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The Comprehensive Guide to Independent, Third-Party Support Services for Enterprise Software

Service, savings, and strategic flexibility to execute Business-Driven IT Roadmaps

Contents

Introduction

The financial and operational pressure to maintain optimal performance of business-critical enterprise systems continues to put senior IT personnel on the hot seat. And for good reason — if essential ERP systems and their associated applications and databases stop working, so does the business. And this raises a thorny question about the best approach to ensure stability, security, and interoperability across the enterprise software environment.

Traditionally, IT organizations have addressed that need with a maintenance contract provided by the original software vendor — with annual maintenance fees typically around 20-22% of the software license cost.[1,2] Those fees are a major reason why, according to research by Gartner, only about 10% of IT budgets are available for business transformation outside of ongoing operations and enhancements.[3] With all of the pressure on IT teams to help grow revenue, increase efficiency, and improve the customer experience, that ratio appears to be no longer sustainable.

CIOs are exploring ways to shift resources from routine operations to innovation. To that end, they are increasingly moving to independent, third-party software support, which, in addition to costing less, can deliver superior customer service. Making that choice, rather than defaulting to vendor-provided support, can have a powerful effect on the efficiency and effectiveness of the IT department — and the company's bottom line.

This comprehensive guide provides many important factors to consider when evaluating whether independent, third-party software support is the right move.

Some History

ERP systems are the digital backbone of business operations, systems of record for finance, manufacturing, shipping, billing, HR, and numerous other functions. Most enterprises will say they couldn't operate without their ERP system, an enviable position for ERP vendors. In the 1990s and 2000s, annual support contracts brought numerous improvements in functionality, integration, and usability. But by the 2010s, the pace of innovation and improvement dramatically slowed, as the major ERP vendors switched the focus of development away from on-site ERP systems to cloud-based services.

Generally speaking, most licensees are satisfied with their ERP systems. After years of incremental improvements and carefully selected upgrades, the software delivers all the functionality that companies need. And more importantly, those systems are stable and reliable. But the leading ERP vendors now seemingly want to move their licensees to their own cloud-based options. Licensees are justifiably skeptical. The old adage "if it ain't broke, don't fix it" seems to encapsulate this skepticism. At the same time, the high price of annual support contracts (easily six or seven figures) is no longer justified.

For a growing number of ERP licensees — those who either reject or are uncertain about moving to a vendor's cloud — the answer could be to extend the life of their current, mature, and customized ERP solutions by switching to independent, third-party software support and maintenance.

Why an Independent, Third Party for Enterprise Software Support?

An independent, third-party support provider is a company that takes responsibility for supporting ERP software applications and databases and the users who rely on them. The independent, third-party support provider can replace dependence on the software publisher for support and maintenance and help reduce the cost and effort associated with internal self-support.

Leading IT analyst firm Gartner now recognizes independent, third-party software support as a separate category of IT and predicts that revenues for this service will exceed $1 billion by 2023. The firm says that enterprises that are leaders in sourcing, procurement, and vendor management (SPVM) "are now acknowledging third-party support as an established option. For many, third-party support is no longer seen as out of the ordinary or as carrying more than an acceptable risk. More buyers are aware of the value-added offerings from third-party support providers, such as custom-code support, interoperability support, and global tax, regulatory and security services."[4]

Why would a licensee look to an independent, third party to support its enterprise software rather than continue to rely on the ERP vendor? There are six good reasons:

1 Reduce costs. Independent third-party support can provide superior results at a cost that is at least 50% — and as much as 90% — less.

2 Improve the quality of support. Independent third-party support providers assign highly experienced engineers to each client and back them up with a team of subject-matter experts.

3 Gain more control over future for enterprise software. While software vendors tend to impose their schedule for upgrades on licensees, independent, third-party support tailors upgrades, module additions, and other changes to an ERP system to the specific business needs of the client.

4 Expand the scope of support. An independent third-party support team can provide a full range of services, including legal/tax/compliance updates, migration planning and execution, upgrade assessment and installation, and proactive recommendations for performance improvements. Additionally, a third-party support provider will support clients' custom code, which software vendors typically will not do.

5 Accelerate innovation "at the edges" of the ERP system. While most enterprises are satisfied with the performance of their core ERP systems, they want to add innovative, best-of-breed solutions at the perimeter of that core. Independent third-party support providers have the people, skills, and experience to help make this happen, and the cost savings from moving to third-party support frees up resources to increase the pace of innovation.

6 Expand the skills and professional satisfaction of the IT team. Independent third-party support will not only reduce operating costs, but also will reduce the amount of time IT staff spends on self-support, freeing it up to pursue more strategic, innovative, and rewarding endeavors.

Now to explore these **six** reasons in greater detail.

