

# Third Party Support – What is it and is it Right for You?

In this paper, you will learn:

- The origin of third party support.
- Benefits of moving to a third party support model.
- Selecting a provider that's right for you.



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## TRADITIONAL ERP SOFTWARE SUPPORT MODELS – PROFIT IS KING

It's one of the unwritten rules of software that maintenance costs only go up — never down. Today, software vendors are coming under increasing pressure from customers to cut maintenance bills, but the vendors are robustly defending their lifeblood with age-old, inflexible policies. Why? It's about the profits. Maintenance revenue generates profits. Predictable profits at that. Some traditional ERP software companies have margins greater than 80% on their maintenance revenues.

Most major ERP software vendors are increasing or have increased the annual maintenance fees to 22%. This increase seems counterintuitive to many CIOs who think the maturation of the software industry should mean they start to see their software bills go down instead of up – much like the Moore's Law of the semi-conductor industry. Instead, the model of one-time licenses and ongoing maintenance fees remains the industry standard.

But there is a small but growing group of enterprises who are starting to realize that with the current economic conditions and the continual push to drive more out of their ever-shrinking IT budgets, there is an alternative – third party application support.

## ENTERPRISES DEMAND AN ALTERNATIVE TO EXPENSIVE, INFLEXIBLE SUPPORT

The voices of discontented CIO's are starting to echo more loudly. Greater numbers are becoming more vocal with their software providers and questioning the maintenance fees altogether much less the planned annual increases. Questions such as "What am I getting when I pay you a maintenance premium? I'm not getting to dictate product strategy, and I don't get premier support, so why should I continue to pay you these outrageous fees?" It's been estimated that some software customers effectively re-buy their applications every 4 - 5 years through maintenance fees.

It's not just about the monetary cost of support that is concerning; it's also about the lack of personalized and responsive support. Some companies are waiting weeks, not days, for a response to an issue. And often when a response is received, it's assigned to a less experienced support person who then refers the case to a more experienced support person, so customers can wait several days for an answer. Companies simply want to pick up a phone or send an email to a senior level engineer and get the problem resolved at the time it's been reported.

There is undeniable discontent in the marketplace. And when there's discontent, there's an opportunity for disruptive forces. The industry is witness to rapid growth in alternative business models such as third-party maintenance firms.

## WHAT IS THIRD PARTY APPLICATION SUPPORT?

To understand the evolution of third party support, we need to go back in time a bit. In the early 1980's, hardware vendors were the ones who prevented customers from going to third party support. At the time, many of the hardware vendors poorly invested and underfunded innovation in software. This stranglehold of maintenance dollars by many hardware players, delayed today's enterprise software revolution.

Third party providers popped up and began to fill the growing demand for a cheaper support alternative. Once enterprises saw they could get similar or often higher quality service from a third party provider, they quickly moved to adopt this new model. The third party providers could offer more responsive support at a reduced price since they were not manufacturing the actual products and/or paying for R&D costs.

The software industry is now witnessing a very similar phenomenon. Users are demanding more cost effective alternatives to support their software infrastructures and lower the overall cost of ownership. Third party maintenance providers such as Spinnaker have entered the ERP software market to provide a reliable, economical support option.

In a nutshell, third party software support vendors help enterprises on stable platforms with little desire to upgrade their software, maintain their current software versions. These providers offer a personalized, proactive and highly technical support model for nearly half the costs of traditional software vendors.

In the case of Spinnaker, our methodology is to provide application support services to our clients remotely. Our global support team remotely accesses its client's servers for the purpose of viewing, identifying, debugging, analyzing, and resolving a client issue.

