

Software Licensing: Reducing Total Cost of Ownership by 30%

Is Your Licensing Effectively Managed and Is It Providing the Lowest Total Cost of Ownership?

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Miro Consulting, Inc.

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Objective

- Provide a Holistic View on What Your IT Organization Should Be Doing to Assure Your Software Licensing Investment is Optimized to:
 - Deliver lowest possible total cost of ownership
 - Comply with the software provider's license rules
 - Position the business to smoothly take on future needs without a licensing surprise



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Intellectual Property

- **Software licensing** comprises the permissions, rights and restrictions imposed on [software](#) (whether a component or a free-standing program). Use of software without a license could constitute [infringement](#) of the owner's [intellectual property](#) rights, and allow the owner to [sue](#) the infringer.
- Licenses vary greatly depending on what the licensor choose to grant (or, in the case of a negotiated license, negotiate) as permissions, rights and what restrictions on the licensee are imposed. License prices may also vary by customer, application, license scope, and the like.
- In addition to granting rights and imposing restrictions on use of the software, software licenses typically contain provisions which allocate liability and responsibility between the parties.

Ref: Wikipedia – Software Licensing



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What Do You Need to Know to be Able to Play the License Game?

It's Multi-dimensional!



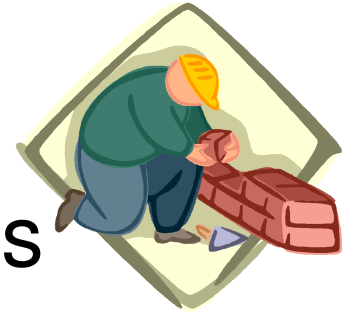
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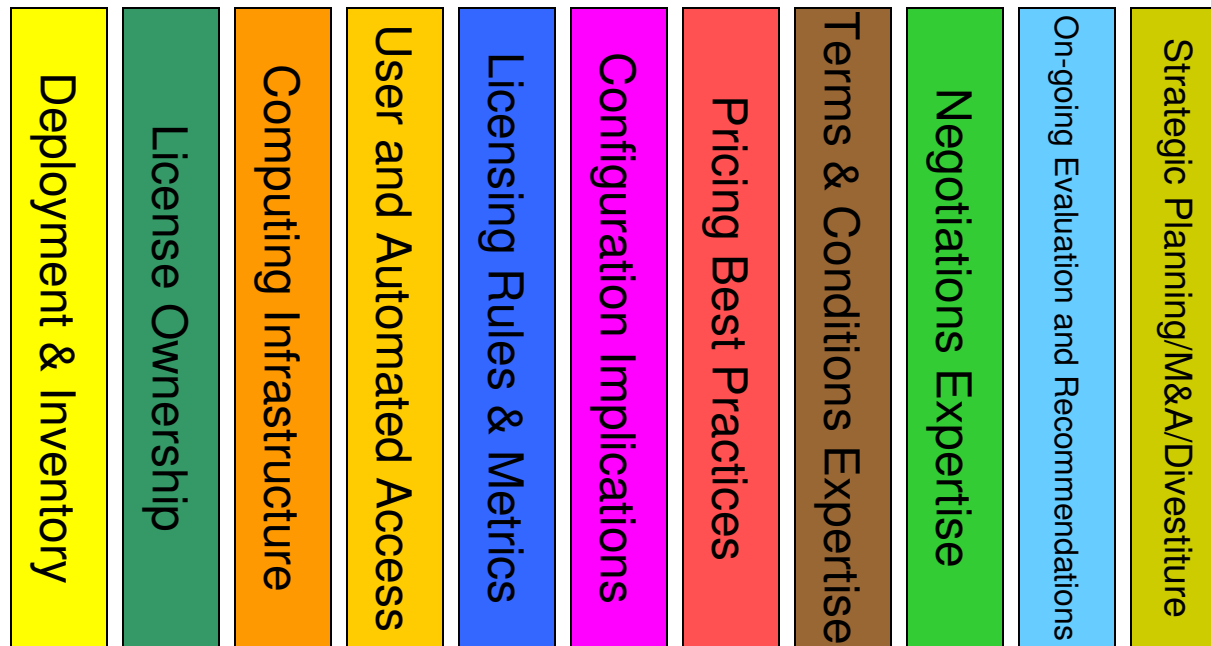
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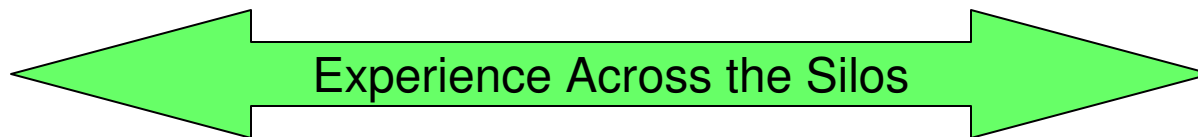