1

Reduce Costs

Annual maintenance contracts are a major revenue source for ERP software vendors and are hugely profitable. Even so, support contracts have increased steadily in cost over the years, with the standard now at 20-22% of license fees.[1,2] This means large enterprises can easily spend millions of dollars a year just maintaining the status quo with their ERP systems.

This high level of spending contributes to a dilemma many IT managers face: the cost of "keeping the lights on" versus the need to add innovative new functionality to generate more revenue, gain competitive advantage, and continually improve the customer experience.

Whether spending company or personal funds, it is important to get the greatest value possible. So, when ERP licensees perceive that they pay too much for enterprise software support, what they likely mean is that they don't believe they receive fair value for their support dollars.

Moreover, the annual support fee paid to a software vendor may only be the tip of the iceberg for costs associated with keeping enterprise software current. As Nucleus Research points out:

"When [organizations] consider the amount of their IT budget that is spent on their yearly maintenance costs, many focus primarily on the annual maintenance fees as a large and already-budgeted expense to be paid without question. But until one starts looking deeper at this price of support and what it really means, it may not be obvious that millions of dollars, in addition to maintenance fees, are being wasted year after year because of the limited vendor support model."[5]

Independent, third-party software support reduces support costs by 50% immediately and by as much as 90% over the long term. Here's how:

- **Lower base cost.** An independent, third-party support contract will typically be priced 50% below the cost of an annual maintenance contract with the software vendor.

- **Avoided upgrades and migrations.** Not all upgrades provide business value, particularly when upgrades and enhancement packs consist of changes that cover features the licensee may not be using ("shelfware") or that work perfectly well as-is at present. Updates may require rebuilding and retesting customizations and integrations — along with reports, interfaces, and data conversion — that could require significant investment for little value in return. Migrations to other products or new cloud-based offerings can be even more expensive and harder to justify.

- **No cost for supporting customizations.** Typical software vendor support agreements do not cover customized software, so that burden falls on the licensee, who must address the issue with either staff resources or outside contractors. When an expert, independent third-party provides that support, it saves the licensee considerable time and money.

- **Reduced self-support.** Depending on how comprehensive and capable a software vendor's support is, licensees may find themselves shouldering the burden not just for custom code issues, but also for fixing issues that the vendor's support organization cannot/will not tackle itself in a timely way. Inevitably, some portion of issues raised with software vendor support are resolved only with the active participation of in-house staff and/or the hiring of additional outside resources.

The consulting firm Nucleus Research conducted an in-depth analysis of the experience of 70 organizations that use an independent third party to support their SAP or Oracle ERP environments. The study concluded that these companies on average saw their total annual support costs for ERP software reduced by 65% to 91%. In absolute numbers, more than two dozen of the 70 organizations interviewed reported total savings (across the four categories described earlier) of more than $1 million per year; in two instances, the savings were more than $4 million.[5]

A well-resourced, well-organized, third-party software support provider can quickly deploy teams of engineers when there is an unexpected need for enterprise software support services on a large scale and/or the software vendor is unable or unwilling to provide adequate, timely assistance. Instead of trying to line up consultants and contractors or search for a new hire with the requisite experience and knowledge, all a manager needs to do is call upon the independent, third-party provider that already has capable team members on the bench.

2

Improve the Quality of Support

The best independent, third-party software support companies have a single mission: provide the highest level of technical support and strategic advice in order to maximize clients' return on their software investments. They have no self-interest in pushing upgrades, add-on modules, or cloud migrations. Calls from clients are never a cost to be handled with the least effort possible, but an opportunity to go above and beyond in delivering outstanding support.

An independent, third-party provider with a passion for support will invest millions of dollars in systems, automation, processes, and artificial intelligence to enable their support engineers to provide optimal service and responsiveness whatever the time of day or the client's location.

Front-Line Resources

One of the most significant characteristics of independent, third-party software support is the quality, responsiveness, and breadth of support delivered. In contrast to vendor-supplied support — often characterized by support tickets, escalation procedures, and a high degree of variability in the experience and knowledge of the support personnel — a high-quality, independent, third-party support organization will assemble a team of experts and make that team available to meet client needs 24/7/365 anywhere in the world. For critical, high-priority cases, a world-wide team of experts will work on resolution around the clock with "follow-the-sun" handoffs for accelerated case resolution.

A best-in-class, independent, third-party support provider will often employ an experienced engineer on the very front lines. This engineer averages at least 15 years of experience and is backed by a team of functional and technical experts to ensure prompt resolution of any issue. This team approach replaces the often-agonizing escalation process imposed by software vendors, in which an issue can be tossed over the fence two, three, or more times until it reaches a resource qualified to resolve it.

