Look Before You Leap:

From Legacy Software Licensing to SaaS

Alsbridge

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A Presentation for the SIG Global Executive Summit
Alsbridge, Inc. is an award-winning global IT Advisory firm providing unparalleled expertise in information technology outsourcing, digital platforms solution advisory, business process outsourcing, vendor management and shared services, robotic process automation and benchmarking. The firm is fact-based and client focused with a proven methodology that fosters success. Alsbridge defines client goals and scope, finds the best fit with providers, refines the best solutions, and eases transitions and implementation. Founded in 2003, Alsbridge been recognized as a leading IT Advisory firm by IAOP for the past 6 years.
The “Optics” for today’s topic

- The software and software services landscape is evolving and requires a Sourcing focus that embraces these 4 Pillars:
  - **Innovation:** Sourcing has the opportunity to be a more agile partner with IT and to anticipate the provider business models that will allow more rapid decision-making and the exploitation of opportunity gain by their internal customers.
  - **Consumer-led demand:** Sourcing needs to know the trends that are effecting your IT and business professionals, what providers are influencing the industry and how it can help IT succeed in this new era.
  - **Financial transparency:** Sourcing can be IT’s best ally with respect to helping ensure that software/software services spend is rigorously managed within the context of your known deployed assets and the governing purchase agreements that are used to acquire them.
  - **Mega-Vendor Audit Behavior:** Long gone are the days where publisher audits were the exception, they are now embedded into the standard sales motion and can be extremely disruptive. Sourcing needs to provide more leadership and establish the systems, tools and processes necessary to maintain your negotiating leverage.
Sweet! This is great! Really?

Video is provided by the IBM Corporation
POLL: Audience Input

1. How many of your organizations have already shifted a core business workload to a current SaaS?

   | Human Capital Mgmt. | Sourcing / Procurement | CRM |
   | ERP                  | Service Management      |     |

2. How many of your organizations are evaluating SaaS options versus a traditional core business application expansion or upgrade?

3. If you answered yes to either 1 or 2 above, what is the compelling business driver or outcome your organization is working to address?

   | Modernization | Customer Engagement | Predictive Analytics |
   | BIG Data      | Social Listening    | Price/Performance    |

4. If you answered yes to either 1 or 2 above, who is the primary catalyst, you or your supplier?

5. If you answered no to both 1 and 2 above, what are the circumstances that are keeping focused on non-SaaS alternatives?

   | Lack of Talent | Regulatory Issues   | No viable Solution  |
   | Other priorities| Security & Privacy | Price/Performance  |
Today’s discussion

- There are many items that are essential to the complete SaaS discussion
- Today we are focused on the Business Model of SaaS
- Other Important Topics not Covered
  - The Business Case for SaaS
  - The “Profile” of the Sourcing Team
  - The Architecture & Technical Design Issues
  - The Legal & Compliance Issues
  - The Security & Privacy Issues
Drivers of SaaS Momentum

- The growing use of web-based user interfaces by applications, along with the proliferation of mobile devices
- The popularity of web development has reduced the cost of developing new SaaS solutions
- New solution providers with competitive solutions are challenging traditional vendors
- Accelerated feature delivery and time to market
- Collaborative and Social functionality
- Ability to extend traditional datacenter
Transitioning from Legacy to SaaS

- Major S/W publishers are moving their traditional datacenter workloads to Software as a Service (SaaS)
- Enterprise SaaS workloads have a few important data points that end-users should be aware
- Key areas of required understanding
  - The Business Model
  - Change Management
  - Subscription Offerings and Alignment with Use Cases
  - The Contract Model
SaaS solutions are routinely provisioned as User Subscriber Licenses (USL).

Traditional licensing models such as, Server, CPU, Core, MIPS, Client Access etc. no longer apply.

USLs are typically priced as a monthly charge.

USL term lengths vary from months to years.

Other services that address shared resources and developer needs are new costs that aren’t always understood.