Licensing & Compliance Knowledge Silos



The Knowledge Needed

Deployment & Inventory
License Ownership
Computing Infrastructure
User and Automated Access
Licensing Rules & Metrics
Configuration Implications
Pricing Best Practices
Terms & Conditions Expertise
Negotiations Expertise
On-going Evaluation and Recommendations
Strategic Planning, M&As and Divestitures



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“You Can’t Manage What You Don’t Know.”

~ the late great business thinker and author, Peter Drucker



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Challenges of License Management

- Variety = Complexity
 - Different product versions bought over time
 - Different product releases still in use
 - Minimum and maximum requirements, license types, and license terms –
- Different Licenses Bought Over Many Years
 - Rule Changes, Old Licenses, New Licenses
 - A Complex Mixed Licensing Bag
- 90% of clients are either over or under licensed
 - Incurs both cost and risk



Quick Fact



Did You Know that Oracle Made 397 Pages of Changes to Its Licensing Rules and Regulations Over the Past 12-Months?



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Procurement Negotiations

Is Getting a Great Discount From Your Software Vendor the Whole Game ???



Software Procurement & Negotiations Considerations

- Specifics should include:
 - Which license model works best now and into the future?
 - What quantities are required now?
 - What licenses are owned and what rights are included?
 - What needs are anticipated for the future?
 - What terms and conditions must you have?
 - What terms and conditions to eliminate?
 - What will be the usage rights that define the license metrics?



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Procurement Negotiations

- Beware of being seduced by that great, sexy discount...because chances are...
 - you will have purchased software to sit on your shelf [a/k/a '**shelf ware**'] and
 - increased your yearly support & maintenance bill at the same time.



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Gartner

Quick Fact

Strategic Planning Assumption:

80% of companies engaging in "all-you can-eat" agreements will pay at least 20 percent more for licenses and maintenance than they would for "pay-as-you-go" agreements.*

* ULA's & ELA's



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Procurement Negotiations

- Get everything - including all your “understandings”- in writing. Lock it down.
- Verbal understandings mean nothing.
 - Memories are NOT like fine wine. They DON'T improve with time!



Here is what **Gartner*** is saying about Negotiating with Oracle

- Be prepared for negotiations with Oracle and be sure to understand its current license models
- Ensure that an experienced negotiator is the first point of contact for such negotiations
- Maintain *best practices* for IT asset management and tracking Oracle licenses
- Build into the license agreement the flexibility your company needs

* Gartner IT and Software Asset Management Summit
September 12-14, 2005



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Businesses will pay nearly \$100 billion in software maintenance fees this year.

- Annual maintenance fees are generally set at 17% to 22% of the original software license price
- Maintenance fees accounted for \$86 billion, or 41% of the \$210 billion in revenue collected by software vendors last year, according to IDC.
- They're expected to grow 9.6% a year and reach \$137 billion in 2010, accounting for 46% of software vendors' revenue.

InformationWeek, August 28, 2006



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Quick Fact

Gartner

“For every \$100 most businesses spend on software, they typically end up spending \$500 over the two- to three-year life cycle on that same software (presumably on things like labor and maintenance costs).

Companies that effectively manage their software, however, can reduce their IT spending by up to 40 percent.”



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TCO & Licenses

- **Total Cost of Ownership** reigns supreme over obtaining just that great discount!
- Total cost of ownership includes not just the price you paid, but the quantities involved, the annual support cost, the people, facilities, etc. needed to deliver the solution.
 - Oracle annual support = **22%** of license \$ owned
 - Average across the major vendors = 20%
- Total cost of ownership should be viewed with 3-years (and even 5-years) accumulated cost in mind.
- Note: Software discount alone pales in comparison to the other larger cost contributors to TCO