A best-in-class, independent, third-party support provider also will likely assign an account manager whose job is to ensure client satisfaction and maximize the client's return on software assets. The account manager coordinates all nontechnical issues, provides expert guidance on developing and implementing system strategies, and helps tailor support services to meet the unique needs of an organization.

A dedicated support provider will likely employ modern artificial intelligence (AI) techniques for the purpose of identifying the source of problems and resolving them promptly. But AI should remain a support tool, empowering the support engineers to optimize their responsiveness and resolution abilities. The provider-client interaction should always be through a person who knows an ERP system intimately and the business goals it supports.

Delivering on SLAs

Many organizations have service-level agreements (SLAs) with their own customers, so they should expect the same from an independent, third-party software support provider. Typically, one SLA for enterprise software support services will be a guaranteed response time — say, 10 minutes — in which a client will receive a call from a support engineer for a newly-reported case. Fast responses reduce time to resolution of an issue and cut the cost of any downtime. SLAs from such providers also relieve in-house IT staff of the burden of tracking an issue through the maze of vendor support and of the need to pitch in themselves to help resolve the problem. Another SLA will be for a commitment by the support provider to actively keep a client updated on the progress of resolution activity for each case.

Support for Customizations

One of the biggest complaints from licensees about vendor-supplied enterprise software support is the refusal by vendors to address any issue tied to custom code. That's a serious concern. According to a survey conducted in 2014 by Panorama Consulting Group, 89% of organizations customize their ERP, including 13% of manufacturers that modify more than 50% of code.[6] So, if a vendor doesn't support customizations, then a good share of a licensee's support inquiries will likely go unanswered, meaning they must be dealt with either by internal IT staff resources or outside consultants or contractors.

A high-quality, independent, third-party support provider will provide support for custom code at no extra charge. And because the support team dedicated to an account will be familiar with the unique features of its system, team members will be able to address issues that arise, even if they relate to customized code. That includes ensuring that the customizations continue to work when software components are upgraded.

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3

Expand the Scope of Support

The ERP systems at most organizations are mature, stable, and fully featured. One survey reported that more than half (51%) of respondents who are on EBS releases in Oracle Sustaining Support would prefer to remain on their current release if they had the option to be fully supported.[7] These mature solutions need monitoring, customization to satisfy the organization's unique and evolving needs, and premium technical support. Monitoring is provided by the organization's own IT department, while customization is handled either in-house or through contractors. That leaves the question of how to achieve excellent support at a cost that delivers fair value.

Independent, third-party support for ERP systems can provide significant breathing room for IT departments that are trying to cope with the challenges posed by many of the important trends in IT today, such as DevOps, mobility, big data, IoT, and artificial intelligence. Most of these innovations are taking place outside of the core ERP system, driving IT innovators to consider best-of-breed point solutions from software vendors other than their core ERP publisher.

In this environment, there's a critical need for interoperability and integration among innovative new services and long-standing (and stable) ERP systems and databases. Integration is a demanding task that ERP vendors themselves sometimes either can't or don't want to provide.

Hallmarks of a Top-Tier, Independent, Third-Party Support Provider

- Deep bench of experts with overlapping skill sets for each product and in each region of the world resolving issues 24/7/365

- Easy access to assigned support engineers who are familiar with an account's systems and business processes

- Purpose-built AI-/ML-powered systems to streamline support processes and reduce resolution times

- Dedicated teams for specialized areas including security, interoperability, performance, and roadmapping

- Experienced team of global tax, legal, and regulatory experts

- ISO-certified processes for security and quality

- Support for customizations, interoperability, and integrations

- Proven expertise with scoping and archiving entitled software assets

- Service level agreements (SLAs) for response times and update communications

- Documented track record of excellent performance and service, including numerous client success case studies

- Proven resilience and failover procedures to maintain operations during regional and global business disruptions

- Audited financial stability and transparency

Tax, Legal, and Regulatory Updates

Rates and regulations related to software applications for global payroll, accounting, fixed assets, and supply chain management are constantly changing. An independent, third-party software support team will keep applications updated with the latest global tax, legal, and regulatory changes; they are critical to ensuring business operations are always accurate and compliant. In evaluating potential support providers, check to make sure they have a robust, dedicated Global Tax and Regulatory team with ISO-approved processes that can supply these updates for all the nations and jurisdictions in which the organization operates. An ERP software vendor typically requires a licensee to be on the current version to continue to receive compliance updates, but a third-party support provider delivers compliance updates for the version a licensee is using, regardless of how many releases back it is.

