

COMPANY DEEP-DIVE

Former Competitor Thinks RMNI Has a More Global Workforce and More Offices Globally

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Expert Bio

Employment History

Expert was previously a Vice President at Spinnaker Support, responsible for providing in-house consultation, the legal compliance network, determining strategy for compliance and risk mitigation, and growing the legal department within the global market. Expert reported directly to the C-suite

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Owner/Principal Consultant | Expert In-House Consultants LLC | 12/2022 to Present (Private)

Self-employed | Self-employed | 10/2022 to 12/2022 (Private)

Vice President, Compliance and Risk | Spinnaker Support | 1/2016 to 9/2022 (Private)

Director of Global Tax and Regulatory Compliance | Spinnaker Support | 12/2014 to 11/2015 (Private)

International Tax Manager | Deloitte | 6/2006 to 1/2015 (Private)

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Analyst **Based on the notes, it sounds like you got a little bit of a preview as to what we were looking to cover. You were previously at Spinnaker?**
00:00:00

Expert Yes. I was there for almost nine years.
00:00:17

Analyst **Great. It would be helpful to start to get your perspective maybe just on the main two,**

00:00:22 **Rimini and Spinnaker. Obviously, you'll know Spinnaker more closely, but presumably, you have a pretty good knowledge of Rimini based off of the positioning of both companies. To start maybe just getting your sense of both the businesses and how you see them competitively, and then we can maybe jump into some other areas we wanted to cover.**

Expert
00:01:07 Sure. I am very familiar with Rimini Street because, in addition to me working at Spinnaker and them being our primary competition, we had a number of employees come from Rimini Street and work at Spinnaker during my time there.

Expert
00:01:29 Both companies are in the business of providing third-party support. For the most part, it's provided the same way from each company. Obviously, there have been in the past some issues with the way Rimini Street was initially performing their services, but I think based on what's in the public record, in the lawsuits, and in the case files and things like that, they had, starting in 2014, substantially changed their service model to be very similar to that of Spinnaker.

Expert
00:02:11 I would honestly say that they are very similar companies. Rimini is quite a bit larger than Spinnaker. It is my personal opinion that they have a quite lower risk threshold than Spinnaker. Spinnaker would always take the most conservative approach possible, typically, and Rimini would take a little bit more liberties with what they would be willing to take risk on. Other than that, the service is performed primarily the same way between the two companies.

**Analyst
00:02:55 Got it. That makes sense. As you think about the Spinnaker platform and maybe how it evolves in your time there, what were areas that they grew the business at while you were there? What were the areas like how the business evolved while you were there?**

Expert
00:03:23 Yeah, sure. When I started at Spinnaker, it was primarily JD Edwards and SAP. When they hired me on, they had also hired on the individuals who would later start the Oracle practice. After that, they hired on the people who started the Salesforce practice. Spinnaker had acquired a managed services company. Spinnaker expanded that way. I know for a fact that when Rimini started, they were just Siebel. That had to do with Rimini's CEO's prior employment that he was not able to support JD Edwards for I think it was a year after he left as VP it was. They were primarily Siebel, and then they evolved to take on SAP and the Oracle practice there as well as whatever else they do today now.

**Analyst
00:04:27 Got it. Yep. That's helpful. I know you mentioned the point from a risk, and obviously, that's in line with your background. What were other differences you noticed about Rimini versus Spinnaker?**

Expert
00:04:57 The most obvious one is the size. Rimini is quite a bit larger. Spinnaker's strategy and the way they tried to hold themselves out was they always take a conservative approach. Spinnaker is the company with integrity, and Rimini is not the company with this integrity, which is the way they tried to frame it while I was at Spinnaker. I don't know how true any of that is. Rimini is larger. It's much harder to fully manage a workforce of that size, whether or not the sales reps were entirely truthful. I've really never met a sales rep who was, that kind of thing.

Expert
00:05:21 Rimini is in a lot more geographical areas. They have a much more global workforce and more offices globally.

