When customers experience revenue declines, their service providers should brace for IT budget cutbacks and must work quickly to position themselves with the right solutions and expertise to help customers during the next phases of COVID-19 recovery. Vendor support from the right partner ecosystem will be invaluable.

**Key Takeaways**

→ Partners must work quickly to develop and position themselves with the right solutions and offers to help their customers during the next phase of COVID-19 impacts.

→ The most forward-looking vendors are transforming their partner ecosystems to give partners greater opportunity to capitalize on the business-resiliency and return-to-growth stages of COVID-19 recovery.

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Introduction: Technology Enables Transformation to the Next Normal

IDC’s vision of the future enterprise is an organization that is completely digitally transformed. Such an organization underpins business processes with technology, and is fueled by innovation, as well as platform-enabled and ecosystem-centric.

The COVID-19 pandemic has underscored the importance of digital transformation in the eyes of CEOs across all industries. In a recession, CEOs are at a decision point: to follow the same course of cost-cutting that previous recessions have dictated, or flatten their own organization’s recessionary curve by leveraging technology.

The response of organizations to COVID-19 will shape the perception of their brands and how technology is leveraged to operate their businesses over the next decade. In the short term, technology has proven to be a key enabler that has kept businesses operating during the crisis by enabling remote work, agile market response, and external digital engagement. In the long term, organizations will leverage technology to underpin every single process, initiative, or value chain as they journey to become a future enterprise.

IDC’s five-stage model to enterprise recovery (see Figure 1) illustrates how technology suppliers and their ecosystems can help customers bridge to the next normal.

FIGURE 1
The Five Stages to Enterprise Recovery

Source: IDC, 2020

ECONOMIC SITUATION

COVID Crisis  Economic Slowdown  Recession  Return to Growth  The Next Normal

BUSINESS FOCUS

Flatten the Curve

Business Continuity  Cost Optimization  Business Resiliency  Targeted Investments  Future Enterprise
Organizations in the Cost Optimization stage tend to prefer technology vendors, systems integrators (SIs), and service providers that are closer to them—in both proximity and cultural alignment—and that have lower price-tag offerings, flexi-pricing and payment terms, and/or modular offerings.

The following descriptions of each stage of the IDC recovery model provide important context for technology suppliers and their partners.

**STAGE 1**
**COVID-19 Crisis Business Priority: Business Continuity**
Whether we are dealing with the current pandemic or the next shock to the global market, hypervolatility will increasingly become the norm. Business continuity plans are already being rewritten and will have to become more dynamic moving forward as they are constantly tested.

**Tech Supplier Guidance:**
Organizations in this stage are desperately looking for new ideas, emerging best practices, and inputs from technology partners. This is not a time to push the product. More importantly, the support and help that technology partners provide in this period will be the basis for genuine long-term partnerships.

**STAGE 2**
**Economic Slowdown Business Priority: Cost Optimization**
In this stage, organizations are in cost-optimization mode, where the business looks to technologies that can either help them manage the economic hardships or generate financial outcomes for the current fiscal year. These organizations look for financing assistance and/or opex options to manage their cash flows and working capital. Their decisions are driven by the short term as they seek projects that provide productivity gains and savings in cost to create or serve.

**Tech Supplier Guidance:**
Organizations in this stage tend to prefer technology vendors, systems integrators (SIs), and service providers that are closer to them—in both proximity and cultural alignment—and that have lower price-tag offerings, flexi-pricing and payment terms, and/or modular offerings.

**STAGE 3**
**Recession Business Priority: Business Resiliency**
In this stage, organizations have overcome the initial phase of the COVID-19 crisis and stabilized financials. Their focus now is to build business resiliency—the ability to adapt to changing circumstances while maintaining the organization’s central purpose. The purpose or mission articulated as part of a company’s digital transformation will remain a primary focus, even as remediation actions are taken to reduce costs or take advantage of pandemic-related revenue opportunities.

