SAP Indirect Access License Fees Can Be Significant and Unexpected

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SAP is approaching an increasing number of customers for significant, unbudgeted license fees related to indirect use. SAP software professionals should carefully validate those indirect use claims and the value received from them to mitigate costs.

Key Challenges

- SAP customers, struggling to optimize costs, are unexpectedly facing significant increases in license fees by being asked to pay for applications that are interfaced into SAP, or that extract data from SAP software to third-party applications.

- SAP customers evaluating competitive offerings, which will be integrated into SAP software, will be more likely to face indirect use license claims from SAP. This can result in paying SAP as well as the competitor for the same capability.

- SAP has been inconsistent with its definition, interpretation and measurement of indirect use, resulting in ambiguity and confusion. In particular, the SAP System Measurement Guide and SAP Licensing Guide contain interpretations of indirect use inconsistent with many contracts. SAP’s more recent move to standardize General Terms and Conditions and Software Use Rights (SUR) provides globally consistent and all-encompassing indirect terms that could increase unwary SAP customers’ cost exposure when purchasing products on an order form.

Recommendations

SAP software buyers:

- Expect a discussion with SAP sales about indirect use. Proactively seek the details of clauses relating to indirect use in SAP contracts, and defend your position based on your contract language, rather than the SAP System Measurement Guide criteria.

- Protect broader or vaguer definitions, and avoid signing away these rights if asked to move to Web-based usage rights when making new purchases.

- Utilize Gartner’s principles of licensing fairness to counter SAP’s indirect use fee approach.
Work with enterprise architects to document interfaces into SAP software. Categorize them according to value derived.

For those indirect use scenarios where value is derived from SAP software, but is lower than the price of existing user categories in contracts, negotiate lower-priced options.

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### Introduction

IT procurement professionals are challenged to negotiate effective contracts with entrenched suppliers, where there is high dependency and lock-in, to better align the contracts with IT and business goals. Buyers of SAP software are particularly struggling to optimize costs because of contractual terms related to indirect use of SAP software. These are resulting in unexpected and often substantial fees.
Client calls indicate SAP has become more aggressive in its pursuit of indirect use fees. Although SAP indirect use has been an issue for SAP customers for many years (we started writing about this issue more than 10 years ago), Gartner has been receiving a large number of client calls related to significant and unexpected indirect use fees since December 2013.\(^1\) SAP’s inconsistent pattern of charging indirect use fees has also generated concern in some SAP user groups across the world.\(^2\)

Gartner believes the primary intent of indirect use license fees is to charge SAP license fees for accessing SAP software through a third-party interfaced application and/or using and transforming data from SAP in that third-party application. These fees are in addition to any fees already paid to the third party for the integrated application or any SAP or third-party integration technologies. SAP fees vary in cost, but user fees would typically be several thousands of dollars at list price, and packages even more, resulting in significant unexpected budget exposure to its customers. Over time, SAP has attempted to extend its indirect fees to apply to the extraction of data from SAP into a static environment, which allows internal clients to view information. Indeed, in its 2010 licensing guide, SAP gives an example of indirect use requiring limited professional user licenses simply to access/view data within the SAP system (see Note 1).\(^3\)

SAP customers are often surprised by the timing and engagement process for fee discussions. In the majority of Gartner discussions with SAP customers, these clients are perplexed and surprised by the unexpected discussion on indirect use fees. Most perplexing is where SAP recommended and performed integration work, and did not reveal large indirect use fees that could result from its work. Those customers are only now being told of this liability. SAP has noted that its services consultants are not license experts; they recommend the best possible solutions at the request of customers, and are not obliged to reveal license fee ramifications, however large. This, SAP suggests, is solely the customer’s responsibility.

Common Triggers for Discussions About Indirect Use

In recent discussions with clients about indirect use fees, the triggers have varied; however, we see common themes:

- **Audit Activity:** SAP has been increasing the level of scrutiny of customers’ self-audits. Every year, SAP customers are obliged to submit a License Administration Workbench (LAW) report to count the number of licenses deployed, compared to those purchased. SAP has been examining these reports much more thoroughly in relation to suspected indirect use violations. In some cases, SAP customers who have had integrated applications for many years, and were never questioned for indirect license compliance when submitting prior LAW reports, are now being asked for indirect license fees.

