

Users Look For Better Value From ERP Support

High and Rising Cost Concerns can be
Addressed Through Alternative Hybrid IT

Survey conducted by IDG Connect on behalf of Rimini Street

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Executive Summary

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Annual ERP support costs are high

Over half of organisations in Western Europe pay over £250,000 a year on ERP solution maintenance fees and almost a tenth spend over £1m annually.

Despite costs concerns half expect to retain existing providers

Two thirds report the high cost of supporting and maintaining ERP applications as an issue, but half are likely to retain the services of their existing ERP vendors nevertheless.

Widespread dissatisfaction with current ERP support

Users complain that ERP vendors are not always able to resolve support issues, deliver support for customised code or provide tailored and timely, tax, legal and regulatory updates to ensure compliance, putting additional pressures on internal support resources.

Little or no reason to upgrade

Around half use older versions of ERP software that offer sufficient maturity and stability to match business requirements. The small increase in functionality a new upgrade delivers means the high cost of an upgrade often cannot be justified and there is no real ROI.

A third will consider third party ERP support and maintenance services

A shift to a hybrid IT strategy that mixes on-premise and/or private/hybrid cloud based application delivery presents opportunities to switch ERP support to alternative suppliers and reduce current support and maintenance costs.

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Costs

Costs Dominate ERP Support and Maintenance Concerns

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Two thirds (67%) of organisations across Western Europe feel that the high cost of ownership for enterprise resource planning (ERP) system support is currently an issue within their organisation, with 41% identifying this as the single most significant concern.

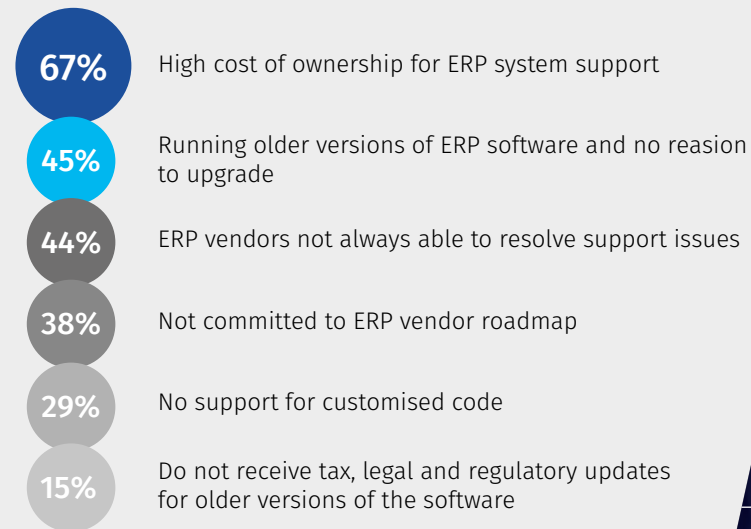
Those that took part in the IDG Connect survey also indicate that their employers currently spend large amounts of money on annual ERP solution maintenance contracts for minimal innovation – one reason why many may feel that they are not getting value for money.

The majority (54%) invest over £250,000 a year on maintaining their ERP applications and services, and a small number (9%) pay considerably more - over £1m annually – and over a quarter (26%) spend in excess of £500,000.