Analyst
00:06:02 **Maybe one follow-up on the pricing point, because we've done a couple of these calls with other folks, and actually what you just said contradicts something that someone else said. I'm just curious, on a pricing point, did you find that to be across the board or was there a particular type of contract where you felt like, "For me, it would be particularly aggressive on pricing?"**

Expert
00:06:29 I am not sure. It was pretty much anytime we lost to Rimini that would be one of the reasons why. If we were head-to-head against Rimini and Rimini won, typically it was either due to pricing or someone as the customer having a relationship with someone at Rimini like a past working relationship where they said, "I trust this person because of that," but it tended to be on pricing. Most of Spinnaker's business was Oracle customers. I would say that was the biggest place where I would see it come in. Spinnaker's chief delivery officer would say, "We're not going to get our margin if we go any lower than this." Rimini would sometimes undercut us.

Analyst
00:07:27 **Got it. Thank you. The J.D. Power one is interesting. Obviously, I know you can't give away specific details, but some just a general breakdown of the different sizes of how big the businesses were from a revenue perspective within Spinnaker. How do they stack up at a high level?**

Expert
00:07:59 The Oracle practice was the biggest one. When I left, the Salesforce practice was starting to come in second place.

Analyst
00:08:11 **What was the second one?**

Expert
00:08:12 Salesforce.

Analyst
00:08:14 **Salesforce, got it.**

Expert
00:08:16 SAP and JD Edwards were both near the bottom, tied for last place. I am confident that Rimini has the same issues that Spinnaker had competing against SAP, which is that SAP is not hated by customers like Oracle is. People are generally fairly happy with SAP. When people would say, "Okay, we're going to switch to third-party support," SAP comes back with incredibly aggressive pricing, often giving a year or two for free in exchange for the customers staying.

Expert
00:08:58 The entire time I was there, all eight years I was there, it was very hard to grow the SAP practice. It's there. Both companies have a great team because I know some of the people at Rimini Street and SAP group, so both of the companies have a good team for it. It's just much harder to compete against SAP as a vendor. JD Edwards is a small part of the practice at Spinnaker, and I would guess it's pretty small for Rimini Street too because, number one, JD Edwards was a much cheaper system to begin with so a lot of the client base is quite small. Whereas an Oracle deal was typically average of 500,000, but there were plenty of over \$1 million per year customers in the Oracle space. There are plenty of those.

Expert
00:09:50 It's a much smaller product. It's a much cheaper product. Also, it's no longer being developed or updated or anything. Oracle is completely sunsetting JD Edwards, so I would guess that it's only a matter of time before all those companies transfer to something else.

Analyst
00:10:17 **Got it. Okay, that's helpful. What about any potential expansion opportunities for these businesses? Are there any areas that you thought about or had thought about as far as ways that they can grow? Any sort of business expansion opportunities. We tend to focus on M&A, but obviously partnerships and those types of things as well. Are there other capabilities and anything you can think of that we would take on?**

Expert
00:11:01 Yeah, I think there's a lot of potential for both companies. Spinnaker partnered with IBM. I'm sure that Rimini could partner with some other companies and the managed services space and hardware support space. If IBM was providing hardware support to someone with a particular server or whatever, then they could say, "You're running this, why don't you talk to Spinnaker?" and things like that.

Expert
00:11:31 I think there's a lot of potential out there for Rimini as well. Also, this again is just my personal opinion, I believe that there's going to be a move to the cloud, but I don't believe it's going to be a move to the subscription-based model because you're seeing so much more regulation come in with what people are responsible for. I just don't see it playing out where these less able-to-be customized solutions that require a subscription instead of some sort of custom installation are going to fit for big companies. Even if they do, you're starting to look at all the issues around data privacy and data security. Everyone can't have all their eggs in the same basket, or it's going to be too much of a target.

Expert
00:12:19 By having cloud-based solutions that are essentially on-premise solutions but in the cloud, I think that's going to be where the future is. I think there's going to be more potential out there because other players on the market, such as Workday or and some of those perform as players. They're going to come out with more customizable solutions that bigger companies can use instead of the smaller companies. There's just going to be more opportunity to provide support.

