



The Emerging Third-Party Software Support Marketplace: Questions And Answers

Find Out Which Vendors Promise To Save 50% Or More And How They Plan To Do It

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WHY READ THIS REPORT

Your CIO is looking at the software budgets for next year, and the squeeze on cash is tighter than ever. He wants you to find ways to release funds currently earmarked for such prosaic things as maintenance and support so that he can pay for the new projects and innovations that he must deliver to the business. You've already evaluated and, where appropriate, engaged with third-party hardware maintainers. Now you have some options to do the same with software support. Companies like Rimini Street, Spinnaker Support, and Alui can cut your software support costs with the likes of Oracle and SAP by 50% or more. This report provides a market overview of third-party software support and highlights which companies can help you, what software they can support, and where they operate. It also answers the top 10 FAQs Forrester gets asked by clients who are looking at this cost-saving opportunity. So read this report then delight your CIO with a new way to fund his innovation plans for next year.

THIRD-PARTY SOFTWARE SUPPORT HAS COME OF AGE IN THE LAST FEW YEARS

Going back 10 years or so, third-party software maintenance providers (3PSMPs) struggled to find an audience. Software users felt obligated to go with the software vendor's own maintenance and support program. No one wanted the risk of running business-critical applications without support from the software developer, so when you signed a software license agreement with the developer, you also signed its software support agreement.

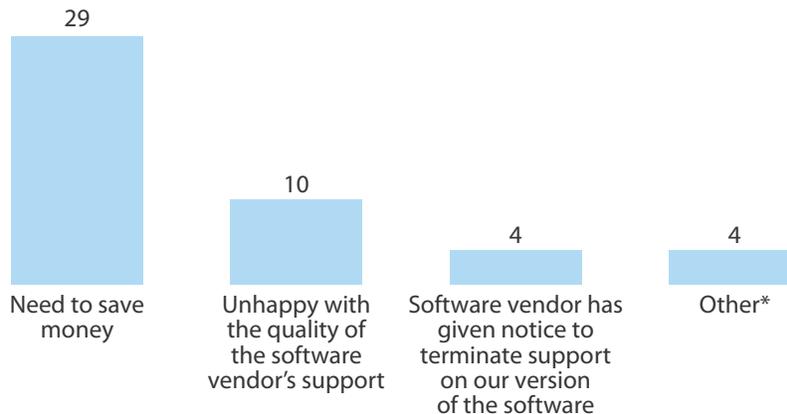
But as the costs of software support have increased year on year and as CIOs have realized that vendors like Oracle and SAP have been enjoying up to 90% profit margin on maintenance revenues, an increasing frustration has developed that the costs seem to far outweigh the actual value being delivered.

In recent years, this frustration has created a strong market demand for more cost-effective software support (see Figure 1).



Figure 1 Saving Money Is The Primary Motivator For Considering Third-Party Support

“What are the main reasons you are considering third-party support/maintenance?”
(multiple responses accepted)



Base: 33 Forrester clients who downloaded the July 20, 2012, “Rimini Street Challenges Big Software Maintenance Fees” Forrester report

Source: Q3 2012 Global Third-Party Software Support Online Survey

*Other reasons include unfavorable software vendor contract terms and guaranteed third-party support on all versions.

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Source: Forrester Research, Inc.

In comparison to the software vendors’ own support and maintenance programs, the benefits claimed by 3PSMPs are:

- **Cost savings of at least 50%.** All of the clients we spoke with who have moved to a 3PSMP have seen their support costs drop by 50% or even more.
- **A more personalized, responsive, and flexible service.** This attracts customers who are dismayed at the way software vendors have regularly increased costs and who only see a diminishing value of services that they provide. One frustration we hear regularly from clients is that they dislike the impersonal nature of having to use web portals to enter help desk tickets and then having to talk to a help desk that is not always staffed by highly qualified product support specialists.

“We came for cost savings but are staying for the quality of support.” (IT services manager, European retailer)

The Initial Wave Of 3PSMPs Offers An Alternative To Oracle And SAP

Not surprisingly, the initial 3PSMPs have focused their efforts on supporting widely used software from two of the biggest global software vendors: Oracle and SAP. A previous report focused on the rewards and risks of working with a 3PSMP like Rimini Street.¹ Since then our research has uncovered a number of other 3PSMPs, and the following table summarizes what software they support (see Figure 2).

Figure 2 Third-Party Software Support Companies That Operate In The Oracle And SAP Space

Vendor	Website	Software supported
Alui	www.alui.com	Hyperion
CedarCrestone	www.cedarcrestone.com	PeopleSoft
Rimini Street	www.riministreet.com	JD Edwards, PeopleSoft, Oracle E-Business Suite, Oracle Database, Hyperion, Siebel, SAP
Spinnaker Support	www.spinnakersupport.com	JD Edwards, SAP

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Source: Forrester Research, Inc.

TOP 10 FREQUENTLY ASKED QUESTIONS

Over the last few months, we have been receiving an increasing number of calls from our clients asking for more information on 3PSMPs. The following is a list of the top 10 questions Forrester often gets asked about them.

