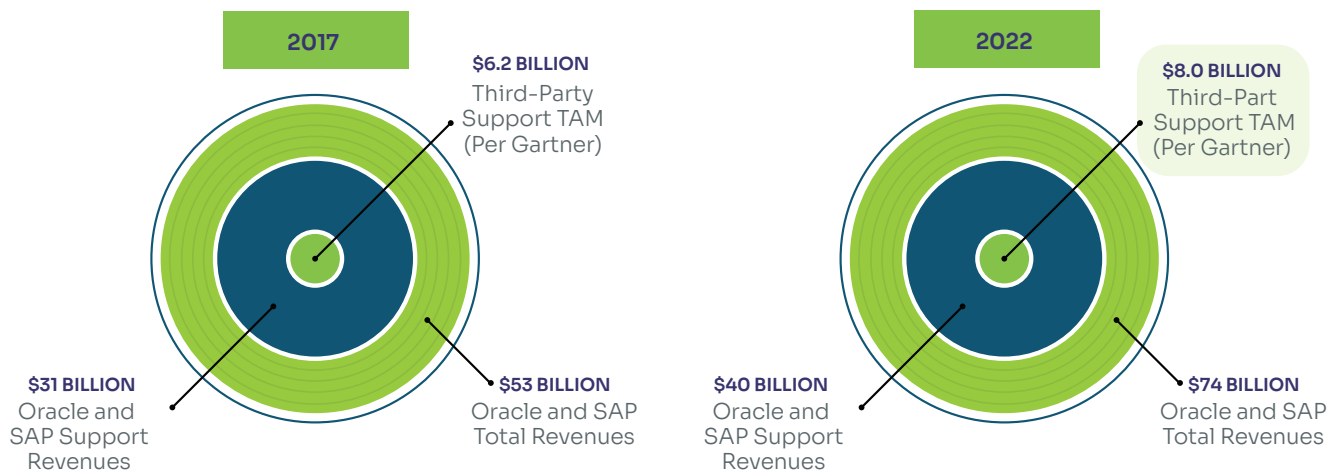SPINNAKER™ SUPPORT

What Is Driving the Adoption of 3PSS?

The Growing Market for 3PSS Services

The market for third-party software support is growing by about 30% per year. Gartner estimates that the Total Addressable Market (TAM) for third-party support could reach $8 billion by the end of 2022 – a 26% annual growth rate (see figure below). The market has gained momentum from the publishers' attempts to push their existing customer bases to the cloud. Many supported applications, particularly the core systems of record, won't be replaced in mass by cloud offerings for another five to seven years.

2017

$6.2 BILLION
Third-Party Support TAM (Per Gartner)

$31 BILLION
Oracle and SAP Support Revenues

$53 BILLION
Oracle and SAP Total Revenues

2022

$8.0 BILLION
Third-Part Support TAM (Per Gartner)

$40 BILLION
Oracle and SAP Support Revenues

$74 BILLION
Oracle and SAP Total Revenues

Third-party support is implemented in more than 100 countries on six continents. Organizations from all industries and sizes have already switched, opting to receive high-quality service for their stable on-premise applications at a much more affordable price.

While the drivers for adoption vary by organization, they generally include one or all of the following:

- **Disappointment with the quality of publisher support.**

- **Dissatisfaction with the high-cost structure of publisher support.**

- **A desire for greater flexibility in the adoption of cloud technologies**.

FRUSTRATION WITH VENDOR SUPPORT QUALITY

Regardless of your industry, good customer service is generally defined by quality, response, and resolution times. For those reasons alone, it's no surprise that enterprise leaders are increasingly unhappy with the vendor-support model. Vendors will provide software enhancements, security upgrades, and tax and regulatory updates, and you'll still have the right to retain reasonable service if you stay current on newer releases. However, where fast access to seasoned engineers and developers was once the norm, customers with issues or questions are now directed to self-service knowledge portals for answers.

Vendor models also include AI and chatbots designed to help you diagnose and resolve issues. Still, the automated, one-size-fits-all approach often leads to frustration and extended delays. For example, most organizations have customized and interconnected systems where self-service portals offer little assistance in diagnosing or resolving issues with interoperability and custom code.

