



**A 1E REPORT**

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# **THE REAL COST OF UNUSED SOFTWARE**

# Can you put a figure on your waste?

How much is wasted or unused software costing you? This report provides insight from our latest research. Our analysis, which covering 3.6 million seats and 1,800 software titles across 129 leading corporations, shows that the level of waste in this area is extreme. On average, companies are wasting 37% of their software spend—a proportion that would be deemed unacceptable in any other part of the business.

The cost of this waste is enormous: in the US alone it amounts to \$30 billion in wasted IT dollars. According to the Borgen Project, this is enough money to bring an end to world hunger. Over the four years that 1E has been analyzing software waste trends, the statistics have barely changed. Yet behind this headline-grabbing figure lies the real cost of this waste to business—one that is robbing businesses of the ability to secure their survival by becoming truly digital.

## Adding value in a wasteful age

It may come as a shock that the financial impact of software waste is just the tip of the iceberg. While the short-term financial implications are acute, the cost to a business's health can be even greater. So why aren't businesses doing anything to become less wasteful?

The answer lies in a shift in the way organizations approach IT. In 2015, CIOs are no longer concerned with driving down costs, but have instead turned their gaze towards adding value. Because of this, eliminating software waste, which is often seen as a cost-cutting exercise, has slipped to a far lower place in their priorities. This de-prioritization is a mistake because controlling and reducing software waste adds value to the business in a number of ways.

In the first place, part of the IT mandate to add value involves equipping employees with the tools they need as soon as they need them. Employees need the ability to get as close as possible to customers, and that often requires having the latest devices and applications to hand. Given the speed at which technology becomes out of date, IT budgets are struggling to keep up. How often do employees request an important tool only to be told there is no budget for it? Cutting the waste out of software spend by reclaiming what goes unused would give organizations back almost 35% of their budget to spend on the kind of innovation that will give them competitive edge.

The second way in which reducing software waste can add value to the business is by reducing risk. Few risk managers have software waste on their radar—but they should. The more unused or unaudited software present within an IT estate, the greater the organization's vulnerability to attack.

In this report, 1E will expose true cost of software waste in 2015 and analyze the risks—including attack, audit and obsolescence faced by those who fail to take immediate remedial action.

# The Hidden Business Implications of Software Waste

Whichever way we categorized the findings of our report, the same fundamental truth emerged: there is a huge incidence of software waste across all sectors—even those with a reputation for being lean. The inability of organizations to reduce average waste levels over the four years of our reporting suggest that they remain unaware of the underlying business implications.

These implications extend well beyond the financial. Large companies might be content to accept the cost of wasted software, but only because they don't realize that they are putting themselves at a far greater risk.

## The Risk of Failure

According to Gartner, the most lean and agile companies are those who have repositioned themselves to get close to their customers and be responsive not just to their needs, but to their habits and desires. These are companies such as Amazon, Uber and Netflix—undisputed leaders in their fields.

For companies without this lean and agile approach—the kind of organizations that are currently wasting 34% of their software spend—the future looks less certain. If they aren't lean, they aren't agile. And if they aren't agile, they can't respond to customer needs as quickly and as effectively as their digitally disruptive counterparts.

## The Risk of Attack

While most risk managers monitor their financial and operational risk exposure closely, they fail to realize that their CIOs are sitting on a ticking time bomb of inadequately managed software.

There is considerable risk that comes with having a sprawling software estate over which there is little visibility. Organizations may have asset management tools in place, but often these are inadequate. Many IT departments have to compare and contrast reports from several tools in order to obtain even a partial picture—and even then, such tools focus on what has been deployed rather than what is in use. With initiatives such as Google's Project Zero making software vulnerabilities public, and with the average cost of an intrusion at \$3.5 million (according to the Ponemon Institute's Cost of Data Breach Study), companies should be very concerned by their vulnerability to attack and their increasingly high security risk profile.

## The Risk of Audit

Finally, there is the risk of which many software asset managers are already well aware: audits. The average increase in software licenses after an audit is 30% almost as much as the amount of software being wasted. This figure is unsurprising—the reasons behind audits are revenue motivated and vendors expect to earn 30% of their profits this way. As a result, audits are on the rise, with 66% of companies surveyed by Gartner revealing that they received audit requests in 2014.

The net result of this is akin to compound interest on a large debt that is never paid off. Spiralling costs that can only increase as the amount of software required to keep the business operational continues to spiral.

