SAP acquisition of Signavio Heralds a Seismic Shift in the Process Mining, Modelling and Management Markets
March 2021
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Last month's SAP announcement of the acquisition of Signavio will radically change several process-related markets. Although SAP did not provide details on the price paid, a Deep Analysis report suggested that SAP paid $1.2bn against Signavio revenues of $100m.

Markets that stand to be impacted include the Process Mining market, the Process Modelling Market, and the Customer Experience Market, with some potential knock-on effects in the RPA market too.

Before jumping into the detail of what that impact might be and who might be affected, and how, I need to remind readers that Signavio was among my consulting clients. Along with Abbyy and LeanIX. Much of my time at Signavio was spent working with the leadership team on positioning, messaging, and strategy. So, I have a bias. I would also point out that I have been away from Signavio for some time and have no inside knowledge of this deal. I am, however, humbled that Signavio execs still recognize the value of my work in helping them, leading to this deal being possible.

History has not been kind to modelling tool vendors that get acquired. I have written in the past that there has never been a successful acquisition of a modelling tool vendor. But in this instance, I am very bullish and predict that SAP is quite likely to be able to turn that reported $100m of revenue into $200m plus in short order.

Why, you might ask, if I have been so negative in the past would I be so bullish this time? There are many factors at play. Firstly, SAP is a long-time customer of Signavio and is one of Signavio's largest. Check out the Signavio website, and you will find video testimonials with SAP folks extolling how Signavio is at the very heart of how they document and improve many internal processes. So, SAP already has significant experience in some of the ways Signavio can be applied to Business Process Improvement.

Secondly, SAP knows through their experience of reselling Celonis that there is a tremendous appetite within their installed base for Process Mining Solutions. By replacing Celonis with Signavio, they now have the product and pricing flexibility to promote and sell Process Mining to a much larger subset of their current clients and avoid paying high royalties to a third party.

Thirdly, the combination of Signavio Process mining and process modelling has already been shown to aid R/3 to S/4HANA migrations. Both SAP and their customers need tools to help accelerate this migration, with the deadline of 2025 end-of-life support looming large in many minds. A route to faster and easier migration alone could more than justify the price paid. Still, as SAP themselves are discovering, the move to S/4HANA is both a driver for customers looking to undertake a broader digital transformation and a risk. Having to move from R/3 does not guarantee the customer will stay with SAP.

Fourthly, the SAP ecosystem has always been among the most extensive on the market. Now, all those big SI and consulting organizations will have easy access to what has long been one of the best modelling tools available. Whether SAP seeks to continue to offer the Signavio Business Transformation Suite to the broad range of non-SAP customers who use it today remains to be seen. However, the ecosystem players, for whom SAP is just one of their partners/lines of business, certainly will. The ecosystem alone could more than double the Signavio attributable ARR within one or two years.

My fifth and final observation is that people may overlook the new Customer Journey Modelling in Signavio, which I think could be pivotal in a couple of ways for SAP. They could take the journey modelling piece and add that capability into the Qualtrics stack, thus providing rich journey visualizations to the analytics data with Qualtrics, a move that would certainly have appeal to many in the Customer Experience space. As with the process modelling piece, journey modelling could also prove popular with the SAP partner ecosystem, enabling them to more easily engage with clients seeking to undertake customer-centric business or digital transformations.

The initial introduction video and announcement from SAP touches on the S/4HANA, Qualtrics, and Spotlight possibilities within the SAP BPI business unit. As we would expect, it was a little light on detail. I am sure more details will emerge over the next few weeks after the deal closes (estimated still to be with Q1 2021), so we still have much to learn.

Being bullish, as you can see, about the potential and possibilities for SAP, let's now take a look at the markets that will be disrupted and what that might mean.

Process Mining

The Process Mining market is the obvious starting point given that until now SAP has been reselling Celonis, and most observers believe that at least up until 2020, they were the main sellers of Celonis. Whether Celonis moved towards automation because they knew this deal was happening or whether their move to automation caused SAP to look elsewhere, we can only speculate. What we can see is that a significant part of Celonis' business is now at risk. How many and how quickly those SAP/Celonis customers might migrate from Celonis to Signavio will only be known in 12-18 months. But we can guess that inflight deals will be stalled, and expansion with existing customers is likely to be slowed, at least until customers understand what SAP will be doing or offering, and more importantly, how they might price it. Of course, working directly, Celonis still has the chance of locking in current customers and picking up new ones. Signavio Process Intelligence today still does not match Celonis and other players such

as Abbyy and Apromore from a functionality or ease of use perspective. So, there remains a window of opportunity.

Gartner analyst Marc Kerremans and I have both been on record several times over the past 18 months, saying that we did not believe that the stand-alone Process Mining market would survive and reach maturity. We both have stated that process mining will simply become a capability that becomes subsumed into other products and markets. Marc Kerremans uses the parallel of Business Rules, which grew, got subsumed, and disappeared, even though it is still heavily used today.

Starting with Process Gold's UIPath acquisition, Abbyy acquiring TimelinePI, and now SAP acquiring Signavio, melded with the pivot to automation by Celonis. We see that the likelihood of the remaining players surviving in a stand-alone market is slim. We now have five players with significant financial muscle (Abbyy, Celonis, SAP, Software AG, and UIPath), all with their own process mining products.

To this end, when we look at the remaining players Apromore, Lana Labs, MyInvenio, PAFNow, MINIT, QPR, I predict that two, if not three, will be acquired before the end of 2020.

The market is becoming riskier and blurred, as we see most RPA vendors also relabelling or rebranding their Task Mining as Process Mining. Still, as yet, none of the Task Mining solutions I have seen can genuinely be thought of as process mining.