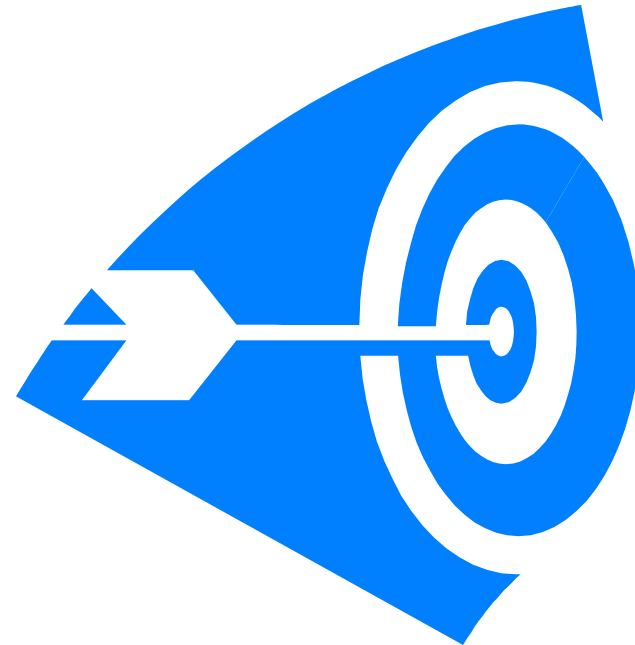
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Truth Be Told....

Would Your
Company Pass an
Oracle, Microsoft
or other Software
Vendor's Audit?



Would you be able to document and prove that
your company is in compliance?



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- Are You 100%
“***Bet Your
Paycheck Sure***”
You’re License
Compliant with
Oracle, Microsoft
or Other Software
Vendors?



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Compliance is the Name of the Game

- Compliance is the Lowest Common Denominator
- Simply put: If you're compliant, you don't need to purchase more. If you're not compliant, you do*!



* Running out and just buying is not a good move.



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Quick Fact

***According to the Yankee Group -
“90% of companies worldwide have
had to deal with software licensing
non-compliance issues.”***



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How Did We Fall Out of Compliance?

- In almost all cases, the static Oracle contract you have will not necessarily adapt to Oracle's latest licensing model.
- If you have updated your servers or consolidated your architecture, your Oracle licensing could be out of compliance.
- If you have web enabled applications, your Oracle licensing could be out of compliance.
- Outsourcing - Data centers, servers and applications externally managed
- Disaster Recovery – If you changed your DR plan or backup site configuration, your Oracle licensing could be out of compliance.

