



Research Report

Assessing the ROI of Third-Party Support for SAP Applications

An Analysis of 70 Rimini Street Client Case Studies

Study Findings Validated by Nucleus Research

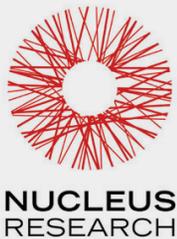
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Rimini Street
Engineered for Support™



Rebecca Wettemann

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Foreword

We've been following the increasing interest of SAP customers in moving from SAP software support to third-party support from vendors such as Rimini Street for a number of years now. As many companies' SAP enterprise resource planning (ERP) deployments have matured, the pace of release of patches and enhancements — a key reason for remaining on SAP software maintenance — has slowed, as has the need for these updates. At the same time, the business case for staying current with upgrades has diminished, given the cost and disruption of upgrades versus their incremental benefit. As a result, today most customers are two releases or more behind the latest version of their ERP software.

The SAP environment has changed as well, with SAP encouraging customers to embrace more modern technologies — namely SAP S/4HANA — which means a significant change (if not a full reimplementation) of their SAP footprint. Such moves are also very expensive and disruptive, making it financially untenable for companies to continue on this path of mandatory evolution. As a result, many customers are looking to third-party support as a way to save money and resources and reinvest in innovation now as they wait and see if and when this new ERP technology gains parity with their current stable SAP system sometime in the future.

In the early days, Nucleus — and much of the market — viewed third-party support (also known as independent support or third-party maintenance) as a means for customers to cut their software support bills by at least half. However, that's just the "tip of the iceberg," as this report details. With vendors often treating software maintenance fees as a given, they haven't been challenged to win those dollars with differentiated service and support. In an increasingly cloud and subscription world, customers are becoming much more accustomed to demanding ROI from every investment on an ongoing basis, and vendor software support, in many cases, simply hasn't delivered.

In contrast, we found Rimini Street customers are taking advantage of dedicated support engineers who know their specific environment and configurations and can more rapidly solve issues, recommend proactive steps to maximize their system health and performance, and deliver other expertise in areas such as tax compliance and support for customizations. This enables customers to save not just on support costs but also on the additional burden of their own internal teams from self-support activities in addition to avoiding the cost and disruption of low-value enhancement pack updates and upgrades.

We hear two prevailing themes from CIOs relying on third-party support: the need to cut costs, and the need to invest limited resources in systems of engagement that are business-critical, such as mobility, big data, productivity, security and digital transformation technologies. Third-party support enables them to accomplish both, by freeing up scarce budget for other strategic initiatives and by reducing internal resource demands to support their ERP core system of record.

In reviewing this study, Nucleus looked at the data, results and interpretation as well as vetting a number of the companies independently to validate the study's accuracy and credibility. In looking at the four main savings areas presented in this report, we found Rimini Street's client data and an average of 75 percent savings of their current total annual maintenance costs (including maintenance fees, upgrade costs, customization support costs and self-support-related costs) were representative of the savings Nucleus has assessed in numerous conversations with Rimini Street clients. Although every company's situation is a bit different, we believe customers considering third-party support from firms such as Rimini Street can expect similar benefits, saving an average of 75 percent of their current total maintenance costs.

With most companies able to justify the move to third-party support on reduced costs alone, we believe many are just beginning to recognize that this is not just a TCO effort but one that drives real upside ROI in refocusing resources on innovation.

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Executive Summary

When users of enterprise applications and databases, such as SAP®, consider the amount of their IT budget that is spent on their yearly maintenance costs, many focus primarily on 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.

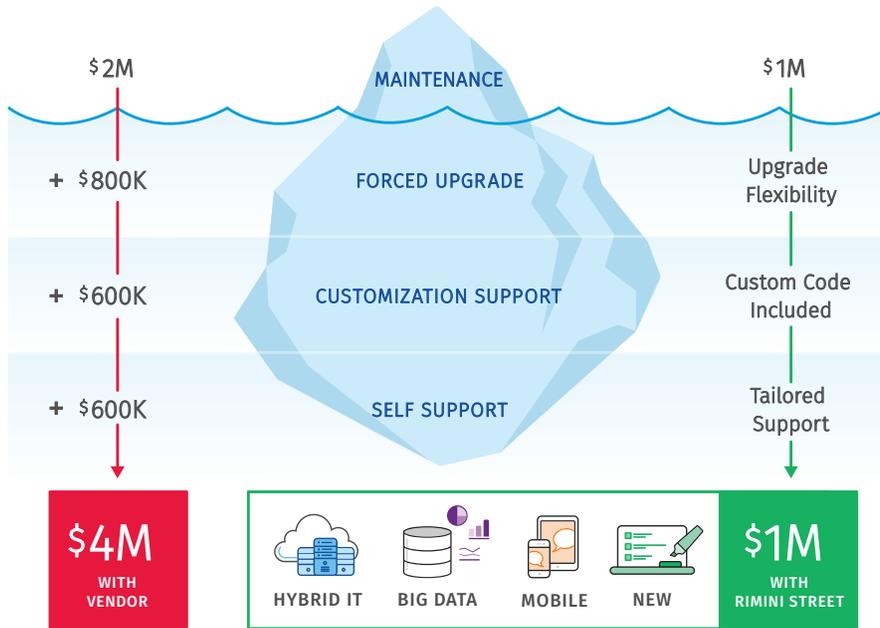
In addition to the annual vendor support fee and support model inefficiencies, hidden costs can include upgrade costs, customization support costs and self-support costs that are financially unsustainable. When added together, these costs can bring your actual cost of maintenance to twice your annual maintenance fee — or sometime even more.

