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CIOs Embrace Third-Party Support And Maintenance Benefits

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY ORIGINA | NOVEMBER 2020

Switch To Third-Party Support And Maintenance Providers For Lower Costs And Better Service

IT and procurement leaders urgently need to reduce costs to compete in this tough economic environment. They also must make headway with numerous IT priorities to support the business, yet budget constraints hinder progress.

Maintenance fees from original equipment manufacturers (OEMs) take up a significant portion of IT and procurement leaders' budgets. Switching to third-party support and maintenance (TPSM) providers is one way to maintain software costs.

Origina commissioned Forrester Consulting to evaluate organizations' interest in switching to a TPSM and their perceptions of value and costs.

Key Findings



Working with TPSMs is growing in popularity: 79% of decision-makers in our study report their firms use a combination of TPSMs and OEMs; a further 7% use only TPSMs.



IT and procurement leaders struggle with the high cost of OEM maintenance services, but they hesitate to switch to TPSMs for fear of losing access to OEM expertise, security updates, or license discounts.



The benefits of switching outweigh the risks: 98% of leaders expect business and operational benefits by switching to a TPSM, and 80% of those currently using TPSMs would recommend it to their peers.

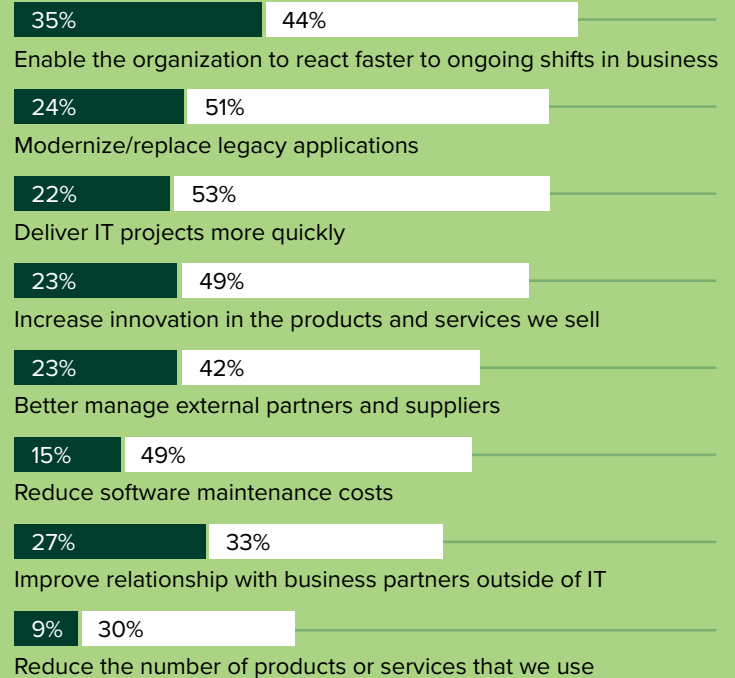
IT And Procurement Leaders Prioritize Initiatives That Improve Agility And Cut Costs

As firms adapt to new ways of working in volatile and uncertain conditions, technology plays an increasingly critical role in helping them remain competitive.¹ IT and procurement leaders’ priorities over the next 12 months take this into account. Their top priorities focus on becoming more agile: Almost 80% aim to improve their organizations’ ability to react faster to ongoing shifts in business. For 75% of decision-makers, modernizing/replacing legacy applications and delivering IT projects more quickly are also high or urgent priorities.

In addition, reducing costs is of high importance. About two-thirds of IT and procurement leaders prioritize initiatives that help them cut costs, including better managing external partners (65%) and reducing software maintenance (64%).

“To what extent are the following IT initiatives a priority for your organization over the next 12 months?”

- Urgent priority: We must improve in the next three to six months
- High priority: We must improve in the next year



Almost All Firms Are Held Back From Achieving Their Urgent Priorities

Ninety-three percent of IT and procurement leaders cite at least one challenge holding them back from achieving their firms' most urgent IT priorities. However, the most common obstacle for over half of decision-makers is budget reallocation due to the current economic climate, which exacerbates problems that 35% already face due to lack of budget.

Difficulty ensuring security and inflexibility of existing applications also hinder IT and procurement leaders from achieving their most urgent priorities.



What it means: IT and procurement leaders are stretched in multiple directions. They must optimize their technology budgets to free up resources and enable them to focus on their organizations' priorities in the short term.

