

WHITE PAPER

How Enterprisewide Software Deployment Can Help Optimize Resources

Sponsored by: Adobe

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IDC OPINION

In today's tough economy, the ability to reduce IT spending and maximize IT budget is an absolute necessity that results in a challenging balancing act: Workers need tools to get their jobs done effectively and efficiently, yet the budget for these tools is diminished. One way of achieving balance might be a centralized IT approach including standardization for certain desktop tools. There are many different ways of applying standardization to a desktop software deployment approach. IT should conduct a broad analysis to uncover the types of tools that are valuable to users across the enterprise. This is the starting point for a standard desktop specification and the associated benefits:

- ☒ Evaluating and purchasing a desktop application for an entire organization at once requires two-thirds less time and cost than purchasing the software in individual or small groups.
- ☒ As well as the pricing benefits of purchasing in volume, centralizing purchasing can help rationalize software inventory through improved tracking, helping to avoid purchasing more software than is needed.
- ☒ Building version uniformity into the environment via enterprise licensing can help customers manage their software portfolio and streamline deployment.
- ☒ Users of multiple versions of unmanaged software tend to have 43% more calls to the service desk and require desk-side service. Furthermore, proliferation of multiple versions of unmanaged software drives compliance, compatibility, and control costs up by 30–40%, adding a 20% total overhead for desktop management.
- ☒ A total cost of ownership (TCO) analysis showed that enterprise licensing saves IT organizations \$127 per license in IT labor costs. In addition, the study found that on average 373 seats is the breakeven point where an enterprise license becomes more cost-effective than individual software licenses.

METHODOLOGY

The basis for this white paper is IDC's ongoing research into the best practices of enterprise software license programs, specifically those offered by leading desktop software providers. Our research includes interviews with software publishers as well as their partners and their customers to understand key attributes and benefits of enterprise licensing.

In addition, IDC conducted three in-depth interviews with Adobe Acrobat 9 customers.

Definitions

When considering volume license offerings, IDC reviews the characteristics of several agreement types. In general, these volume agreements fall into one of two categories: enterprise or transactional:

- Enterprise agreements** are signed by organizations that standardize on a specific software product for all their users in a specific geography. Customers that purchase via enterprise agreements qualify for an ISV's highest discount levels. Definitions of what constitutes an enterprise vary.
- Transactional agreements** have low minimum purchase requirements and reward customers with tiered discounts for volume purchases.

In general, the following are characteristics of these programs (see Table 1).

TABLE 1

Standard Volume License Offering Characteristics

Volume License Offerings	Transactional Agreements	Enterprise Agreements
Products included	All commercially available	Most/all (Sometimes there are exclusions.)
Customer size	Small/midsize*	Midsize/large*
Customer profile	Small to medium-sized customers; purchase generally on a transaction basis; no contract with vendor or long-term commitment; purchases typically limited to a single geography	Designed for medium-sized or large national and/or multinational customers deploying a significant volume of the vendor's product
Customer benefits	Access to products plus support from a single source; low minimum purchase requirements with incentives for larger orders; no up-front negotiations or contracts required	High-volume software license program that offers substantial discounts; designed to reduce the cost of evaluating, acquiring, maintaining, upgrading, and managing the vendor's software

TABLE 1**Standard Volume License Offering Characteristics**

Volume License Offerings	Transactional Agreements	Enterprise Agreements
Volume hurdles/price levels	Based on points or dollars; typically no minimum requirements; total points on a customer's initial order determine the volume purchase level for the specified time period; may have tiers based on program level points that determine the discount	Based on points or dollars; minimum points requirements apply; total points on a customer's initial order determine the volume purchase level for the specified time period; numerous program level point breaks to determine discount levels
Payment options	Up-front payments	Up-front or annualized payments
Software maintenance options	Maintenance and support available at the time of purchase; coverage is for a specified time period or the end of the agreement term, whichever occurs first	Maintenance and support typically included with the volume purchase
Sales channel	Resellers	Direct and resellers
Reorder minimums	No minimums	May have reorder minimum based on points or dollars
Penalties for failing to meet minimums	No penalties; initial purchase determines the level of discount	Initial purchase determines the level of discount; this initial discount may be revoked if forecast purchase amounts are not met
Product fulfillment	Electronic delivery or physical media, depending on vendor capability	Electronic delivery or physical media, depending on vendor capability

Note: 0–99 employees = small; 100–999 employees = midsize; 1,000+ employees = large

Source: IDC, 2009

While the benefits of transactional programs center on the volume discounts, standardizing on desktop software via an enterprise agreement brings the benefit of discounts as well as a host of other benefits. Enterprise licensing agreements are the focus of this white paper.

