The third-party support market is becoming mainstream. What was once primarily a cost-cutting tactic for IT leaders has become a strategic tool for effective application portfolio management, enabling companies to reduce risk and support greater innovation.

Third-party support is enterprise application support that replaces the support provided by the software vendor as part of a software license maintenance contract. The software vendor maintenance agreement is usually separate, or at least a separate contract line item, from the software license agreement which gives customers the ability to access and run the software. Today third-party support is provided primarily for SAP and Oracle enterprise resource planning (ERP) applications that were originally licensed over the past few decades.

Third-party support first became an option in the early 2000s, when enterprise customers that didn’t plan to upgrade their ERP or customer relationship management (CRM) deployments facing rising software license maintenance fees – which could often amount to 20 to 30 percent of their initial license investment – sought a more cost-effective support alternative.

The maturing of third-party support into an accepted mainstream market has evolved slowly over the past 15 years but has accelerated recently. While early customers were focused almost entirely on cutting maintenance costs and eliminating costly updates out of necessity, the widespread adoption of third-party support has happened not simply because of cost containment, but because of its use as a strategic tool for application portfolio management.

Valoir looked at the growing acceptance of third-party support and found that key factors in four categories – people, money, markets, and technology – were accelerating adoption.

PEOPLE

The day-to-day maintenance requirements for ERP applications, and the need for vendor-provided support and upgrades, has changed. As many ERP applications reach maturity, and companies have had years of experience supporting them, internal IT teams are less dependent on external support and expertise to support their applications. At the same time, CIOs want to keep teams engaged by focusing them on digital transformation and new initiatives instead of routine ERP support. Tactically, third-party support reduces the internal time and staff needed for application support. Strategically, it enables CIOs to meet business objectives and demonstrate their value.

Valoir has found more CIOs are using third-party support as a cornerstone of their IT strategy. They cite support savings as a
predictable move to fund critical programs. With a proven track record, CIOs who have moved to other companies have brought their experiences with them – and become advocates for the third-party support strategy. Because of a stronger reference base, the time needed for due diligence on third-party support has shortened, and companies can more confidently assess not just the perceived risks but the day-to-day overall impact of such a move.

MONEY

The rise of cloud applications and the subscription model has sparked reconsideration of the traditional software license support model. Rather than treating it as a cost of doing business, customers are evaluating the actual value of vendor-provided application support and related updates and upgrades. Not only is third-party support typically 50 percent less expensive than vendor-provided support, it provides measurably better outcomes, and enables CIOs to reallocate those savings toward innovation and digital transformation.

MARKETS

Broad adoption of third-party support by thousands of companies has made it less of a maverick move, and recognizing the market opportunity, more systems integrators (SIs), consulting firms, and other service providers have added such support to their offerings.

At the same time, with the market move to cloud, enterprise application vendors are less focused on their on-premise applications. Vendor sales teams are highly incentivized to move customers to cloud applications. This has made them less aggressive in pushing the renewal of on-premise maintenance contracts provided customers are planning a cloud application strategy and they are being considered.

TECHNOLOGY

Oracle and SAP are encouraging customers to move to their developing cloud platforms and applications. For customers planning a shift to cloud, taking a single-vendor approach and investing long-term in unproven applications is seen as higher risk than taking a more measured, wait-and-see approach that leverages third-party support. At the same time, the software vendors have focused their investments on new cloud application development. Customers of more mature on-premise ones are seeing limited new software innovations and updates in their current solutions:

“We felt that the maturity of SAP S4 [HANA] was not at the point – and probably isn’t today – where it’s as rich as what we needed. There’s no way we could have made the jump to S4, and we’ve always had a view that we would wait for the market, and not feel compelled.”
Third-party support goes mainstream

Over the past five years, third-party support has become a choice not just for mavericks or those needing drastic cost-cutting measures. Third-party support is now a mainstream choice for CIOs across all verticals – including financial services, manufacturing, health care, services, and retail – and they’re using it to support strategies including:

- **Innovation on the edges.** Organizations are using third parties to support their current ERP solutions, indefinitely extend their lifespan, and leverage the savings in money and resources to invest in new “edge” applications including logistics and supply chain, human capital and talent management, CRM, and analytics.