“What is holding you back from achieving your company’s urgent IT priorities?”

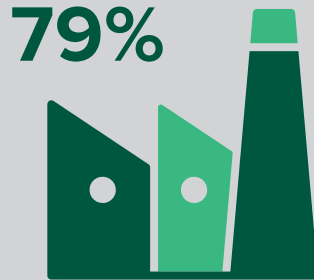


Working With A TPSP Is Growing In Popularity

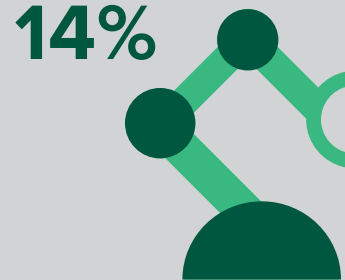
Forrester estimates that software maintenance and subscription spending takes up 17% of organizations' tech budgets, and some companies that have experienced significant revenue contractions as a result of COVID-19 will need to cut 30% or more of these costs to survive.²

Switching to a TPSP provider can be an effective way to save software maintenance costs.³ Using TPSP as an alternative to OEM maintenance is growing in popularity. Nearly 80% of decision-makers say their firms are already working with both OEMs and TPSPs, with a further 7% reporting that they work exclusively with TPSPs. A small proportion (14%) are only using OEMs for software maintenance; among them, about one-third are considering or planning to switch to a TPSP.

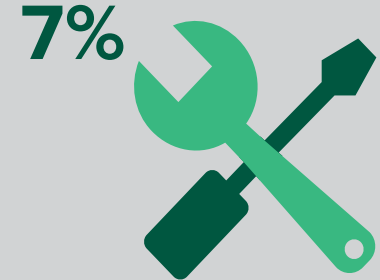
“Which of the following providers does your company use today for software maintenance?”



A combination of
OEMs and TPSPs



OEMs only



TPSPs only

Companies Weigh The Risks And Benefits Of Switching To A TPSPM

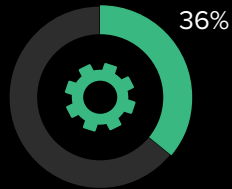
Firms considering a switch are most commonly reluctant due to fear of losing access to OEM expertise, crucial security updates, and/or missing out on discounts or bundled licenses.

On the other hand, OEM fees consume a large share of the IT budget. Eighty-nine percent of decision-makers whose firms work with OEMs experience software maintenance challenges from an OEM, primarily related to costs; over half cite high maintenance fees and high upgrade costs, and over 40% complain about complex pricing models. Inflexible contracts also present challenges to over a third of IT and procurement leaders.

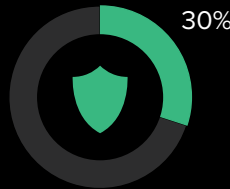


Eighty-nine percent of decision-makers say their firms experience software maintenance challenges from their OEM providers.

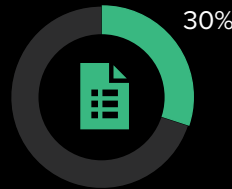
“What is holding your organization back from making the switch from an OEM to a TPSPM provider?”



Losing access to OEM expertise

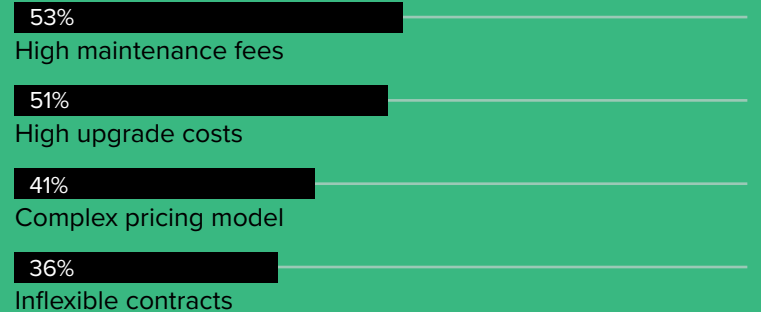


Losing access to crucial security updates



Losing discounted pricing on bundled OEM licenses

“What challenges do you experience with software maintenance from an OEM provider?”



TPSMs Must Prove The Value They Can Offer

A small portion of decision-makers (14%) are currently only using OEMs for software maintenance; of those, four-fifths are not planning or just considering a switch to TPSM.