- **Lack of New License Demand:** SAP customers who have not made purchases in the past 12 months and who have no articulated future demand for license spending are being examined. Likewise, discussions surround applications or integrations that have been in existence for many years and for which fees had never been suggested.
**Looking at Competitive Offerings:** Customers submitting a competitive RFI or RFP documents in markets where SAP has a competitive offering, especially in areas like CRM and human capital management, are being reviewed. SAP sales have used indirect access language to suggest that if competitor’s offerings were selected, and then interfaced into SAP, license fees would be due from the competitor and SAP, and that it would be more cost-effective to simply pay SAP, rather than paying twice for the same functionality. In some other cases, neither vendor mentioned the additional fees until after the third party was selected and contracts signed. SAP would then use sales or audit activity to approach the organization about incremental fees.

**Signing the New SAP Order Form:** Historically, SAP customers buying new software would add a new exhibit to the originally negotiated master contract. However, SAP customers now are being asked to sign order forms, rather than exhibits, and these order forms require compliance with the standard general terms and conditions (GTC) and SUR on SAP’s website. These contracts have reference to use rights and indirect use. SAP’s new online terms are contractually agreed for only products on each specific order form. Use rights appear in the GTC under Section License Grant Section 2.1.2 and in the SUR under Section 1 — Licensing Principles and Rules of Use and Designate Use in 1.1.1 (7). It states ’’Use’ means to activate the processing capabilities of the software, load, execute, access, employ the software, or display information resulting from such capabilities … Use may occur by way of an interface delivered with or as a part of the software, a licensee or third-party interface, or another intermediary system.’’ The latest SUR also adds a specific definition for a license for SAP NetWeaver Open Hub, which is required for data extraction from SAP BW, and which was not detailed in many prior contracts (see Note 2). This use term was first seen in SUR terms v10-2013, and may, or may not be consistent with definitions in existing contracts, depending on the date and location of your signing. These new use terms are supposed to only govern the new purchases, but having two different use definitions, one which may be more all-encompassing than another, will be very difficult to manage. It is, therefore, important to validate which use term you are agreeing to for the order form purchases because they may vary. Gartner recommends including language in the order form stating that only those definitions that apply to the product purchased on the order form are valid.

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Analysis

Maintain Older or Vague Indirect Use Clauses From Earlier SAP Contracts to Improve Your Negotiating Position

SAP Indirect Use Interpretations Have Evolved Over the Years

Gartner has seen many statements related to SAP indirect use fees over the years, contractually and in SAP Licensing Guides and SAP Measurement Guides.

SAP Defines Indirect Use and the Licenses Required for Them Inconsistently

SAP’s precise contractual language related to indirect use, and SAP interpretations of these terms, has varied over the years and by signed contract location. In many cases it was not explicit what scenarios would generate indirect use fees, and what metrics should be used for indirect use fee pricing. In some contracts the word "indirect" was not even mentioned, rather simply a statement that use must be paid for. Use was usually when the processing capabilities of the software were activated, or to load, execute, access, employ, utilize or store the software, or display information resulting from such capabilities. Following this was the statement that use may occur indirectly. Sometimes no further elaboration of this was given, yet other times it was suggested that "indirect" meant, by way of an interface or another intermediary system. In other agreements the definitions were embedded in the Named User definitions, some of which, such as transaction user from mySAP.com contracts, have disappeared from the price list over the years. Also, those who negotiated enterprise license agreements allowing unlimited use of certain SAP software in return for an upfront payment or a broader metric, such as total number of employees, may not face exposure.

This contractual inconsistency has been addressed by SAP more recently through its global implementation of SUR online terms. Customers with older contracts, and who have not signed the new SAP Order Form (see "SAP’s Shift to Online Terms Could Mean Increased Cost and Compliance Headaches") should actively manage their definitions differently than those in the new SUR. Customers with contracts dating back to the early 2000s may have much less prescriptive definitions of what constitutes indirect use, which might improve their negotiating positions.