1. Can A 3PSM Really Deliver Cost Savings Of 50%?

Our interviews with 3PSMP clients confirm that savings of 50% or more are common. 3PSMPs usually price their services by looking at the software vendor's last invoice to you and then offering to provide the support for 50% of that figure. So this level of cost savings is not simply generic advertising; it's a key part of the business model and value proposition these providers are pursuing.

2. Apart From Cost Savings, What Other Benefits Might We Get?

In interviews with 3PSMP clients, it's clear that a number of benefits over and above the pure cost savings are proving attractive:

- Avoiding unwanted and expensive upgrades.** One of the main reasons businesses upgrade their software to a new release is because support for their older version of software is about to be cut or terminated by the software vendor. No one wants the risk of running business-critical software without support, and so businesses are often forced to take on expensive upgrades,

even if they are happy with their current release and see minimal or no functional benefit in the new release. 3PSMPs provide a way for businesses to stay on older releases for as long as they want and so avoid having to upgrade to new releases as and when the software supplier tells them to.

- **Obtaining support for customized code as well as core vanilla code.** Typically, software vendors' standard support agreements usually only cover core vanilla code. If you want support for customized code, you either need to pay more or find another way to support it. 3PSMPs will support both core and custom code.
- **Not paying for unused products/shelfware.** It's reasonable that you should only have to pay support and maintenance on the software that you use. If your organization has shrunk in recent months or you have divested a part of your business, you should expect to see your software support costs fall in line with your diminished license use. Software vendors are often reluctant to see their support revenues fall and in many cases have refused to reset their charges in line with actual usage. 3PSMPs usually only charge for what you use.
- **Increasing responsiveness of support.** In conversations with several 3PSMP clients, we often heard that the 3PSMP was a lot more responsive than the software vendor and would often fix any issue more quickly. Indeed, one client told us that it had an outstanding help desk ticket with one software vendor for six months, yet that same help desk ticket was fixed by the 3PSMP within days of it providing support.

3. How Will The Software Vendor React When I Say We're Thinking Of A 3PSMP?

Not surprisingly, software vendors are unhappy to see any of their lucrative support and maintenance revenue disappear. According to clients we've spoken with who have moved to 3PSMPs, the software vendor's response is often highly emotive and will center on the "risk" of getting support from someone other than the original software developer. Software vendors may even threaten to charge you for all of the time you've been with the 3PSM if you ever choose to return to them for support. As part of your discussion with the software vendor, you will need to separate fact from FUD (fear, uncertainty, and doubt). Once the vendor has gotten over the surprise that you may terminate its support, our client experiences show that the vendor will then usually engage you in a sensible discussion to see if it can find some way of keeping you. While vendors might not be able to match 3PSMPs' low costs, they may be able to offer some other attractive free services or benefits.

4. Can I Buy More Software From The Vendor If I've Moved Support To A 3PSMP?

Software vendors won't turn away someone knocking on their door offering to give them money for new licenses. Some clients have expressed a fear that once they have moved to a 3PSMP then the software vendor may refuse to sell them any more software. In reality, you can continue to license additional users and/or additional software modules even if you are not on vendor maintenance. You may have to fight for a decent license discount, but that's always been the case, whether you're getting support from a 3PSMP or from the software vendor. Software vendors develop software to sell, and if you are a client of theirs, they want you to increase your license usage over time. That's how they make money. So if the vendor brings out a significant new software release in the future that offers genuine functional benefit to your organization, that may be a good reason to consider going back. In that case, being a savvy negotiator, you can offer the software company the carrot of both new license revenue and regaining the support contract if it can make the combined deal very attractive to you.

5. Can The Software Vendor Stop Us From Moving To A 3PSMP?

In almost all cases Forrester has reviewed, clients have a choice. If you've bought perpetual licenses, you can choose to take support from whomever you choose or even take no support. An exception to this might occur if your current support/maintenance agreement specifically excludes you from moving to a 3PSMP or if you have already signed a multiyear support/maintenance agreement with the software vendor and so are contracted and obligated for that period of time.

6. Will I Have Access To The Necessary License Keys/Codes After Moving To A 3PSMP?

Software protection codes (SPCs) are a standard element of your perpetual software license agreement with your software vendor. They are not part of the annual maintenance support contracts. For Oracle, the keys/codes can be accessed through its license code website, and, for SAP, via its service marketplace.

7. How Does A 3PSMP Support Me After I Terminate Support With The Vendor?

3PSMPs author fixes, updates, and patches for you via their own support and development staff. With their in-house software development staff, they can write, test, and install the required software code. Not only will they fix bugs and write security patches, but they will also update any software that has to be kept up-to-date with legal and regulatory changes.

