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RESEARCH NOTE **BENEFITS FROM THIRD-PARTY SUPPORT:** **RIMINI STREET**

THE BOTTOM LINE

Organizations running mature SAP or Oracle applications experience significant ongoing savings from third-party support. Nucleus found Rimini Street customers can reduce their annual license maintenance fees by at least 50 percent and avoid upgrade costs while extending the value of their software investment.

Rimini Street provides third-party support and maintenance for Siebel, PeopleSoft, JD Edwards, and SAP software. Its support services are provided for all Oracle Siebel product lines; Oracle PeopleSoft Enterprise HCM, FIN, CRM, EPM, SRM, SCM, Public Sector, and Campus Solutions; all Oracle JD Edwards product lines, and all SAP product lines. Key features of Rimini Street support include:

- Tax and regulatory updates, installation and upgrade process support, configuration support, application and repository fixes, documentation and customization fixes
- Operational, performance, and interoperability support
- Named regional primary support engineers and global account managers for each client and 24 by 7 support with guaranteed 30 minutes or fewer response time.

Annual software license maintenance fees (and other costs, such as upgrades) make up a significant portion of the average organization's ongoing IT expenditures. Although maintenance license fees, in principle, provide customers with access to the latest upgrades and fixes as well as application support, in practice we are seeing significant changes in the enterprise software licensing model:

- Maturing applications with only incremental benefit to be gained from regular upgrades, and the disruption and cost caused by upgrading customized applications, make users more and more hesitant to upgrade.
- Vendors that rely on ongoing maintenance revenues for the majority of their income want to preserve that revenue while limiting the number of application versions they are required to support.
- Users on mature application releases that are very stable have limited needs for support.
- Software-as-a-service applications with a subscription-based pricing model are driving IT decision makers to rethink their annual license maintenance obligations.

TOPICS

Enterprise Applications

One option organizations faced with this situation are considering is third-party application support from companies such as Rimini Street. This research note explores their decision-making process, cost savings, and overall experience with Rimini Street and is based on in-depth analysis of a number of Rimini Street customers.

WHY RIMINI STREET

The main reason most organizations explore third-party maintenance options is the high cost of software license maintenance fees. All companies face this reality; however, most customers choose third-party support because of at least one other key factor including:

- No plans to upgrade. Those running more mature applications, especially in more mature industries, expect their next application shift will be a large one, and want to save on license fees now so they can prepare for a significant new investment in the next five to 10 years.
- Support challenges. Some companies have found that vendors' ability to deliver support and help them solve problems, particularly on older versions of the software, is limited at best. At worst, some are facing a "forced march" scenario as the vendor discontinues support for their version of the application.
- Lower support needs. Others find that their internal expertise is on par with what the vendor is willing to provide, their applications are relatively stable, and they can't justify support they seldom use.

A combination of one or many of these factors led customers to investigate third-party support options such as Rimini Street:

- *"In late 2008 we saw that maintenance was one of the highest IT spends. We looked back at the trouble tickets we had opened and we found in general that troubleshooting tickets and inquiries into function were declining. We weren't bleeding every day and we knew we weren't going to do version upgrades and it was set up pretty well to move off vendor support."*
- *"We paid maintenance for modules we didn't implement or that didn't work and Oracle wasn't willing to reduce maintenance on those at all."*
- *"We were using Oracle but we could address our own issues faster than they could. On the tools side we could troubleshoot and that kind of thing faster than them."*

Organizations did due diligence by checking customer references and meeting with Rimini Street executives, and ultimately chose Rimini Street because they were confident it could meet its support needs at a fraction of the cost of their existing licensing agreements.

KEY BENEFIT AREAS

The four most common areas where organizations moving to third-party support providers such as Rimini Street include reduced annual support fees, reduced upgrade cost and disruption, reduced application maintenance time, and improved support.

Reduced annual support fees

Rimini Street's advertised savings is 50 percent off existing vendor license maintenance contracts and customers are given a five to 10 year price guarantee

based on their contract negotiation. Nucleus found that some organizations were able to save even more by discontinuing maintenance payments on modules that had never been deployed but were part of the ongoing license maintenance agreement with the vendor:

- *"We were paying \$2,750,000 and now we're paying \$750,000 so we save about 2 million. It's an annual contract with a 5-year price guarantee."*
- *"Paying them about \$160,000 a year (instead of \$350,000) and we'll be happy to renew – we have a 10-year set fee."*
- *"Prior to the switch we were paying \$1 million annually to SAP. Rimini Street cut it by 75 percent – partly because we cancelled maintenance on some shelfware which we were not using."*

Organizations moving from vendor support to Rimini Street can expect to save 50 percent in annual license maintenance costs; those with undeployed modules will likely save even more.