Support becomes increasingly self-service oriented with less support options coming from direct supplier personnel.
POLL: Audience Input

- For those organizations already running a SaaS solution from your incumbent provider, how different was the licensing model from your traditional implementation to the new subscription?
  - Different, but understandable/appropriate
  - Different and more challenging

- How certain are you that the subscription model you signed up for accurately represents the use cases you need to support?
  - Confident we selected the best fit
  - Unsure, but we have the option to change

- How accommodating is your agreement to change the various subscriptions you enrolled in to other less expensive options?
  - We have change options, but on supplier’s terms
  - We can update of options and receive credits for any oversubscription circumstances
Change Management & Implications

SaaS solutions are under the complete control of the provider

- Users must be comfortable with the Providers Interface

The concept of “versioning” is very diluted or eliminated in this model

- Updates to the application happening without new version notice

SaaS solutions typically run with a fixed feature set and only provide “configuration” options versus “customization” options

- There are a limited number of ways to use the solution

Updates to the User Interface (UI) are delivered by the provider when they are ready

- Users need to be ready to handle changes to the application UI

SaaS users need to plan for potential changes in the UI, as well as for the delivery of new changes from the Provider

- Need notice of changes in advance of them happening
SaaS solutions typically provide for different levels of feature access through packaged USLs.

The packaging of USL feature access is intended to address variances in user profiles, or personas.

SaaS Providers are quite clever in their selected allocation of USL feature access in order to push higher-end USLs to more users.

Beyond the individual user subscriptions, SaaS solutions are typically dependent on shared resource subscription services that need to be properly sized.
Contract Model Best Practices

- Aligning SaaS USLs with user personas is a new and challenging process, often done incorrectly at the start.
- Any SaaS solution to which you subscribe to multiple USL types needs to accommodate the ability to adjust those allocations with no penalty.
- Any mobility features the SaaS provider supports needs to be inclusive of the USL and not a separate add-on.
- Your SaaS provider must provide a minimum of 6 months notice to any material change to the service.
- If any pending service change is deemed unacceptable, you need to have the right to terminate for convenience with termination assistance.
- If moving from your current publisher’s on-premise product to their SaaS offering, you need to establish adequate service credits if they fail to meet their SLA.
Moving to a SaaS alternative from your current on-premise workload may indeed have benefits, but it is not a guaranteed success.

SaaS changes the business model in most cases and creates new cost categories not seen in the on-premise model for which you’ll need to plan for.

How you start your SaaS journey may not be how you sustain or grow your use and you’ll need a strategic plan to address that.

Deep expertise is needed to build your agreement so you can realize the full potential of SaaS without being frustrated with expense that does not correlate to value.
**Presenter Bios**

**Bill Huber, Managing Director.** Bill Huber is a Managing Director with Alsbridge where he has led sourcing, benchmarking, vendor management and transformation engagements for leading companies in Healthcare & Pharma, Banking & Finance, Manufacturing, CPG, Media and Insurance. Bill currently leads the Alsbridge Digital Platforms & Solution Advisory Service Line. Previously, Bill led IBM’s Sourcing Managed Services portfolio of more than 30 external customers. Bill was also a Partner at ISG/TPI and Chief Procurement Officer at Wachovia. He is former Chairman of the Board of Directors for the International Association for Contract and Commercial Management and a frequent writer and speaker on sourcing transformation.

**Louis Pellegrino, Director.** Louis Pellegrino is a Director with the Alsbridge Digital Platforms & Solution Advisory Service Line. His IT career spans nearly 35 years with 20 of those years serving with Microsoft Consulting Services and Worldwide Licensing & Pricing. Louis has led licensing negotiation engagements for Fortune 500 companies such as, AIG, Walmart, Best Buy, Home Depot, Target Stores, Kaiser Permanente, JC Penney, McDonalds, HP, Dell, Accenture and KPMG. His negotiation expertise includes, Software, Software Maintenance, Cloud transformation and Professional Services. Louis is a Certified Microsoft Elite trainer and has trained thousands of Microsoft field, partner and customer audiences in all aspects of Microsoft Licensing.
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