Security

Many organizations do not have adequate resources or expertise to secure their enterprise software. Countless companies only patch once per year and typically during a holiday — if at all — because of the massive downtime and manpower associated with applying vendor software patches. Independent, third-party software support can provide actionable intelligence and advanced security solutions to reduce potential exposure, including vulnerability analysis remediation alerts and expert assistance in identifying/choosing critical security controls beyond ERP and database systems, as well as PCI compliance strategies such as decoupling payment information and tokenizing payment data. A senior team of technical and architecture security experts will be able to provide Zero-Day protection for applications and databases before software vendors become aware of the problem or provide a solution (which often will be packaged with myriad other components in a complex upgrade).

Performance Support

Because a team of support experts dedicated to an account will understand nuances in the technology stack that can affect database performance, it can provide the necessary fixes to maintain optimal application performance. The team will offer guidance on the tuning and configuration of upgraded software components, as well as guidance on how to successfully migrate customizations during upgrades.

Databases can get slowed down by subpar SQL statements, bad configuration settings, under-allocated RAM, or a host of other issues. But when a performance problem arises, the vendor's typical response is "you need to upgrade," or "add new hardware," or "pay us more to solve the problem." A top-tier, independent, third-party software support provider will take it in stride and work to resolve performance issues on the existing software version(s).

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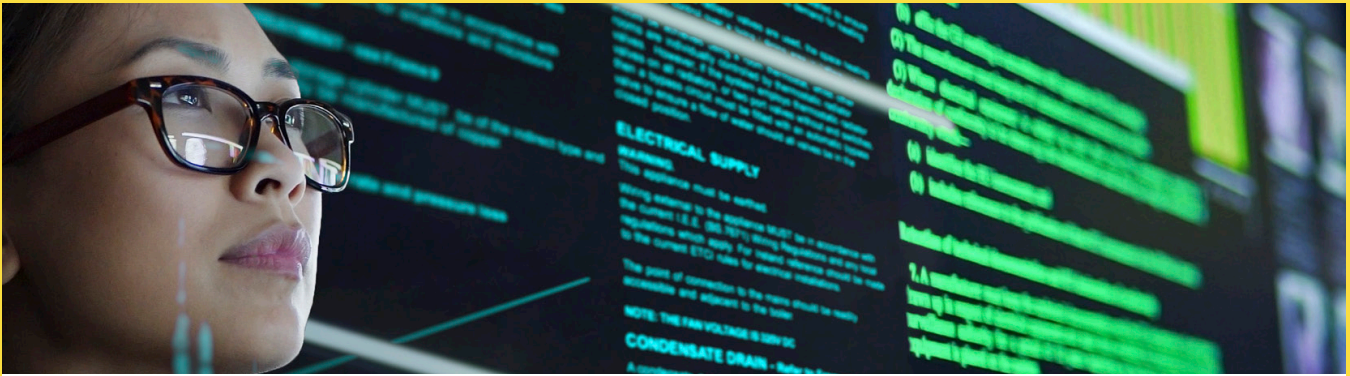
Interoperability Support

Most IT environments today are a complex mix of operating systems, devices, databases, and browsers. And that is constantly changing.

Independent, third-party support can provide interoperability and upgrade flexibility that extend the overall life of systems.

It is possible to avoid the expense of upgrading other parts of the technology stack and extend the life span of the IT investment with innovative solutions that keep enterprise applications working as technology stack layers come and go, maximizing ROI. Thus, an independent, third-party support provider can offer interoperability support, such as strategic guidance to prepare for potential infrastructure changes, assistance with verifying certification on new platforms, and the resolution of interoperability conflicts. Support engineers will diagnose interoperability problems and recommend solutions. This minimizes vendor finger-pointing and maximizes return on software investments. It also provides more flexibility with timelines for upgrading desktops, browsers, or other components of the technology stack while making sure that everything continues to work together.

Proactive Support

Prevention, as they say, is the best medicine. For that reason, an independent, third-party software support team can provide guidance and solutions that proactively address issues before they become a problem. Their engineers, who are highly familiar with a company's infrastructure, will suggest best practices to maintain peak performance, reduce downtime, optimize operational costs, and reduce issues with change-management compliance.

Application Management Services

Companies are always looking to improve operational productivity and to focus their internal resources on activities that drive innovation, growth, and competitive advantage. "Keeping the lights on" is important, but it's not something that raises stakeholder value or excites most IT professionals. That's where application management service (AMS) providers come in. They take on the day-to-day tasks of monitoring environments, conducting regular system checks, applying updates and patches, monitoring data backups, and handling routine administrative tasks such as user management and password resets. One benefit of using a third-party support provider for AMS is that a single vendor can offer seamless support from Level 2 (AMS) to Level 3 and Level 4 for expert functional and technical support.