IN THIS WHITE PAPER

This IDC white paper sponsored by Adobe describes the benefits of enterprise standardization for desktop software applications that are widely used across the enterprise. Reasons for standardization, including key qualitative and quantitative benefits, are discussed.

SITUATION OVERVIEW

There is an interesting debate in the industry today over whether a centralized or decentralized IT strategy is superior. The net of this debate is that centralization, including the ability to take advantage of related benefits such as desktop software standardization, should be balanced with an understanding of the software needs of the individual user. In other words, central IT should not mean monolithic IT.

In most enterprises, one will find a variety of applications spread across different groups. Individual users have preferences for what types of applications work best for them, and they are savvy enough to know how to get a hold of them on their own. Of course, this approach of a single user or even a department purchasing applications on its own may have merits if it allows users to get the tools they need to do their job in a timely fashion. This is especially true if the deployment of the tools is limited to a single user or a small group of users. However, the "onesie twosie" approach stops making sense for the company as a whole very quickly.

Once the group of users grows beyond a certain point, a centralized IT approach including standardization for certain desktop tools makes the most sense from a cost and administration perspective. Some software publisher's volume programs kick in at a minimum of five desktops, allowing even seemingly small deployments to take advantage of transactional licensing programs.

There are many different ways of applying standardization to a desktop software deployment approach. Broad analysis and consideration will be necessary to uncover the types of tools that are valuable to users across the enterprise. This is the starting point for a standard desktop specification and the associated benefits.

THE BUSINESS VALUE OF ENTERPRISE LICENSING

IDC constructed a TCO analysis using two sources:

1. IDC's business value database, which draws from the experiences of hundreds of companies regarding IT support requirements for deployment and management of desktop software
2. Interviews with customers that migrated from individual to enterprise-level licensing (IDC obtained both quantitative information and qualitative information about customers' experiences with enterprise licensing.)

Since shifting to enterprise licensing agreements, companies have experienced stronger business relationships with vendors and a reduction in licensing costs stemming from improved efficiency in the IT organization.

The primary benefits of enterprise licensing are driven by the efficiencies inherent in managing software in an integrated fashion. Highlights include:

- ☒ **Procurement.** Evaluating and purchasing a software for an entire organization at once requires two-thirds less time and cost than purchasing the software in individual or small groups.
- ☒ **Deployment.** Desktop software deployed as part of an image requires one-third less time than individual deployments outside the image.
- ☒ **Administration and maintenance.** Proliferation of multiple versions of unmanaged software drives compliance, compatibility, and control costs up by 30–40%, adding a 20% total overhead for desktop management.
- ☒ **Help desk.** Users of multiple versions of unmanaged software tend to have 43% more calls to the service desk and require desk-side service.

Table 2 displays the average IT staff productivity advantages of enterprise licensing.