## IS THIRD PARTY SUPPORT RIGHT FOR YOU?

There are many factors you need to consider when researching if third party support is right for your company. Here are some common considerations:

- **MATURE APPLICATION** - The application has matured to a point where there is little, if any, product engineering effort spent on bug fixes, product functionality enhancement or other technical changes.
- **STABLE ENVIRONMENT** - The implemented software application is stable and the need for product support has dwindled to the point where there is little business value for the cost of a vendor's annual maintenance fee.
- **ELIMINATE FORCED UPGRADES** - The enterprise has chosen to remain on their current release of the application for an extended period because it is satisfied with the incumbent functionality or the current application release has been customized to the point where the cost to upgrade would be high.
- **REDUCTION OF VENDOR SUPPORT NEEDS** - The user has infrequent need for the vendor to provide changes to the core application software other than regulatory compliance updates. In some cases, even the vendor-sponsored patches are applied only when required to keep the system running.
- **DELAY A SOFTWARE MIGRATION** - Maximize the return on current software investments until a business case exists for new systems upgrade or migration.

- **CONTINUED SUPPORT FOR END OF LIFE PLATFORMS** - If a software platform has reached the end-of-support life and the vendor is no longer providing a full set of support services, application break/fix or other support services must be purchased, and the rates from a third party are usually less than the application vendor's rates.

## BENEFITS OF THIRD PARTY SUPPORT

There are a variety of benefits clients will experience when choosing a third party support model versus the traditional software vendor support you've experienced in the past. Third party support services provide:

### PERSONALIZED, PROACTIVE SERVICE

One size does NOT fit all in a third party support model. Spinnaker for example, has monthly calls with clients to proactively check in on the client's status. This is in addition to the regular follow-up of previously logged issues.

### FASTER RESPONSE AND RESOLUTION TIMES

Eliminate waiting days or even weeks for responses to your software issues - Spinnaker's support guarantees a 30 minute response window from an expert on all issues.

Third party support provides the needed fix in a timely fashion. Traditional support often forces you to use self-service tools initially and when those fail to provide you with the required fix, you must call into a help desk to log the issue with a technician who can't assist you. Third party support eliminates all the hoops you must jump through with traditional support and provides you direct access to the person who can fix your problem.

### DEDICATED SUPPORT ENGINEERS

Spinnaker provides clients with a team of dedicated senior engineers who can be reached directly via phone and e-mail. Your traditional software support model doesn't allow this type of access.

### DIRECT ACCESS TO SEASONED TECHNICAL EXPERTS

Third party support organizations are a common place to find engineers who have previous experience working for software vendors. At Spinnaker, our support engineers average 13+ years working with JD Edwards applications. Most were developers and support staff who helped to design and create the original JDE software products. Their knowledge of older product releases can be an advantage as they have a better understanding of the history of software fixes and enhancements through the life of the product, including the newer releases.

### RE-DEPLOY YOUR INTERNAL RESOURCES

Decrease or repurpose internal resources that were assigned to application support internally and put their talents to work on other pressing projects. The most common use of our services is to allow IT teams to reallocate their best and brightest to more strategic projects internally, and letting Spinnaker resources handle the day-to-day tasks.

## COST EFFECTIVE SUPPORT

Cut off escalating maintenance costs by choosing reliable, cost effective third party support. Some enterprises wind up paying the equivalent of two times their original license cost during a typical 10-year ownership life cycle. For many this cost remains an expensive 'insurance policy', where alternatives are available.

## INVEST SAVINGS IN OTHER CRITICAL AREAS

Re-invest your support cost savings into other critical areas of your business. With Spinnaker's support services, you pay only for support and not new software development. The savings experienced by our customers are then reallocated to more strategic initiatives for our clients businesses.

## ELIMINATE FORCED UPGRADES TO UNSTABLE PLATFORMS

Traditionally when a new software product rolls out it may take a year or two to work through the bugs. There has been no generational change in enterprise software, and the next is due somewhere between 2015 and 2017. And even when the original code is finalized, it takes time to complete beta case studies and the products are adopted globally by the enterprise marketplace. Third party support allows you to maintain your current environment while you wait for new platforms to stabilize.

## CUSTOMIZATIONS SUPPORTED

Most enterprises have adapted their ERP software to fit the unique needs of their particular business. These customizations are very important to keep the software running optimally for your organization. Spinnaker goes above and beyond to troubleshoot and debug issues with your customizations. We will often pinpoint the cause of the issue and the resulting fix.