To help customers understand the business case for moving to a third-party support model, Nucleus Research, an independent analyst firm, has validated Rimini Street findings confirming the significant savings SAP licensees can experience in the following areas:

- **Annual support costs:** Break/fix support and tax, legal and regulatory updates
- **Upgrade costs:** The cost of forced upgrades just to stay supported when vendor support windows end
- **Customization support costs:** The cost of supporting customizations that break, which is not covered as part of the standard vendor support model
- **Self-support costs:** The cost of additional resources and headcount required to deal with the extra burden and inefficiency of vendor support, including regression testing and analysis of hundreds of fixes, issue justification and self-service support

An in-depth ROI study of 70 Rimini Street clients validates the percentage of actual savings delivered through independent or third-party support replacing vendor support, in four categories including savings on annual support fees, upgrade and enhancement pack update costs, freeing of resources needed to support custom code and self support. Savings on these costs, when taken together, can reduce the total cost of maintenance by 75 percent on average as shown by ROI studies of SAP and Oracle licensees in this report.

This image illustrates how Rimini Street clients are able to save an average of 75 percent on their annual maintenance costs compared to traditional vendor support.



This research report outlines the types, ranges and underlying components of savings in each area. Also included are Rimini Street client use cases highlighting key recommendations and best practices to maximize the gain in total maintenance savings through the adoption of a third-party support model.

A Business Case for Third-Party Support

Your IT budget is the greatest barrier between you and your ability to meet business demands and strategically transform to stay ahead of competition.

With 89 percent of a typical IT budget allocated to keeping the lights on and supporting ongoing operations, only 11 percent is left for other projects — namely strategic priorities that can actually increase revenue, decrease costs, or take market share from your competitors.

If you look at the overruns of IT projects in the last three years, the majority average 189 percent over budget, with big ERP projects leading the way. So how did we get here?

Nearly every Fortune 500/Global 2000 company in the world today runs SAP or Oracle. New features and functionality were added over the years to the initial applications and databases in frequent intervals, and you received real value in return.

Now the software is incredibly mature, feature-rich and technically stable. Although delivery of new features and functionality has slowed dramatically over the years, SAP has raised maintenance fees from 17 to 22 percent, and most innovations are not included in your maintenance agreement.

SAP has now diverted all innovation to its cloud products and S/4HANA, which is not covered as part of your maintenance agreements. Neither are things like support for your custom code, which actual case study data has shown to account for 65 percent of your critical support issues.

The standard answer from vendors for nearly every support question is to upgrade to the next release or update to the latest support pack. These requirements to upgrade to the vendor's latest release and to support your own custom code and apply unnecessary fixes and patches puts a tremendous burden on your teams — it's a constant resource drain that often doesn't make sense for your business.

This vicious cycle of large maintenance investments, the continuous need to upgrade, and the low return on your maintenance dollars can be referred to as *mandatory evolution*.

Third-Party Support: A Unique Value Proposition

Nucleus has found that many Rimini Street clients, depending on the extent of their customizations and upgrade philosophy, have saved as much as 90 percent of their total maintenance costs. Most clients reported savings of 75 percent of their total maintenance costs compared to vendor support.

Nucleus Research finds that companies can successfully break free from mandatory evolution by using third-party support as a means to strategically free funds and resources to ensure the continued growth and success of their organizations. Third-party support includes a number of premium features not available in the standard SAP annual maintenance program.

Total Maintenance Savings: Snapshot of 70 Clients

The table on the following pages is a snapshot of the total maintenance savings that 70 Rimini Street clients have reported as part of this research. For each client, the table shows:

- Total annual maintenance costs under original vendor support (SAP or Oracle) in the categories of maintenance fees, upgrade avoidance, customization support and maintenance efficiencies
- Total annual maintenance costs under Rimini Street support
- Total annual maintenance savings under Rimini Street support. This is derived from total annual original vendor maintenance costs minus total annual maintenance costs under Rimini Street support. (This represents the amount of spend the client can redirect toward innovation and other strategic projects as a result of switching to third-party support.)
- Total 10-year estimated savings under Rimini Street support that can be used to estimate long-term ROI
- Total annual maintenance savings under Rimini Street support as a percent of total annual maintenance costs under original vendor support

Average Annual Savings of 75% under Rimini Street Support Based on 70 Oracle and SAP Client ROI Studies