Reduced upgrade cost and disruption

Another common benefit that customers experienced with Rimini Street was avoiding the cost and disruption of upgrades. While keeping current on license maintenance fees usually entitles customers to free access to software upgrades, upgrades can still be costly and disruptive: customizations and integrations have to be rebuilt and retested, reports and interfaces have to be rewired, and data has to be converted, typically requiring a significant investment in both internal and external resources:

- One Rimini Street customer found it was able to eliminate upgrades with an average savings of \$500,000 in internal costs and \$250,000 in external costs per avoided upgrade.
- Another customer estimates it saved 1400 internal resource hours and \$120,000 in external costs by avoiding an upgrade since moving to Rimini Street support.

Savings from upgrade avoidance will depend on the level of maturity of the application and the number of components deployed and integrated. Companies can expect to save at least \$175,000 in internal and external resource hours per upgrade avoided by moving to third-party support; organizations with more modules, customizations, and integrations will likely save hundreds of thousands.

Many Rimini Street customers also find they can save hundreds of thousands of dollars a year in avoiding the ancillary costs associated with unnecessary upgrades:

- *"In 11 years we upgraded SAP twice. It was no new functionality, just technical upgrades. It was more forced by SAP, meaning that they would no longer support the version that we were on. With the last upgrade we had to pay for the software anyway. We have a stable environment and consistent use of SAP worldwide – I don't understand why I have to have all this maintenance. They can see that I hardly enter any notes because the system works."*
- *"Maintenance only entitles you to the rights to upgrade. As you go through the upgrade processes all your reapplication of customizations, process changes, and all that development cost is on you."*

- *"We were paying about \$2.5 million a year to remain current and weren't really gaining anything. To spend that for tax updates and minor things, it just didn't make any sense. When Rimini sends us a compliance update it's only if it's needed for a compliance change. When Oracle sent us updates it was updates plus bug fixes and other things – then we would have to test everything that was changing."*

Reduced application maintenance time

Nucleus also found that 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."*

Improved support

The customers Nucleus analyzed had found Rimini Street support, in general, to be more proactive, responsive, and personalized than the support they had received from vendors under traditional license maintenance contracts. In many cases customers found that while the solution from a vendor was professional services (on top of license maintenance fees), general enquiries, troubleshooting, and physically touching their code to diagnose problems and identify solutions were part of the Rimini Street offering:

- *"It reached a point in 2008 where we were having continuous problems with instability, to a point where I had to have an executive status meeting with [Siebel] every week. Rimini Street supports us very well; they're very responsive and have met or exceeded SLAs – they've helped us troubleshoot issues and helped us."*
- *"We've found [Rimini Street] to be on par with the skill of Oracle support folks and generally the turnaround is faster than with Oracle."*
- *"When we put a note out with Rimini we get a call in minutes; with SAP it was days, weeks, or none at all. SAP's method was "did you try this" where Rimini Street's is "let us get onto your system and find a solution for you and we'll help you put it in production. They touch it as often as we need to, and at least on a monthly basis. With SAP, we would have spent days finding the solution and fix it ourselves. We send [things] to Rimini that we would never have sent to SAP because they wouldn't have helped."*

CONCLUSION

As IT departments look to do more with less, investigating ongoing budget items is a natural place to start. Organizations with mature enterprise applications have always had the option to stop paying license maintenance; however, they risked running into compliance or application performance problems without access to expert resources for a solution. Rimini Street gives customers another option: pay a reduced price for third-party support and still have access to application expertise and patches when needed. Organizations should carefully consider the return on investment from their software license maintenance fees and explore options that may deliver greater return on investment.

Rimini Street customers found significant cost savings and were taking advantage of the next few years' savings to explore other technology options for future

investment. Organizations should investigate third-party support to determine if it is a fit for their IT strategy direction. Those making a significant investment in ongoing license maintenance without a clear return from that investment may find they can experience significant savings with limited downside.