Analyst
00:12:56 **Got it. One of the things that folks mentioned is that it's like more of a general statement of seeing the opportunity in terms of that cloud transition. We just noted that a few of the folks that we spoke with seem to be skeptical about how the Rimini model, presumably, obviously, the Spinnaker one, similarly transitions to their types of products in a cloud-only environment. I don't know if that's something you guys spend a lot of time thinking through.**

Expert
00:13:34 It is, and again, that's why I'm just not sure I see it moving into the subscription cloud model. They're just not customizable enough. It's not what companies want, not what these customers are looking for. I don't know if you saw there is a class-action lawsuit that was filed against Oracle about two years ago or was it SAP? I can't remember. It was either Oracle or SAP. It was Oracle. It's definitely Oracle.

Expert
00:14:15 It's a class-action lawsuit filed about two years ago in California. It was a shareholder action against Oracle by Oracle shareholders because of Oracle's inflating the numbers of customers moving to the cloud. It states right in those documents that Oracle would engage in practices like when a customer was renewing their subscription, throwing in a cloud product for free, the

customer would never ever use the cloud product, but Oracle would record the sale, and therefore tell investors that it was going well.

Analyst 00:14:57 **I don't know if you have one you want to jump in on. I'm just going through my notes.**

Analyst 00:15:11 **Looking at your background, obviously risk and compliance, I'm curious if there's anything in that realm that you think might make sense from an M&A perspective for really either company. Just something that's primarily handled in-house or through partnerships, or are there any specific companies that you know or have heard of that you think might be interesting to either company?**

Expert 00:15:35 I know that both companies have to get their techs and reg updates because the vendors no longer provide the customers with techs and reg updates when the customer needs support. Both companies have to get their techs and reg updates from somewhere, from someone.

Expert 00:16:06 This is another difference between the two companies that I didn't think about, but Spinnaker does not support PeopleSoft payroll or SAP payroll because of the way the vendors originally designed the system. Doing the tax updates would be so cumbersome and such a burden that it didn't financially make sense for Spinnaker to do that.

Expert 00:16:42 Now, Rimini, it's my understanding that they built essentially some kind of engine that they can use with their customers to do these payroll transactions. I think anything in that kind of space would be interesting for them. I believe they get their rate updates through a company called Vertex. I could be wrong there. Spinnaker used a different company. I want to say that Rimini was using Vertex. Spinnaker used a different company, but that was something that I know both companies were on the hunt for. "Who are we going to get these rates from? Who are we going to get this from?"

Expert 00:17:19 Another issue that's been big globally for both companies is e-filing. I know that there are a number of third parties out there that help clients with e-filing. I'm talking about like NF-e in Brazil, Nota Fiscal, and the ones in Italy where companies have to literally submit e-records of the invoices, e-invoicing, to the tax authorities on a regular basis. That's all done electronically. Pretty much for both companies, every client goes to some sort of third party for that. That could be an interesting space. If either Spinnaker or Rimini Street was the first to be able to truly offer that in-house, that would be a game changer globally.

Expert 00:18:24 Another one that would be good on the compliance and risk side would be anything related to kind of cybersecurity, data privacy, and that kind of thing. There's weird requirements out there like the PCI compliance, you're technically supposed to make sure you're up-to-date on all vendor patches. Both companies have talking points that get them around that, but in reality, that's what the PCI compliance will say is that you're supposed to have that, so if there was some way for either company to acquire someone or whatever that could help keep them be more up-to-date on the type of compliance issues, that would also probably be pretty big.

Analyst 00:19:06 **Got it. Thanks a lot. You mentioned ideas around how Siren might fit in here. There is data privacy, PCI compliance. Any other?**

Expert 00:19:28 It is always a concern. Both companies provide their support by having their people log in directly to the customer's environment. Neither Rimini Street or Spinnaker should be maintaining or hosting their own environments of any kind. In that respect, and because of all of the work, only so much of it is under each company's control. There's only so much each company can do in terms of cybersecurity and things like that. It's definitely a concern for every single client. Anything that they can do in that space to make customers more comfortable and actually keep the customers secure is a good thing. I'm not exactly sure what would be out there though in terms of any sort of partnerships or anything.

