

Best Practices for Software Contract Negotiations

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January 21, 2010

Introduction

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Barry has over 20 years of experience in SAM and was previously National Practice Director for ITAM at Siemens IT Services, Director of ITAM at CS Technologies, and VP of ITAM and ITIL at AIG.

Introduction

- Since 1998 Siwel has provided SAM Consulting Services for medium and large corporations
 - Manage over \$3 billion+ in client's software licenses
 - Assist dozens of companies each year with software contract negotiations
 - Has over 10 years experience negotiating license agreements with major software vendors including IBM, Oracle, Symantec, Microsoft

*What steps can be taken to
negotiate better software
contracts?*

Negotiation Strategy

Preparation Is The Key

- Start preparing three to six months before expiration
 - Understand your goals based upon corporate objectives & technology roadmap
-

It's A Team Effort

- Create a cross functional team including an Executive Sponsor, Project Manager, Finance, Vendor Mgmt, Procurement, SAM, & Enterprise Architect
-

Create A Plan

- Layout a comprehensive plan with clearly defined objectives
- Popularize the plan and get buy in from all parties

Be Prepared

Data Gathering & Analysis



Determine Net License Position
Understand your entitlements & deployments. It's important!

Negotiate For Tomorrow, Not Yesterday
Understand where IT is going including new license models & technologies

Maintaining Maintenance
Evaluate maintenance requirements based upon future plans

Understand

**Don't
Negotiate
in a
Vacuum**

Understand Vendor Position
Look to financial position, earnings, corporate objectives, etc.
Use their goals, strategy, & challenges to your advantage!

Understand Product Strategy
Evaluate their product goals around metrics, roadmap, virtualization
Non-financial gains may be more important to them, use it!

Best Practice #1

**Vendors
generously
share the
data they
think you
need for
negotiations**

**Don't rely on vendor
data!!!!**

- ✓ It will achieve their goals
- ✓ It's rarely accurate
- ✓ It puts them in control

DO THE WORK!

*What approach does Siwel
take with maintenance?*

Pay Attention to Maintenance

Vendor Assumptions

Full Deployment

Don't renew maintenance on shelfware and decommissioned apps that will be replaced

All Applications

Migration to new applications or new models like SaaS may eliminate some maintenance needs

Maintenance Advice

- ✓ *Don't purchase for everything*
- ✓ *Factor new licensing models into your calculation*
- ✓ *Evaluate SLA's and consider lower commitment levels*

Best Practice #2

Vendors try to convince you that maintenance is required for everything

Look closely at maintenance needs

- ✓ *Consider true SLA requirements*
- ✓ *Make decision based upon long term view*
- ✓ *Use Net License Position to determine maintenance needs*

How should terms & conditions factor into negotiations?

Companies rarely pay attention to terms & conditions

Beneficial T's & C's

*Take advantage of good
T's & C's*

- ✓ Lots of license types that carry different price points
- ✓ Different license metrics for the same product
- ✓ Substitution rights

Dangerous T's & C's

*Some T's & C's may have a
negative impact*

- ✓ Technologies like virtualization are driving new terms
- ✓ Some require architectural change
- ✓ Others want to dictate your operational model
- ✓ Some new metrics are designed to bring complexity

