


Optimizing Value from your Enterprise Software

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Efficient License Management - Many Possible Benefits

- Compliance- Vendor and Customer
- Increased User Productivity
- Business Intelligence from Usage Data
- Unraveling the Feature / Tool Minefield
- Fair and Equitable Charge Backs
-  Competitive Advantage from Optimized Value

Overview

- In many organizations software contracts are the largest line items after payroll. Example:
 - In a SC design division software = 53% of payroll costs
- Optimizing contracts
 - ensuring maximum value and flexibility
 - can provide significant competitive advantage
- Investments made
 - gathering background information
 - defining objectives
 - preparing strategies
 - carefully negotiating terms
- Provide ROI many times over

Some Contract Opportunity Areas

- License Type / Charging Model (>6 options)
- Deployment Scope (several)
- Contract Timing
- Contract Length
- Remixability (several related parameters)
- Discrete Pools
- Access Rate
- Add-on Rate

License Types / Charging Models

- Perpetual - 99+ year ownership, maintenance + support extra cost
- TBL - Access granted for pre-defined time period (example 1 yr), often includes maintenance, cost based on % of perpetual price
- Usage-based - As TBL with upper and lower limits of cost, based upon usage metrics (peak users, hours used)
- Utility - As Usage-based with no upper or lower limits
- Benefit: Match cost driver to optimum usage pattern / metric
- Info Needed:
 - Software lifecycle metrics
 - Usage profile and patterns
 - Future business plans
 - Capacity forecasts

Deployment Scope

- Node Locked - specific computer
- LAN (local area network) - defined campus
- WAN by area / region - local geography
- WAN by country - within national boundaries
- WAN by continent (s) - one / more (loose)
- WAN global – Unrestricted
- Benefit: Tune scope of access (therefore cost) as appropriate
- Info Needed:
 - Detailed usage history by tool, geography (+ org)
 - Across time

Contract Timing and Length

- General Guidance – Phase contracts
- Benefit: Allows tighter control, flexibility
- Contract length is negotiation tool
 - shorter = flexibility
 - longer = vendor incentive
- Info Needed
 - Cash flow (customer & vendor), predicted use changes, cyclical demand, business peaks, historic usage

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Vendor A	New Contract	Measure, control	Prepare negotiation
Vendor B	Prepare negotiation	New Contract	Measure, control
Vendor C	Measure, control	Prepare negotiation	New Contract

Remixability

- Definition: Ability to change the inventory mix of tools within a contract
- Variables: Product range, remix frequency, value of products, % of contract
- Benefits:
 - Flexibility to adjust to changing conditions
 - Access to new technology
 - Move to “best of breed”
- Info Needed:
 - Detailed tool usage over time
 - Life cycle analysis of usage

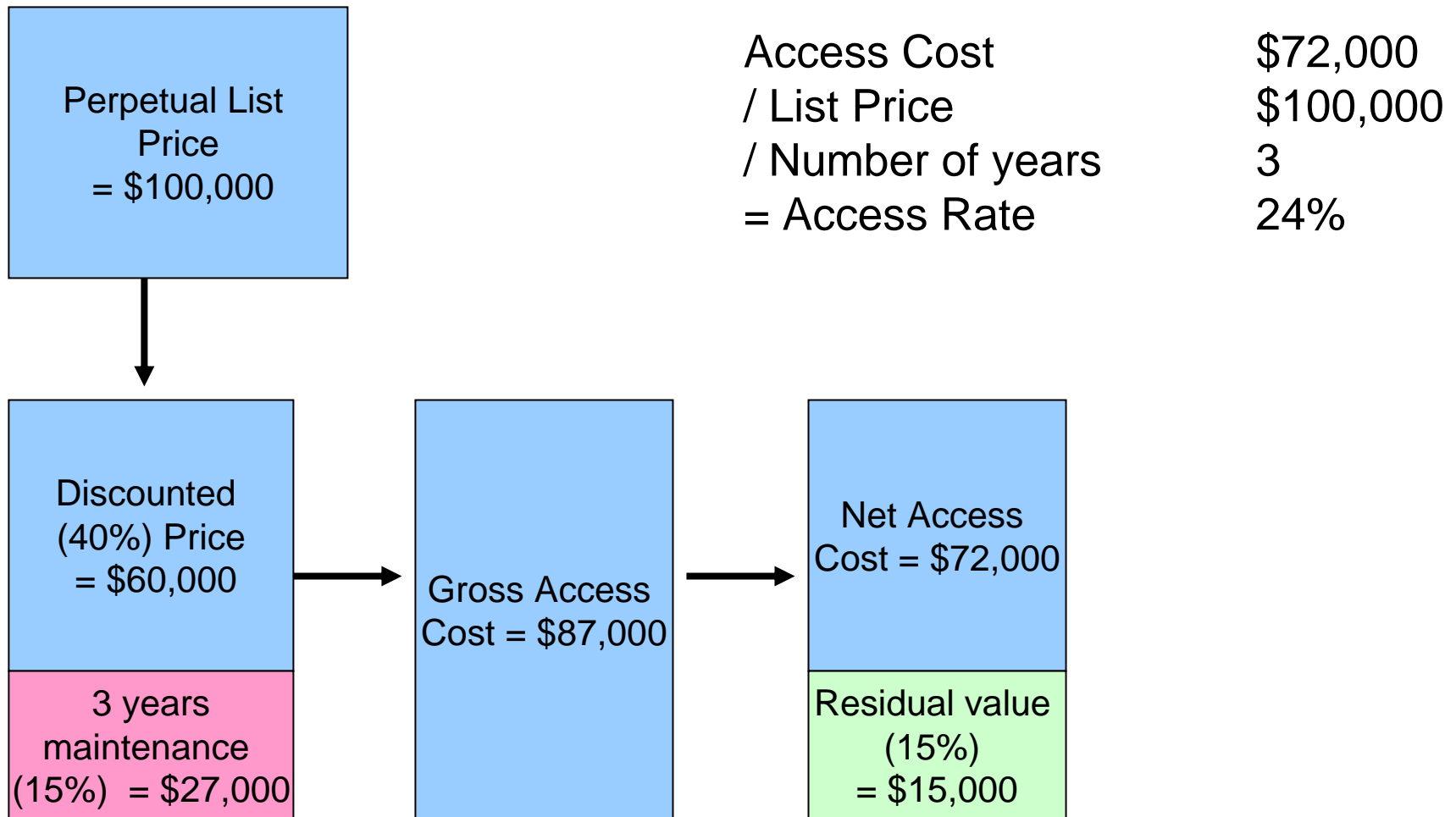
Discrete Pools

- Definition: A group of software products with common characteristics or value profiles (and access rates)
- Examples
 - Emerging / mature technology
 - Vendor's market position
 - Customer's perceived value
- Benefit: Separate groups of products with different value propositions, pay accordingly
- Info Needed:
 - Detailed tool usage over time
 - Trends
 - Comparatives across vendors

Access Rate

- Definition: % of the Perpetual List Price paid for a time based license (TBL)
- Options:
 - Vary by contract phase
 - Initial / Add-on status
 - Pool
- Info Needed:
 - Detailed tool usage by vendor
 - Analysis to apply relative values

Access Rate Example



Conclusion

- There are many ways to optimize software contract terms, each having the ability to generate extra value and / or flexibility
- Information at the negotiating table “worth its weight in gold”
- ROI >> 500% not untypical
- Each option / metric requires detailed usage data to assess the potential value
 - For advice on initial steps
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