Rimini Street Client	Products	Savings Categories									
		Above the Waterline		Below the Waterline				Total Annual Maintenance Costs Under Vendor Support	Total Annual Maintenance Costs Under Rimini Street	Total Annual Maintenance Savings Under Rimini Street	Savings as % of Total Annual Maintenance Costs Under Vendor
		Annual Vendor Maintenance Fees	Annualized Upgrade Costs	Annual Customization Support Costs	Annual Self Support Costs						
\$12B Life Insurance Company	PSFT	\$174,524	\$400,000	\$300,000	\$75,000	\$949,524	\$87,262	\$862,262	91%		
\$400M Canadian City Hall	PSFT	\$416,656	\$255,675	\$825,000	\$450,000	\$1,947,331	\$208,328	\$1,739,003	89%		
\$40M Insurance Company	PSFT	\$583,042	\$800,000	\$600,000	\$150,000	\$2,133,042	\$291,521	\$1,841,521	86%		
\$130M Leading Metal Manufacturer	JDE	\$74,000	\$57,000	\$118,000	\$15,000	\$264,000	\$37,000	\$227,000	86%		
\$3B Building Products Company	JDE	\$322,700	\$500,000	\$135,000	\$135,000	\$1,092,700	\$161,350	\$931,350	85%		
£1.2B Construction Company	SAP	£84,552	£63,414	–	£135,000	£282,966	£42,276	£240,690	85%		
\$11B Energy Company	PSFT	\$1,896,000	\$3,000,000	\$500,000	\$350,000	\$5,746,000	\$948,000	\$4,798,000	84%		
\$1.2B Wholesale Provider of Electricity	PSFT	\$483,030	\$764,260	\$75,000	\$75,000	\$1,397,290	\$241,515	\$1,155,775	83%		
\$700M Chemical Manufacturer	EBS/OT	\$1,047,369	\$1,600,000	\$332,800	\$20,800	\$3,000,969	\$523,685	\$2,477,285	83%		
\$1B Healthcare Company	EBS/OT/HYP	\$527,694	\$431,750	\$274,500	\$274,500	\$1,508,444	\$263,847	\$1,244,597	83%		
\$3B Tax Services Provider	PSFT	\$303,144	\$150,000	\$225,000	\$75,000	\$753,114	\$151,557	\$601,557	80%		
\$3.1B CPG Manufacturer	EBS	\$453,188	\$60,000	\$150,000	\$450,000	\$1,113,188	\$226,594	\$886,594	80%		
\$10B Chemical Distributor	SAP	\$3,800,000	\$250,000	\$150,000	\$600,000	\$4,800,000	\$1,000,000	\$3,800,000	79%		
\$900M Restaurant & Entertainment Company	PSFT	\$202,000	\$155,000	\$63,000	\$52,000	\$472,000	\$101,000	\$371,000	79%		
\$4B Chemical Manufacturer	SAP	\$1,420,361	\$1,175,294	\$225,000	\$300,000	\$3,120,655	\$710,180	\$2,410,474	77%		
\$600M Business Software Manufacturer	SAP	\$1,000,000	\$940,000	\$276,000	–	\$2,216,000	\$500,000	\$1,716,000	77%		
\$18B International Defense Company	EBS/OT	\$2,487,010	\$1,800,000	\$600,000	\$600,000	\$5,487,010	\$1,243,505	\$4,243,505	77%		
\$10B Insurance Company	PSFT	\$434,976	\$266,917	\$67,500	\$180,000	\$949,393	\$217,488	\$731,905	77%		
\$10B Semiconductor Manufacturer	EBS/OT/HYP	\$2,000,000	\$1,636,364	\$225,000	\$225,000	\$4,086,364	\$1,000,000	\$3,086,364	76%		
\$30B Food Processor & Wholesaler	JDE	\$739,664	\$663,805	\$75,000	\$75,000	\$1,543,469	\$364,832	\$1,178,637	76%		
\$2B Snack Manufacturer	SAP	\$934,350	\$450,800	\$435,000	\$150,000	\$1,970,150	\$467,175	\$1,502,975	76%		
\$900M Private Cancer Research Company	Siebel	\$847,344	\$755,941	\$75,000	\$75,000	\$1,753,285	\$423,672	\$1,329,613	76%		
\$1.3B Fashion Design House	PSFT/JDE	\$592,004	\$468,340	\$75,000	\$75,000	\$1,210,344	\$296,002	\$914,342	76%		
\$2.6B Global Asset Management Company	PSFT	\$535,000	\$218,864	\$187,500	\$150,000	\$1,091,364	\$267,500	\$823,864	75%		
\$400M Manufacturer of Power Generation Systems	EBS/Agile/OT	\$891,000	\$364,000	\$297,000	\$243,000	\$1,795,000	\$445,500	\$1,349,500	75%		
\$3B Office Builder Owner & Operator	PSFT/JDE	\$398,278	\$161,296	\$131,295	\$107,638	\$798,507	\$199,139	\$599,368	75%		
\$5.2B Canadian Government Agency	PSFT	\$764,386	\$604,698	\$75,000	\$75,000	\$1,519,084	\$382,193	\$1,136,891	75%		
\$1.5B Manufacturing Company	EBS/OT	\$1,282,000	\$524,000	\$427,000	\$350,000	\$2,583,000	\$641,000	\$1,942,000	75%		
\$155M Information Technology Company	PSFT/EBS/OT	\$2,583,000	\$1,057,000	\$860,000	\$705,000	\$5,205,000	\$1,291,500	\$3,913,500	75%		
\$600M Food & Beverage Company	EBS/OT	\$1,100,000	\$800,000	\$200,000	\$50,000	\$2,150,000	\$550,000	\$1,600,000	74%		
\$636M Water Utility	SAP	\$421,922	\$126,577	\$135,000	\$135,000	\$818,499	\$210,961	\$607,538	74%		
\$258M International Manufacturer	EBS/OT	\$395,032	\$220,000	\$75,000	\$75,000	\$765,032	\$197,516	\$567,516	74%		
\$9B Electronics Manufacturer	SAP	\$338,926	\$315,000	–	–	\$653,926	\$169,463	\$484,463	74%		
\$48.8B Global Biopharmaceutical Company	PSFT	\$1,050,000	\$429,000	\$300,000	\$225,000	\$2,004,000	\$525,000	\$1,479,000	74%		
\$17B Industrial & Consumer Products Manufacturer	EBS/OT	\$1,545,958	\$525,480	\$427,740	\$350,670	\$2,849,848	\$772,979	\$2,076,869	73%		
\$350M Pipe Manufacturer	SAP	\$227,152	\$120,000	\$30,000	\$37,500	\$414,652	\$113,576	\$301,076	73%		