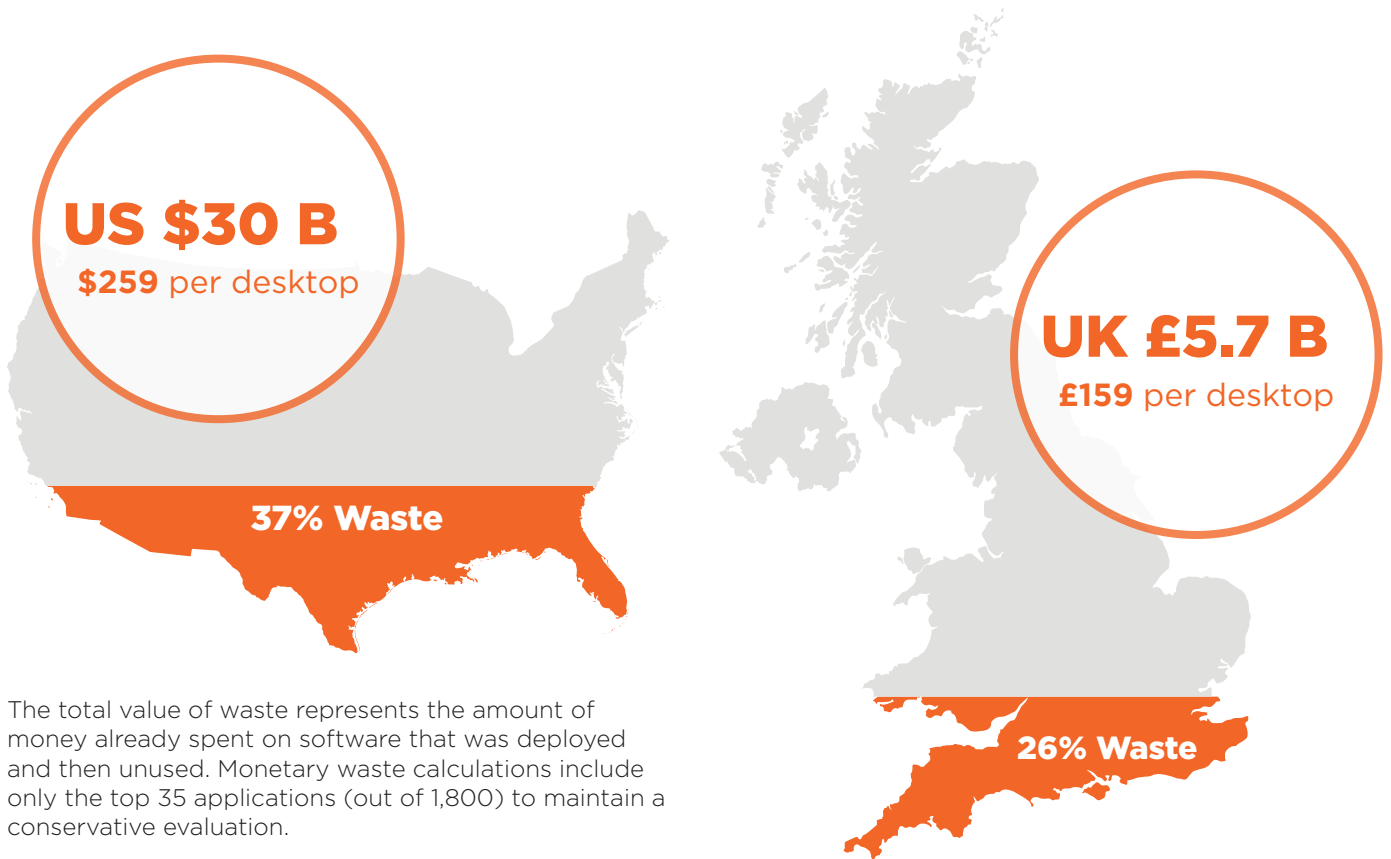
# Turning waste into innovation

So what can the enterprise do to break the cycle of waste and reduce its exposure to these threats? The answer lies in regaining control over the software estate and seizing the opportunity to transform waste into innovation.

The route to achieving this is one that many companies seem to persistently overlook: automation. Automating software distribution and reclamation empowers businesses with the agility they need to react to change at the speed of the customer—by saving time and money that can be reinvested into driving innovation.

Why aren't businesses doing this already? One of the key barriers for IT departments has been the need for proof—the vital component required to convince decision makers that automation is worth the investment. To secure funding, IT finance managers need evidence—a business case. Only once this is secured can they gain the attention of financial decision makers.