And even when you have live assistance, your initial calls to publishers will often be with junior customer service representatives — who cannot understand or resolve many of your issues, thus wasting more time and energy. Never mind that your employees will likely have to repeatedly provide background information on their technical environment to justify submitting a service request.
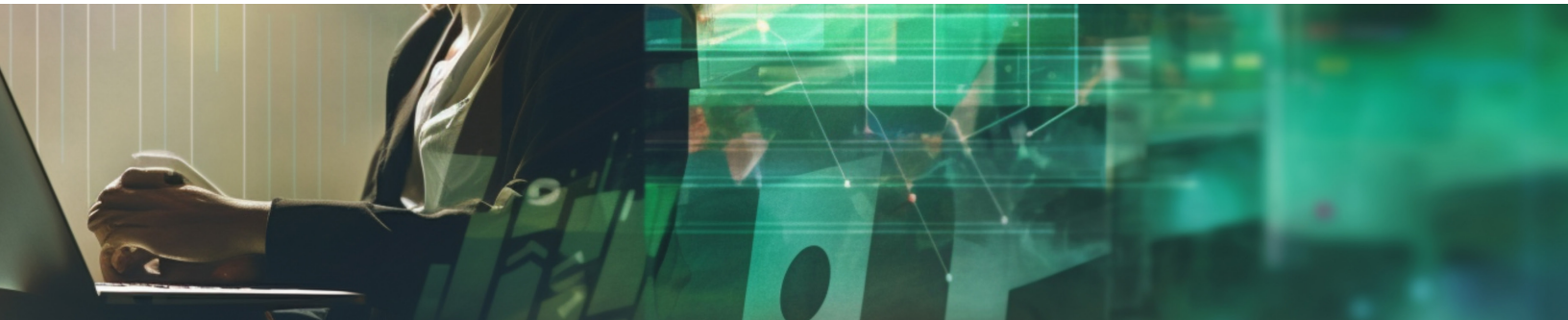
DECREASING VALUE FOR INCREASING SUPPORT FEES

As mentioned, publisher support starts off expensive and becomes increasingly more so with annual scheduled increases of 2–5%. Many IT leaders have watched helplessly as support fees balloon into one of their most oversized budgetary line items. Loyalty discounts or discounts for bundles of licenses only help so much.

Suppose your software product is fairly new on the market or is a fairly new customer deployment. Vendor support is a reasonable service option, given new product bugs, continuous functional enhancements, and a defined version upgrade path. However, the more your system is customized, and your product matures, the more your publisher's support value comes into question.

If your organization exists in a stable industry and technical environment, has upgrade cycles greater than 36 months, or operates a highly modified software version, that makes it challenging to apply software patches or fixes. You're likely paying for services you'll never use. On the bright side, your IT team won't waste valuable time and effort testing and implementing upgrades.

But if you intend to hang onto your current version, your level of support will inevitably diminish as crucial service features and access to experts are steadily removed. Vendor support may place your software in a **"continuous innovation"** state, which means it's deemed as **"end of life."** Behind the scenes, your fees for on-premise software support are no longer reinvested into those same systems. Instead, they are directed to researching, developing, launching, and promoting new cloud solutions and acquisitions. Of course, this alignment serves the publisher far more than you — but it's designed this way so you'll feel pressured to follow their cloud roadmap (a forced re-licensing and re-implementation event), even if you're not ready.

FLEXIBILITY AND THE ADOPTION OF CLOUD TECHNOLOGIES

Virtually every CIO is on a path to the cloud. Depending on your application landscape, surrounding technologies, geographic footprint, industry, business strategy, and target timeframe, you'll have to make the difficult application migration choices that are right for your roadmap: Should you "lift and shift" to public cloud as an interim step, or should you immediately opt for a SaaS modeled solution? But what if you're not ready to move to the cloud? Despite numerous vendors' aggressive tactics to pressure you into migration, there's no need to rush. Instead, you might switch to 3PSS to receive quality system maintenance while you plan your cloud roadmap and get help with migration when right.

Third-party support is helping customers migrate to the cloud in the following ways:

- Delivering savings on annual support fees for stable on-premise applications. Don't worry if you're still developing your cloud strategy. Your on-premise application will likely still operate well for many more years. Third-party support will keep it running until you're ready to migrate.

- Buying time to investigate and identify optimal migration strategy. Keep your current system running at peak efficiency for as long as possible while you figure out funding and wait for cloud solutions to mature appropriately.

- Providing the resources needed to support future IT initiatives. We'll connect you with engineers who have the expertise to support your current application environment while you prepare your internal team for the digital/cloud environment.

- Offering adaptability that makes a difference to your organization's bottom line. As you move from on-premise to cloud, third-party support's commercial terms remain flexible, aligning the services and fees with your ever-changing IT infrastructure conditions.