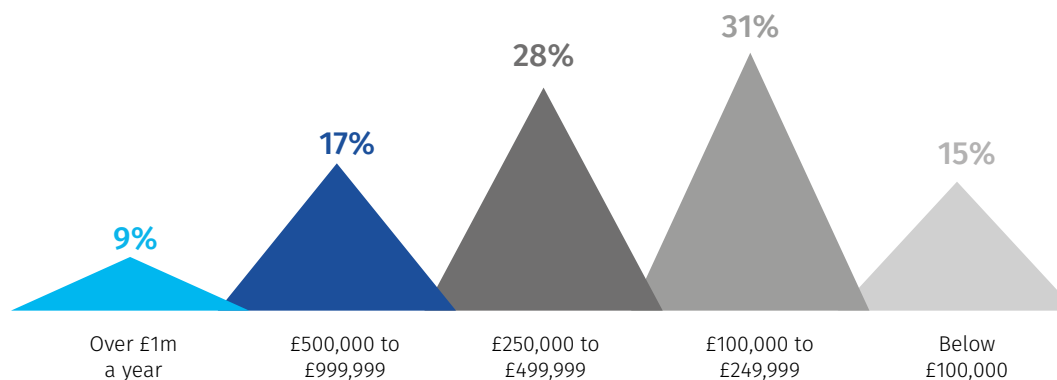
Fees also vary according to the specific ERP application currently in use within the organisation itself (see Appendix).

Two thirds of companies cite high cost of ERP ownership as an issue

Respondents selected as an important issue:



Half spend over £250,000 a year on ERP support and maintenance fees



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Other TCO Issues

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Though the high cost of ERP system support and maintenance is the most widely encountered issue amongst European companies, many of those surveyed by IDG Connect also pointed to other sources of concern that may leave them feeling short-changed considering the large amounts of money they currently pay for that support.

Annual Maintenance Fees

Almost half (45%) also said that their organisation was running older versions of ERP software and had no reason to upgrade. This finding suggests continued reliance on mature, stable applications that match current business needs and no compelling need to upgrade just to stay supported due to closing support windows by the vendor.

Maintenance Resources

Another 44% felt that existing ERP vendors were not always able to resolve support issues, a strong indication of widespread dissatisfaction with the knowledge and expertise of available support agents and help desk staff, and the quality of documentation and other support resources being provided.

Upgrade Avoidance

Just over a third (38%) polled by IDG Connect also reported that their organisation is not committed to any ERP vendor roadmap, again suggesting that current versions of ERP software are meeting requirements in many cases and/or that new applications are not delivering a sufficient level of innovation or value to merit an upgrade.

Customisation Support

29% see lack of support for customised code as an issue, with almost a third of those surveyed feeling they are not being given the tools to alter their ERP systems to support individual requirements. This puts the resource burden and additional costs on the customer rather than the vendor either through in-house or partner resources to support their customised support.

Actual Maintenance Costs

Perhaps inevitably it is those organisations which currently pay most for annual ERP support that exhibit more concern over the high cost of that support (78% of those paying over £500,000 a year cited this as an issue).

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Cost of Application Integration

Current ERP systems are often integrated with a range of other applications. Organisations across Western Europe are seeking to improve business efficiencies by building additional capabilities into core applications and enhance process quality and employee productivity by centralising data access and automating connectivity.

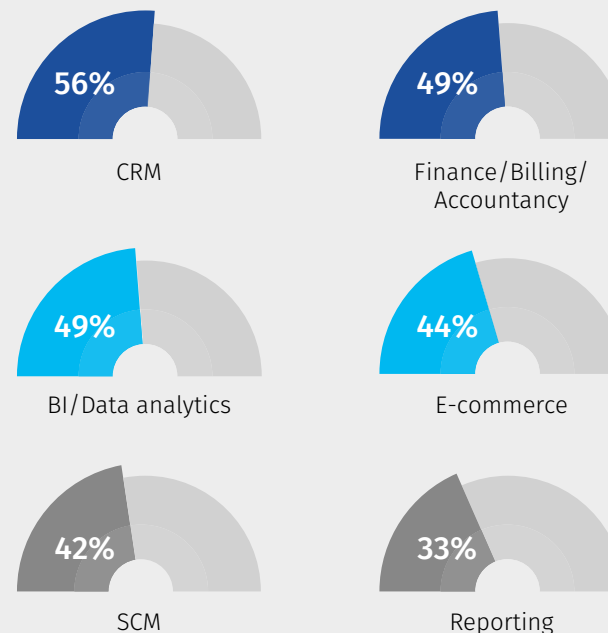
This is particularly true for customer relationship management (CRM) software, which sees ERP integration at 56% of organisations on aggregate. That figure is lower (45%) amongst smaller businesses employing less than 1,000 people specifically who see significantly greater integration with both finance/billing/accountancy (68%) and business intelligence and data analytics applications (77%) compared to their larger counterparts.