- **More measured and proactive vendor management.** Companies are taking control of their evolution to cloud rather than just moving their on-premise application footprint to their main vendor’s cloud offering. They’re using third-party support as part of this strategy, either waiting to move to cloud until they deem their vendor’s offering is ready or using the savings to begin a phased migration to cloud offerings that best fit their business needs – from either their current vendor or a mix of vendors.

- **Digital transformation.** For many companies, upgrades or extensions to their ERP are a key part of their digital transformation strategy. They are using third-party support to streamline ERP operations and invest in ERP innovation – such as integrations, extensions, or enhancements of existing modules – to support their digital transformation efforts.

In all cases, companies moving to third-party support are conducting due diligence of their options much as they would any enterprise application or IT services purchase, with reference calls, technical demos, and the typical vendor vetting. This is a significant change from just a few years ago, when third-party support was vetted as an outlier, not a mainstream IT decision:

Valoir also found that, unlike in the past, when moving to third-party support put a company in a highly adversarial relationship with their dominant vendor, those vendors’ tacit or sometimes explicit acceptance of third-party support has grown, enabling companies to continue their relationship with their vendor in other investment areas:

“The Oracle rep suggested it. They said there’s a lot of history but our investment with you is focused on the future, so here’s an option... that works for everyone.”

“The current temperature of the industry [for third-party support] is that it’s a win for both Oracle and Rimini Street. Oracle’s future is
the cloud and if they’re growing that leg of the business and incentivizing that space, they’re happy to let support go to someone else.”

“We’re still buying cloud products from SAP. Our strategy was to innovate around the SAP digital core.”

Why Rimini Street

Valoir found many companies considering third-party support were considering other smaller third-party support vendors, SIs, and other boutique firms in their due diligence process. Rimini Street was chosen for four main reasons: breadth of knowledge, operational focus, track record as a partner, and competitiveness on price and value.

BREADTH OF KNOWLEDGE

Rimini Street customers cited the company’s breadth and depth of knowledge about SAP and Oracle applications, modules, and databases, as well as its expertise in tax and regulatory updates on an ongoing basis, as key reasons for choosing Rimini Street as their third-party support vendor. Additionally, Rimini Street supports custom code and integrations the customer may have developed, which ERP vendors do not support as part of their standard support program.

With almost 700 engineers focused on support delivery worldwide, customers have access to a redundant and reliable network of 24-by-7-by-365 support. Valoir found Rimini Street’s extensive coverage and depth of knowledge ensured that business continuity, risk, and downtime issues could be rapidly and effectively resolved.

Customers also said that Rimini’s dedicated engineer model, with key engineers assigned to each account, enabled Rimini Street to rapidly gain an understanding of their specific application footprint and unique requirements and use that knowledge to deliver rapid issue resolution:

“Our lead support people are here in the states and have 25 years of experience each, and they know the system pretty well and can pull in people with a moment’s notice.”

“There are serious limitations to what SIs can provide [for third-party support].”

“In comparing support providers, if you have specialized modules like, in our case, process manufacturing, make sure they have a strong practice in those areas.”

“Rimini’s expertise is particularly important because we run payroll, and that’s the area where we have the most support. Our dedicated support engineer came from the payroll area and he knows it cold.”
OPERATIONAL FOCUS

Customers that had considered SIs or other consulting firms as an alternative to Rimini Street for third-party support said that Rimini Street’s investments in and focus on providing best-in-class third-party support and managed services — as opposed to a wide range of application and IT-related general consulting and services — made it the best choice for meeting their support needs:

“We had another partner that we use for support in all kinds of things in the IT arena. They’re focused on a lot of things where Rimini Street is very focused on what they’re doing and are really solid on the third-party support business model.”

