Seven Reasons Why Software Licensees Choose Third-Party Support

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Redefining Enterprise Software Support ™

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Introduction

Demand for third-party enterprise software support is exploding as converging factors drive hundreds of companies – ranging from Fortune 500 and mid-market businesses to public sector organizations – to leave vendor support for a better support value. Many more software licensees are just starting to explore the factors behind the increasingly popular decision to switch to third-party support.

Provocative headlines from recent articles and analyst reports tell part of the story. "Have Oracle and SAP Hit Tipping Point with 22% Fees?"[1] "Oracle Fees for Maintenance and Support Under Fire."[2] "ERP Maintenance Dissatisfaction: Is It Short-Term Economic Grumpiness or a Flawed Business Model?"[3] Clearly, IT and Finance executives are reacting to rising annual maintenance fees that are taking an increasing bite out of tight IT budgets. Software vendors, however, continue to grow margins to record levels yet, at the same time, typically spend less than 10 percent of annual support fees on support.[4]

Surveys and analyst research further reflect the concerns of software licensees. In a research report on enterprise software trends, leading industry analyst firm Forrester Research found that more than 70 percent of surveyed CIOs are planning to rethink their enterprise software maintenance strategies.[5] In another survey of 600 decision makers at North American enterprises, Forrester reported that the top IT priority of those surveyed is to reduce software costs in any way possible.[6] The initiative was rated higher in priority than upgrading security, integrating applications, and adopting Software-as-a-Service.

Despite this reality, annual support and maintenance fees continue to rise as software vendors fund new product development and aggressively expand margins. At the same time, many software licensees are content with their current stable releases, have no incentive to upgrade, and are frequently dissatisfied with the responsiveness of software vendor support. This has created a "software maintenance value gap" between the cost of annual support and the value received in return.

This significant value gap is driving enterprise software customers to look at alternative software maintenance strategies. The cost savings alone from switching to third-party support is usually substantial enough to justify the move – 50 percent savings compared to the vendor's annual support fees. Policies that include ultra-responsive service and premium features such as customization support at no extra charge can drive the cost savings as much as 90 precent. This closes the value gap to deliver just what more and more software licensees seek in their software support program.

This report examines the current state of enterprise software support. It explores seven reasons why companies are choosing third-party support, and why it may make sense for you.

1 Global CIO column, Information Week, July 23, 2009

2 Inside Channel News, March 13, 2009

3 AMR Research report, "ERP Maintenance Dissatisfaction: Is it Short-Term Economic Grumpiness or a Flawed Business Model?" 2009

4 Oracle Q4 Fiscal 2009 Financial Results statement

5 Forrester research report, "The Future of Enterprise Software," 2006

6 Forrester research report, "ERP Applications – Market Outlook Improves Ahead Of The Architectural Battle," 2006

"In our recent Global CIO Next Practices study, we asked CIOs from around the world what they'd be spending the greatest amount of time on, and the top answer was figuring out ways to spend less of their precious IT dollars on internal operations so that they can devote more to customer-embracing projects."

Bob Evans, Global CIO Senor VP and Director InformationWeek

Reason 1:

Substantial Cost Savings from Third-Party Support

An increasing number of organizations believe they are not receiving a fair value in return for their annual support and maintenance fees. With software maintenance increasing to as much as 22 percent of initial software license fees, annual software support costs represent a significant and growing portion of today's IT budgets. One analyst report estimates that these fees consume as much as one-third of IT software budgets.[7] As software vendors take rising support fees for granted, overall IT entitlements, including software maintenance fees, are soaring to a record 70 percent of total IT budgets.[8] This severely limits your organization's ability to invest in innovation or meet tightening budget constraints.

Third-party support lets you cut IT entitlement costs now and gain a predictable, low-cost support model for the future. Today, highly responsive third-party support is available at a 50 percent annual cost savings compared to vendor support fees. Calculating your minimum annual cost savings is easy; simply take your current annual support invoice from your vendor and cut the amount in half.

Furthermore, the initial 50 percent savings from third-party support is just a starting point.

Third-party support also eliminates the overhead associated with vendor software fixes, patches, and updates. Vendors usually bundle patches and updates with hundreds of unrelated fixes, forcing you to implement and test all the included patches just to deploy the one fix you need. Third-party support eliminates this overhead cost and risk. With leading providers, experienced engineers develop fixes that directly address your specific issues, enabling you to quickly deploy just the fixes you need.

Eliminating another major expense, many third-party providers offer customization support at no extra charge. Software vendors, in contrast, do not include customization support in their standard support programs. Instead, they first verify that a program or related code has NOT been modified before engaging to provide support. This forces software licensees to hire external consultants or add internal resources to support important customized code.