Integration with all six types of application is far more prevalent amongst companies paying higher ERP support and maintenance fees (over £1m a year) where the relative scale and depth of cross platform software requirements is likely to demand a price premium.

In many cases those CRM, finance/billing/accountancy, business intelligence and data analytics, e-commerce, SCM and reporting systems are provided as value added elements which are either pre-integrated or bolted on to broader ERP application suites. But many are also delivered post implementation as separate, third-party systems which may have more complex integration and support requirements that incur additional costs.

Total cost of ownership can be a particular problem when it comes to the confederation, management and maintenance of on-premise licensed applications and centrally hosted SaaS based services, for example. In some cases, it may be possible to minimise integration and support costs by keeping those systems in-house and/or outsourcing support and maintenance responsibility to third party suppliers.

ERP sees generally high levels of integration with other applications



Satisfaction Levels

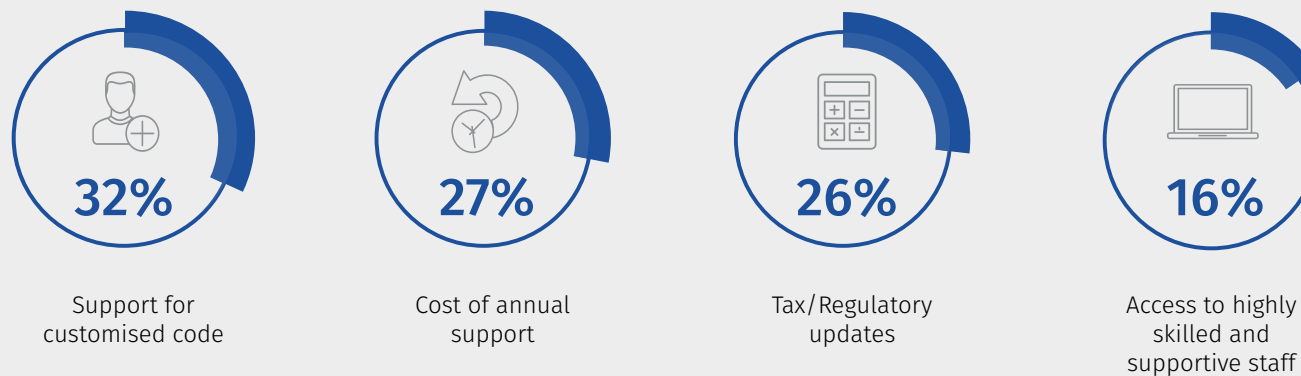
Satisfaction levels with current ERP system maintenance and support provision appears muted, with less than half of those polled rating access to highly skilled and supportive staff (48%) and support for customised code (41%) as good or exceptional.

That figure drops to 39% for the cost of annual support indicating a widespread perception that ERP system maintenance fees do not offer value for money. A quarter (26%) went even further, reporting themselves either unsatisfied or extremely unsatisfied with current support costs, reinforcing previous findings which point to issues with the high cost of ERP system support (see Tab 1).

There does appear to be a close correlation between the fees that organisations spend on annual ERP support and maintenance and their satisfaction levels. Those that pay the most (over £1m a year) are generally more content with current provision than those that pay the least (less than £100,000) a year for example.

A quarter on aggregate were dissatisfied with tax, legal and regulatory updates, which are often only made available to customers which have either upgraded to the latest version of the software and/or continue to pay for ongoing vendor support and maintenance fees.

