



## The Truth About Wasteful Spending on Software

### How to Stop Giving Your Software Vendors Money for Applications you Don't Use

The dirty little secret of software licensing is you are buying more software than you need from the major software vendors. Why? Because neither they nor you have practices in place to ensure you only buy what your user's need to do their jobs.

A fair software license agreement would allow your company to pay for software that your employees are actually using. Indeed, most software vendors pay lip-service to this idea of paying for software on the basis of usage. Unfortunately, the tools that are available either from the vendors themselves, or in the form of Software Asset Management products - are incapable of accurately measuring usage. Consequently, software companies resort to the metric that they can measure and control whether the product is "installed". After all, it wouldn't be installed if someone didn't need it; right?

The assumption is deeply flawed to the benefit of the software vendor and to the financial detriment of your company.



Coupled with ease of installation and the difficulty of policing a large user community, these software assets are the only IT assets that can self-replicate. With software agreements based on physical installations, this creates a substantial unexpected financial liability for your company. Software companies know this. They also know that the reports generated by Software Asset Management (SAM) tools will support their position in any subsequent "true-up" negotiation.

You are acutely aware that software licensing, maintenance and support fees are a very significant portion of your IT budget. Your IT managers tell you that software licensing is under control, but all they are able to do with existing Software Asset Management (SAM) tools is manage the process of license compliance and not the process of managing costs.

Imagine if you could learn exactly what software applications your employees need to do their jobs. Your IT department could make significant improvements in the utilization of the software your company already has. Your purchasing department could stop buying software your company doesn't need or already owns. Your company could retire unused software or recycle it across your company and create a pool of licenses from software you have already purchased and significantly reduce future software spending. It is likely that you can lower operational software costs by 20% to 40% in just the first year and continue saving for years after that.

To do this, you need detailed and unbiased software usage information derived directly and automatically from your IT environment and not from vendor estimates, or your IT department's SAM tools. Once you have this information, you can see the many ways to save your company money and stop giving software companies money for applications that you don't need.

“CIOs are struggling with the fact that so much of their budgets are consumed by maintenance and support commitments for utilities, and they are looking for ways to cut that back, to free up funds to innovate the business, as required by their CEOs.

IT organizations face pressure to reduce costs permanently. This has often been achieved in hardware and services, but not in software – the only IT market that sustains 75% to 80% gross margins, and 25% to 35% net margins.

When many companies struggle to make 25% to 30% gross margins in their core businesses, it becomes increasingly difficult for software procurement specialists to claim to be doing an excellent job.”

Gartner Analyst William Snyder

### Software fees really add up

When you wrote the checks to your software vendors this year, did you wonder why the costs are so high? If you did, you aren't alone. Most financial executives wonder why they are spending so much money on software, even as the costs of hardware and networking continue to drop.

Despite your misgivings about the cost of software, you'll still sign the check. What choice do you have? Your company's business processes are totally entrenched in these enterprise applications. You can't very well remove Oracle Financials or SAP Supply Chain Management overnight and replace them with less expensive alternatives; the process of uprooting your business processes is too complicated and costly. The fact of the matter is you *need* your chosen software applications to conduct your business and the software vendors understand that. License agreements are almost always structured such that typical SAM processes will reveal the need for the highest level of entitlement. Stated differently, current license agreements and SAM practices are virtually guaranteed to make you buy more software than you need.

And it's not just the cost of licenses; annual maintenance fees for installed software commonly range from 17% to 22% of the original price of the software and these fees increase annually. In just a few years, the cumulative maintenance fees can far exceed the original software cost.

IDC reports that in 2005, maintenance fees paid by companies like yours represented 41% of the revenue streams of software companies. This figure is expected to grow to 46% of software vendors' revenue by 2010. Collectively, software buyers will pay \$137 *billion* in annual maintenance fees by 2010.

Yes, you are spending too much on software, perhaps by millions of dollars annually because your purchasing is out of alignment with your company's real needs. Unfortunately you don't know how far out of alignment because no one is giving you this information.

