popular benefits include life insurance and private healthcare at 31% and 26% respectively.

Where can organizations add value to packages? Two words – Flexible. Working.

According to RED's Salary Hub, currently only 27% of SAP professionals enjoy the perks of flexible working. In 2018, *HackerRank* survey reported that 80.5% of their respondents consider working remotely to improve their work life balance. In today's fast paced world with modern tech tools such as Slack and VPN surrounding us, working from home is easily done. Experience shows that working from home is much more productive for creating and maintaining content such as documents, spreadsheets and presentations.

Consider this as a benefit that could be the tipping point for your organization's talent requirements. With 15% of professionals surveyed citing pensions as a benefit, this would be an additional benefit to consider, especially for mature staff.

31%

Popular benefits include life insurance and private healthcare.

27%

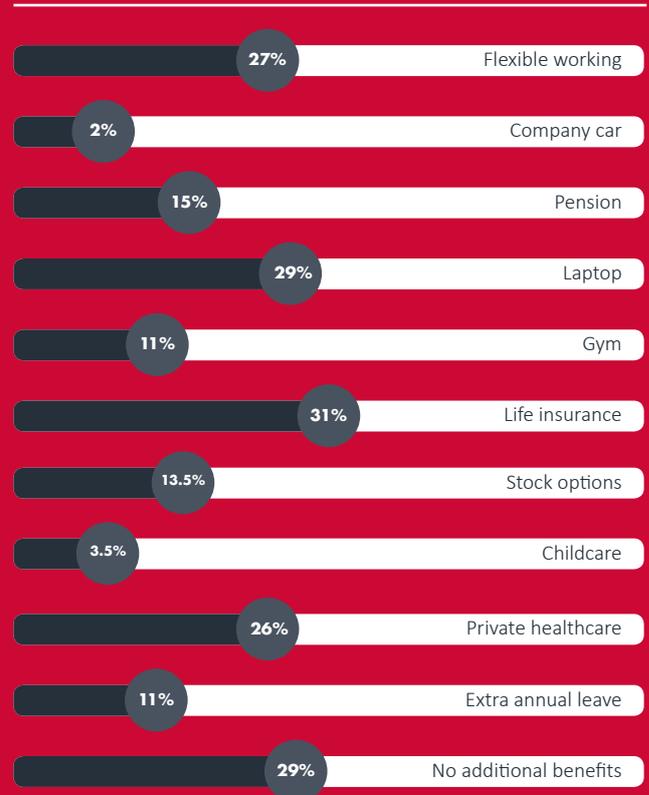
of SAP professionals enjoy the perks of flexible working.

80.5%

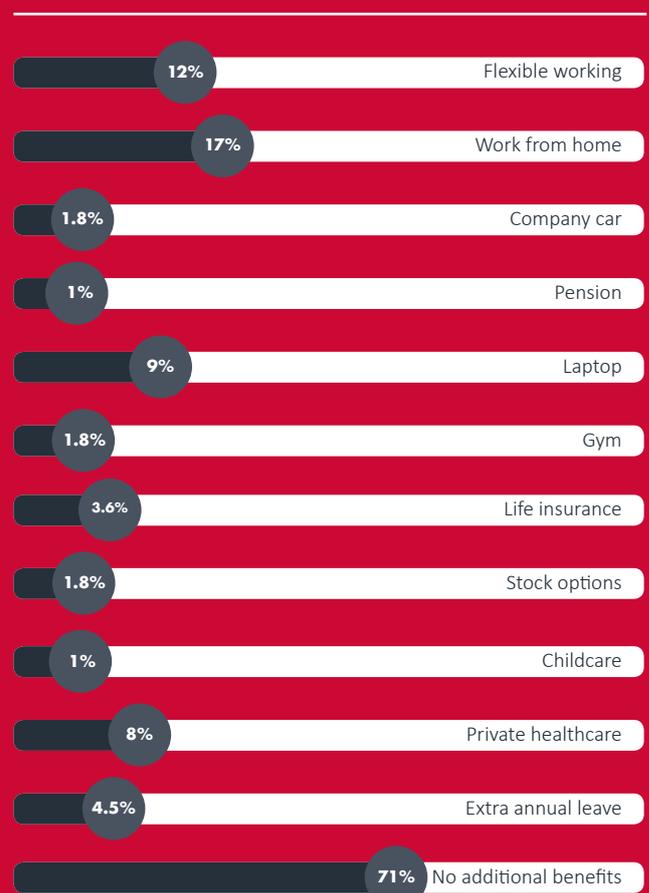
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BENEFITS CITED BY SAP PROFESSIONALS IN RED'S SALARY HUB.