## The High Cost of Unused Software



The total value of waste represents the amount of money already spent on software that was deployed and then unused. Monetary waste calculations include only the top 35 applications (out of 1,800) to maintain a conservative evaluation.

### 4-YEAR BENCHMARK STUDY

This report is the result of a four-year global software waste study conducted by 1E which monitored and analysed actual software usage across:



3.6 Million Users



14 Industries



1,800 Software Titles



129 Companies

## Year-on-Year Comparison

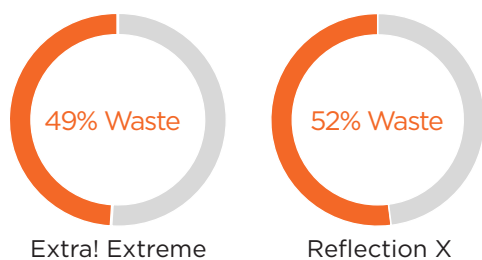
Our 2015 report shows that 37% of all software installed is not being used. This year's benchmark study was double the sampling size of our 2014 report, analyzing 3.6M seats, and confirmed our 2014 conclusion that over a third of all software spend is wasted.

One of the key reasons why the levels of software waste remains stable is that it is impossible to have usage-based compliance management without automation. Manual reclaim processes do exist, but they fail to make a difference to levels of waste. Waste regularly reappears during EA negotiations, true-ups, and audits, and organizations without complete visibility of their software usage find themselves vulnerable to vendors demanding their 30% increase. To resolve this problem and eliminate waste, companies need to establish a constant waste elimination process—and that requires automation.

## Waste Breakdown: The Titles to Watch

The average rate of software waste adds up to considerable potential savings when you consider the fact that companies typically have from hundreds to thousands of unique software titles deployed. For estimating total waste, we selected 35 applications (out of 1,800 used by our sample) to represent the estimated cost of waste. The software titles were selected based on reclaim likelihood, deployed count, ability to recover funds, and overall cost. By selecting a subset of titles we ensure that the waste value represents a conservative view.

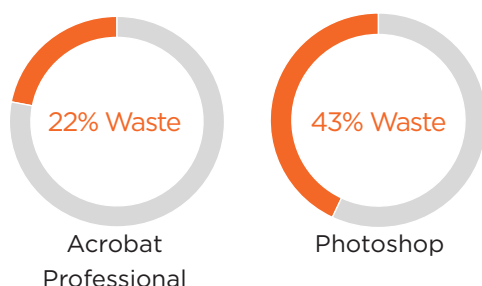
### Attachmate



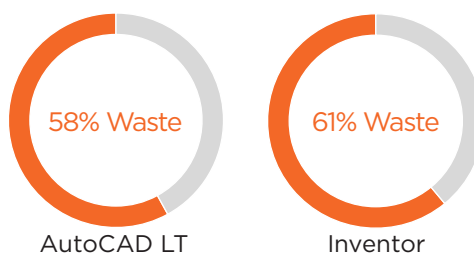
### Microsoft



### Adobe



### Autodesk



Looking at the type of titles wasted suggests that while many organizations may require certain titles for specific project work—some of which are amongst the most expensive on the market—few have employees who require their use on a daily basis.

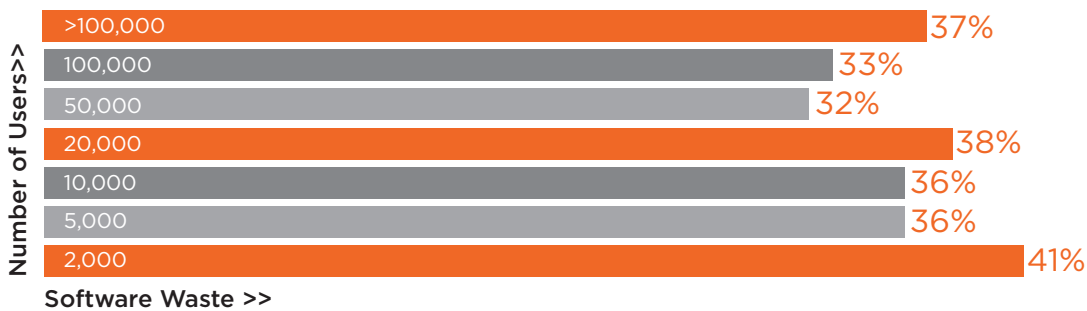
While many newer software providers have adapted their business models to this reality by adopting the subscription model, more traditional vendors are still operating on a license basis. This encourages ongoing waste as users stop using titles once the project for which they obtained it is completed. Having the ability to reclaim and reallocate those resources could save businesses millions of dollars on these titles alone.