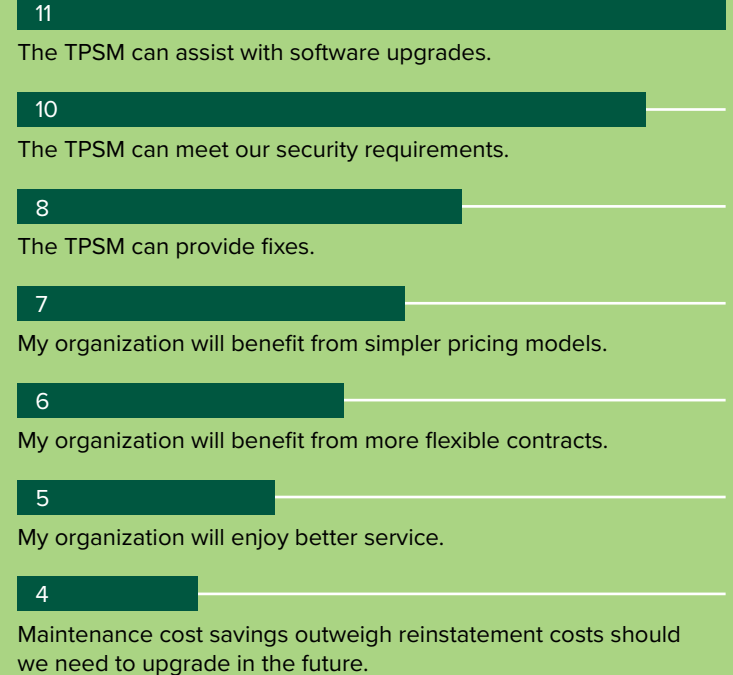
So what would convince them to make the switch? IT and procurement leadership teams at these firms seek reassurance that the TPSM can help with software upgrades, security, and fixes. Other factors such as pricing and contract flexibility play a role but not as prominently as the intrinsic value of TPSM services.



What it means: When assessing a change in a software maintenance vendor, IT and procurement leaders should evaluate not only costs but also the provider's ability to meet their software maintenance needs.

“What would be helpful to convince your company to make the switch from an OEM to a TPSM provider for software maintenance?”

● Mentions



Switching To A TSPM Is Expected To Bring Business And Operational Benefits

Ninety-eight percent of all IT and procurement leaders surveyed expect to reap various business and operational benefits by switching software maintenance from an OEM to a TSPM provider.

Many believe they will enjoy faster response and resolution times (42%) and be able to raise operational efficiency (41%).

Leaders also anticipate better service: 39% expect personalized customer service, and 38% expect better technical expertise from TSPM providers.

In addition, decision-makers foresee affordable software maintenance costs (37%), which will allow them to strategically optimize technology spend (36%).

“Which of the following do you believe to be benefits of switching to a TSPM provider?”



Firms Already Working With TPSMs Recognize The Good Service And Value They Offer

Many decision-makers say their firms have already switched to and are relying on TPSMs for software maintenance.

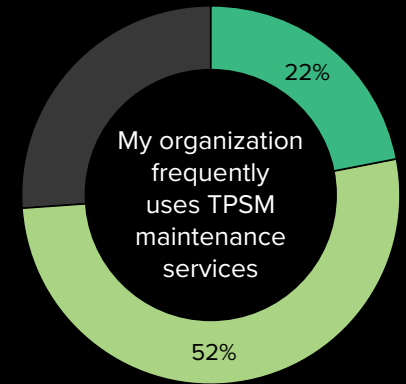
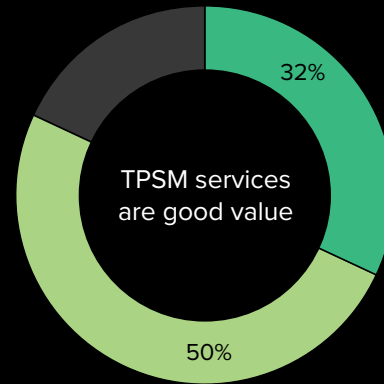
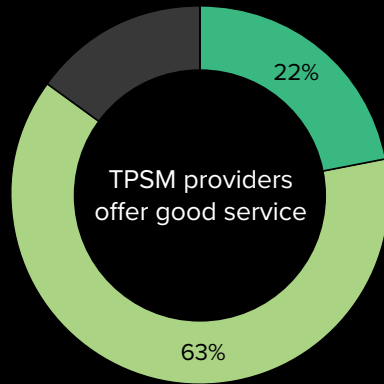
IT and procurement leaders working with TPSMs are satisfied with their service: 85% agree that TPSM providers offer good service, and 82% consider TPSM services good value for money. These organizations are putting TPSM services to good use: Close to three-quarters of leaders report that they use TPSM maintenance services frequently.