Rimini Street Client	Products	Savings Categories				Total Annual Maintenance Costs Under Vendor Support	Total Annual Maintenance Costs Under Rimini Street	Total Annual Maintenance Savings Under Rimini Street	Savings as % of Total Annual Maintenance Costs Under Vendor
		Above the Waterline	Below the Waterline						
		Annual Vendor Maintenance Fees	Annualized Upgrade Costs	Annual Customization Support Costs	Annual Self Support Costs				
\$30M Manufacturer of Health & Wellness Products	JDE	\$55,000	\$20,000	\$14,000	\$11,000	\$100,000	\$27,500	\$72,500	73%
\$40M Lighting & Electronics Company	JDE	\$430,000	\$175,909	\$75,000	\$75,000	\$755,909	\$215,000	\$540,909	72%
€432M Protective Clothing Manufacturer	SAP	€51,545	€41,321	–	–	€92,866	€25,773	€67,094	72%
\$1.2B Credit Insurance Company	PSFT	\$302,778	\$200,000	–	\$37,500	\$540,278	\$151,389	\$388,889	72%
\$200M Messaging Provider	SAP	\$565,924	\$113,185	\$150,000	\$150,000	\$979,109	\$282,962	\$696,147	71%
\$300M Distribution Company	SAP	\$417,192	\$225,000	–	\$75,000	\$717,192	\$208,596	\$508,596	71%
\$7.2B Sporting Goods Retailer	PSFT	\$644,270	\$299,909	\$75,000	\$75,000	\$1,094,179	\$322,135	\$772,044	71%
\$8.1B Food Processor	JDE	\$453,118	\$178,000	\$75,000	\$75,000	\$781,118	\$226,559	\$554,559	71%
\$97.5M Canadian Packaging Solutions Manufacturer	SAP	\$234,000	\$100,000	\$25,000	\$30,000	\$389,000	\$117,000	\$272,000	70%
\$528M US City with population over 750,000	PSFT/EBS/OT	\$573,186	\$234,485	\$190,871	\$156,480	\$1,155,022	\$347,518	\$807,504	70%
€20M Cloud Hosting Provider	SAP	€296,859	€155,851	–	€37,500	€490,210	€148,430	€341,781	70%
£203M Heavy Equipment Manufacturer	SAP	£109,970	£71,415	–	–	£181,385	£54,985	£126,400	70%
\$900M Automotive Services Distributor	PSFT	\$446,008	\$160,000	\$50,000	\$75,000	\$731,008	\$223,004	\$508,004	69%
\$15B Pharmaceutical Company & Medical Equipment Manufacturer	Siebel	\$2,053,820	\$840,199	\$300,000	\$150,000	\$3,344,019	\$1,026,910	\$2,317,109	69%
\$728M Medical Equipment Manufacturer	SAP/BOBJ	\$1,471,131	\$212,182	\$504,000	\$207,000	\$2,394,313	\$735,566	\$1,658,748	69%
\$570M Pharmaceutical Manufacturer	SAP	\$833,634	\$200,393	\$150,000	\$150,000	\$1,334,027	\$416,817	\$917,210	69%
€3B European Manufacturer	EBS/OT	€67,042	€38,388	–	–	€105,430	€33,521	€71,909	68%
\$800M Glass Tableware Products Manufacturer	JDE	\$531,936	\$88,977	\$120,000	\$95,004	\$835,917	\$265,968	\$569,949	68%
\$8B International Retailer	EBS/OT	\$2,709,994	\$880,223	\$300,000	\$300,000	\$4,190,217	\$1,354,997	\$2,835,220	68%
£13B Multinational Mass Media & Information Firm	Siebel	£2,992,000	£600,000	£500,000	£500,000	£4,592,000	£1,496,000	£3,096,000	67%
\$270M Newspaper Publishing Organization	PSFT	\$354,717	\$150,000	–	\$37,500	\$542,217	\$177,359	\$364,859	67%
\$3.3B Chemical Manufacturer	SAP	\$2,863,083	\$644,194	\$477,000	\$390,000	\$4,374,277	\$1,431,542	\$2,942,736	67%
\$240M Semiconductor Company	EBS/OT	\$414,898	\$97,500	\$55,000	\$55,000	\$622,398	\$207,449	\$414,949	67%
\$1.5B Fashion Company	PSFT/JDE	\$694,032	\$187,336	\$75,000	\$75,000	\$1,031,368	\$347,016	\$684,352	66%
\$1.1B Securities Company	Siebel	\$216,890	\$102,950	–	–	\$319,840	\$108,445	\$211,395	66%
\$525M Engineered Products Manufacturer	JDE	\$531,936	\$88,977	\$120,000	\$95,004	\$835,917	\$265,968	\$569,949	68%
\$275M US School District with 67,000 students	EBS/OT	\$775,792	\$245,495	\$75,000	\$37,500	\$1,133,787	\$387,896	\$745,891	66%
\$3B Technology Service Provider	SAP	\$250,832	\$114,024	–	–	\$364,856	\$125,416	\$239,440	66%
\$4B Paint Manufacturer	EBS	\$3,412,910	\$1,000,000	\$330,000	\$220,000	\$4,962,910	\$1,706,455	\$3,256,455	66%
\$560M Semiconductor Assembler	SAP	\$188,000	\$84,600	–	–	\$272,600	\$94,000	\$178,600	66%
\$29B Global Paper & Packaging Company	PSFT	\$1,050,000	–	–	\$450,000	\$1,500,000	\$525,000	\$975,000	65%
\$1.4B Energy & Services Company	PSFT	\$972,574	\$300,000	\$37,500	\$75,000	\$1,385,074	\$486,287	\$898,787	65%
\$300M Educational Institution	PSFT	\$880,542	\$260,000	\$55,000	\$55,000	\$1,250,542	\$440,271	\$810,271	65%
\$125M Manufacturing Company	EBS/OT	\$481,034	\$100,000	\$49,500	\$49,500	\$680,034	\$240,517	\$439,517	65%

“While the initial move to third-party support is often tactical and focused on lowering costs, more and more companies are embracing third-party support as a way to accelerate ERP issue resolution, reduce the burden of tax compliance and other issues, and take advantage of qualified experts to minimize disruption to their ERP environment.”