Many organizations will recognize an opportunity to “flatten the curve” or minimize the impact of the recession by leveraging technology. These same organizations will double down on technology investments to emerge on the other side of the curve resilient, more digitally fit, and ready to capture their share of new opportunities.

**Tech Supplier Guidance:**
Organizations in this stage prefer technology vendors with established presence and delivery capabilities in their geographies and that have the financial muscle to ride through this crisis. Accessibility to the vendor’s product road map is also important as organizations here are preparing for longer-term growth.
STAGE 4
Return to Growth Business Priority: Targeted Investments

At this stage, economic activity is returning to pre-crisis levels, and companies are looking to invest more aggressively but with a focus on technologies that advance an organization’s digital capabilities. As they get back on the path to being relevant in the digital economy, they will look back at their efforts around resiliency to ensure that they are more prepared for a similar shock in the future. IDC anticipates that corporate boards and government bodies will have a better understanding of the value of technology and will prioritize digital initiatives.

Tech Supplier Guidance:
This will be a critical stage for technology vendors as organizations look for a safe place to innovate. Vendors that are financially healthy, have scale, and offer robust ecosystems will be preferred. Vendors will earn strategic partnerships at the board level that will shape post-recession spending and permanently impact market shares.

Worldwide IT Spending and the Impact on Industries

IDC research tracking of worldwide spending is a core underlying foundation of overall IDC spend data. IDC has been tracking the impact of the COVID-19 global pandemic since its impact started early in 2020. Prior to the pandemic, the worldwide trends were measured and released quarterly, but because the impact of the pandemic has been fast and certainly changeable, IDC is now monitoring monthly and even weekly with some indicators to ensure any change is reflected within a reasonable time frame.

Figure 2 below shows the latest view of overall worldwide IT spending and what has been described as the V-shaped or U-shaped recovery from the 2020 impact of the COVID-19 global pandemic. Data here shows the impact across three segments (hardware, IT services, and software), and dependent on the

**FIGURE 2**
Recovery: Worldwide IT Spending 2019–2024

![Graph showing worldwide IT spending from 2019 to 2024 with percentage changes for hardware, IT services, and software.](source: IDC Worldwide Black Book, May 2020 (growth in constant currency))
technology and consumption patterns, it displays the recovery forecast path. The challenge, of course, is not knowing when the endpoint might be, but IDC research is seeing signs of acceptance, and economic indicators have continued to trend downward, partly just catching up with the reality of an unprecedented crisis.

IDC also extends the forecasts to look at the impact on industries. Some industries have been impacted much more than others—e.g., telecom, media, and healthcare have been relatively insulated by strong demand for services, but there has been a more negative impact on consumer services, transportation, and many segments of retail and manufacturing.

The short-term focus has been on cost containment for many companies, but the scale and nature of budget changes vary a lot by company, and it is that specificity of context, with each customer and industry, where the opportunity lies. Some companies have seen revenue vanish overnight due to lockdowns and containment measures; others have closed offices and are shifting some spend to supporting remote workers. But for each industry, technology can be an enabler to recovery.

IDC research has developed a COVID Industry Impact index that effectively enables a comparison of the impact of the pandemic on each of IDC’s top 20 industries (see Figure 3).