4

Gain More Control Over Future Roadmaps for Enterprise Software

Senior IT leaders must always keep one eye on the future, trying to build an IT infrastructure that can accommodate the changes (some expected, many not) that inevitably come along. Planning for the future is essential, even if that future is uncertain. But vendors have very different perspectives on what a roadmap for the future should be. Software vendors provide roadmaps for how their products will evolve, and almost inevitably those roadmaps call for upgrades, the addition of new modules, or even a wholesale replacement of systems that may have been working fine for many years. An organization's desired enterprise roadmap is quite different. That is, where does it see the business in 5-10 years? What will licensees expect? How will it maintain and expand competitive differentiation? What will the IT department need to do to support/ advance the organization's objectives?

An independent support provider will be able to help develop an enterprise roadmap that is tailored to meet not only an organization's strategic objectives but also the unique technical roadmap requirements of the ERP system of the future.

Extending the Lifespan of the System

Ten or 15 years ago, product upgrades delivered vital new features to automate core business processes; today, that's not usually the case. Modern, proven software applications are highly functional and reliably support tens of thousands of organizations and trillions of dollars in transactions.

Extending the life of a current release by switching to independent, third-party software support helps reduce risks and costs. New software releases can take months or years to fully vet and debug, disrupting the previously stable production environment. Likewise, the constant deployment of software vendor fix bundles introduces its own set of risks and added effort. With independent, third-party support, it is possible to run a highly functional, stable release for 15 years or more, even if it has been customized to meet unique needs. Think about the return on investment achieved by running a current application or database for 7-10 years or more without expensive, disruptive, and often unnecessary upgrades.

Even if an organization has moved off software vendor support, its ERP system will not be frozen. If it has licensed the vendor's latest release but is not yet running it, the organization can download and archive the upgrade and related components before transitioning to an independent support program. After all, it has already paid for the rights to it. This allows an organization to stay with what works today while also enjoying the flexibility to move to the archived release in the future if it sees value in the upgrade at a later date.

Delaying or avoiding costly and disruptive product upgrades provides more time and money to invest in strategic initiatives that can improve the bottom line.

With the guidance of independent, third-party software support experts, an organization can make informed decisions about whether and when to upgrade its ERP system. That puts it in charge of the timetable and removes pressure from the software vendor to move to the next generation even when there is no foreseeable business value in doing so.

Taking Control of Updates, Upgrades, and Migrations

Surveys frequently indicate that most ERP licensees are satisfied with the systems they have in place. When asked about their plans to move to their software vendor's cloud offering, a majority report they do not plan to, most often citing their belief that there is no compelling value to their business in doing so. The same is largely true about licensee attitudes toward upgrades to the next version of software.

For many years, companies have been forced to upgrade simply to maintain support. Most licensees don't upgrade to the latest release when it first comes out. In most cases they don't need the functionality, and they want to wait a few months or years until the release is stable. According to one survey of SAP ERP licensees:

- Nearly 80% plan to continue to run their customized, mature SAP systems

- 67% either have no plans to migrate or are undecided about moving to S/4HANA.[8]

Another survey of Oracle E-Business Suite users found that 51% who are on EBS releases that are no longer fully supported would prefer to remain on their current release if they had the option to remain fully supported.[7]

Licensees understand that the cost, effort, and disruption involved in a major upgrade is frequently not rewarded with significant improvements in functionality. The cost of an upgrade can exceed $1 million, and upgrade projects typically run between six to 12 months.[9] In addition, upgrades pose significant risks, raising concerns about testing, demands on staff, preserving customization, and possible downtime.

As a result, many IT departments are left to wonder if software upgrades really benefit their organization more than the software vendor.

An independent, third-party enterprise software support partner can help navigate the turbulent waters of upgrades and migrations in three ways:

1. Assist in determining the risk/reward calculation for any potential upgrade or migration, based on its deep understanding of a particular system and business needs

2. Work with staff to ensure that whenever an update or upgrade is adopted, the process proceeds as smoothly as possible

3. Ensure that any features added will actually be put to use, avoiding the wasted money that results from "shelfware"

In most cases they don't need the functionality, and they want to wait a few months or years until the release is stable.

A roadmap is business-driven when technology investments are aligned with business goals, priorities, resources, and timing.

Adopting a Business-Driven Roadmap

Most CIOs believe they are in control of their IT roadmaps, but many feel pressured to adhere to their software vendors' roadmaps or risk loss of support. Others feel pressured to adopt a general strategy such as "cloud first" without a clear idea of how the strategy supports the business.

These approaches are not aligned with IT's new mission as an integral, strategic contributor to the success and growth of the enterprise. Software vendor-dictated changes can consume a significant portion of IT resources that could be used to deliver greater business value and innovation.

To be responsive to the business, CIOs must choose between two directional strategies: vendor-dictated or business-driven.