7 Forrester research report, "ERP Applications – Market Outlook Improves Ahead Of The Architectural Battle," 2006

8 "Taking the 'Entitlement' Out of Enterprise Software," Eric Keller, Wapiti LLC, 2006

The cost savings from eliminating forced product upgrades also shouldn't be overlooked. In fact, avoiding product upgrades often creates the largest savings for third-party support clients. Upgrade efforts consume many internal IT resources and expensive outside consultants, and can take months or years to complete. A detailed discussion of how you can safely extend the life of your current, stable release and avoid a costly upgrade appears later in this report.

Finally, with third-party support, you can avoid these increases, along with the penalty fees that vendors impose for running stable releases beyond the initial support period.

Taken together, the cost savings from third-party support can approach 90 percent of the total cost of remaining on your vendor support program. You can put these substantial savings to work right away avoiding staff layoffs, pursuing strategic business initiatives, or retaining them as future reserves.

Standard Support Program Feature	Third Party	Vendor
Named, Regional Primary Support Engineer for Each Client	■	
24/7 Support with Guaranteed 30 Minutes or less Response	■	
Global Tax, Legal & Regulatory Updates	■	■
Installation & Upgrade Process Support	■	■
Configuration Support	■	■
Operational Support	■	■
Application & Repository Fixes	■	■
Documentation Fixes	■	■
Customization Fixes	■	
Performance Support	■	
Interoperability Support	■	
More Than 50% Annual Cost Savings	■	
Flexible Coverage Periods & Payment Terms	■	

"When we have an issue, we don't have to spend hours explaining our system profile and infrastructure or waiting for validation of the issue in a non-customized environment. Our third-party support provider quickly assesses every issue we bring to them within a 30-minute response time 24/7, and provides just the fixes we need."

Tom O'Brien, IT Manager
City of Flint

Reason 2:

Ultra-Responsive Support — Guaranteed

In an effort to wring every last margin dollar from your maintenance fees, software vendors essentially treat their software licensees like fast-food restaurant customers, emphasizing self-service support via internet portals and encouraging licensees to "bus their own tables." To further reduce the cost of supporting clients, vendors may also employ tactics such as pushing fixes into future releases, lowering the priority of specific requests, and carefully filtering requests to ensure related code has not been customized.

Third-party support takes a fundamentally different approach, emphasizing full-service over self-service. In place of a help-desk generalist taking your call, leading third-party support programs provide technical experts who can directly debug software and solve your issues, with no escalations required.

With leading third-party support programs, every client is typically assigned a Primary Support Engineer (PSE) with over 10 years experience in the relevant software environment, backed by a team of functional and technical experts that ensures the prompt resolution of any issue. While the programs often guarantee a call-back in as little as 30 minutes of a request, average response time to client inquiries can be closer to five minutes. This coverage is available to clients 24 hours a day, 7 days a week, 365 days a year.

As clients experience responsive support, they come to rely on and truly leverage their third-party support program. Organizations that historically logged only five or six issues a year with their vendor suddenly call third-party support 10 or 15 times a month. Why? The most frequent response is, "You actually fix our issues!" Cases that had been logged with the software vendors for years but never addressed, including some of the toughest and most complex issues, are frequently resolved in days or weeks.

To validate the ultra-responsive service level and quality of third-party support, one of the largest school districts in Texas put it to the test. When the school district first signed up for third-party support, it secretly retained its vendor support contract for an overlapping six-month period to ensure the third-party support program delivered on its 30-minute or less response pledge and other premium service guarantees. The school district filed cases simultaneously with both support organizations to compare response times and resolutions.

What was the outcome? On every support request, the third-party support provider assessed, developed, and deployed the fix in production before the software vendor ever responded to the issue. Several annual renewals later, the school district is thrilled with the responsive, value-based third-party service and happy to avoid the self-service approach of vendor support.

"Our support fees are 50 percent less, but almost more significant is the amount of money we've saved because we have not had to upgrade to the next release."

Jim Blakeslee, CIO of Information Technology Moraine Park Technical College

Reason 3:

Avoid Costly Forced Upgrades and Extend the Life of Current, Stable Software Releases

A primary factor driving demand for third-party support is that leading enterprise software platforms have reached new levels of maturity and stability. While product upgrades 10 years ago may have delivered vital new features to automate core business processes, that's not true anymore. Today's proven software applications are highly functional and reliably support tens of thousands of organizations and billions of dollars in transactions. They also require much less attention than when these platforms were first released 15 to 20 years ago and can support business operations for the next decade or longer.