**FIGURE 3**

**IDC’s COVID Industry Impact Index**

Impact 1–10, where 1 = least impacted and 10 = most impacted

<table>
<thead>
<tr>
<th>Industry</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal and consumer services</td>
<td>10</td>
</tr>
<tr>
<td>Transportation</td>
<td>9</td>
</tr>
<tr>
<td>Discrete manufacturing</td>
<td>8</td>
</tr>
<tr>
<td>Retail</td>
<td>7</td>
</tr>
<tr>
<td>Process manufacturing</td>
<td>6</td>
</tr>
<tr>
<td>Resource industries</td>
<td>5</td>
</tr>
<tr>
<td>Wholesale</td>
<td>4</td>
</tr>
<tr>
<td>Consumer</td>
<td>3</td>
</tr>
<tr>
<td>Banking</td>
<td>2</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
</tr>
<tr>
<td>Securities and investment services</td>
<td>10</td>
</tr>
<tr>
<td>Insurance</td>
<td>9</td>
</tr>
<tr>
<td>Utilities</td>
<td>8</td>
</tr>
<tr>
<td>Media</td>
<td>7</td>
</tr>
<tr>
<td>Professional services</td>
<td>6</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>5</td>
</tr>
<tr>
<td>Healthcare provider</td>
<td>4</td>
</tr>
<tr>
<td>Education</td>
<td>3</td>
</tr>
<tr>
<td>Federal/central government</td>
<td>2</td>
</tr>
<tr>
<td>State/local government</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: IDC Customer Insights and Analysis, June 2020
Every industry, and in fact every company within each industry, has been impacted differently. However, the overall impact by industry shows that industries such as personal and consumer services (including hotels), with examples of revenues being down by 50%, and transportation (including airlines), with examples of revenues being down 80%+ in the short term, have been most impacted.

It is interesting to compare the industry impact versus the industry spending outlook, as this creates a view or road map to recovery as each industry adapts to the impact and moves through recovery.

Figure 4 shows the five-year view IDC research has of CAGR by industry and illustrates how each industry is forecast to grow over the next five years, based on current inputs.

Of course, this is based somewhat on a crystal ball looking into the future, when there are still some unknowns and doubts about the present. However, these growth projections are based on IDC’s underlying macroeconomic forecasts and customer surveys around intent, based on current predictions. The key again here is context and specificity by industry and customers within the industry to allow identification of the technology solutions that will most impact their short-, medium-, and long-term goals and requirements.
The Partner Role in Recovery

IDC research indicates that most systems integrators and other service provider partners have been quite busy helping customers quickly deploy connectivity, collaboration, and continuity solutions including VPN and other remote work and security measures. After these near-term initiatives, partners state that secure connectivity will continue to be a top priority for their customers. Longer-term, transformational projects will most likely be delayed or slowed due to budget concerns; however, with many industries being forced to transform due to the impact of the pandemic (e.g., the widespread rapid move to remote work), the need for some digital transformation projects has in fact been magnified and accelerated.

As partners’ customers are impacted in the next few quarters, partners should be looking to identify and develop the right solutions and offers to help their customers during the next phase of COVID-19 recovery. The most forward-looking vendors are transforming their partner ecosystems to give partners greater opportunity to capitalize on the return-to-growth stage of COVID-19 recovery.

Considering SAP: The SAP Partner Economy Expansion

So, how does all of this impact the SAP partner economy? IDC has developed an ecosystem model to look at the SAP ecosystem; this model is underpinned by IDC’s market data forecasts and uses SAP’s business results and mix to effectively forecast the potential growth over the next five years. This model is a continuation of a model developed within the past few years, so it also allows some more context and comparison against those models (see Figure 5).

FIGURE 5
The SAP Partner Economy Expansion

Based on IDC forecast models, the SAP partner opportunity will EXPAND TO $260 BILLION.

This growth is underpinned and driven by SAP Cloud growth.

SAP-related cloud-based revenues will be 49% CLOUD 51% ON-PREMISE but 68% of the total $ opportunity 2020–2024.

Source: IDC SAP Partner Ecosystem Opportunity & Jobs Impact Model, 2020
The IDC model shows that the SAP partner opportunity will expand to $260B in 2024 and is being driven by SAP’s own cloud growth. The previous model showed a growth to $200B, which was modeled from 2018 to 2023; the difference is driven by new forecasts for SAP revenues that were published between the two studies that showed different growth, and also a growth in cloud revenues both for SAP and in the IDC market growth.

Effectively, SAP Cloud growth layered upon the cloud growth that IDC is seeing in the market leads to cloud being a driver for the expanded SAP ecosystem opportunity. It is because of this cloud-upon-cloud growth that the next metric comes about.