A Business-Driven Roadmap is a rolling three- to 10-year plan that translates an enterprise's business strategy into technology initiatives that enable the enterprise to achieve its objectives. A roadmap is business-driven when technology investments are aligned with business goals, priorities, resources, and timing. The primary characteristic of a Business-Driven Roadmap as compared to a vendor-dictated one is that it places the business requirements and users at the center of every critical roadmap decision.

Applying a software vendor's upgrades in order to retain full support or migrating to the vendor's cloud solutions in order to follow its vendor-centric technology pursuits are examples of vendor-dictated roadmaps. While it is important to consider the software vendor's stated vision, strategies, and product plans, vendor updates and migrations should not dictate the route, priority, or timing of a Business-Driven Roadmap.

5

Accelerate Innovation "at the Edges" of the ERP System

While transactional efficiencies and simplification are still foundational for well-run IT organizations, the change in IT's mandate has resulted in many CIOs being asked by their CEOs to focus on game-changing initiatives as business priorities move from efficiency to growth and innovation. This is requiring IT to shift from a reactive, ticket-based cost center to an open, agile, and customer-engaged organization that rationalizes technology decisions based on where the business is going. Adding to this dynamic is an increase in the frequency of vendors introducing new digital technologies such as cloud, social, mobile, and analytics. New opportunities are opening up for the business to determine if — and how — it will innovate. Investing in innovation is, however, easier said than done.

Many CIOs are unsure about which technologies to invest in as they prepare to meet future business demands. The cost of changes adds up, but many CIOs don't always get additional budget to fund innovation. That funding could come from a switch from vendor support to independent, third-party support.

Gartner says "…the near-total focus on cloud offerings [by major ERP software vendors] leads to lack of investment in, and fewer resources dedicated to, servicing on-premises support customers. Thus, an array of on-premises customers will move to third-party support as a safe haven while evaluating their long-term plans."[4]

A survey of more than 900 IT executives worldwide by the UK research firm Vanson Bourne found that 77% of respondents believed the biggest obstacle to achieving innovation in their organization was overspending on "keeping the lights on."[10] And 74% said "vendor lock in" was also a major barrier to funding innovation.[10]

Similar complaints are often heard about upgrades (that is, the major next-generation revisions, not minor tweaks and bug fixes). Vendors promote these upgrades as a path to greater functionality, but an increasing number of licensees do not feel the money, time, and effort needed to accomplish an upgrade — which can exceed $1 million and take six to 12 months to complete — is worth it.[9]

A TechTarget article about the Panorama Consulting Group ERP 2020 Report — which summarized surveys of 181 organizations — stated that "[o]ne noticeable development is the move away from upgrading existing ERP systems. Instead, the respondents reported that they planned to adopt new systems. According to the ERP report, 34% of respondents are planning to shift from their current legacy system, compared with just 14% from the 2019 report. Upgrading an existing system was chosen by 23%, a drop of 14% from the 2019 report. The authors of the report believe this change in mindset is due to the general lack of advanced analytics and next-generation functionality that organizations need today in legacy systems."[11]

Perhaps more than any other group in an enterprise, IT teams are accustomed to change but are being pressed to keep up with an increase in the speed of innovation. The dilemma of finding resources for innovation while maintaining operational efficiency is not new. But the challenge is becoming ever harder, as the pace of innovation and breadth of options continue to expand.

If, as demonstrated earlier, IT departments can reduce their spending on enterprise software support by 50% to even 90% or more — while also achieving a higher quality of support and removing burdens from in-house IT staff — significant resources could be freed up to fund business-boosting innovation.

6

Expand the Skills and Professional Satisfaction of the IT Team

Staff is the most valuable asset and the greatest cost, so it is important to utilize these colleagues in the most effective way. But, is the team spending its time filling a support gap only so that IT can meet its SLAs? How many hours does it spend trying to troubleshoot or fix problems before it contacts the software vendor? Oftentimes, software vendors emphasize self-support resources in portals and knowledge bases before initiating contact with a support representative. There's a term for this — "call avoidance" — and it can increase costs and drain resources. In fact, the cost of these self-support activities can often be equal to half the cost of the annual support fee.

Independent, third-party support will help reduce the burden of self-support. As the Nucleus Research study of independent, third-party support for Oracle and SAP applications observed:

"… clients found [independent, third-party] support to be more proactive, responsive and personalized than the support provided under traditional vendor license maintenance contracts…. [It] allows for a Level 3 engineer as point of contact to address general inquiries, troubleshoot issues, assess code to diagnose problems and identify real solutions."[5]

This results in savings in three ways:

1. Reduced time spent on tracking support tickets and/or searching for solutions on software vendor support portals and forums or other online resources

2. Less time spent on preparing, installing, and testing updates and upgrades that may have provided little or no value to the business

3. Reduced need for, or elimination of, in-house staff to support customizations, which the software vendor will generally not support, but the independent, third-party support provider will

By slashing the time spent by staff on these and other routine duties, resources can be deployed on higher-value activities and initiatives with a greater impact on the business, such as support for mobile users, IoT, business analytics, and artificial intelligence.