Because of this, a perpetual path to new product upgrades is often better suited to your vendor's business strategy than your IT strategy. That's evident in survey results from a Forrester research report, where 95 percent of respondents running SAP said that the end of standard and extended maintenance support periods, not business value or new functionality, is the main reason they are considering an upgrade.[9]

Often referred to as "forced marches," product upgrades do not provide enough value for many software licensees to justify the resources, costs, risks and down time required to deploy new releases. Upgrading to the latest software release is like constantly buying the newest car model. While the latest model might add a trendy new feature like heated cup holders, would that justify the purchase? Many software licensees are asking similar questions when assessing the real value of incremental releases from their software vendors.

Furthermore, software vendors don't provide incentives to upgrade. Instead, they offer threats such as expiring support windows and penalty fees for running current releases beyond initial support timeframes. Then, further reducing the value of maintenance fees, software vendors package new, high-value functionality – developed with your maintenance dollars – as new modules that generate additional license revenue and annual maintenance fees.

With today's proven, stable software releases, extending the life of a current release through third-party support reduces risks and costs. New software releases can take months or years to fully vet and debug, disrupting the previous stable production environment. Likewise, the constant deployment of vendor fix bundles introduces its own set of risks. With third-party support you can run your highly functional, stable release for ten years or more, even if customized to meet your unique needs. Some third-party support clients are running software releases that are nearly 15 years old, and they expect to get another five years of value from them. That adds up to 20 years of value from the initial software investment.

9 Forrester, "Enhancement Packages Improve SAP Upgrade Value," 2008

"We are very happy with our ERP solution and we've customized it for exactly what we need. With third-party support as an insurance policy, we know our system will be operational 100 percent of the time."

Ron Higa, Accounting Manager JALPAK International America

An often overlooked aspect of third-party support is that your current production release does not have to be your last. If you are not yet running your software vendor's latest release, you can download the latest software release and related components before transitioning to a third-party support program. This lets you run your existing release for a decade or more, while retaining the flexibility to move to another currently available release in the future if you see value in the upgrade.

By delaying or avoiding cumbersome product upgrades, third-party support leaves you more budget to maintain staff levels or invest in a strategic technology upgrade on your timetable, not your vendor's.

Reason 4:

Premium Support Features at No Additional Cost

To drive a car for 200,000 miles or more, you must keep it well maintained and regularly serviced. To get more "mileage" from enterprise software requires an essential set of specialized services that third-party support uniquely provides. With these services, you keep your current, stable releases updated and tuned as you run them for the next decade or longer.

Customizations: Few organizations run their core business applications without some modifications. While vendors don't support customizations as part of a standard support agreement, some third-party organizations consider it essential to extending the life of a current release and make customization support a standard feature of their support program.

Interoperability: IT organizations manage a constantly changing mix of hardware and software as part of a dynamic technology infrastructure. These changes can disrupt the operation of core software applications. While software vendors typically don't provide interoperability support, it is a key component of some third-party support programs. Interoperability support should include strategic guidance to prepare for potential infrastructure changes, assistance with verifying certification on new platforms, and the ability to resolve interoperability conflicts. Some third-party support providers have partnerships that facilitate collaboration with other software and hardware vendor support organizations to diagnose interoperability problems and recommend solutions.

Performance tuning: Data volumes can soar and system performance can suffer as you run current releases for longer periods of time. With the knowledge and expertise that comes from helping many clients with the same issues over time, third-party support programs can provide the proactive and reactive guidance and support you need to ensure acceptable response times and system performance levels.

"Our third-party provider consistently delivers high-quality U.S. and Canadian tax and regulatory updates ahead of schedule with excellent documentation and highly responsive support."

Greg Clore, Vice President, Information Technology, Dave & Buster's

Reason 5:

Tax, Legal and Regulatory Expertise

Tax, payroll, accounting, fixed-asset and related rates, regulations and standards are constantly changing, forcing you to prepare and respond to a variety of events, including regularly scheduled updates, ad-hoc regulations and major transitions like new IFRS accounting standards. Keeping your applications updated with the latest tax and regulatory changes is critical to ensuring your business operations are always accurate and compliant.

Leading third-party support providers staff highly experienced tax, legal and regulatory teams and have a track record of timely and accurate delivery of these updates, so you remain in compliance with dynamic tax and regulatory rules. You can verify the claims of tax and regulatory expertise by asking whether you will receive scheduled updates six times each year and several business days ahead of the software vendor's schedule. Typical of the focus on quality and personalized service, leading third-party support providers don't bundle these updates with unrelated fixes.