Be aware that SAP has inserted definitions for indirect use in its System Measurement Guide (see Note 3), which is supposed to be used to guide customers through their annual self-audits. Customers need to understand that this document has no contractual standing, because it was never signed, and its definitions may not align with signed contracts. Critically, SAP did not specifically call out what licenses would be required to cover such indirect scenarios. SAP Licensing Guides have been published since 2009 to help its customers understand SAP licensing. This is not a contractual document, but has been published on SAP’s website to guide customers. The 2009 guide section on indirect access states customers would require Named User or possibly Platform user licenses, or in certain circumstances Package licenses (see Note 4). However, by 2010, the SAP guide no longer mentioned Platform users as an option for licensing indirect scenarios, but
rather suggests that Named Users, Packages and now NetWeaver Foundation for third-party application licenses may be required (see Note 5). In the most current iteration of the SAP Licensing Guide, the section on indirect access is much shorter and neither mentions Platform users nor NetWeaver third-party application licenses. It states Named Users and Packages must be licensed (see Note 6).

Recommendations:

■ IT procurement managers should proactively seek out and catalog the clauses in their contracts related to indirect use that apply to each license.

■ SAP customers with older, less all-encompassing, definitions of indirect use should protect them vigilantly by negotiating the extension of those terms in place of the newer SUR definitions incorporated in all future purchases (see "SAP's Shift to Online Terms Could Mean Increased Cost and Compliance Headaches").

Do Not Accept SAP System Measurement Guide Definitions as Contractually Binding

Gartner’s principles of licensing fairness should be used to counter SAP’s indirect use fee approach and create a more balanced negotiation on definitions and fees.

SAP has strategically opened its software to new data sources and software platforms, resulting in a potential licensing compliance challenge to its customer base. Historically, SAP encouraged customers to build out its partner network and heavily integrate SAP with other applications, especially in "white spaces" where SAP had no equivalent offering. SAP customers typically require hundreds of interfaces on their SAP ERP systems when integrating them into their business application landscapes to create collaborative end-to-end business processes with customers, partners, suppliers and distributors.

Indirect use complications arise when multiple systems are connected and information is transferred between them. But there are conflicting views on what is a fair and reasonable interpretation of indirect use across these complex interfaces. This has led indirect use to be an ambiguous gray area. To try and bring some clarity to the situation, Gartner has compiled a set of five principles of licensing fairness with respect to indirect use of SAP business applications. In our experience, SAP customers who have used these principles have achieved substantially improved outcomes in their negotiations.

1. Customers Own Their Data

The customer is the owner of all customer business data, including historical business data; this is shared across the customer’s business application portfolio. Simply accessing this data, or exposing it through a portal, should not attract license fees. SAP, however, owns the software intellectual property — that is, SAP is the owner of all intellectual property relating to its software products, including data models, data structures, configuration data and metadata for its business applications.
2. Infrequent (Daily, Hourly) Batch Data Transfers Should Not Be Charged

Interfaces implementing batch data transfers (data in, data out) between all business applications, including SAP and non-SAP systems, in general does not constitute indirect use of SAP software, and should not be charged. When a customer's business data is retrieved from an SAP system, the SAP intellectual property is not accessed and, therefore, the expectation is that there should be no licensing impact. SAP is, however, demanding an additional licensing cost for its customers to extract their own data. It references its vague indirect use definition. It is our opinion that this is not fair practice because customers have SAP user licenses when they originally created the data. Such data is owned by the customer, not SAP; hence, the customer should have the right to access its own data via non-SAP processes for its own use. SAP has tried to charge some customers a specific Business Warehouse (BW) Open Hub license for data extraction specifically from BW. However, we believe this simple data extraction should not be subject to charges. "Frequent" batch data transfers (e.g., same data transferred every minute, or faster), however, may effectively be defined as near real time in nature.

3. Real-Time, Synchronous and Bidirectional Use of SAP Software Can Be Charged

Interfaces implementing real-time data transfers to support interactive bidirectional user access between all business applications, including SAP and non-SAP systems, potentially does constitute indirect use. Fees should be paid, although possibly at lower rates than the standard named user fees.

In general, SAP Remote Function Call (RFC), Java Connector and Gateway technologies are more likely to be used for real-time, synchronous type of interactive interfaces. SAP Intermediate Document (IDoc), Enterprise Services or PI messaging technologies tend to be used more for data-transfer-type interfaces.