### Wasteful spending totals hundreds of dollars per PC

How vast is this over-spend? Working directly with enterprise organizations to assess their IT environments, Scalable Software has ascertained that businesses over-buy licenses for 60% of their software portfolios and are non-compliant on another 30% of their software assets. Even organizations with tight purchasing controls over-spend on license agreements. Scalable's studies have shown that, on average:

- 82% of the PCs that have Microsoft Office Professional edition installed don't need all of the applications of this expensive high end suite.
- 84% of the PCs that have the full Microsoft Visio package installed use it in read-only mode or not at all and could suffice with a free document viewer.
- 90% of the PCs that have Microsoft Project installed don't need it at all.
- 92% of the PCs that have the full package of Adobe Acrobat don't need it at all and could suffice with just the reader.
- 8% to 10% of the workstations do not need Microsoft Office at all.
- Just for the software applications listed above, the average over-spend on a "per machine" basis is \$369.

*Data source: Actual customer assessments conducted by Scalable Software*

For an organization with 10,000 PCs, the over-spend can amount to more than \$3.5 million over a period of five years on maintenance alone. When you add in the cost of buying new copies of software that could easily have been recycled from unused copies already licensed, the over-spend grows exponentially. Even smaller organizations buy more software than they really need. While that money is already out the door, there are ways to significantly reduce further spending and eliminate the financial liability of non-compliance with license agreements. Scalable Software has a proven process to deliver the asset intelligence that allows most companies to reduce the software element of an IT budget between 20% and 40% in the first year alone.

### You need precise information to make informed business decisions

Your IT department leaders might tell you they have license metering capabilities in their IT asset management (ITAM) tool. IT professionals use ITAM software to efficiently distribute, configure and control software applications and hardware devices. Such tools typically include a robust set of services to assist in the day-to-day operations of a networked computing environment. These services are essential to keeping an IT environment operating efficiently.

However, ITAM tools don't address the financial interests of software licensing. They provide only rudimentary (and often inaccurate) information about the true usage of software that is installed in an enterprise environment. The data simply isn't reliable enough for high-stakes financial negotiations and worse can lead to significant over-spend if relied upon.

There is a better, more accurate way to get the information that allows you to make fact-based business decisions about your IT assets and spending. Survey™ from Scalable Software is an IT Value Management application that provides detailed, comprehensive true usage information for the software, hardware, printers and monitors in your organization. Using Survey, it's possible to accurately identify unused and under-utilized hardware and software assets, and reduce IT spending by eliminating unnecessary maintenance obligations, reallocating existing software licenses, reducing annual true-up costs, and cutting back on support needs. Survey also aids in risk management, as it identifies areas of non-compliance with license agreements that can leave your company liable for huge unplanned software purchase costs and fines.

Survey utilizes unique, class-leading usage tracking technology that detects and analyzes end user keystrokes and mouse movements (1) to ascertain actual user interaction with an application, versus the dangerously inaccurate "open/close" detection capabilities used by ITAM products. In addition, Survey has the ability to determine the difference between the need for a "reader" and a "writer" application based on actual usage, which addresses the question "Could the expensive full application license be replaced by a 'read only' version of the software?"

(1) Note that Survey is not a keystroke logging application. Survey simply detects enough keystroke and mouse activity to determine the usage level of an application. The privacy of a worker's data and activities is never compromised.

“Finance functions will need to play a bigger part in making strategic IT decisions as financial considerations – such as levels of capitalization and cash flow – become critical to making IT decisions.”

David Mitchell Smith,  
VP and Gartner  
Fellow, Gartner Inc.