“We looked at having our managed service provider do it for us, did they want to take on the burden of supporting database and all the applications for us, and it just wasn’t feasible.”

“We looked at others, and no one came close. There were other alternatives but once we took a deeper look the reality was Rimini Street is the answer or stay with Oracle.”

Rimini Street’s 100 percent focus on support has enabled it to build operational capabilities that are unique in the industry, including specialized case management platforms; a completely remote support model; methodologies and processes to maximize support outcomes; and specialized interoperability, security, workflow, and reporting solutions.

A key theme many customers also mentioned in their evaluation of Rimini Street was risk. In their due diligence, they found the significant investments Rimini had made over many years mitigated the potential risks of moving to third-party support. Those investments gave them peace of mind that Rimini could not just rapidly resolve urgent issues, but could be relied upon for long-term reliable support.

TRACK RECORD

Valoir found that customers who did their due diligence on third-party support alternatives found Rimini Street’s track record, both in terms of longevity and accountability, was an important factor in choosing Rimini Street:

“I know I can reach out to someone who has direct access to experienced analysts who can help me get my issues solved right away for all of PeopleSoft.”

“We can get answers right away and solutions faster instead of waiting until someone is online in the middle of our night.”

In late 2017, Rimini Street completed its merger with GP Investments Acquisition Corp., making it the first publicly traded third-party support provider.
“It’s not that they’re available, they’re a partner. They know your systems, your people, you’re not just calling a 1-800 number, you’re calling someone you have a relationship with.”

“We’re pretty risk averse. We spoke to quite a number of people along the journey in our network and learned that our risks would be covered.”

Valoir also found that some customers had made multiple moves to Rimini Street, either in different roles or at different companies. They pointed to Rimini Street's longevity providing support to the market for more than a decade as well as its publicly-traded status as key factors in proving its legitimacy as a mainstream IT vendor.

**COMPETITIVENESS**

Finally, value was a key factor companies considered when looking at support options. Although Rimini Street is obviously far less expensive than vendor-provided alternatives (at least 50 percent less than SAP and Oracle license maintenance contracts), customers also found Rimini’s scale, cost structure, and support-focused operational model made it more cost-effective than potentially competitive SIs or third-party support providers:

“We could do it as some kind of consulting work with Deloitte, they would have supported it, but they were too expensive and didn’t meet our needs.”

“Rimini’s pricing was very attractive. I love the idea of saving the company some money, but it wasn’t the only thing—I’m getting better service.”

“We did our research, and Rimini came out on top.”

**Looking ahead**

As third-party support becomes a mainstream option for companies across verticals, demand is growing from both cost cutters at one end of the spectrum and innovators at the other. Valoir has found that the greatest impact, across technology, markets, money, and people, is in the people realm in three main areas:

- **Relationships with the dominant enterprise application vendors.** Customers moving to third-party support improve their ability to negotiate, gain access to vendor innovation in the cloud on their own terms, and shift the balance in their key vendor relationship toward a more collaborative, less adversarial one.

- **Relationships with internal IT staff.** Companies leveraging third-party support increase staff morale, engagement, and retention by...
focusing staff efforts on innovation and new application skills. Further, they reduce the staff time and energy spent on day-to-day core application support, troubleshooting, and issue resolution.

- **Relationships with business stakeholders, executives, and management.** Third-party support enables IT leaders to free up time and resources to take on new projects that are a priority for the business and move toward a more business-driven IT roadmap. This enables them to improve relationships with other leaders, drive new IT-led innovation, and gain recognition for their initiatives.

As third-party support goes mainstream, IT leaders are recognizing its value as a means to more strategically manage their IT portfolio and allocate resources. As part of a broader IT strategy, third-party support from vendors such as Rimini Street helps them to minimize risk, maximize value from their existing investments, and position their companies for ongoing innovation.
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