When IDC modeled the revenue split of cloud versus on-premise over the same period of 2019–2024, cloud will grow to be 49% of the revenue opportunity, but 68% of the total financial net-new opportunity. The immediate question is how the share of net-new cloud opportunity can be so much higher than the total revenue. The short answer is that while cloud share is 49% in 2024, it started from a smaller base and is growing faster than on-premise software, and therefore the cloud share of the new growth over five years is higher.

Bottom line: Cloud growth within SAP, and in the market as IDC measures it, is the underlying growth driver.

The IDC model also extended the modeling of how much partners make versus SAP as the ecosystem expands.

→ In 2020, partners will make $4 for every $1 SAP makes; by 2024, partners will make $5.

→ In 2024, cloud-based partners could generate nearly $7 for every $1 SAP makes.

**SAP Ecosystem Expansion Impact on Jobs**

In this expansion of IDC’s ecosystem model, we extended the model a little further to identify the potential impact of the SAP ecosystem growth opportunity on jobs. The model uses the existing IDC and SAP data as a foundation to estimate how the SAP ecosystem impacts SAP-related jobs (see Figure 6).

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**FIGURE 6**

**SAP Ecosystem Expansion Impact on Jobs**

Based on IDC ecosystem modeling, the SAP ecosystem currently employs 1 MILLION WORKERS

With IDC’s forecasted growth of SAP revenues, that number will GROW TO 1.6 MILLION

Accelerated workforce growth will be with consultants. OVER 280,000 NET-NEW CONSULTANT ROLES will be created from 2020 to 2024.

Extrapolating total worker roles into hours worked, the SAP ecosystem opportunity will equate to MORE THAN 1 BILLION BILLABLE HOURS between now and 2024.

Source: IDC SAP Partner Ecosystem Opportunity & Jobs Impact Model, 2020
Based on IDC ecosystem modeling, the SAP ecosystem currently employs 1 million workers in 2020. With IDC’s forecasted growth of SAP revenues, the employment number will grow to 1.6 million by 2024 (equivalent full-time employees).

Through this modeling and based on the SAP ecosystem growth, IDC also estimates that more than 280,000 net-new consultant roles will be created from 2020 to 2024.

Extrapolating total worker roles into hours worked, the SAP ecosystem opportunity will equate to more than 1 billion billable hours between 2020 and 2024.

This modeling suggests a large opportunity for growth and reflects IDC’s own ecosystem research that there is broad opportunity for skills growth within expanding ecosystems. Partners should focus their own workforce growth plans around their focus ecosystems.

IDC research also sees growth in partner IP (services and software), which suggests that in general, partners, own IP drives on average 65% of their revenues and profit, so based on this, there is potential growth in their own capabilities. And roles around IP build on top of the SAP platform; therefore, part of the workforce growth opportunity around the SAP ecosystem will be in those roles that drive innovation and the creation of IP.

SAP’s Drive2Deliver program is a key program that supports the SAP partner ecosystem in identifying and growing skills and teams aligned to opportunity. IDC has reviewed SAP’s Drive2Deliver program, which has been developed to actively help SAP partners grow their talent, not only from a competency perspective but also from a talent-pool perspective, in a purposeful way.

Drive2Deliver features a number of scenarios that partners can utilize to build out their own skills growth plans, and the elements are flexible to allow personalization based on the context of each partner.

**Key scenarios of the program are:**

- **“Fresh Faces”:** This is focused around providing an SAP-supported graduate recruitment program for partners that might not have the resources to run their own. This is a great resource for partners looking to grow and complement their existing experienced consultants, and leverage the SAP brand, infrastructure, and resources to build an ongoing plan to find and hire new talent.

- **“Scout Hidden Talent”:** This second recruitment scenario is focused on supporting partners in identifying more experienced talent using powerful social media targeting and qualification of candidates potentially outside the current SAP ecosystem. The outcome here is a joint plan between SAP and the partner customized to their skills needs and underpinned by learning paths through SAP Education to ensure that the right candidates have the appropriate learning journey ready for action.