Analyst 00:20:41 **My notes here, it says here you have a strong perspective on the litigation between Rimini and Oracle. I think I'd be remiss if I didn't always ask that question. At a high level or not, none of us are lawyers over here, but what is your view on the outstanding litigation?**

Expert 00:21:01 I followed it religiously while I was at Spinnaker. It was something that when I first started, it was new. The first trial was just getting underway, and so it became my job to essentially follow it as closely as I could and make sure everyone in the company understand. At Spinnaker, the reason that I followed it was we want to exactly understand what Oracle was pissed off about so that Spinnaker was not engaging in any of the behavior.

Expert 00:21:30 What I will say from my personal belief as someone who has just watched this thing unfold from the outside, is it's never going to go away. If you read the filings, if you read any of the filings for the case, the back and forth between the parties, between the courts, Oracle is just pissed off at Rimini Street and has really deep pockets, so they're just going to drag this out as long as they possibly can. They're going to file every motion they can. They're going to fight everything they can. Everything is going to get appealed and appealed, and then as soon as it's done, they're going to find something else because Oracle is just mad at Rimini. That's what they're doing.

Expert 00:22:16 From my perspective, it's almost like they're trying to just hurt them financially for as long as possible because Rimini, according to the pleadings, has made offers to settle on several occasions and Oracle just goes, "No." I think that in the beginning, I will say Rimini Street was very bold in their choices. They knew that they were doing things they shouldn't be doing, and they did them anyway to make money. That is what it is.

Expert 00:22:52 Seth Ravin was the founder of TomorrowNow. When TomorrowNow was eventually bought out by SAP, then Oracle bought JD Edwards and sued SAP over TomorrowNow. It was said that all of the practices were infringing and they employed those exact same practices at Rimini Street when Rimini Street was started. That was all proven in the first trial. You can go look it up in the transcripts.

Expert 00:23:25 I was watching the first trial in Las Vegas, and I watched Seth Ravin take the stand and give his testimony where he just said flat out, "Yeah, I did it. I was a small guy trying to start a business, and Oracle's a big bad company, and I did it." The jury bought it up and Rimini got away with it. That's when I say that they are more aggressive risk-takers than Spinnaker. They blatantly were in the beginning.

Expert 00:23:53 The 2014 lawsuit just went to trial at the end of October, beginning of November. There was an 11-day bench trial. That's all I know. Neither party has said a word about the outcome or anything

that was raised during the bench trial. I looked today, the transcripts aren't available yet, so we can't see what was done, but we don't know the outcome of that yet. They are also still fighting the contempt motion that was from the 2010 lawsuit. Both of these lawsuits are old, and the 2014 just had its first trial. The 2010 lawsuit went all the way up to the Supreme Court. Now, it's having post-trial motions and contempt filings and stuff like that. It's still going on, and now the 2014 one just started.

Expert
00:24:49 Whatever the outcome is, you can guarantee that whoever didn't get the outcome they wanted is going to appeal, and there's going to be more appeal and more appeal. I don't think the litigation is going to ever really go away. I think Rimini is big enough that they have just built the fact that this exists into their budget, and they're just going to keep dealing with it as it comes.

Analyst
00:25:16 **Got it. Sounds like a lot of fun. At a very high level, what are the one or two things that Spinnaker has avoided doing to avoid all the litigation around Oracle and Rimini?**

Expert
00:25:32 It's mostly stuff that Rimini did in the beginning. There's a thing that's done in the very beginning of a customer relationship where you create an archive of their environment, essentially a backup copy. Spinnaker has people go in and create a unique archive for each customer. Rimini Street when they first started, they would create an archive and then if the next customer was running the exact same system, because this archive is not something that's customized. This is just like the backup files, the published files of the vendor.

Expert
00:26:09 Rimini will just say, "Okay, customer A already has the exact same system that customer B has, so we'll just give customer B a copy of customer A's archive." That was one of the issues that was litigated in the 2010 trial. I would say Rimini won on that because they said, "Heck yeah, we did that," but no one got anything they weren't entitled to get, and the jury didn't award Oracle very much in damages. The jury said, "Yeah, okay, you did that.",

Expert
00:26:38 It wasn't like it was a huge thing. Spinnaker just never did that. It made Spinnaker's margins much lower when it came to profitability because of meeting the personnel to create these unique archives, but Spinnaker never did that. Now, Rimini Street can't archive anymore. They can't archive Oracle products. They can still archive other products, but they've basically outsource that to another company so that they can get around any injunctions against that.