The best third-party programs offer customized tax, legal and regulatory update packages tailored to specific deployments. With this approach, you receive just the updates you need for your system environment, without a long list of additional updates that are not needed but still have to be deployed and tested.

Your third-party tax, legal and regulatory team should also work closely with local, state, provincial, and federal government representatives and all major tax and regulatory services to ensure the latest tax and regulatory updates are immediately identified, scoped, coded, extensively tested, packaged, and re-verified for accuracy with government agencies to assure the highest quality deliverables and fast update delivery cycles. As further assurance of their commitment to excellence in this area, top firms are active members of the American Payroll Association and Canadian Payroll Association.

Reason 6:

Reduce Risk and Position Yourself for the Next Proven Technology Platform

The future of enterprise software is as exciting as it is uncertain. Software-as-a-Service (SaaS), cloud computing, Service-Oriented Architecture (SOA), and open source software are among the many technology options you may exploit in the future. The next ten years in enterprise software will be marked by unprecedented application consolidations and fierce competition over differing application architectures, middleware, and SOA technology standards. New technologies in development could emerge as a dominant force within a short timeframe, displacing current software leaders.

While the details of next-generation software platforms have yet to be determined, it is clear how you should evaluate them – is there real business value in deploying one?

"Companies starting down a path toward SOA should expect the entire project to take at least 15 years to complete."

Anne Thomas Manes, Vice President and Research Director Burton Group

"Two years after switching to third-party support, we enjoy significant annual support cost savings and continue to be amazed by our provider's commitment to service and expertise."

Sally Dahl, Vice President, Seller Solutions Center Enable Holdings

Third-party support gives you the time and technical expertise you need to re-direct the continuous investment you have been making, through your maintenance fees, in the research and development efforts of a single vendor. Distanced from the pre-announced products, inevitable delays, and the risk of a vendor's failed R&D initiative, third-party support lets you select the best next-generation software platform once these platforms have been built, widely deployed, and tested. This approach allows you to assess the business value of a new platform against the benefits of running your existing system – all on your timetable.

Third-party software support plays a key role in this strategy, letting you apply your cost savings to more strategic business initiatives. Many companies that move to third-party support save enough to license the next generation of software, and have funds left over for other critical IT projects.

Reason 7:

A Proven Option for Hundreds of World-Class Organizations

Prominent industry analysts and members of the media have acknowledged the role of third-party support in a comprehensive IT strategy. In an eWeek article, Forrester Research analyst Ray Wang stated, "When evaluating how a third party might help maximize your IT dollars, don't discount third-party software maintenance vendors. It's a growing trend, despite competitive pressures from large vendors to stymie third-party maintenance vendors."[10]

The performance of the third-party support industry reflects a growing trend. Rimini Street, for example, reported a 47 percent year-over-year increase in sales bookings for fiscal 2010, record revenue to-date in 2011, and a sales bookings backlog of more than a quarter billion dollars.

Today, third-party support is widely recognized as a key component of an effective IT strategy, embraced by hundreds of world-class organizations. They span companies of all sizes, including 14 of the 100 largest companies in the world, and virtually all commercial industries and the public sector.

Rimini Street third-party clients include Blue Diamond Growers, City of Flint – Michigan, CKE Restaurants, Dick's Sporting Goods, Harte-Hanks, JB Hunt, Master Halco, Medtronic, Toys 'R' Us, Vanderbilt University, and Weyerhaeuser.

10 eWeek, "How to Spend (and Not Bust) Your 2008 IT Budget," January 2, 2008

The Support You Demand — The Value You Deserve

Today's proven, stable enterprise software makes third-party support a compelling option for organizations of all sizes and across all industries. By extending the life of your current releases, you can run your business with reliable business applications, and better prepare your organization for the next major breakthrough in enterprise software.

Hundreds of organizations today have chosen third-party software support to replace expensive vendor support, and many more organizations are examining the many advantages of third-party programs. As your vendor support contract renewal date approaches, consider investigating whether third-party support is right for your organization.

About Rimini Street, Inc.

Rimini Street is the leading third-party provider of enterprise software support services. The company is redefining enterprise support services with an innovative, award-winning program that enables Oracle and SAP licensees to save 50 percent on annual support fees and save up to 90 percent on total support costs over a decade. Clients can remain on their current software release without any required upgrades or migrations for at least ten years. Hundreds of global, Fortune 500, midmarket, and public sector organizations from virtually all industries have selected Rimini Street as their trusted, independent support provider.

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Worldwide Headquarters
7251 West Lake Mead Blvd.
Suite 300
Las Vegas, Nevada 89128
Toll Free 888-870-9692
Main 702-839-9671
Fax 702-973-7491
Email info@riministreet.com
www.riministreet.com