

Compliance Equals Savings

Maximize Software Cost Savings by License Reharvesting, Recycling & Applying Product Use Rights

Software asset management (SAM) is a complex process that enables organizations to gain control of their software estate from both a license compliance and financial standpoint. In many organizations, SAM represents one of the few remaining ways that substantial IT savings can be realized. Analysts estimate that 30% or more of IT budgets are consumed by software license and maintenance costs. By optimizing the SAM process, organizations can maximize software utilization, reduce the risk of non-compliance (audits, fees, penalties), and reduce software costs by as much as 15 to 30% per year. But, where do these cost savings come from? Re-harvesting unused licenses and recycling licenses from retired hardware are techniques that yield significant savings. Another approach that is frequently overlooked is the application of product use rights (PUR).

Product use rights define where you can install the software (laptop, desktop, server, virtual machine, etc.), how it can be used, and whether you can freely upgrade or downgrade between versions. You cannot determine an optimized vendor license position, without taking PURs into account. PURs provide benefits that are often untapped. If properly applied, product use rights can significantly increase IT savings.

License agreements & license types

Product use rights are specified in the license agreement that accompany the software. Many organizations purchase software under volume agreements, such as Microsoft Enterprise Agreements (EA) and Select Agreements. Volume agreements provide a way for organizations to get a discount on their software purchases. Software may also be purchased as full packaged product (FPP), meaning off the shelf in the shrink-wrapped box. And some software, for example the computer operating system, may be purchased as part of the

bundle that comes with the hardware (an OEM license). Each type of license agreement (volume, FPP, OEM, etc.) provides different product use rights. Another factor that must be considered is the vendor's maintenance plan—for example, Microsoft offers Software Assurance (SA), which is a standard part of EA, but is optional for Select Agreements. PURs change depending on whether SA is in effect.

There are many license types that can come into play—user-based, processor-based, site licenses, and more. The license type can also dramatically alter the consumption of licenses. Organizations need to understand and optimize with respect to their license agreements and license types.

Common product use rights

Now that we have introduced the above license agreement alphabet soup, let's take a look at some common product use rights. These include: upgrade, downgrade, multiple versions and second use rights. Upgrade rights allow the organization to use the latest version of the software as soon as it becomes available, at no additional cost. This right is included in all Enterprise Agreements, and is provided by Software Assurance (SA) as well.

Downgrade rights allow you to purchase the license to a newer version of the software, but run an older version on your computer. Many businesses have purchased Visio 2007, but have installed and run Visio 2003 on their desktop computers. Unless you apply downgrade rights in your SAM system, it is difficult to reconcile the Visio 2007 license purchases against the installed inventory. This can result in what appears to be an over-purchase of Visio 2007 licenses and a license breach for Visio 2003.

The multiple versions right allows users to run more than one version of the software on the same computer.



Application of this right means that you won't be liable for additional licenses during a true-up, as would be the case if you simply counted and compared installations to purchases. The simple counting method would consume two licenses for two versions of the same software on any single computer, while the PUR approach would consume only one.

And lastly, second use rights allow the user to have one copy of the software on their desktop computer, and a second copy on their laptop computer. MS Select Agreements provide this right, but EA's do not. Once again, the "counting and comparing" method of license reconciliation would lead your organization to believe that it has many more copies of the software installed than licenses purchased when users have both a desktop and laptop computer with the same application installed.

It's easy to see that product use rights can significantly impact an enterprise's license position. Organizations must understand PURs and take full advantage of their benefits to avoid over-spending on licenses and associated maintenance.

Example software cost savings scenario

Let's take the case of a hypothetical mid-sized insurance company that has the following IT hardware and software profile: 10,000 PC's (desktops, laptops), 500 servers, and total software spend per year of \$4.1 million (\$12.3M over the three year term of a typical volume agreement). The software costs are allocated as shown in the table below.

Now consider the cost savings that can be attained in year 1 by proper allocation of licenses based on PUR for PC licenses purchased under MS and Adobe volume agreements. Under MS Select Agreements, as noted above, second use rights may be applied to all those users who have both a desktop and a laptop—let's say only about 10% of the users fall into this category. Since MS Select PC spend is about 25% of the total, the potential savings is 2.5% (10% x 25%). If Adobe and other vendors account for another 12% of the PC spend for licenses that include second use rights, then an additional 1.2% (10% x 12%) savings is possible. This means that 3.7% of the PC software cost can be saved by correctly applying second use rights. Multiple versions rights apply to MS EA and Select, as well as Adobe and some other vendor licenses.

Another 3.7% savings can be achieved by applying the multiple versions right to PC software spend if we assume that only 4% of computers have multiple versions of software installed. Total PUR savings is therefore 7.4% of the PC software budget.

If just 5% of users have unused software that can be re-harvested and an additional 10% of licenses from retired hardware can be recycled, that's another 7.5%. (For example, if 25% of PCs are refreshed each year and 10% of software on those computers can be recycled then there is a 2.5% savings opportunity from recycling. 2.5% + 5% (for re-harvesting) = 7.5%). Adding it all up, we find that nearly 15% of the PC software spend can be saved with an optimized SAM process. For this hypothetical company, the total PC software savings would be approximately \$1.8 million in the first year, with about half of the savings due to application of PURs. Additional savings can be achieved on the server software spend such that total first year savings is about 20% of the total software budget.

SAM optimization requires automation

Very few SAM tools on the market today provide the extensive set of built-in libraries and license optimization functionality necessary to automate this complex process and reap the maximum IT cost savings. Look for tools that provide a comprehensive application recognition library (ARL), a stock keeping unit (SKU) library that ties purchase data to software installations, and a product use rights library (PURL) that automates the process of applying use rights and determining an accurate vendor license position.

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Insurance Company IT Profile Showing 3-Year Software Spend

	MS EA Software Spend per PC/Server	MS Select Software Pay as you go (Avg. per PC/Server)	Adobe Software Spend (Avg. per PC/Server)	Other Software Spend (Avg. per PC/Server)	Total Spend Before Optimization
PCs (10000)	\$600	\$250	\$100	\$150	\$11,000,000
Servers (500)	\$1500	\$400	\$0	\$800	\$1,350,000
					\$12,350,000