4. Indirect Users Should Be Identifiable Users, Not Devices

Gain an understanding of how SAP identifies your licensing and product scenario, and argue that only identifiable people are paid for as indirect users. The term "Named User" suggests an identifiable person, given the digitalization trend and the introduction of many more smart devices (see "Digital Business Requires a Change in Software Licensing Models or Higher Costs Will Prevail") This would set a potentially very costly precedent to accept smart devices as named users, direct or indirect.

5. Multiplexing Front-End Applications Built for the Express Purpose of License Fee Avoidance Should Not Be Acceptable to Either Party, and Does Constiute Indirect Use

It should be acknowledged that a small number of companies have deliberately developed their own sophisticated software applications to intensively extract data from SAP business applications, and then used them to support large numbers of interactive users with their user interfaces. This would constitute SAP license avoidance, and compliance-related fees should be paid in this scenario. Gartner believes that the majority of SAP's clients do not set out to do this, and are greatly surprised by the indirect use issue when it arises in license audits.
Recommendations:

- Each of the Gartner principles of licensing fairness with respect to indirect use of SAP business applications should be leveraged during negotiations to derive a tighter, more concise definition of what constitutes indirect use and the value to be derived from it. Leveraging of them to negotiate better terms will vary depending on the contract terms already signed.

- Work with SAP technical professionals or enterprise architects to ensure that up-to-date documentation on the exact functionality of all SAP interfaces (to SAP and non-SAP systems) is maintained.

Use SAP Solution and Enterprise Architects to Categorize the Type of Integration to SAP, and the Relative Value Derived, to Reduce Indirect Fees

To be prepared for indirect use conversations, we recommend working with SAP solution or enterprise architects to ascertain exactly which interfaces you have into SAP systems, as well as future planned interfaces, and categorizing them where possible according to the Gartner fairness principles. Because many customers will have tens, if not hundreds, of integrated applications, it can be a daunting task. There are third-party tools that will assist customers in defining to various levels what kind of indirect use they may have (see Note 7 and Note 8).

As stated in the fairness principles, these integration characteristics are usually more likely to require licensing:

- Bidirectional
- Synchronous
- Real-time

In these scenarios, you may still argue that the value proposition is low enough that license fees are not due. However, in these scenarios we usually see SAP require license fees. We have seen customers negotiate some of the following outcomes:

- Customers have documented specific integrations and described them in their contracts with stipulations that these integrations, or anything substantially similar to them in the future, would not attract indirect license charges.

- Customers have sought to negotiate even tighter language, stating that SAP will not invoke indirect use license fees unless it can establish that the customer has deliberately sought to artificially avoid or reduce the number of licenses required through the access mechanism or interface it has deployed. These terms state that at this date both parties are confident that the stated license products and licensing levels are sufficient, and that no hidden licensing costs may occur without material change to the system landscape or the user’s configuration. Any future amendments of SAP licensing rules will not be applicable to license transactions noted in this document.

In these circumstances, SAP customers would have to disclose to SAP all circumstances relevant to the licensing of the stated license products and licensing levels.
Negotiate Lower-Priced User Categories or Alternative Pricing Metrics With SAP for Lower-Value Indirect User Scenarios

The indirect use fees initially proposed by SAP may suggest that all interfaces be licenses with higher-priced user categories, such as Professional User. One should negotiate on category or package type, should the value derived from the indirect use be lower than the usually high price points associated with these user or package categories.

Over the years, we believe SAP has accommodated discussions about indirect use by creating user categories or proposing different SAP package license fees in line with value. Although many of these end up being unique solutions to cater for the specific value proposition of the indirect use, and we do not suggest any one has merit over another, the following are commonly seen examples:

- Lower-cost named user fees that SAP has adopted should be considered examples of these named user types: Retail User, Worker User, Industry Portfolio User. Older agreements may have Limited Professional, Shop Floor User or Customized User categories that could be used. In total, there are approximately 50 different named user definitions that have been sliced and priced into smaller functionality use rights definitions. Gartner is not claiming that value has been extracted from this extensive slicing of definitions, but it offers a representative expectation that SAP would negotiate varying degrees of indirect use licenses based on individual value propositions.