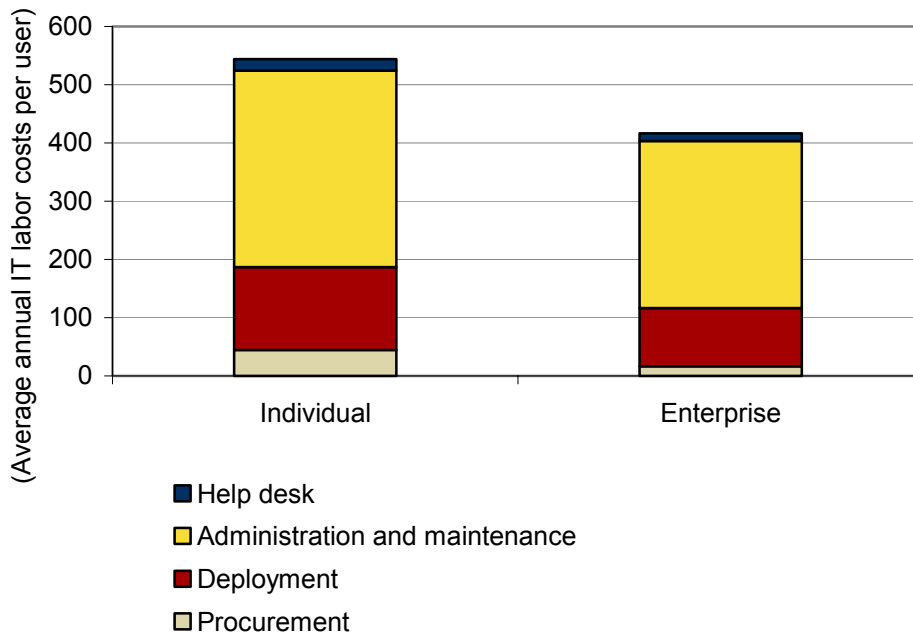
TABLE 2	
Percentage of IT Staff Savings	
Procurement	63
Deployment	34
Administration and maintenance (includes maintaining PC images, user administration and provisioning, deploying applications, patch management and deployment, compliance, downtime recovery)	44
Help desk	43

Source: IDC, February 2009

Figure 1 shows that the primary IT labor cost with regard to licensing is administration and maintenance (65% of total cost). A cost comparison between individual purchasing and enterprise-level purchasing reveals a 15% reduction in administration and maintenance costs, which drop from \$337 to \$287 per user. Organizations experience the greatest percentage reduction in procurement costs — a 63% savings. In total, enterprise licensing reduces IT labor costs by 23% on average.

FIGURE 1

Benefits of Enterprise Licensing (\$)



Note: The IDC model is based on U.S. labor costs. The percentages of labor savings are the same in each country; however, the total value of labor is tied to the average labor rate, which is 5% higher in the United Kingdom and Germany and approximately 25% lower in Japan. Differences are caused by average regional IT salaries.

Source: IDC, February 2009

When evaluating licensing agreements, customers considered costs per number of users, ease of transition, possible impact on user productivity, and value over the term of the contract. The majority of customers in this study contracted for enterprise licensing agreements for between two and four years.

Summary of Key Benefits

Volume Discounts

It is no secret that one of the key customer benefits of desktop software standardization is volume pricing discounts that typically increase with commitment. In addition to reduced license costs, volume discounts derived from standardization can reduce external product support or software maintenance costs.

As well as the pricing benefits of purchasing in volume, centralizing purchasing can help rationalize software inventory through improved tracking, helping to avoid purchasing more software than is needed. This also increases the predictability of purchasing, since most agreements will require that customers audit themselves only once a year and typically renew every few years.

Total Cost of Ownership

The value of enterprise licensing goes beyond the license fees alone.

According to IDC, on average, companies that have implemented enterprise licensing save \$127 per user on license management annually. The savings on management cost suggest companies may consider purchasing enterprise licensing even if their number of users is lower than the minimum number of seats required for the contract. Figure 2 illustrates the comparison between the total licensing fees for individual licensing and enterprise licensing. The enterprise license curve in Figure 2 is based on:

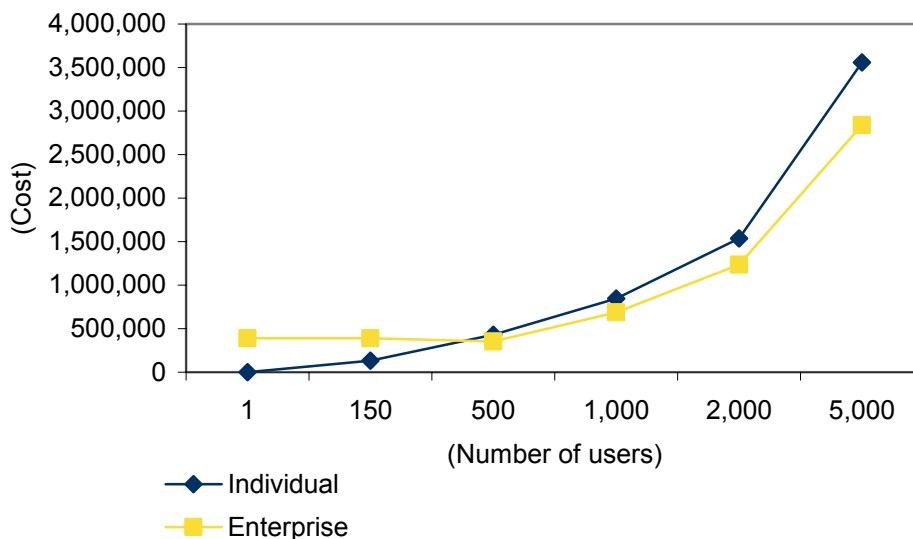
- ☒ Companies having a minimum of 500 seats at a cost of \$300 per seat
- ☒ Enterprise services accounting for 20% of per-seat fees
- ☒ An enterprise licensing progressive discount that increases at 150; 500; 1,000; 2,000; and 5,000 seats

Given the parameters in this study, companies of any size should consider enterprise licensing when their number of seats approaches the breakeven point: 373 seats.

Figure 2 shows the number of users at which enterprise-level licensing costs become less expensive per user compared with individual purchasing.

FIGURE 2

Breakeven Point for Enterprise Licenses (\$)



Source: IDC, February 2009

Create a Partnership with the Vendor

A key benefit of standardization via enterprise licensing is the ability to create a partnership with the software vendor. Rather than being viewed as an individual user in the eyes of the ISV, the customer is viewed as an enterprise and therefore exercises a greater degree of influence. This influence can help drive the publisher to provide more enterprise-ready software, as an example, if this is what is needed.

Some publishers offer price protection as a key benefit to customers that purchase via enterprise agreements. Prices are protected during the contract term and remain fixed, unless a list price decreases, in which case the customer's purchase price also decreases.

Customers that enter into enterprise agreements are typically provided with a dedicated representative who ensures the delivery of an increased range of services to the company. One customer IDC interviewed for this white paper mentioned, "They deal with us as a company versus as single users. There is more deployment support, and they are quicker to respond to our requests."

Improved Internal Support

With enterprise standardization and centralized management, IT can maintain the application more effectively, applying security patches or updates once that can then be rolled out to the entire organization.

Solutions that are based on industry standards can also help promote common architectures for business applications, making it easier to integrate new applications and functionality into core business processes. This interoperability promotes application agility, allowing for rapid response to changing business conditions as well as the ability to more fully exploit all the capabilities of the software.

Building version uniformity into the environment via enterprise licensing can help customers achieve a level set with regard to the number of versions in the environment and streamline deployment. As one customer said, "Version control used to take up a lot of our time. Before the agreements, it was very hard to understand and see what was out there in terms of licenses." For each new release, the staff would assess the software versions in use, check for compatibility with patches or updates, and then release customized packets for each version.

Customers have been able to reduce troubleshooting time because the IT organization has the ability to view licenses across the entire environment, instead of having to investigate license status on a user-by-user basis. IT organizations can standardize their patching and security process across the environment to help ensure that clients are up to date.

One manager mentioned that in the past, the IT organization was managing patches and security not only in English but also in 11 other languages in the environment. "Any time there was a minor update or version change, that meant we had to reset 12 languages for that version. So that was a huge challenge for us." But since moving to enterprise licensing, this information is available in real time, which reduces IT time required for the deployment. This customer estimated that employing an enterprise licensing strategy has "saved the company at least one FTE per year."

Table 3 shows the improvement in user productivity due to improved internal support.

TABLE 3		
Annual User Productivity Savings per User (\$)		
	Individual	Enterprise
Downtime	25.66	19.25
Help desk	10.40	7.28
Total	36.06	26.53

Source: IDC, February 2009

Improved External Support

Most enterprise agreements or similar volume licensing programs will come with a maintenance and support contract, as well as some training. These service offerings can help maximize the benefits of the software by keeping it current and making sure that users understand how to get the most out of the tools. Better support and maintenance can also help mitigate risk and improve time to market.