Unlike ITAM tools that configure and manage PCs and software, Survey’s asset intelligence provides a *business view* of the computer systems and software that are installed in your enterprise. The asset usage reports provide the insight you need to work proactively with the IT and Purchasing departments to:

- Stop the over-buying of software licenses
- Remove the cost burden of maintaining and supporting under-utilized software and hardware
- Gain fair value from annual software license reviews and “true-up” negotiations
- Reallocate unused or under-utilized software instead of buying additional licenses
- Replace full versions of software titles with read-only versions for workers using the software in that capacity
- Achieve accurate compliance with vendor licensing and eliminate potential liability
- Accurately schedule the retirement of older, legacy applications
- Accurately plan your IT budget for the next year and forecast future budget needs
- Plan the strategic deployment of new applications and IT infrastructures, such as application virtualization

## How Survey works

Survey is a web based application which uses a non-intrusive software agent on each of your organization's client PCs to determine true application usage based upon a degree of keystrokes and mouse movements. This data is submitted to a central database on a daily basis, where it is aggregated and analyzed to produce insightful, easy-to-understand management reports. The unique features of Survey are:

- Its ability to recognize precisely which applications are used, how they are used, for how long and by whom.
- Its focus on business needs – on producing usable reports easily interpreted by a non-technical audience.
- Its ability to integrate with ITAM tools to take actions necessary to uninstall unused software, or replace premium implementations with free or low cost viewers

Installing Survey and doing the initial inventory and analysis can show you some “quick hit” opportunities to reduce costs. The value of Survey becomes more evident as you collect data over a longer period of time. The more usage data collected over time, the more the patterns emerge about how your company uses various hardware and software assets. This analysis allows your company to optimize your procurement practices and IT policies in order to sustain the maximum return on your IT investments.

Survey is not a replacement for ITAM or SAM tools; rather, it is complementary. ITAM tools are necessary to control the technical aspects of the IT environment. Survey is necessary to control the financial aspects. What's more, the products are used by different people to achieve different results. IT professionals need their ITAM tools to optimize performance from the IT assets and their SAM tools to ensure they understand exactly what software they are entitled to use, while financial experts need Survey to ensure they only buy or maintain exactly what technology the business needs.

“No one wants to admit that they've overspent thousands of dollars in company funds for unnecessary IT asset purchases.

Survey helps us prevent these types of dilemmas, by identifying usage for our software, hardware, and printer assets, before we make important purchasing decisions.”

Michael Page  
Chief Manager Open Systems IT

St. George Bank

## How four Scalable Software customers used Survey's business intelligence to reduce costs and save money

The detailed usage intelligence that Survey provides can be used in many ways to drive your IT and business strategies. Below are four real-life examples of how Scalable Software customers have used Survey to derive significant savings and other business benefits.

### Country Energy

#### *The Challenge*

Country Energy is one of the largest energy retailers in Australia. The company wanted to reduce operating costs to help ensure a high level of customer satisfaction. Facing a round of PC hardware updates, Country Energy wanted to understand how employees use their PCs, and to know which workers needed \$2,500 high end PCs and which could get by with \$1,200 basic PCs.

#### *The Solution*

Using Survey, the company analyzed the use of software applications, and this helped determine the “power users” who needed the high end PCs. For the rest of the employees, the less costly basic PC would suffice.

#### *The Results*

The company was able to avoid spending \$100,000 on hardware it didn't need. “By measuring which applications are required and the amount of time used, Survey helps us easily determine the appropriate amount of computing power required. Equally so, Survey provides us with a mechanism for accessing which machines and printers should be redeployed, reallocated, or retired,” said Phil Hayes, manager of Information Services, Country Energy.

## A leading healthcare systems provider

### *The Challenge*

This company is a leading provider of healthcare information systems for hospitals, independent laboratories, physician practices and long-term care providers. The company wanted to gain an accurate inventory on enterprise hardware, software and server-hosted applications and locate areas for lowering IT costs. They wanted to be sure they were optimizing their investment in all existing and future IT infrastructure purchases.

### *The Solution*

Having tried other asset management tools that produced disappointing results, the company deployed Survey in just 20 minutes to 1,000 PCs and began receiving insightful information in only an hour. With Survey, the healthcare systems provider now has timely, accurate license information to guarantee compliance and ensure software is not installed on unused hardware platforms. Survey not only enables them to understand what's been purchased and installed, but also allows the company to forgo new purchases by redeploying unused software. "It's a great tool for me to know whether to redeploy, retire, or renegotiate," says James, the PC Operations Manager.