- Defining an indirect user category with negotiated fees. Some customers have attempted to negotiate a catchall indirect user fee with a low price point to try to cater for all such circumstances.

- Utilizing a different pre-existing SAP license to accommodate indirect use, for example, packages for sales order processing, service order processing or Gateway licenses that would usually be paid for based on business metrics such as number of sales orders, rather than by number of users. If this approach is attempted, then we recommend that it be clearly stated in the contract that this is intended as a proxy for indirect use, rather than as a license for that functionality.

Irrespective of which approach is selected, it is important to clarify that these fees are intended to cover indirect use, and any usage restrictions embedded in the standard use rights are removed. For example, some customers were proposed "external community member" license fees to cover indirect use. However, the usage rights for this license specifically limits the access to an SAP portal only (with no access to SAP ERP application functionality), and the access is restricted to third parties, rather than employees.

Recommendations:

SAP software purchasers:

- Attempt to negotiate lower-priced license fees if the value derived from indirect use presents a lower value proposition.
Document that these fees are specifically being paid to cover indirect use, and modify usage definitions as necessary.

Case Study

The following is based on aggregated and anonymized real-life examples where SAP has requested indirect use licenses.

User authenticates using Identity Management Application to place an order via the Web Application platform. The request is passed via SAP PI (Process integration) service bus to the SAP ECC Application (Enterprise Central Component). The response is sent back to the customer — order process completed (see Figure 1).

Figure 1. Indirect Use of SAP Systems

ETL = extraction, transformation and loading

Source: Gartner (July 2014)

SAP IP computing power has not been utilized in this example because this is a straight data flow of information originating from other vendors' software. Further SAP licenses should not be required.
**Recommendation:**

- Document interfaces into SAP and categorize them according to value derived, and utilize other criteria commonly accepted by SAP as exempt from charge.

**Gartner Recommended Reading**

*Some documents may not be available as part of your current Gartner subscription.*

"IT Procurement Best Practice: Key Terms to Negotiate in SAP Contracts to Protect License Investments"

"Plan Your SAP License Audit to Eliminate Surprises"

"SAP's Shift to Online Terms Could Mean Increased Cost and Compliance Headaches"

"Digital Business Requires a Change in Software Licensing Models or Higher Costs Will Prevail"

**Evidence**

1. Gartner’s IT Asset Management and Procurement analysts took a total of 1,508 calls regarding SAP licensing over a 24-month rolling period ending April 2014. From December 2013 to May 2014, a full one-third of client questions about SAP licensing were specifically related to indirect use. Gartner has been addressing this issue for more than 10 years.

2. German SAP user group discussion about indirect use; French SAP user group white book containing indirect access section (source: USF and CIGREF). Should an SAP user want to access this document, but not yet a USF member, USF will forward the relevant chapter at no cost.

3. Example given by SAP in its 2010 Licensing Guide requiring licenses to access data in SAP systems.

4. The GTC and SUR contracts need to be located from the menu based on the country or language required.

5. SAP Measurement Guide.


7. SAP Licensing Guide from 2010, Indirect Use section.

8. SAP’s Current Licensing Guide, June 2014 (see Note 6).

9. This is an anonymized and aggregated example from Gartner research analyst discussions with SAP customers.
Note 1 SAP-Worked Example of When Indirect Use Licenses Are Required (From SAP Licensing Guide, 2010)

"Two of the vehicle manufacturer's employees will handle data transfer between their organization's JIT solution and the automotive supplier's SAP software. These users require indirect access to data in the SAP software, such as advanced shipping notifications. To grant its customer's employees the necessary rights, the automotive supplier licenses two 'Limited Professional' named user licenses."

Note 2 NetWeaver OpenHub License Requirements From current SAP SUR

5.2 SAP NetWeaver OpenHub.

"With this license, data may be exported out of the licensed SAP NetWeaver BW into non-SAP software applications in an asynchronous, non-real-time manner. Once data is asynchronously extracted to non-SAP software, there are no additional license fees required for SAP Software or SAP Named Users. For the purposes of this Section, 'asynchronous extraction' means downloading data in bulk (i.e., not in response to a real-time Named User or system-generated reporting query) for analytical purposes."