## Average Waste by Company Size

Our data suggests that the high incidence of waste among SMEs is most likely due to the fact that such companies have little or no resources available for software asset management. Once a company reaches 20,000 users, it starts to become more diligent at software asset management—leading to a decline in waste. However, high waste amongst the very largest companies suggests that the techniques employed by companies with fewer than 100,000 users simply aren't scalable. This is quite apart from the fact that even the lowest incidence of waste (32%) is hardly a negligible figure.

Again, automation is at the core of solving these problems—both for smaller companies without the resources for a dedicated software asset management team, and for large corporations whose sprawling software estates are too unwieldy for manual reclaim.

**Average Software Waste by Company Size**

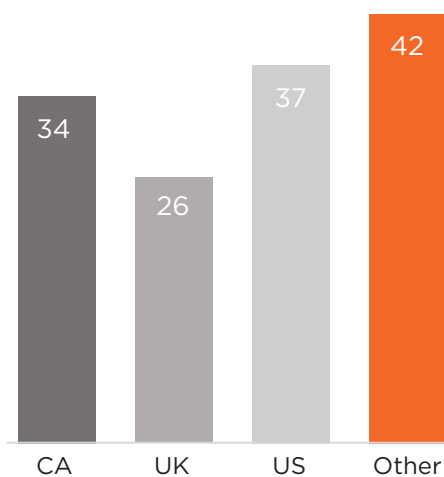


## Average Waste by Country or Region

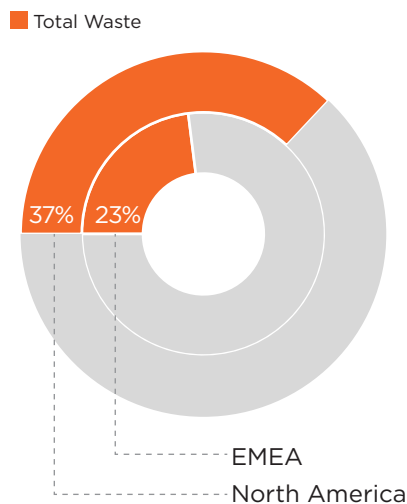
US companies have the highest rate of software waste at 37%. In comparison, the UK has an average of just 26%. This reflects the fact that the UK is a global leader in waste reduction and has had processes in place to reduce software waste for many years. In the US, waste reduction processes and software asset management programs are less sophisticated and lag behind their UK equivalents when it comes to software request approval processes and self-monitoring.

Nonetheless, UK firms are still squandering over a quarter of their software spend—despite operating in a region dominated by austerity politics and economic proximity to the Eurozone crisis. Once again, this can be attributed to the use of manual reclaim processes, which can only go so far when it comes to eliminating waste.