Rebecca Wettemann
Vice President
Nucleus Research

“Thanks to Rimini Street, we have cut our high and rising SAP maintenance costs significantly. Our current proactive planning for our ERP future has been made possible thanks to the flexibility and savings that Rimini Street’s third-party support has provided for [our] IT strategic investments.”

Corporate Planning Division
IT Planning Group

“The upgrade would have been a multimillion-dollar project for us, aside from the disruption in operations. And we could not figure out a return on investment for this whole effort. So we had to move in another direction. We had to figure out how to turn the situation around, and we ended up investigating Rimini Street.”

CIO
\$6.2B Aerospace Manufacturer

Study Analysis: Major Themes

The organizations interviewed for this study noted that the total cost savings stemming from their switch to Rimini Street support is derived from four distinct sources:

- 1. Maintenance fees:** Rimini Street charges 50 percent of what the client was formerly paying to SAP for annual support fees
- 2. Upgrade avoidance:** The cost avoidance of not having to undertake forced application and enhancement pack upgrades with no sound ROI merely to retain full vendor support
- 3. Customization support:** The cost avoidance of not having to use in-house or external resources to fix issues or custom code that breaks
- 4. Self support:** The cost avoidance of not having to budget for the additional resources and headcount required to deal with the additional burden and inefficiency of traditional vendor support processes

In the following, we will explain each of these distinct savings categories in more detail, with examples cited from the organizations interviewed.

High and Rising Costs of SAP Support

SAP increased its fee for Standard Support for new customers from 18 to 19 percent as of July 15, 2013; and as of January 1, 2016, Enterprise Support customers are paying 22 percent of fees, up from 20.1 percent.

These numbers indicate that SAP’s top clients are spending between \$2 million and \$5 million annually on maintenance and support contracts, which accounts for as much as a quarter of the cost of the original software purchase, according to figures from Constellation Research¹.

IT organizations can benefit from Rimini Street savings of 50 percent or more on support fees. That can immediately impact their bottom line in addition to receiving premium support for SAP applications and databases as well as the highest level of enterprise software support available.

Expensive, Disruptive and Minimal-Value Updates

Based on a recent Rimini Street survey² of SAP licensee application strategies, findings show that the majority of those surveyed plan to remain on their existing Business Suite applications. For those planning to stay on their existing version of Business Suite, a primary concern is whether or not to continue applying enhancement packs that may be potentially disruptive to their businesses and offer minimal benefit.

¹ Computerworld, “Buried in Software Licensing,” August 12, 2013.

² Rimini Street Report, “Rimini Street Survey: 2017 Applications Strategy Findings,” May 2017.

One of the biggest benefits that licensees experienced with Rimini Street was avoiding the cost and disruption of upgrades and enhancement pack updates. While keeping current on license maintenance fees usually entitles customers to software upgrades and updates, enhancement pack implementations may require rebuilding and retesting of customizations and integrations, along with reports, interfaces and data conversion, which could result in a significant investment in both internal and external resources.

Savings from upgrade and enhancement pack update avoidance will depend on the level of maturity of the application and the number of components deployed and integrated. Rimini Street clients interviewed for this study save hundreds of thousands of dollars a year — for example, one Rimini Street client was able to eliminate upgrades, with an average savings of \$500,000 in internal costs and \$250,000 in external costs per avoided upgrade.

Statements from organizations interviewed confirm the lack of value felt due to forced and expensive upgrades:

- “We were faced with forced upgrades which we really didn’t want to do. We avoided those upgrades, saving \$4 to \$5M in system upgrades by moving to Rimini Street.”
CIO, \$4B Chemical Manufacturing Company
- “We were burdened with Enhancement Packages that gave us absolutely NO benefit, ZERO.”
UK IS Director, \$2B Snack Manufacturing Company

Enter the Uncertainty of S/4HANA: A Major Reimplementation

SAP’s launched its “next generation business suite,” S/4HANA in 2015. SAP has heavily promoted its S/4HANA application as a full replacement for the SAP Business Suite. However, as of its 1610 update released in late 2016, the application hasn’t reached functional parity with the Business Suite and backfills many of its functions with SaaS applications. It also requires replacing existing third-party databases with SAP’s proprietary HANA database.

The database migration, along with required middleware and hardware upgrades, makes migrating to S/4HANA potentially a complete reimplementation.

A Rimini Street global survey³ found that 65 percent of survey respondents have no plans to, or are currently not committed to, migrate to S/4HANA, with the number-one reason for not committing to S/4HANA cited as “no strong business case and unclear ROI.”

Of the survey respondents who plan to stay on their current SAP Business Suite application, 30 percent are already adopting a hybrid IT strategy to maximize the value of their core SAP system as a system of record, while also freeing up funds and resources that can be used to more quickly and flexibly drive innovation through systems of engagement.

“The ERP landscape is changing dramatically, and many CIOs are hesitant to make a move until the vendors’ emerging modern applications and roadmaps are more clearly defined. A move to third-party support enables them to take their time in making a new implementation decision while keeping business critical systems secure and operational at a lower cost.”