Many organisations are dissatisfied with current ERP system maintenance and support contracts



Sources of lowest satisfaction

Future Strategies

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Somewhat remarkably considering the issues previously reported with current ERP support and maintenance contracts, their high costs and the generally low levels of satisfaction expressed, only just over a third (38%) of those surveyed on aggregate thought their organisation was likely to consider switching their provision to third party ERP support and maintenance services in the next two years.

Using third party ERP support was considered most or very likely by a significantly higher number (57%) of companies employing between 5,000 and 10,000 employees specifically. But it seems almost half of organisations across Western Europe on aggregate are nevertheless happier to stick with the devil they know (47% reported that their organisation was either very or most likely to keep or extend the contract with their current ERP software vendor in the next two years).

Gartner acknowledged growing interest in third party support services in its report “Does Third Party Support Have a Role in Your Postmodern ERP Strategy” published in 2016. The research company noted that the cost of ERP system support could be aligned more closely to the amount of support needed by switching to a third party support provider, particularly in cases where the amount of support received is either small or expected to shrink over time and the organisation has chosen to stick with a given application release rather than move to an updated version.

38% likely to consider third party ERP support services



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Conclusion

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It is clear that current ERP software vendor support and maintenance programs are falling short of customer expectations in Europe, with widespread dissatisfaction apparent from multiple issues highlighted by the IDG Connect survey base.

Two thirds see the high cost of ownership for ERP system support as an ongoing problem

With 53% of organisations paying in excess of £250,000 a year to maintain current ERP platforms and nearly 10% over £1m annually.

Almost half rely on older versions of ERP applications and see no reason to upgrade

This indicates that stable, mature applications continue to meet business requirements whilst revamped alternatives do not offer sufficient innovation or value to merit updates.

ERP vendor's are not always able to resolve support issues

This suggests access to skilled help desk staff and software engineers and or knowledge bases is often limited and/or low quality.

Most organisations in Europe recognise the value of embracing hybrid IT initiatives that mix on- and off-premise application and service delivery, and this is reflected in their plans for ERP systems.

Over a third will consider switching to third party ERP support

Respondents recognise the potential of these contracts to cut costs, particularly in cases where the amount of support received is either small or expected to shrink over time and where the organisation has chosen to stick with a given application release rather than move to an updated version.

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Appendix

IDG Connect interviewed 421 senior staff working for companies headquartered in the UK, Germany, France, Sweden, Finland, Belgium, the Netherlands, Luxembourg, Denmark, Switzerland and Norway. The majority (69%) of organisations represented employ over 5,000 people, with 39 percent employing in excess of 10,000 staff.

Respondents work in a range of vertical sectors, the biggest of which is non computer related manufacturing (18%), followed by financial services (12%); Internet service provider/software/computer services' construction, architecture and engineering; and retail (all 10%).

Over a quarter (27%) are employed in board level positions including chief information officer (CIO), chief technology officer (CTO) and chief security officer (CSO), with 57 percent identifying themselves as either IT managers or IT directors.

Three applications and two software companies – SAP Business Suite, Oracle Database and Oracle E-Business Suite – dominate the current ERP landscape in the 11 European countries surveyed by IDG Connect though it is clear that some organisations use more than one ERP platform simultaneously.

The larger the business in terms of staff headcount, the more likely it is to use SAP Business Suite or Oracle Database, with small organisations preferring BusinessObjects.

Inevitably there is a strong correlation between the size of the organisation in question and the size of its annual ERP maintenance bill. Half of smaller organisations employing less than 1,000 people spend less than £100,000 per annum for example, compared to just ten percent of those with headcounts of 10,000 or more.

Fees also vary according to the specific ERP application currently in use within the organisation itself (see appendix) So while we see that an aggregate of 32-34 percent of organisations using either SAP Business Suite, Oracle Database or Oracle E-Business Suite spend over £500,000 a year (and 12-14% over £1m a year), that figure jumps to 39 percent for Siebel and 49% for BusinessObjects.

SAP and Oracle dominate but many organisations use multiple ERP platforms