### *The Results*

The company was able to lower its purchasing budget request by \$1.2 million in a single year. The money saved by reducing new purchasing costs is considered direct profit, and greatly contributes value to the company as a whole. "As the PC Operations Manager, I frequently receive requests from employees about why they want and need a new machine and/or software," says James. "By running software and hardware utilization reports I can now easily evaluate if these purchase requests are warranted, and if in-house under-utilized assets can be redeployed to satisfy the request. My job is to scrutinize every request for new software and desktop machines, and Survey helps me do that."

## An oilfield services company

### *The Challenge*

This company is one of the leading oilfield services companies in the United States. Because of the nature of its business, the company is considered part of the critical infrastructure for U.S. oil production. The company has a mainframe application that requires user access via a web application at the PC level. The license agreement for the mainframe software allowed for a maximum of 150 concurrent users. When a new department added 50 people as new users of the application, the software company claimed the customer failed to purchase seat licenses for these users and assessed an additional fee of \$150,000.

### *The Solution*

The customer used Survey to determine precisely how many employees concurrently access the mainframe application. This information was revealed by analyzing the number of concurrent users of the web application at the PC level. It turns out that peak concurrent usage was 27 people – far fewer than the 150 seats that had already been licensed.

### *The Results*

Survey provided indisputable proof that the company was in compliance with its license agreement, and so the software company withdrew its demand for the additional \$150,000. What's more, the company reduced its number of concurrent licenses from 150 to 50, saving a significant amount of money on license fees. In the end, the customer saved hundreds of thousands of dollars on this one license agreement alone. When implementing Survey from Scalable Software, this customer expected to achieve a sufficient ROI in five years time to justify the purchase of Survey. In fact, the company achieved 200% ROI in just 90 days. The company expects to reap further benefits as it finds new use cases for the insight Survey reveals.

## A leading semiconductor manufacturer

### *The Challenge*

This manufacturing company's 24,000 employees serve more than 10,000 customers all around the world. The company has an extensive IT infrastructure. To make it more convenient for employees to get the software they need, the company set up "automatic approval" status with its software reseller for a number of common software purchases. When an employee would submit a request for any of these packages, the reseller would simply send the software. No procurement analyst ever challenged the need for the software. A corporate executive questioned this practice and wondered if costs were being incurred unnecessarily.

### *The Solution*

The company reviewed a year's worth of its software purchases and realized that, on average, it would buy 23 copies of Visio, 26 copies of Microsoft Project, and 85 copies of Adobe Acrobat monthly. Using Survey, the company analyzed the desktop environment and discovered it had many installed copies of those software products that weren't even being used. In fact, there were enough under-utilized copies of those exact software titles to redeploy them as users made requests and quit purchasing new licenses for several years.

### *The Results*

The customer now reallocates unused copies of software packages when an employee requests a title that is already in-house. The company is saving more than \$250,000 a year by not purchasing new licenses.

### Put asset intelligence to work for you

Your company has a substantial investment in hardware and software assets. A significant portion of those assets are under-utilized and not providing the value you paid for. Moreover, your company continues to incur annual maintenance and support fees on software that isn't even used, throwing good money after bad, bolstering the software vendors' profits for no good reason. Survey from Scalable Software will identify precisely which assets you can target to redeploy, retire, or replace with viewers or reports, thus increasing your return on investment.

Let's get IT and Finance together on the same path to saving money, have a conversation with Scalable representatives, the CFO and the CIO in the room. We'll discuss how Scalable can quickly provide you with detailed reports and real asset intelligence from your own environment to allow you to see your savings opportunities. There is no obligation to buy anything to get the initial reports. But once you see the insight you've never had before, we're confident you'll find good value in your Survey asset intelligence.

"Why don't the big software companies provide this kind of information? We all know the answer – they don't want us to have this information."

Director of IT  
Infrastructure, Oilfield  
services company



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