Over 80% of decision-makers working with TPSMs agree they provide good service and good value.

“To what extent do you agree/disagree with the following statements?”

- Strongly agree
- Agree



Knowledgeable IT And Procurement Leaders Prefer TPSM Services

For those working with TPSMs only or a combination of TPSMs and OEMs, 41% prefer using a TPSM over an OEM. This is almost three times as many as those who prefer an OEM over a TPSM.

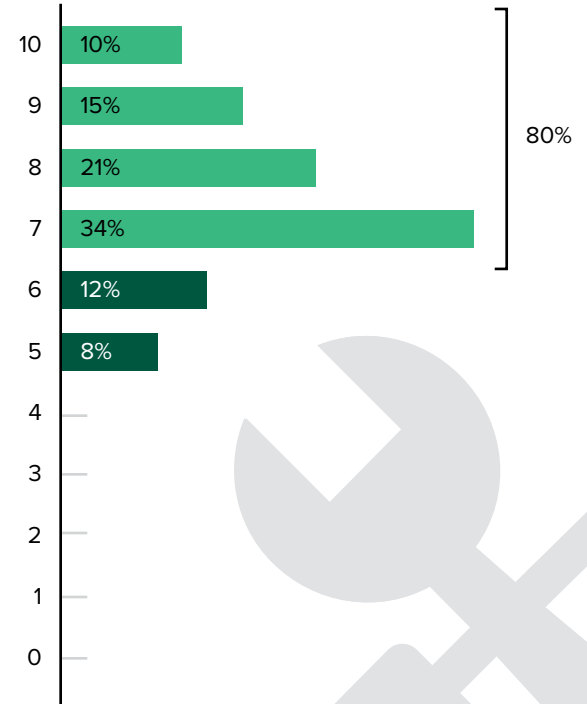
Not only do IT and procurement leaders prefer to use TPSMs, but a large proportion would also recommend it to peers considering a switch, with 80% giving a rating of 7 or above on a scale of 0 to 10.

? **What it means:** TPSM usage is gaining momentum. The benefits and proof from those with experience working with TPSMs make the case to switch.

Eight out of 10 IT and procurement leaders using TPSMs are likely to recommend their peers to switch.

80% are likely to recommend switching to a TPSM

10 - likely to recommend, 0 - not likely to recommend



Conclusion

Software maintenance costs take up a considerable proportion of an organization's technology budget. At a time when technology is more important than ever in ensuring smooth business operations, many IT and procurement leaders face budget cuts.

Switching to a TPSM can be an effective way to address the urgent need to cut costs without sacrificing quality of software maintenance. IT and procurement decision-makers must evaluate challenges they face with their existing OEM providers, the potential risk involved in switching to a TPSM, and the benefits they will reap as a result of the switch.

For those seeking social proof, most firms are already working with at least one TPSM, and 80% of them are likely to recommend it to their peers.

Project Director:

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Forrester's Sourcing & Vendor Management research group

Methodology

This Opportunity Snapshot was commissioned by Origina. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of IT and procurement decision-makers in North America and Europe. The custom survey began and was completed in September 2020.

ENDNOTES

¹ Source: "The Pandemic Recession Demands A Digital Response," Forrester Research, Inc., June 24, 2020.

² Source: "Where To Adjust Tech Budgets In The Pandemic Recession," Forrester Research, Inc., May 19, 2020.

³ Source: "On-Premises ERP: Should You Love It Or List It?," Forrester Research Inc., July 17, 2020.

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Demographics

HEADQUARTERS

North America 56%

Europe 44%

REVENUE

> \$5 billion 23%

\$1 billion to \$5 billion 42%

\$400 million to \$900 million 35%

ROLES

IT 75%

Operations 19%

Procurement 6%

SENIORITY

C-level executive 19%

Vice president 10%

Director 47%

Manager 23%



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