Rebecca Wettemann

Vice President
Nucleus Research

“We’ve made the decision that we’re not ready to move until S/4HANA becomes more mature. We had it on the three to five year strategy in terms of our future to look at. But at this point in time we couldn’t see the benefit.”

SAP IT Manager
\$4B Australian Mining Company

“We don’t want to be on the edge of technology in terms of new applications. We want to be somewhere in the middle. S/4HANA is not a viable option right now. Maybe in two or three years we will consider HANA, but not now.”

Director of Applications
\$13B Oil and Gas Company

³ Rimini Street Report, “Rimini Street Survey: 2017 Applications Strategy Findings,” May 2017.

“80% of our issues are in the custom code. Every time we called SAP, they said it was our responsibility. When I first heard Rimini Street solved custom code issues, it sounded too good to be true. Rimini Street has done a great job and this is very valuable to us.”

*Director, SAP Center of Excellence
\$1B Supply Chain Logistics Company*

“[Our] experience with Rimini Street support is characterized by improved responsiveness and flexibility of support. With Rimini Street, we get much faster turnaround to resolve tickets beyond our control — and the Rimini Street engineer always understands the process we’re talking about as well as our specific IT environment.”

*COE Manager
U.S. Design Manufacturer*

“Our partner TCS asked Rimini Street to help as they couldn’t resolve certain Dev IS issues. They couldn’t figure out what the problem was. Rimini Street gladly resolved those issues. Hard to quantify but it definitely freed up their time to develop new things.”

*IS Controller,
\$2B Global Snack Manufacturer*

High Customization Support Costs

The majority of the issues in today’s mature enterprise software are not in the vanilla code delivered by SAP. Most issues are in the code a client has customized to fit its unique business requirements.

However, standard SAP support programs do not cover customized code, making vendor support increasingly irrelevant as companies continue to modify their systems to meet legitimate business demands.

Rimini Street covers the support of user-modified code at no extra charge. Nearly two-thirds of issues that Rimini Street resolves for its clients are issues that the vendor’s support program would not have otherwise covered.

Statements from the organizations interviewed confirm the cost avoidance of not having to use in-house or external resources to fix customizations that break:

- “We custom-designed a lot of our functionality and hence had high custom support costs. That is \$500K annually — about five FTEs.”
CIO, \$4B Chemical Manufacturing Company
- “We had to outsource our moderately-to-highly customized SAP environment to our SI partner as SAP won’t support our customizations.”
UK IS Controller, \$2B Snack Manufacturing Company
- “SAP wouldn’t touch our custom changes. Our development team worked on these issues.”
Director, SAP Center of Excellence, £1B Supply Chain Logistics Company

Inefficiencies Due to Self Support

This category of savings represents the cost avoidance of not having to budget for the additional resources and headcount required to deal with the inefficiency of vendor support, including the following as reported in client interviews:

1. Business impact of faster resolution of trouble tickets

Rimini Street clients consistently found they had more rapid resolution of issues, and, as a result, were able to deploy internal staff and consulting resources to other development projects.

Rimini Street assigns each client a named, regional Primary Support Engineer, backed by a team of experts who can assess, diagnose and resolve client issues 24/7/365, with a guaranteed 15-minute response time for critical issues.

The alternative many clients face is the cost and time of their support teams spent hunting online for potential issue resolutions on SAP support portals or forums or being forced to replicate an issue on a vanilla environment, which can drastically increase support costs and time to resolution.

2. Resource savings for tax consulting and SAP tax engine maintenance costs

For Rimini Street clients previously paying for separate SAP tax engine maintenance, these costs were eliminated by the use of the Rimini Street RSITE tax engine, which has no additional cost outside of the support contract.

Nucleus Research also found some customers had to employ consultants to help them determine which SAP tax updates were applicable to their business. Five Rimini Street clients said the support they received included specific guidance on which tax updates needed to be applied based on their particular business operations.

Rimini Street provides timely compliance updates tailored to the precise scope of the client's unique business — versus burdening the client with hundreds of SAP-provided updates inclusive of all jurisdictions — eliminating the management of unrelated updates, additional analysis or regression testing.

3. Personalized, more relevant support — No more self support

In general, clients found Rimini Street support to be more proactive, responsive and personalized than the support provided under traditional vendor license maintenance contracts. In many cases, the solution from a vendor is to hire additional professional services and incur costs in addition to licensing and maintenance fees. The Rimini Street support offering 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.

Statements from clients interviewed confirm the cost avoidance of no longer dealing with vendor support inefficiencies:

- “We tried every path possible to replicate and get help. We could never get a resolution from the vendor. Our teams spend 30 percent of their time fixing the issues themselves.”
- “We ended up not having to back fill one support team member whose sole job was looking for solutions. Very much so. That is about £60,000–£70,000 savings.”
- “We paid \$5–10K in consultancy fees for additional diagnosis and replicating the issue.”
- “Inefficiency was built into the SAP support process as without exception every single issue had to be escalated. The SAP support process just did not work. That's hard to quantify, but there's definitely an opportunity cost there.”
- “We had sunk \$180K into this project and it was nowhere near completion. We transferred all the issues to Rimini Street and we are now down to one open issue. If not for Rimini Street, that \$180K would have become \$360K. We are saving hundreds to thousands of hours and about 3.5 FTEs every year on support issues.”

“Here is a good example of where we are getting quicker service under the Rimini Street model vs SAP for legal changes. They are already working on implementing the tax changes in our development environment while SAP is not officially releasing theirs until the end of our pay period. If we were under SAP Support, they wouldn't have been ready in time.”