In this vein, we see Microsoft and FortressIQ now positioning their task recorder/task mining products as Process Mining tools, and no doubt others will follow. As a side note, I would not have been surprised if SAP had also acquired FortessIQ and merged it with Signavio Process Intelligence in order to have a complete Task and Process Mining solution (maybe they still will!)

Process Modelling

Signavio was not the first cloud-based modelling tool, even though the marketing suggests it to have been. Signavio has undoubtedly been the most successful, with thousands of customers and over 1 million users; they stand head and shoulders above the competition. In fact, with the acquisition, the

4   www.bptrends.com

Signavio team can genuinely say that they were the most successful modelling tool vendor in history, and I would and add that this achievement will never be matched. But what does it mean to those left behind?

Over the past two years, Signavio's lead in process modelling has started to erode, Software AG and GBTec being among the two most notable vendors rising to the challenge. While many other vendors also operate in the process modelling space, they tend to either be much smaller, e.g., BusinessOptix, or specialized around their own technology stack, e.g., Nintex. I tend to discount the EA vendors pushing process, e.g., Mega, BiZZdesign, Orbus, etc., as the EA vendors have never really made serious inroads outside of their traditional IT domain.

For many, the rise and success of Signavio has been baffling. For most of Signavio's history, they have shunned analyst firms and ignored the suggestions that modelling was either dead or saturated. Instead, Signavio successfully worked with process professionals and teams outside of IT. The fact that they operated outside of the IT focus and domain meant many industry analysts could not understand or position them (the analysts were mainly focused on IT stories to IT organizations). So it has been great to see how a vendor can grow and exit without ever being ranked a leader in a quadrant or wave, an excellent learning for others that analysts, while helpful, do not control your destiny as much as you do yourself.

This acquisition is sure to shift the orbit of Process Modelling once again. As with process mining, the SAP customer base, the SAP partner ecosystem, and the SAP salesforce will mean that other modelling vendors will find it hard to grow as much as they hope in the short to medium term. There will always be many hundreds, if not thousands, of potential customers for other vendors to sell to, but I suggest that the bigger deals will solidify on SAP/Signavio. While I don't see this acquisition driving the same level of acquisitions in the modelling space as in the process mining space, I predict that other "large stack" vendors will at least investigate the viability of acquiring and adding modelling to their capabilities. However, without a clear use case and a clear understanding of the process market, it is not an easy path to follow. Celonis may still prove to be the exception. I have written before that, in my view, the lack of modelling to complement process mining is a blind spot for Celonis. So, I still think that they may yet make an acquisition, and from my perspective, GBTec and Blueprint Systems could make interesting targets for them.

Customer Experience Market

The shifts in this market may not be as noticeable or as dramatic, but depending on how SAP chose to play things going forward, they could still be significant. As I mentioned combining the Journey Modelling from Signavio with Qualtrics would provide an extremely comprehensive and competitive offering. We already know that customer-centricity is driving many aspects of technology and business change. Therefore, combining facts and feelings to drive more effective transformations will be highly appealing for many organizations.

It's still early days in the Customer Experience/Customer Excellence space. However, estimates still place it as anywhere between a $3bn and $10bn market, so it is not likely that SAP will want to ignore it, even as they consider spinning out Qualtrics.

RPA/Hyper-automation, Low-Code/No-Code Automation
The automation market will undoubtedly be impacted, but it is too early to assess the "how" of that impact. It was suggested to me recently that over 80% of RPA implementations involve less than ten bots. This highlights why the addition of process modelling and process mining to RPA is significant. To achieve that enterprise impact and scalability, RPA vendors such as BluePrism have been partnering with the likes of ABBYY and Signavio. Moving forward, if modelling and mining are so critical, will we see SAP leveraging the Signavio installed base to promote Contextor based RPA solutions? Will SAP seek to replace the Signavio Workflow Accelerator with an automation alternative from within the SAP portfolio? In the latter case, such a replacement could see a greater uptake and expansion of usage.

So, early days to assess the impact on automation, but I suggest it will impact, and that impact will be felt more broadly than may at first be apparent.

In summary, from a customer/user perspective, there is nothing to lose and all to gain from the shifts occurring. The caution might be that if one is in the market for a process mining vendor, smaller players may be risky right now, while more significant vendors jostle for position and dominance. We already see Celonis ramping up aggressive marketing, and others will likely follow. It might be that there are going to be some great deals available on licenses for Process Mining over the next six months!

Author
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A former Research Director at leading IT industry analysis firm Gartner, Mark has an extensive background in enterprise architecture, business process management, and change management. He has held executive positions with several technology companies. Since retiring from Gartner, he has worked with clients such as Changepoint, Erwin, Mega, Planview, LeanIX, and Signavio. His current work sees him working as a strategy consultant/advisor with ABBYY and Workpath.

Mark has authored or co-authored four books on business and process management, including "Thrive! How to Succeed in the Age of the Customer" and "In Search of BPM Excellence" and "People-Centric Process Management. Widely respected for his knowledge and views on business change, he is the creator of "Next Practice" and has been described as a" BPM Guru," a "Thought Leader" and a "Master of Mindset."

Mark is passionate about the people aspects of change. He has spent much of the last twenty years traveling the world, learning, teaching, and researching the cultural issues of change and how executives perceive business and process improvement. In this capacity, he has taught hundreds of people and been fortunate to interview and interact with many CEO's

Mark holds certifications in Six Sigma, PRINCE2, Sales, Neuro-Linguistic Programming, and Hypnosis! Mark suggests that it is the variety of his studies, which provide the depth he offers to his clients. In his words, "It is the difference that makes the difference."

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