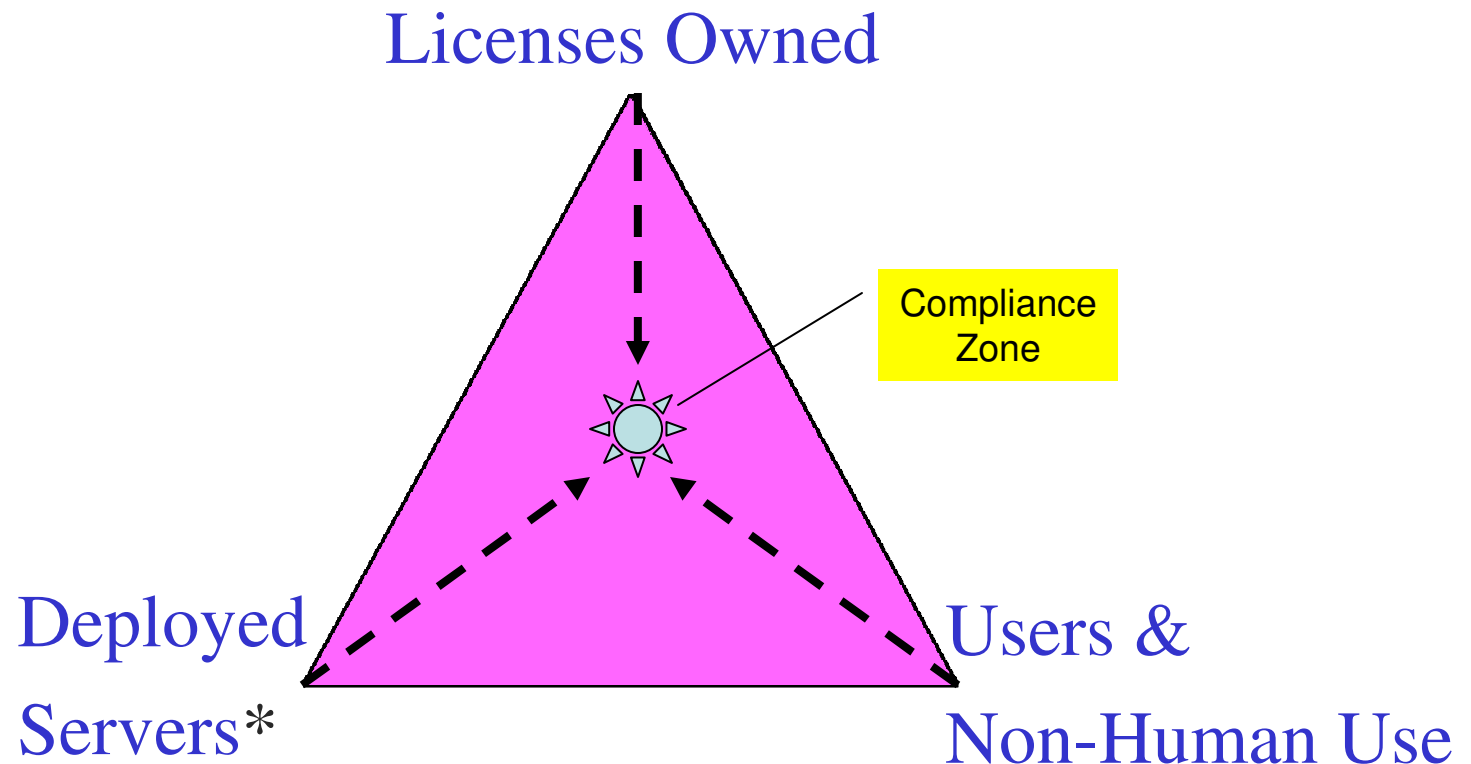


Quick Fact

- Microsoft is handing over some of its auditing to its large resellers



Is Your Company's Licensing and Usage in Sync?



* Also critical to consider multi-processor and multi-core



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Quick Fact

Gartner

“Gartner finds that clients do not understand the compliance risks with their Oracle infrastructure software licenses.”



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Would My Software Provider Audit Me?

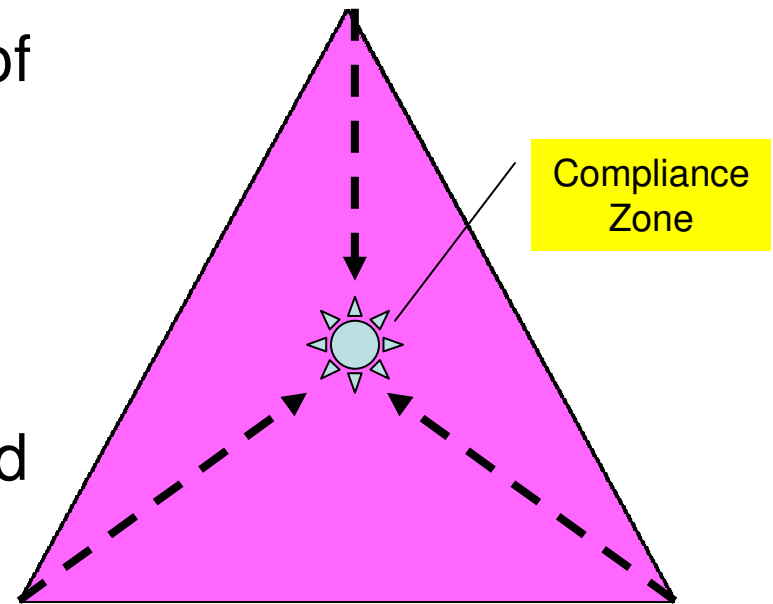
- In the words of **Computerworld** (June 5, 2006) “*it’s inevitable...a virtual certainty*”.
 - Most publishers are only *enhancing* their enforcement operations.
- Oracle makes at least 41% of their revenue from maintenance and support
 - It is their money printing machine
- Profitable Industries and Businesses are Targeted
- Both BSA* and SIIA* have *quadrupled* over the last six months the reward money offered to employees to report their employer.

* BSA [Business Software Alliance]; SIIA [Software Industry & Information Association]



Compliance is the Name of the Game

- Before starting negotiations with any software vendor, you must establish your current inventory of licenses.
- Gather all your contracts reflecting what you've purchased and what is supported (support and maintenance)
- Know where you've deployed and installed your software
- Identify users (human and non-human)
- Identify the Gaps.



Know what you've got, where it is and who/what is using it.



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TRAP

Feeling everything's under control just because you've done the job of periodically tracking your licensing on a spreadsheet.

WHY?

- The great-looking spreadsheet probably doesn't reconcile your assets to the stipulations on your Oracle contract.
- The same spreadsheet doesn't account for the 397 pages of changes Oracle recently made.