SAP IT Manager
\$4B Australian mining company

“We were able to focus our internal resources on the rollouts in the UK and Asia and dramatically decrease implementation costs, while remaining confident that our PSE and Rimini Street team were providing a stable and supported SAP platform.”

CIO
U.S. Design Manufacturer

“Many organizations relying on Rimini Street for patches and bug fixes spent less time on application maintenance because they only had to install critical updates such as compliance or tax-related code, instead of the entire upgrade package typically delivered by the vendor. This resulted in reducing both installation and testing time. As one customer said, ‘Now we only have 25 percent of one person's time to apply updates — it was definitely a lot more before.’”

Rebecca Wettemann
Vice President
Nucleus Research

“We found forward-thinking CIOs are looking at third-party support from Rimini Street as not just a TCO play but as an ROI play – enabling them to free up both internal resources and cash to invest in innovation and business differentiation.”

Rebecca Wettemann

Vice President
Nucleus Research

Conclusion

Executives interviewed as part of this client study responded to the question, “What advice do you have for other CIOs based on your experience with moving to a third-party support model?” Below are four specific insights and areas of advice that provide peer validation as you build a business case across your organization to consider the Rimini Street third-party support program.

Key Takeaways:

- Determine the true value you receive for your SAP maintenance spend.
- Don’t upgrade just to stay supported — and don’t upgrade if there is no business case.
- Ensure the support process works.
- Free up funds for growth and innovation.

1. Determine the true value you receive for your SAP maintenance spend.

A large global company was paying \$4 million in annual vendor maintenance fees. During the course of a year, the company called the vendor with urgent support issues seven times. Five of those calls turned out to involve customized code that the vendor would not address. The vendor fixed the two other issues.

Based on this performance, the per-issue maintenance cost is essentially \$2 million each. Calculate your own maintenance-spend-to-support value equation.

“Calculate, really calculate. Get down to some real data and facts around what you’re getting from the vendor for your maintenance fees. Evaluate your current value proposition in dollar terms. And then go from there. In our case, there was just no value in continuing to pay vendor annual support fees.”

— CIO, Global Chemical Manufacturing Company

2. Don’t upgrade just to stay supported — and don’t upgrade if there is no business case/ROI.

One Rimini Street client had been paying the vendor \$3 million in annual support fees. It was able to save \$1.5 million in annual support fees (50 percent), and also avoid a \$19 million Enhancement Pack upgrade that promised no relevant business value.

“Avoid any major cost of change — when the change is simply for the sake of change. We believe the value in upgrading to stay supported is just not there. CIOs typically convince themselves of a few capabilities that will add value, and then perform a massive, expensive upgrade. The reality is that if you want those few capabilities that will add value, you can customize at a fraction of the cost of an upgrade.”

— CIO, US Automotive Parts Manufacturer

3. Get your issues fixed, period — Ensure the support process works.

Most companies interviewed felt burdened by the amount of time and money spent justifying their technical issues at every step through the SAP support process, in addition to questioning the level of support received from SAP. This is a key element of the value equation that often goes unconsidered. Regardless of what you're paying in support costs, without timely and effective case resolution, any continued investment in maintenance should be seriously questioned.

“When we have an issue, we don't have to spend hours explaining our system profile and infrastructure to SAP or waiting for validation of the issue in a non-customized environment. Rimini Street quickly assesses every issue we bring to them within a 30-minute response time 24/7, and provides just the fixes we need.”
— *Executive Director of Technology, Independent School District*

4. Free up funds for growth and innovation.

Many client companies are able to take their substantial cost savings from Rimini Street support and reinvest into new and innovative IT initiatives that enable business growth and create a competitive advantage.

“I was able to reallocate 10 percent of my budget growth initiatives with the stroke of a pen. I want to be clear about this, because this is a big deal. This is 10 percent of my total IT spend. We're in a position to literally drive the number-one priority of the CEO with the resources we gained back from the decision to go with Rimini Street. It's a new business model that is going to enable us to compete even more commercially.”
— *CIO, Global Chemical Manufacturing Company*

“Rimini Street has freed up my staff so we can focus more on the requirements of our customers, internal as well as external. We've taken on improvements like Warehouse Management, Concur's travel and expense management, and big projects like Salesforce. Before Rimini Street, we were not in a position to even look at those without going outside to expensive consultants.”
— *Director of Global Applications and Solutions, Global Printing Systems Manufacturer*

APPENDIX

Case Study 1: \$3.4B Chemical Manufacturing Company

Total maintenance savings with Rimini Street Support: Over \$2.9 million annually, \$29,427,355 million in 10 years

This \$3.4B chemical manufacturing company based in the U.S. with over 4,200 employees will save \$2,942,736 each year for the next 10 years for a total maintenance savings of \$29,427,355 — representing a total maintenance savings of 67 percent over its SAP annual support costs each year.

Background

- Dissatisfied with high support costs: “Very unhappy with SAP cost and poor support.”
- Faced with forced upgrades: “We saw no need to upgrade on the vendor’s desired timetable.”
- Moderately-to-highly customized: No customization support from SAP. Able to redeploy 3.36 FTEs.

Estimated Annual Total Maintenance Savings by Switching to Third-Party Support

Category	Annual SAP Support Costs	Annual Rimini Street Costs	Annual Rimini Street Savings
Annual Support Fees	\$2,863,083	\$1,431,542	\$1,431,542
Upgrades and Enhancement Packages	\$644,194	–	\$644,194
Customization Support	\$477,000	–	\$477,000
Maintenance Resources	\$390,000	–	\$390,000
Totals	\$4,374,277	\$1,431,542	\$2,942,736

Financial Summary

This client will cut its annual support fees by 50 percent and save \$1,431,542 every year on annual maintenance fees; will save \$644,194 annually by avoiding upgrades and not applying Enhancement Packages over a 10-year period; will save \$477,000 (or the equivalent of 3.36 FTEs) annually by avoiding paying dedicated resources or external consultants to fix customizations that break; and will save \$390,000 (or the equivalent of 1.38 FTEs) annually by avoiding paying additional resources and headcount required to deal with the extra burden and inefficiencies of original vendor support.