Out from Under the Shadow

One of the greatest challenges to IT leaders today is the growth in "shadow IT" — the use of technology by individuals or units within an organization that is acquired and used without the approval or oversight of central IT. The motivations behind shadow IT are familiar — complaints that central IT moves too slowly, the lure of personalized devices (BYOD) and apps, and the imperative to quickly respond to competitive pressures.

"Studies from both Gartner and Everest Group have estimated that 50% or more of IT spending in large enterprises is occurring outside the control of IT."[12] And a survey by Cisco systems found that, on average, CIOs estimated their organizations were running 51 cloud services when, in fact, they were each running 730.[13]

The risks from shadow IT are great: unseen costs, untracked security and compliance risks, redundant or conflicting capabilities and data, and (most galling of all) pleas to central IT to fix things when shadow IT apps or devices cause integration and support problems.

Reliance on software vendor support can exacerbate the problem of shadow IT if (as often happens) its often inadequate response increases the time needed to resolve problems or add new functionality. Even more impactful is ERP vendors' general refusal to support customizations. Customer-specific enhancements of core ERP systems — or the integration of best-of-breed applications from innovative start-ups — could give end-users the functionality and solutions they want, lessening their attraction to using unapproved devices or apps.

Independent, third-party enterprise software support services can ameliorate the problems of shadow IT by:

- Delivering support 24/7/365 worldwide, circumventing the often-slow response from vendor-supplied support

- Integrating innovative new applications and features into core ERP systems, showing end-users that central IT is listening and responding

- Redirecting funds as well as IT staff attention to help departments find, procure, implement, and integrate business-changing point solutions

- Streamlining the upgrade/migration process, so IT staff resources can be redirected to deliver innovation

Keeping the Workforce Focused on New Technologies and Initiatives

The need for innovation is closely tied to workforce strategy. Many IT staffs are populated with silos of expertise — the DBA, the network specialist, the storage guru, etc. But increasingly, IT leaders are trying to build cross-functional, collaborative teams where individuals can support multiple applications and databases. By employing an independent, third-party software support organization, it is possible to not only lessen the demands on a member of staff to be the "Oracle expert" or "SAP SME," but also gain access to a team of experienced people whose expertise would be too expensive to add to staff.

And what happens if the person who has nurtured the ERP system into adulthood retires or leaves for another job? How easy is it to hire a replacement, if at all? Wouldn't it be better to have access to a team with deep expertise and years of experience in SAP or Oracle software and databases?

Additionally, most IT professionals want to work on what's new, exciting, and challenging. They would likely prefer leaving it to a third party to address the requirements of keeping a 15-year-old ERP system functioning at its highest levels for another decade or more.

Vendor Independence: Control the Enterprise Roadmap

Even the most independent-minded organization sees value in a stable, long-term relationship with a vendor. That certainly is true when it comes to a product so central to an organization's activity as an ERP system. But at some point, software vendor *loyalty* can become vendor *lock-in* — the situation where a licensee feels so dependent on a vendor (and the vendor exerts so much control) that the licensee does not believe it can explore other options, because of the cost and difficulty of making a change.

While surveys show licensees generally are satisfied with their ERP systems, that does not always equate to satisfaction with the vendor of those systems. Common irritants such as integration of acquisitions, license audits, pricing models, and forced migrations are joined by dissatisfaction with support.

As of November 2020, the independent Customer Service Scoreboard ranked Oracle "#829 out of 979 companies" rated on its site:

- Oracle scored "21.98 out of a possible 200 points based upon 72 ratings."

- 70 comments were negative; two were positive.[14]

And yet, many organizations continue to pay their software vendor for annual support and maintenance. Lock-in is real. A move to independent, third-party enterprise software support services can lessen the chances (or even the reality) of vendor lock-in.

Understanding the Business Model

Software vendors and independent, third-party software support providers are both in business to make money. But how they do so is quite different. Software vendors rely on multiple revenue streams, with each line of business having its own dynamics as to pricing, competitive positioning, profitability, and lifecycle. Product pricing can be a never-ending shell game, with discounts, bundling, and rewards blurring into a kaleidoscope of numbers. Pricing for software vendor support, on the other hand, is straightforward: typically, 20-22% of the perpetual license fees paid up front, charged year after year.[1,2]

While that number is clear, another number may not be — the profits the software vendor reaps from those support contracts. For at least one of the top two software vendors, profit margins on support contracts were above 90% in 2017[15] — as compared to overall gross margins for the company in the range of 33-36% in 2020.[16] That means that of each dollar paid to the software vendor for support, less than a dime goes to actually provide it, giving new meaning to the term "cash cow."