Note 3 Differing Indirect Use Guidance in SAP Measurement Guides

Indirect use statements have also been included in the SAP Measurement Guide that has evolved over the years, but is not contractually attached to your SAP terms and conditions. The Measurement Guide provides guidance on how to classify SAP Named User licenses and includes varying degrees of indirect use definitions or statements of use.

The current (v7) SAP Measurement Guide states:

13.8 Indirect Use

Named users are also upstream and intermediary technical systems that exchange information with the SAP software system, as well as the users of those systems, if the users exchange information with the SAP software in dialogue or prompt mode. It makes no difference whether the software is accessed directly or indirectly.

SAP’s Measurement Guide version 6.1 does not state anything explicitly about Indirect Use, or have a heading for, indirect use in the guide. Indirect use is discussed as follows:

1.2 Named Users

"A named user is an employee of a customer, of its affiliates, or of third-party companies authorized to access, directly or indirectly, the license software, independent of the technical interface chosen. Named users include technical systems that exchange information with the SAP system, and their users. Both direct and indirect access and usage is counted. Direct access means that the user communicates with a system upstream from the SAP software that bundles, temporarily stores, or summarizes communication activities and transmits them to the SAP software installation."
2.3.1 Indirect Access of SAP Software

"License requirements are based on the utilization of the software capabilities independent of the technical interface that is chosen to access functions and data. There are important licensing implications when deploying non-SAP software that interfaces with SAP software or when deploying handheld device scenarios. These implications include:

- Users of any non-SAP software indirectly accessing SAP software or any handheld device scenario must also be licensed as Named Users.
- A Licensee needs to hold the relevant Package licenses that are being accessed by the non-SAP software or that provide the handheld device scenario.
- Beyond the Package and Named User licenses, SAP does not require additional licenses for the use of technical interfaces like enterprise services or BAPIs.
  - For a few restricted scenarios such as the processing of sales/service orders, SAP offers the possibility to replace the Named User requirement by a separate Package license that is priced by a business metric.
  - To simplify Named User licensing for users that access SAP applications exclusively through non-SAP applications, SAP has introduced SAP Platform Users. SAP Platform Users are subject to special conditions. For further details, please contact your SAP representative.''

3.1 Interfaced Access to SAP Software

"License requirements are based on the utilization of software functionality, independent of the technical interface that is used to access functions and data (for example, a user interface that is based on a non-SAP Web portal or a desktop client). There are some important points to remember when deploying non-SAP software that interfaces with SAP software:

- Named user licenses are required for all users of non-SAP software who indirectly access SAP software.
- The relevant package licenses are necessary for all SAP functionality accessed via non-SAP software. The relevant package licenses generally remain the same regardless of the interface. They depend on the functionality that you are accessing … Some forms of interfaced access to SAP software require the 'SAP Net Weaver Foundation for Third-Party Applications' license.''

What Is SAP Policy on Indirect Access?
"The SAP software license is based on the utilization of software functionality, which is independent of the technical interface used to access software functions and data. A customer’s software license is based on usage of the SAP software under a named user plus package license model. Under this named user plus package license model, any access which may occur due to the customer’s software architecture must be licensed. Use of SAP software is governed by the customer’s SAP software agreement, which includes access to SAP software directly and through any intermediary technology layer."

**Note 7 Measuring Indirect Use With Tools**

SAP’s LAW tool can measure named users and certain engines based on direct extraction of information from your SAP systems. For example, a named user will be categorized with a specific number that correlates to a license definition. A professional user is Category 52. While the system can distinguish each named user individually in each system and combine the IDs for the highest functional license, integration or utilization of data into other systems has been typically evaluated by the manual request of an interface document from SAP. The theory is that indirect use can be measured through the LAW tool by evaluating different criteria of work time, how much work goes through a user ID, or some form of cross-component check where potential changes in database tables at the same time can be evaluated as a third-party solution triggering information. In 2014, third-party Software Asset Management providers will become more sophisticated and begin aligning their future measurement tools to provide information about these potential uses.

**Note 8 Third-Party Tool Providers That Will Help to Detect Indirect Access**

- FlexNet for SAP from Flexera
- License Auditor from Xpandion
- Dynamic Licensing Suite from Snow Software (acquisition with Intelligent Licensing)
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