Results with Rimini Street Support

- Slashed maintenance fees: “Cutting our annual maintenance fees in half, delivering much higher levels of service.”
- Avoided upgrades/Enhancement Packages: “We saw no need to upgrade on the vendor’s desired timetable.”

Case Study 2: £2 Billion Snack Manufacturing Company

Total maintenance savings with Rimini Street Support: £1.5 million annually, £15 million in 10 years

This £2 billion global snack manufacturing company based in Europe with over 3,000 employees will save £1,502,975 each year for the next 10 years for a total maintenance savings of £15,029,750 — representing a total maintenance savings of 76% over their SAP annual support costs each year.

Background

- Dissatisfied with high support costs: “Paying £1M annually and rising.”
- Faced with forced upgrades: “Mammoth £3–4M projects every 4–5 years.”
- Burdened with Enhancement Packages: “Absolutely NO benefit, ZERO.”
- Moderately-to-highly customized: “Outsourced to SI, fixed-price contract.”

Estimated Annual Total Maintenance Savings by Switching to Rimini Street

Category	Annual SAP Support Costs	Annual Rimini Street Costs	Annual Rimini Street Savings
Annual Support Fees	£934,350	£467,175	£467,175
Upgrades and Enhancement Packages	£450,800	–	£450,800
Customization Support	£435,000	–	£435,000
Maintenance Resources	£150,000	–	£150,000
Totals	£1,970,150	£467,175	£1,502,975

Financial Summary

This client will cut its annual support fees by 50 percent and save £467,175 every year on annual maintenance fees; will save £450,800 annually by avoiding two upgrades and not applying Enhancement Packages over a 10-year period; will save £435,000 (or the equivalent of 2.9 FTEs) annually by avoiding paying dedicated resources or external consultants to fix customizations that break; and will save £150,000 (or the equivalent of one FTE) annually by avoiding paying additional resources and headcount required to deal with the extra burden and inefficiencies of original vendor support.

Results with Rimini Street Support:

- Slashed maintenance fees: “Saving about £500K in maintenance fees annually.”
- Avoided upgrades/Enhancement Packages: “Avoided £3–4M in upgrades.”
- Custom support savings potential: “About half an FTE.”
- Maintenance efficiencies: Hard savings and opportunity costs — “Did not backfill one FTE since moving to Rimini Street Support. If you pay a £1M a year, you at least expect the process to work. With Rimini Street, we are now reinvesting the half-a-million-pound savings in capital projects.” – UK IS Controller

Case Study 3: \$1.4B Global Kitchenware Manufacturer

Total maintenance savings with Rimini Street Support: \$886,332 annually, \$8.8 million in 10 years

This \$1.4 billion kitchenware manufacturer based in the U.S. with over 2,900 employees will save \$850,704 each year for the next 10 years for a total maintenance savings of \$8,507,040 — representing a total maintenance savings of 76 percent over its SAP annual support costs each year.

Background

- Very little value for high cost of maintenance: “approximately \$550K annually”
- No useful innovation for the next 3 to 5 years: “Saved 215K per year on upgrades”
- Need to stabilize core SAP applications platform for next 5 years: “Cost \$362K per year”

Category	Annual SAP Support Costs	Annual Rimini Street Costs	Annual Rimini Street Savings
Annual Support Fees	\$546,704	\$273,000	\$309,332
Upgrades and Enhancement Packages	\$215,000		\$215,000
Customization Support	\$145,000		\$145,000
Maintenance Resources	\$217,000		\$217,000
Totals	\$1,123,704	\$273,000	\$850,704

Financial Summary

This client will cut its annual support fees by 50 percent and will save \$309,322 every year on annual maintenance fees; will save \$215,000 by avoiding two upgrades and not applying five Enhancement Packages over a 10-year period; will save \$145,000 (or the equivalent of 1 FTE) annually by avoiding paying dedicated resources or external consultants to fix customizations that break; and will save \$217,000 (or the equivalent of 1.5 FTEs) annually by avoiding paying additional resources and headcount required to deal with the extra burden and inefficiencies of original vendor support.

Results with Rimini Street Support:

- Slashed maintenance fees: Saving more than \$273K in maintenance fees annually
- Avoided 2 upgrades and 5 Enhancement Pack deployments: Saved \$215K per year
- Custom support savings potential: “1 FTE that we repurposed to support other IT initiatives”

“We just completed an exhaustive and cost-intensive global rollout of SAP and optimizing our costs for the SAP Business Suite was a top priority for us.”

– Company CIO

About Nucleus Research

Nucleus Research is a global provider of investigative, case-based technology research and advisory services that provide real-world insight into maximizing technology value. For more information, visit NucleusResearch.com or follow us on Twitter @NucleusResearch.

About Rimini Street, Inc.

Rimini Street is a global provider of enterprise software products and services, and the leading third-party support provider for Oracle and SAP products. The company has redefined enterprise support services since 2005 with an innovative, award-winning program that enables licensees of IBM, Microsoft, Oracle, SAP and other enterprise software vendors to save up to 90 percent on total support costs. Clients can remain on their current software release without any required upgrades for a minimum of 15 years. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted, third-party support provider.

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