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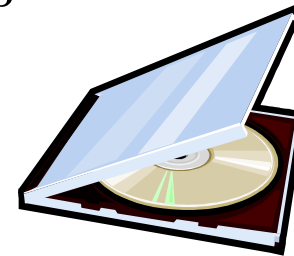
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THE TRAP

Installing or Upgrading Oracle products from the general distribution CDs.



FACT

Oracle states in their *Software Investment Guide* (March '06) that they include software and functionality on their general distribution CDs that *you may not* be licensed for. This additional software and functionality will install without any special notice provided, which may lead to running unlicensed software.



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Most Common Mistakes Made in the Purchase of Software

- **MISTAKE #1: Procuring licenses on a ‘per project’ or ‘per application’ basis.** Having an “enterprise review” enables you to determine if existing licenses can be leveraged or be redeployed.
- **MISTAKE #2: Ignoring non-production and/or temporary servers** which may be needed during O/S or system migrations.
- **MISTAKE #3: Lack of tracking** of Oracle database instances in production and non-production (development, test, disaster recovery, etc).



Most Common Mistakes Made in the Purchase of Software

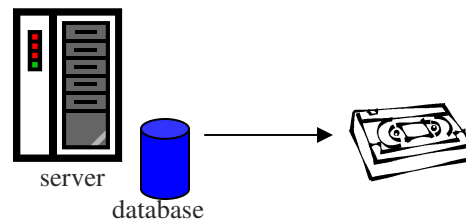
- **MISTAKE #4: Procuring licenses without establishing a firm compliance verification process and a future self-audit date to validate.**
- **MISTAKE #5: Not performing proper ‘what if’ analysis during project planning to determine best license solutions for options being considered.**



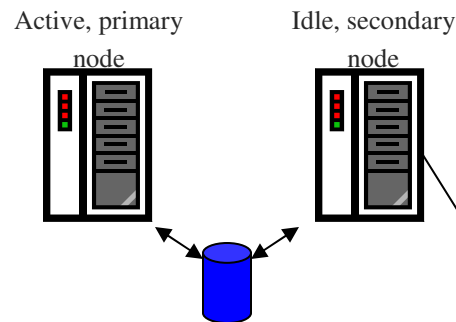
Mistake #3 - Disaster Recovery

- Oracle has 3 models for recovery

– Backup



– Failover



Not at all used until primary node fails.

Licensing Requirement

- Storage to tape permitted.
(note: storage to disk unclear.)
No add'l licensing needed
- Idle spare server with access to primary node's disk storage.
No add'l licensing needed, but limited to a total of 10 separate days in a calendar year.



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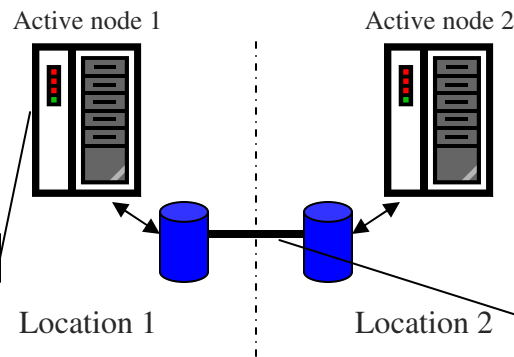
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Mistake #3 - Disaster Recovery

- Oracle has 3 models for recovery

– Standby

RAC by definition is Standby, not Failover.



Licensing Requirement

- Dual systems. Node 2 is failover site for node 1. Both nodes must be fully licensed with the same metrics.

Dataguard is free, but not the failover node licenses.



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Best Practices for Licensing

1. Establish a repository for the software asset management information
 - a. Key documentation: Proofs of purchase, license agreements with terms and conditions and ordering documents
2. Implement a discovery tool to identify what software is installed on which servers and desktops.
 - a. Review the discovered software assets, validate them and feed it into the repository
 - b. Know Your Servers' Configurations – Cores and Processors Do Matter!
 - c. Monitor for Changes and Reconcile with the repository.
3. Automate database and applications management
 - a. Maximize Intelligence, Maximize Flexibility
 - b. Feed updated asset management data to the repository