## MIGRATION AND CONSULTING SUPPORT

Moving to third party support doesn't eliminate your ability to move to the latest release of your software. Before transitioning to third party support, be sure you download all related items to the newer release. This will allow you to determine if you want to migrate to a newer release at a later date.

Spinnaker provides a host of consulting services for JDE applications including:

- Application Upgrades and Migrations
- New Releases and Updates, ESUs, PCCPYs, etc.
- Guidance and Consulting with Operating System Upgrades
- Retrofitting of Customized Applications
- Installation of New Modules
- Functional Training on all Applications and Modules
- Customized Training Solutions
- Performance Analysis, Tuning, and Fixes

## TAX, REGULATORY AND LEGISLATIVE UPDATES

For application maintenance changes that were previously provided by the vendor (e.g. tax body and tax rate changes), third party support providers can also assume the responsibility for identifying and providing regulatory changes, along with monitoring other legislation that could require system changes.

Spinnaker proactively supports all US tax, regulatory and legislative updates for our clients.

## SELECTING A THIRD PARTY APPLICATION SERVICES PROVIDER

Once you determine that third party support is right for you, you'll need to locate and select a vendor. Prior to selecting a third party support provider, IT management needs to have assured the following:

- There is a long-term strategy being developed that will produce a plan and budget for the evolution of the business application environment within the foreseeable lifetime of the current version of software.

The existing environment is stable and can be tightly controlled to prevent the possibility of an inadvertent or unplanned change that would introduce a software conflict or interoperability problem with other front-end or back-end software.

- The existing product support contract is examined and terms related to cancellation are reviewed. The reinstatement policy and fees of the incumbent software vendor need to be documented and considered in the business case and risk analysis.
- The IT operations practices related to the backup and recovery of the business application environment are sound, reliable and have been tested.
- The IT organization has taken ownership and archived any patches or future versions of the software product that they are entitled to under the current contract.
- Proper notice of contract cancellation is planned and provided to the vendor.

When selecting a third party support provider, be sure to:

- Ask the potential third party support vendor to provide customer references where they support the equivalent product version and modules deployed for the business application. Preferably the customer reference should be from a similar vertical industry with a similar scope of users and operations.
- Interview the potential third party support provider's customers to verify that the vendor is supporting the equivalent product version and modules and that support has been delivered successfully for a minimum of six months.
- Examine the potential support vendor's track record for incidents submitted and resolved.
- Request to speak with one or more support engineers to discern their level of application and technical knowledge.

- Ask what their issue reporting model is and be sure you understand how new issues are logged, escalated, tracked, resolved and then reported on. Some providers do not proactively provide reporting.
- Understand their year-end methodologies and what you will be required to do or provide in order to complete this process. Typically you **must provide a 60 day notice of cancellation**. Software vendors are holding firm to this policy so be sure you know when your support/maintenance contract(s) expire so you can provide adequate notice.

### THIRD PARTY SUPPORT – A SUSTAINABLE MODEL

If you are looking to maintain your current ERP software environment for 5, even 10 more years, then third party support is a cost effective, reliable option. Third party support has gained traction in the marketplace as more and more CIO's and business leaders realize the model is not only legal but viable.

A third party support model is sustainable well into the future and provides a higher level of support for an affordable cost. But not all third party support providers are created equal. Do your homework and interview support clients to help you make the decision that is right for your company.

For more information on third party support or Spinnaker, visit [www.spinnakermgmt.com/support](http://www.spinnakermgmt.com/support) or call us at 877-476-0576.



**Spinnaker** is the market leader in JD Edwards third-party support services. Spinnaker Support provides a personalized, proactive support model with dedicated access to the most technically savvy staff in the marketplace, at half the cost of traditional support providers.

Nearly 100 clients from all industries have chosen Spinnaker Support as their provider of choice for JD Edwards support. Headquartered in Denver, Spinnaker Support is available across the globe via offices located in Boston, Singapore, and London.

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