Best Practice #3

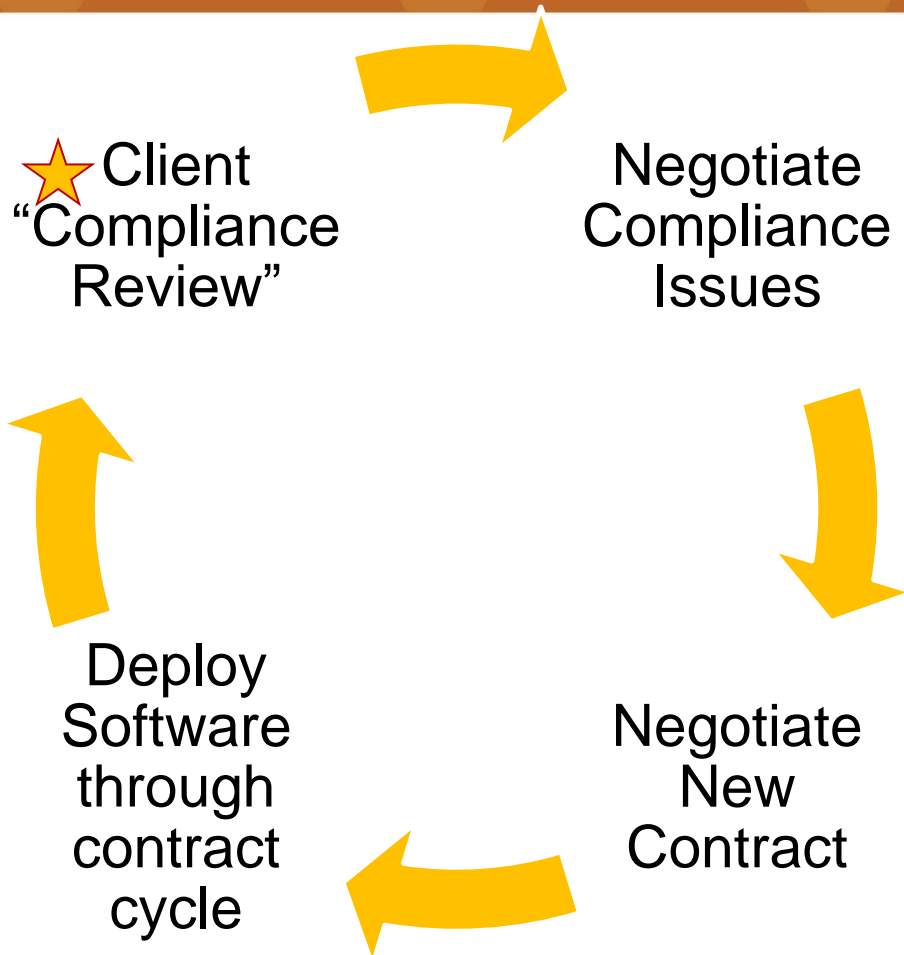
We are seeing lots of new T's & C's which are requiring new practices

Be Aware of T's & C's

- ✓ *Manage to T's & C's to maximize cost savings*
- ✓ *Compare new metrics to previous contract- don't trust vendor data!*
- ✓ *Beware the architectural impact- cost can be significant*

How are audits entering into negotiations?

New Auditing Trends



- Overwhelm Client with compliance information
- Confuse client with complex product licensing
- Client mitigates risk by negotiating “*discounted*” compliance results into new contract
- New contract with over-purchased compliance quantities

Renew or get audited = Renew AND get Audited!

Best Practice #4

**Vendors
Want
The Right
To Audit
At Will !**

Control Audit Rights

- ✓ *Negotiate audit protection in the contract*
- ✓ *Limit number of audits*
- ✓ *Limit number of software titles that can be audited at one time*
- ✓ *Don't let them use their tools*
- ✓ *Force acceptance of your true up documentation*

Summary

- 1.** Approach a contract renewal with the same FORMALITY as an Enterprise Wide Project – Due Diligence is key
- 2.** Look carefully at maintenance. Evaluate your actual needs throughout the full contract term.
- 3.** Understand and aggressively negotiate terms & conditions. Then manage to them.
- 4.** Address & limit audit rights upfront. Costs of preparing for and responding to audits can be significant.

The vendor needs your revenue as much as you need their software. Prepare for negotiations and you can save millions!

Q & A

If you have a question, please type it in the “chat box” on the right hand side of your computer screen. We will answer your question in the order it was received.

Thank you!

Thank You!

If you have any questions or would like any further information, please feel free to contact me.

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