- **“Upskill Your Team”:** This enablement is focused on supporting partners that want to grow their cloud practice capability. Effectively, this looks to upskill or cross-skill existing talent into cloud delivery assets. Here SAP supports partners with specific transformation learning pathways as a foundation of a joint enablement plan with SAP and the partner.

IDC thinks that the scenarios in Drive2Deliver provide great opportunity for SAP partners to build a customized recruitment and enablement plan, supported by SAP’s resources, brand, and assets, and that this aligns well with the transformation of the SAP ecosystem expansion opportunity.

SAP Supports Partners on Skills Opportunity with Drive2Deliver Program

SAP recognizes that the shortage of talent in IT is becoming more and more visible every year and had been addressing this prior to the added impact of the current global pandemic. With 90% of SAP projects delivered by the SAP partner ecosystem, a high quality of delivery is needed to drive successful customer outcomes and also to increase adoption and support renewals in a more cloud-centric world. SAP has a clear strategy to deliver this quality via specific programs within its overall next-generation partnering strategy.
Challenges
IDC sees the biggest current challenge being the uncertainty around the timescale of the global pandemic, although with the customer indicators IDC research is seeing, the ability to use this time to focus on building the right skills for the recovery phase is a great opportunity. With projects potentially being deferred or redefined, the income or revenue streams for partners is a similar challenge. However, given that this time has also seen digital transformational requirements being magnified for many industries, the focus on getting the right talent or skills plan in place supported by SAP is a positive focus at this time.

Conclusion
IDC believes the SAP ecosystem transformation and growth, although obviously impacted as we all have been by the global pandemic, will continue to expand. The underlying cloud growth within SAP solutions as well as in the market will drive more opportunity for partners, and they should look to leverage the SAP programs to focus on their talent and skills.

To the extent that SAP and the SAP partner ecosystem can ride out the current challenges, the growth of the SAP ecosystem, underpinned by cloud growth, represents a significant opportunity for SAP partners.

ABOUT THE ANALYST

Steve White
Program Vice President, Channels and Alliances, IDC

Steve manages a group of channels and alliances analysts as well as their related research products. Steve also works with the Strategic Alliances Leadership Council (SALC) members to define and research the key topics that affect strategic alliance investments and provides analysis into alliance trends, best practices, and benchmarking. In the past few years this has included in-depth council discussions on cloud, economic pressures on alliances, key performance indicators, and alliance organizational best practices.

More about Steve White

Message from the Sponsor
If you’re interested in learning more about partnering with SAP:

Visit sap.com/partner
Appendix

IDC Economic Impact Model Methodology

Since 2002, IDC has maintained an internal tool called the IDC Economic Impact of IT Model (EIM), which takes inputs from IDC’s market research on IT spending, exchange rates, and vendor market share along with public inputs such as GDP, tax rates, and overall labor force from other sources. The output of the EIM is IT company and employee counts by geographic region.

In 2012, IDC added inputs for spending on cloud computing, percentage of IT resources available for innovation (the rest used on legacy system support and upgrades), and business revenue as a multiple of GDP per country.

Using research-driven algorithms that compare total IT spending with spending on cloud computing and IT budgets with business revenue, the degree to which IT innovation drives business innovation, and estimates of business benefits from accelerated development schedules, faster project completion, and shorter time to market for new products, the IDC model generates job head counts and business revenue in the general economy because of the use of cloud computing to free up IT resources.

In short, increased IT innovation leads to increased business innovation that leads to increased revenue, which creates new jobs. Outputs from the EIM have been published in various IDC research projects and are a critical input to the European Union’s Digital Agenda for Europe.

The SAP partner opportunity is an extension to IDC’s Economic Impact of IT Model. It estimates SAP’s current and future opportunity to its ecosystem generated by cloud computing. It also estimates the size of the ecosystem supporting SAP using IDC’s market research on the ratio of spending on professional services to cloud subscriptions; the ratio of sales of hardware, software, and networking to spending on public and private cloud computing; and the ratio of spending on application development tools to applications developed.

Note that the ecosystem may include companies that are not formal business partners of SAP but that nevertheless sell products or services associated with SAP implementations.