Alternatively, the business model for an independent, third-party software support service is totally different. Its gross margins are typically in the range of 55-65% from a single line of business: maximizing clients' software investments by delivering premium, independent support that is more cost-effective than that provided by the vendor. The money spent on independent, third-party support should go first and foremost to putting the most knowledgeable and experienced people on the front lines of client support as well as the apps and tools needed to keep systems stable, secure, and compliant.

Which business model seems most likely to deliver better value to clients?

Life After Software Vendor Support

Companies that have paid millions of dollars to software vendors for enterprise software support over many years may well have questions about a change to independent, third-party support. Yes, the costs will be less, and the support will be better, but …

"If we stop our vendor maintenance, can I still upgrade to a new release at some point in the future?"

Typically, yes. The maintenance fees paid for many years typically entitle an organization to components that can be taken when it leaves software vendor support — documents, patches, upgrades, scripts, and potentially more. This means it is likely possible to preserve the ability to upgrade when and if it makes good business sense. A comprehensive, independent support partner can provide expert, detailed guidance on the best ways to download and archive everything the organization is entitled to and may wish to use in the future.

"What about adding new modules or licenses?"

Again, yes. Sales and support are separate organizations with different objectives. While the support group may not like it, the sales group is more than happy to sell new licenses or products. Most ERP licensees that use independent, third-party support are expanding, requiring more enterprise software licenses to support additional personnel, new lines of business, and/or theaters of operation. In fact, some organizations have used the savings they achieved by switching to independent support to fund a new ERP installation.

A research report about SAP application roadmaps and strategy by Valoir contends that "…attractive deals for S/4HANA will continue to be offered, and as products from other vendors expand to compete against SAP, competitive pressure will drive additional opportunities for discounts."[17] Companies have options now and will continue to have them in the future. Switching to independent, third-party software support keeps those options open and potentially adds some negotiation leverage.

"If we aren't happy with independent, third-party support, won't there be penalties to go back to software vendor maintenance?"

Not necessarily. Once an organization no longer purchases support from the original software vendor, it becomes a prospect all over again. Previous support licensees have been able to relicense the latest software release at very attractive terms and have even ended up with license fees discounted up to 90%. Choice means more negotiating leverage and a better bargaining position for the licensee.

R "Ray" Wang — founder, chairman, and principal analyst of Silicon Valley-based Constellation Research — said, "…in most cases, we don't see back maintenance being applied. I mean, I can't think of a case….But, they want your business; they really do. If back maintenance is the issue between you selecting them versus someone else, it's not gonna happen…"[18]

Looking to the Future

The future of enterprise software is as exciting as it is uncertain. Software-as-a-service (SaaS), cloud computing, artificial intelligence, and open-source software are among the many technology options either being adopted or evaluated. The next ten years will see debates over differing application architectures, middleware, and cloud technology standards. New technologies in development could emerge as dominant forces within a short time, displacing current software leaders. While the details of next-generation software platforms are still hazy, it is clear they should be evaluated by asking, "*Is there real business value?*"

Independent, third-party enterprise soft support offers the time and technical expertise needed to maintain current systems and architecture securely while assessing these new options. A smart strategy is to review and select the best next-generation software platform once the platforms have been built, widely deployed, and tested. This approach makes it possible to compare the business value of moving to a new platform against the benefits of running an existing system.

Additionally, independent, third-party software support plays a key role in this strategy, enabling organizations to apply cost savings to more strategic business initiatives rather than continuing to invest in the research and development efforts of an enterprise software vendor by paying its maintenance fees. Many companies that move to independent, third-party support save enough to license the next generation of software and have funds left over for other critical IT projects.

Conclusion

IT leaders are undoubtedly grappling with multiple initiatives simultaneously that force them to prioritize what's in the best interest of their organizations. But imagine for a moment what work life would be like if it was possible to:

- cut annual spending on enterprise software maintenance by 50% — saving up to 90% of total support costs

- simplify operations and service delivery with integrated support and managed services

- receive a higher quality level of support 24/7/365 worldwide

- exert more control over the software roadmap

- sharpen the competitive edge by freeing funds and resources to deploy innovative new applications

These benefits are not only possible, they are being realized today by organizations that have made the move to independent, third-party enterprise software support.

Additional Reading

- Seven Reasons Why Enterprise Software Licensees Choose Third-Party Support

- The Impact of Moving to Independent, Third-Party Software Support

- Nine Common Myths About Enterprise Software Support

- Enterprise Software Support Buyer's Guide

- Rimini Street Independent, Third-Party Support for Enterprise Software Products

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