Some training is typically offered as part of a vendor's enterprise purchasing program, which typically includes hours of consulting time and Web-based training seminars. Some company managers have implemented annual training programs based on materials available through internal company portals. Oftentimes, this training is delivered via the Web, which allows the customer to put the materials on its own internal Web site. One company IDC spoke with has a learning management system in place that allows it to host the training material so that individuals can subscribe to it and take the training at their own pace.

Improved Compliance

Improved tracking of software inventory can also help with compliance. When software acquisition is decentralized, compliance tracking can be a huge headache and time sink. Counting software on individual desktops spread throughout the organization most likely involves manual processes and multiple sources of information, increasing the risk of error.

Another challenge with managing individual copies is keeping inventory. If an individual user leaves the organization, does the organization need to buy another license for the person's replacement? Or can the organization transfer the old license to the new user? These common situations can be very complex. For companies with an enterprise agreement, this situation is greatly simplified. The organization simply has a pool of licenses that it can draw from in this situation and can use it to deploy the software on the new user's desktop with no risk of noncompliance.

Since customers are better able to track and account for licenses, the IT organization avoids purchasing in excess. More accurate reporting on license inventories has improved decision making and resulted in the IT organization purchasing only the

necessary new licenses. One customer said, "Before, we had no way of tracking license status when we hired or when an employee left. There was no way to see the pool of them. Now we're able to see what we need for the users." Another manager said, "We are working on managing the license life cycle and building road maps for those items. We'll know to retire them in the right period of time."

INDUSTRY OUTLOOK

IDC expects the types of benefits discussed in this white paper to be available to an increased number of companies as vendors continue to develop formal software volume purchasing programs that reward the most committed customers. Those vendors with existing programs will likely not make major programmatic changes, especially if the programs have been recently revamped, but will modify the programs based on new customer or market requirements.

In the future, IDC expects to see more of the following elements in volume license programs, including transactional and enterprise agreements:

- ☒ The prevalence of digital software delivery will increase, which will help streamline the distribution process to reduce costs and improve readiness.
- ☒ Vendors will simplify their product licensing documents and make them easier to read and understand.
- ☒ Value-added services will become an increasingly important part of volume agreements with the goal of deepening customer commitment. In some cases, vendors will offer these services directly to customers, and in others, they will enable partners to do so. Examples include expanded training, software asset management, license optimizations, and customer and partner portals.
- ☒ Shorter-term agreements will be favored by some volume customers, especially those that know their environment will be changing in the future. Vendors will respond by licensing to these customers on a one- or two-year term basis, after which the customer can reevaluate its environment in a year and potentially procure a larger or smaller quantity of licenses upon renewal.
- ☒ Vendors that don't do so currently will begin to offer customers and partners the ability to mix and match products and licenses under the same agreement.
- ☒ More flexible licensing scenarios will emerge, such as those that can handle issues such as usage bursts and high/low seasons within given verticals. Technologies used to meter usage will play a key role in enabling this flexibility.

CHALLENGES/OPPORTUNITIES

While volume licensing offerings are designed to encourage customers to make a volume commitment, they are often complex to navigate. In addition, vendors frequently make changes to these programs, and even if they are small alterations, they can potentially have a large and unpredictable impact on customers.

Finally, there are no industry standards for volume license programs, which means that no two vendor programs are exactly alike.

That said, the benefits of adopting an enterprise licensing approach are far reaching. Customers in this study emphasized the need to understand the costs of all company licensing agreements to determine how enterprise-level agreements may benefit the company. Customers advised that companies proactively research enterprise licensing agreements given the services and cost savings they may provide.

CONCLUSION

In today's tough economy, a centralized IT approach including standardization for certain desktop tools can help reduce spending and maximize budget.

Level-setting your environment, consolidating ownership, and standardizing across the enterprise for desktop applications that are useful tools for a large portion of the enterprise represent the best of both centralized and decentralized IT strategies.

IT should conduct a broad analysis to uncover the types of tools that are valuable to users across the enterprise as a starting point. Then, consolidating ownership and standardizing desktop applications across the enterprise represents can result in a host of qualitative and quantitative benefits.

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