PERM



CONTRACT



LOCATION

MATTERS

Top tech hubs by salary

VIRGINIA TOPS THE CHARTS

Based on data analyzed, Virginia offers the highest average SAP day rate at \$859. Dubbed 'The Silicon Valley of the East' and part of the Dulles Technology Corridor, this tech hub is reaping the benefits of federal technology contractors.

TEXAS VS CALIFORNIA

SAP salaries in Texas are on the up. The average SAP contractor day rate is currently \$814 – a 24% increase on 2018.

Texas has risen above California as the nation's top exporter of technology, according to *Investopedia*. Our Salary Hub data and our own placement data reflect this, albeit only marginally for the Lone Star State. However, with Austin hailed the fastest growing large metro in the US, according to *Forbes*, we expect to see this trend continue. In contrast, permanent salaries in Texas show only slight movement with a 1% increase for our placements in 2019 compared to 2018. An average salary being \$117,714.

OUR CONTRACTORS' AVERAGE DAY RATES BY STATE ARE:



PERMANENT AVERAGE SALARY BY STATE



Virginia is paying an average day rate of \$859 in 2019 – a 19% increase against 2018. Government contractor employers and higher education establishments in this State are creating a top tech talent pool and companies are paying top dollar to attract and retain their SAP contractors.

Average salaries in New York and New Jersey have seen a rise of 58% and 34% respectively. New Jersey boasts a high concentration of pharmaceutical and medical device companies.

With 14 of the world's 20 largest pharmaceutical companies in this state alone and pharmaceutical recognised as the second highest paying industry, it's no surprise New Jersey has seen a spike.

JOB VOLUME BY CITY 2018 – 2019

According to RED's jobs data, New Jersey had the most consistent year on year job volume growth with jobs tripling from 2017 to 2018 and predicted to more than double by the end of 2019 with Pennsylvania set for a 119% job volume growth.

Texas job volume spiked in 2018 by 108% and by the end of 2019, we anticipate a further increase of 15%. New York shows similar trends to Texas with a 4% increase in jobs predicted by the end of 2019.

INDUSTRY

Which industries are paying top dollar for talent? On average, the industries that are putting their hand in their pocket are:

Top 6 industries by average salary for 2018/2019

Rank	Industries	Average salary	% increase this year
1	FMCG	\$160,000	18%
2	Pharmaceutical	\$144,500	18%
3	Automotive	\$144,400	49%
4	Engineering	\$130,250	10%
5	Utilities	\$125,000	3%
6	Consultancy	\$122,828	7%

EXPERIENCE

Highest average salary by experience for 2018/2019:



CONCLUSION

Whatever your choice of migration, if S/4 is your focus for the next few years, talent must be your primary consideration.

Here's what you need to know.

- The most sought-after skills in demand are SAP consultants, SAP application architects, both financial and logistics, project managers, SAP Basis technical consultants, ABAP code experts and S/4 financial and logistics module experts.
- *The Fairness for High-Skilled Immigrants Act*, if enacted, could be good news for organizations looking to ramp up their SAP talent.
- Businesses need to be prepared to pull out all the stops to secure top talent. However, it's not just about the money. There are some key benefits as part of the overall package to consider to really win the support, with flexible working at the top of the leader board.

The reality is that being armed with this information does not guarantee securing that elusive talent as resources are limited. To add to the complexity, you have global FMCG and Pharma giants potentially outbidding you at every turn.

So, the question on everyone's lips should be how do we create or accelerate an increase of skilled talent?

That's where RED comes in. Organizations require a combination of in-house skill sets and external expertise that understand and appreciate the scope of SAP HANA, to ensure transformation success.

RED's approach to overcome the talent shortfall is two-fold:

1

IDENTIFY

Identify SAP professionals who have the smallest "delta" in skills between ECC6 and S/4HANA

2

TRAIN

Train our ECC6-skilled SAP professionals, in our active database of over 200,000, to bridge said delta

RED has an accredited global training partner to enable us to facilitate an efficient and accessible training path to bridge the skills gap and provide a new wave of functional and technical S/4 talent. Focusing on these candidates first will reduce the training and time required to achieve an effective level of skilled resources for deployment or placement.

THE

RESULT

- An accessible talent pool of skilled candidates with S/4HANA transition capability, focused specifically on transformation skills, with industry knowledge.
- An efficient process to enable RED to train both our own candidate pools quickly and efficiently and offer this solution to our clients on a project basis, to support and enhance their existing talent attraction and development strategies.

Contact a RED consultant today to open transformation talent discussions or get more information on our transformation talent programme.

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RED Commerce Inc. is solely responsible for the content of this report. The research and analysis presented in this report includes data from RED's Salary Hub, RED's vacancies, RED's placement data, insights from RED's US SAP market specialists and an analysis of publicly available market information from multiple sources. The data collected for this report is representative of data for the period of January 2017 to July 2019 and contains a combined dataset of 2,900 records.

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