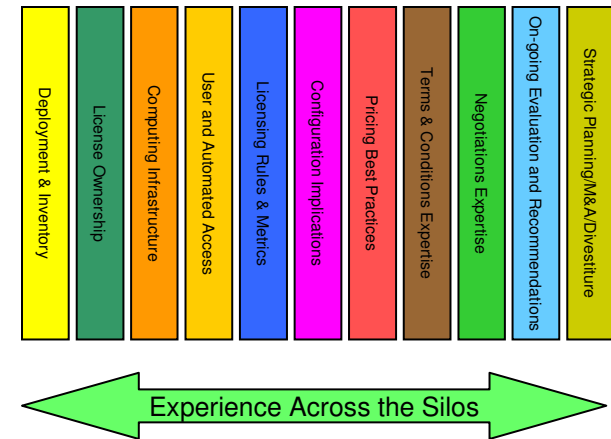
Best Practices for Licensing

4. Understand how to validate for license compliance
 - a. Remember, rules are changing even as we speak.
 - b. Use the assistance of a un-bias expert.
5. Track all database and application instances in production, non-production and disaster recovery
 - a. Knowing the value you receive from Oracle licensing will help you in your negotiation of new licenses!
6. Self audit at least twice per year
 - a. Identify the gaps and use 'best practices' to remediate
7. No new procurements without enterprise review



Take Heart: You Can't Possibly Know it All

- There's a multitude of information you need to know about your company's IT environment and about Oracle licensing practices
- Even the smartest IT departments are challenged on resources and knowledge to:
 - Strategically manage these software licensing and support assets
 - Track the vendors' continuous license rule changes



How Do You Level the Playing Field?

– *Be Smart.*

- Get on the Offense – Put in place effective software asset management practices
- Conduct a ‘Friendly Audit’ of your Oracle or other software licensing environments. [Note: This should be done independent of your software provider.]
 - Find out what your license and compliance picture looks like.
- Understand the deltas that exist – your non-compliance
- Work with un-biased license experts to create a Cost Containment and Compliance Strategy that will work for you.
 - Incorporate the *Best Practices for Licensing*
 - Investigate various scenarios and select the most beneficial one that provides the lowest TCO.
 - Expert IT asset management and software licensing consulting services brings perspective and best practices
- Package and broker a procurement and/or a restructuring based upon the experts considerable experience, know-how and ability to finesse the agreement.



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About Miro Consulting, Inc.

- ✓ Since August 2000, New Jersey-based Miro Consulting, Inc. has provided advisory services to Oracle and Microsoft clients needing assistance in managing their highly complex and ever-changing software licensing assets. This highly successful consulting practice has helped 200+ clients throughout North America negotiate new Oracle and Microsoft licensing and consulting contracts and renegotiate existing contracts, significantly lowering the total cost of ownership. Miro has saved its clients over \$75 million in licensing and license support cost and overseen over \$700 million in Oracle and Microsoft transactions.
- ✓ Miro's clients include PR Newswire, Timex, Cablevision, Heinz, J.Crew, Memorial Sloan Kettering Cancer Center, Polo Ralph Lauren, Reader's Digest, Revlon, Royal Caribbean, and Sony

- Awards and recognition recently received by Miro Consulting, Inc.:



Miro Consulting was recognized by *Inc. Magazine* that it is part of their 2006 *Inc. 500* list of companies, which represents the nation's 500 fastest growing private companies. Miro's ranking is 397.



Deloitte named Miro Consulting, Inc. one of the 500 fastest growing technology companies in North America. The *Deloitte 2006 Technology Fast 500* recognizes the 500 fastest growing technology companies in North America. Miro was ranked #186. The *Deloitte Technology Fast 500* is a ranking of the fastest growing technology, media, telecommunications and life sciences companies in North America based on percentage fiscal year revenue growth over five years (2001-2005).



For the second consecutive year, *NJBIZ* announced that Miro Consulting was chosen as one of the fifty fastest growing companies in the state of New Jersey.



Miro Consulting, Inc.'s Founder and CEO Scott Rosenberg was selected as a finalist in the *Ernst & Young Entrepreneur Of The Year® (EOY)* 2006 New Jersey Awards Program. The Ernst & Young Entrepreneur of the Year® award honors entrepreneurs whose ingenuity, hard work and perseverance have created and sustained successful, growing business ventures.



Deloitte named Miro Consulting, Inc. one of the 50 fastest growing technology companies in New Jersey. The *Deloitte Technology Fast 50* recognizes the 50 fastest growing technology companies in a specific geographical area. The Technology Fast 50 winners are selected through nominations and extensive research and based on five-year percentage growth. This program is part of Deloitte's North American Technology Fast 500 in their Technology, Media & Telecommunications (TMT) Group. Along with other sponsors, Deloitte has recognized the 50 fastest growing technology companies in New Jersey each year since 1996.



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