8. Should I Be Concerned About Oracle's Lawsuits?

Forrester does not provide legal advice, and you should always refer to your own legal counsel for advice and due diligence. Both Rimini Street and CedarCrestone are facing lawsuits in the US courts. Neither lawsuit is about whether Rimini Street or CedarCrestone can legally offer third-party support; that's not in question here. It's more about how they provide the service, how they manage their internal processes, and how they handle Oracle software on behalf of clients. Since Oracle first

raised the lawsuit in January 2010, Rimini Street has signed up more than 225 new clients. Rimini Street has also filed a countersuit for anticompetitive practices against Oracle. CedarCrestone is facing a more challenging situation, as Oracle has filed a lawsuit in the last few weeks that claims that CedarCrestone has seriously abused its status as an Oracle partner. Looking beyond these two lawsuits, it's clear that there are broader issues at play as Oracle seeks to defend its lucrative support and maintenance revenues. You'll need to consider the risk and potential impact of these rulings in any decision you make. Note: Not all 3PSMP's are facing lawsuits at this time and neither Alui nor Spinnaker Support are under any legal spotlight at the time of writing.

9. How Do I Compare One 3PSMP To Another?

First, find a 3PSMP that operates in your geographic territory and that has proven experience in supporting the software versions you run. Check that it can offer all of the services and support you need. And like any new product or service, you should always try to evaluate at least a couple of 3PSMPs so you can compare their services and contrast their skills, style, and experience. And finally, make sure that you contact some of their clients; talk to people who have already made the move and find out what it's like working with them.

10. Can I Use The 3PSMP As Negotiation Leverage With My Software Vendor?

Now you have a choice as to where you obtain software support. In the past, you could only get support from the software vendor. This created a single-source situation where the software vendor could then charge what it liked for support. While you could previously try to negotiate the support costs with Oracle or SAP, they usually held firm with their 22% annual costs. Without competition, your negotiation options were minimal. Now that 3PSMPs have given you an alternative, you can use the threat of moving to them to help you negotiate a better deal with your software vendor.

“The software vendor ignored our repeated requests for a cost reduction and ignored us when we threatened to move to a third party. But when we gave them notice to terminate their support agreement, they jumped back with a dramatic price reduction.” (IS controller, global food manufacturer)

THE WORLD OF SOFTWARE SUPPORT HAS EVOLVED; YOU NOW HAVE A CHOICE

In the last few years, 3PSMPs have caused concern for Oracle and SAP as they see some of their highly profitable support and maintenance revenues being eroded and lost. At the same time, 3PSMPs have delighted their customers by providing genuine choice as to who they use for software support and maintenance, as well as offering significant cost savings.

Forrester sees this first group of 3PSMPs as an initial wave that has proven that the market and demand for lower-cost support is growing. By giving software users choice, 3PSMPs have introduced negotiation leverage into the mix where it didn't exist before.

However, we should not forget that this is still an emerging marketplace, and the support models and reaction of the vendors are still evolving. The lawsuits against Rimini Street and CedarCrestone are an example of how "the jury is still out" on the final scope and impact of this market. In addition, potential users of 3PSMPs should always evaluate what risks there may be in making such a move. In the short term, risks can include missing out on new software releases or product innovation around such things as cloud and mobility. Over the longer term, clients staying on older versions of software will get further and further divorced from the latest software releases and associated functionality and may find it more challenging to then migrate to the latest release should they then choose to do so.

We anticipate that as more and more organizations move their support to 3PSMPs, and assuming the current spate of lawsuits gets resolved such that the market for third-party support is not in question, we expect a tipping point to occur that will usher in a second wave of larger players into the market. Software support is a very profitable business, and we anticipate that the IBMs, HPs, and Wipros of this world will not want to miss out on such a lucrative market. Watch this space; you'll know that the second wave has started when either one of the big guys announces its intentions to enter the fray or when one of them buys one of the current players to give themselves a head start.

RECOMMENDATIONS

EXAMINE THE THIRD-PARTY MARKET BEFORE YOUR NEXT VENDOR RENEWAL

- **You do have a choice.** You can get support from Oracle or SAP or you can go to a 3PSMP. They might not be right for everyone, but 3PSMPs certainly offer serious cost savings.
 - **Having a choice means you now have negotiation leverage.** Even if you don't move to a 3PSMP, you can use the option of moving as negotiation leverage when discussing your renewal with Oracle or SAP.
 - **Negotiation leverage means you can cut your Oracle or SAP support costs.** Either by moving to a 3PSMP or by using the 3PSMP as negotiation leverage with Oracle or SAP, you will save money.
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SUPPLEMENTAL MATERIAL

Methodology

Forrester's Q3 2012 Global Third-Party Software Support Online Survey was fielded to 34 Forrester clients who downloaded the related July 20, 2012, "Rimini Street Challenges Big Software Maintenance Fees" Forrester report.

Forrester fielded the survey from August 30, 2012 to September 7, 2012. Respondent incentives included a courtesy preview of the report. Exact sample sizes are provided in this report on a question-by-question basis.

This survey used a self-selected group of respondents (Forrester clients interested in third-party software support) and is therefore not random. This data is not guaranteed to be representative of the population, and, unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes. While nonrandom, the survey is still a valuable tool for understanding where users are today and where the industry is headed.

ENDNOTES

- ¹ For more information on these rewards and risks, see the July 20, 2012, "[Rimini Street Challenges Big Software Maintenance Fees](#)" report.