**Average Software Waste by Country**



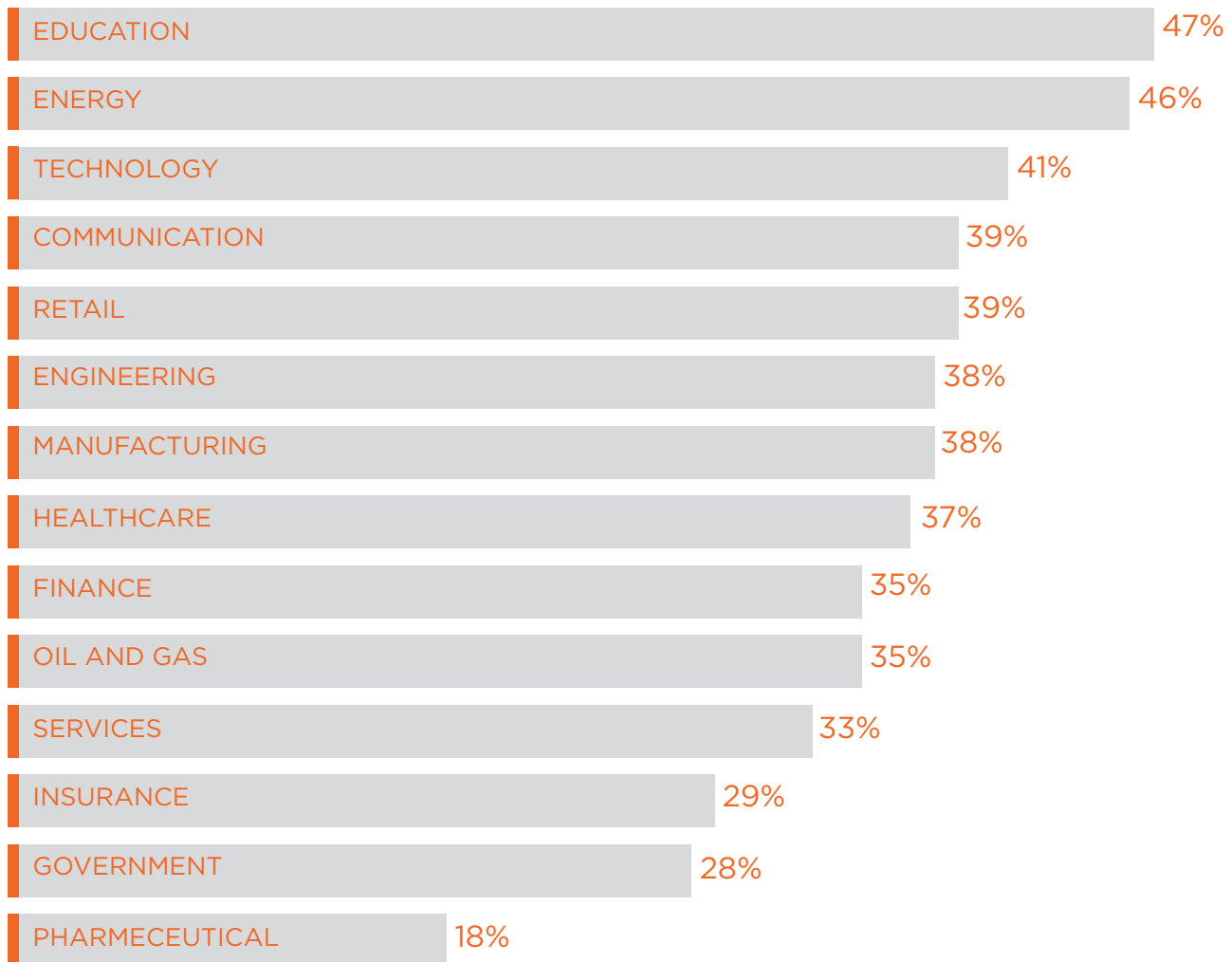
**Average Software Waste by Region**



# Average Waste by Industry

One of the big surprises in the report is the amount of waste within the education sector—which is often subject to tight budgets. As with small organizations, this is likely to be a case of inadequate resourcing for software asset management. It's also worth noting that educational software is more frequently re-issued than many other types, a circumstance which can lead to software sprawl.

## Average Waste by Global Industry



**28%** of IT spend occurs outside of IT (Shadow IT) and is expected to grow.

Revenue-motivated audits increasing for organizations of all sizes and industries.

**66%** received audit request(s) last year

**51%** of CIOs are concerned that the digital torrent is coming faster than they can cope.

# Conclusion

As our report shows, software waste hasn't decreased. A lot of the problems caused by waste in this area can be addressed by adopting automation, however software asset management (SAM) professionals often find it impossible to secure budget for automated based merely on the spectre of risk. Once the risk turns into disaster, things suddenly become a lot more painful and considerably more costly to deal with.

The vital step is to present a solid business case—based on the organization's own business data—which will reveal not only how much the organization stands to lose if no action is taken, but also how much it could gain by changing its habits. Having this data in hand empowers the IT department to secure executive sponsorship—and the all-important budget.

This is where 1E's free Software Intelligence Tool comes in. In seconds, its Software Waste Analysis Dashboard provides instant access to information such as:

- How much software you are wasting
- An analysis of how much software can be saved
- Examples of what that reclamation could mean for the business in terms of investment in innovation

Armed with this business case, IT departments and financial decision makers will finally have a solution to the pressing problem they have been ignoring for years. The end result is a transformation—into a brand that can adapt to its environment and defies all the industry statistics.





# Measure Your Risk Today

Find out where your risks lie and provide your decision-makers with a concrete business case today. 1E's [Software Lifecycle Intelligence tool](#) is free of charge without obligation and provides you with access to two dashboards of data that reveal how your software estate measures up in terms of both risk and waste.

[Download Now](#) at [www.1e.com/intelligence](http://www.1e.com/intelligence), or contact our specialists for more information.

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