Expert
00:27:11 Supposedly, they create unique archives. Another issue on the Rimini Street side would be that in the beginning, if they created a fix for one customer, they would share that fix with any other customer that needed the fix. The issue there is you're using a customer system to create the fix, and then you're giving it to other people's system, and so again, that's copyright infringement. Spinnaker had the practice of reducing the fix to pseudocode in the form of a white paper, and then uniquely creating the fix on each environment. It's my understanding that that is the practice Rimini now follows today, and that they have since 2014.

Analyst
00:28:02 **Got it. Thank you.**

Analyst
00:28:18 **Is there anything else that you can think of that we maybe have missed between these two companies? Obviously, we've had a few of these calls by now.**

Expert
00:28:29 We were starting of the evidence towards the end of my time at Spinnaker that the vendors were finally catching on to third-party support being a good option. If you think about it this way, the customer is doing these implementations of these huge ERP systems. These implementations often take one to two years, sometimes longer. They're very expensive, and they require all sorts of consultants and stuff like that.

Expert
00:29:02 When a customer switches to third-party support, they save a significant amount of money in their support fees that they typically use to fund the next upgrade or implementation, the next expensive thing that the company needs to do. At Spinnaker, we never assumed our customers were lifelong. We always assumed our customers were there as a stopgap on their IT roadmap.

Expert
00:29:30 It seemed more like on the SAP side that SAP was finally getting into it. If a customer is with SAP and they like SAP, but due to a recession or whatever is happening in the world, they need to save some money. They can switch to third-party support, then when they're ready to go back or ready for the upgrade, they're more likely to stay with SAP because they don't have a bad taste in their mouth from what happened when they left.

Expert
00:30:00 On the SAP side, a lot of customers have come for a few years, and they go to the next upgrade, and go back to SAP and then eventually come back to Spinnaker, that kind of thing. I think Rimini Street said that too, and I know both companies were trying to get the vendors to back off and understand that customers having that action is actually good for them. It builds more loyalty to the particular product long term. I was just seeing evidence of certain people starting to get there. We know that at Spinnaker, there was a particular SAP sales rep who would encourage customers to look at a third party rather than on going to self-support because he knew they would come back.

**Analyst
00:31:01 I can't remember if we've covered it already. I know they are much smaller, but any of the other competitors that you notably remember?**

Expert
00:31:13 Support Revolution in the U.K.

**Analyst
00:31:16 Yeah.**

Expert
00:31:17 Outside of Rimini and Support Revolution, there was really no one we came up against at Spinnaker.

**Analyst
00:31:26 Yeah. That was definitely consistent with what we heard. I thought I had one more that's now escaping me. I'll open up to the rest of the group. I know we're getting close to time anyway.**

**Analyst
00:31:55 That pretty much covers it from my own.**

**Analyst
00:32:01 Yeah. I'm good as well. Appreciate you taking the time here. Thank you for all of your insight. We really appreciate it and very helpful.**

Expert 00:32:11 Yeah. Overall, I'll just say I think that there's a huge market for third-party support. I think it fills the need that customers need. Eventually, the vendors will figure out that it's actually in their best interest to have these providers out there. In the meantime...

Analyst 00:32:28 Yeah, that was an interesting point you made at the end.

Expert 00:32:30 Yeah. Spinnaker and Rimini are pretty similar companies. It's my understanding that today, Rimini takes a much more respectful approach to the IPs than they did before. At the same time, if you look at the first Rimini case where Oracle technically won, Rimini didn't get hit that much with damages. It's because Rimini was able to show that despite the fact that Rimini knew they were infringing on copyright and chose to do it anyway, Oracle didn't actually lose any customers. The attrition rate stayed the same. It's not like there was this huge exodus of Oracle customers where Oracle is damaged.

Expert 00:33:10 If we can get the vendors to understand that this is a good thing, it's just going to be good for the market overall. I know there's some activity in Europe mostly to formalize a consumer's right to get third-party support. If they can make that switch to the U.S., it's going to be even huger. It's a good market.