APPLICATIONS ON-DEMAND

WHY RENTING SOFTWARE TO YOUR USERS IS THE KEY TO REDUCING COSTS BY REMOVING ORPHAN LICENSES FROM YOUR BUSINESS

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ABSTRACT: This whitepaper sets out the 1E view of how organizations could evolve software 'rental' models for their end users using on-demand downloads to provide users with access to the applications they need, when they need them, driving down costs while also driving up productivity.

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A cautionary tale

"61 percent of enterprise IT managers believe tracking software usage is important or very important to reduce costs and ensure compliance, but most lack the appropriate tools to do so"

Software Pricing and Licensing Trends Survey IDC, October 2009

After people, the second biggest cost in any IT budget is software – typically accounting for more than 30% of total IT spend. But as spending on software increases, by nearly 5% to just over $231bn[1] worldwide by the end of 2010, many organizations are coming to the realization that software is one of their least well managed assets.

Ask your Fleet Manager how many vehicles he or she manages, what cars are assigned to which personnel and how much gas they use each year and you'll usually get a fairly quick and accurate answer. But ask your IT team how much you spend on licenses for any given software application, on which machines that software is deployed and how often that software is used and you're likely to be met with a rather confused and nervous stare.

Understanding exactly what software licenses are deployed across any organization, and more importantly why they are deployed and to whom, is increasingly difficult. As new technologies like grid and virtualization take hold in the data center and users seek more autonomy to download the tools they feel they need to do their jobs, it's not surprising that more than half (55%) of IT Managers from companies with more than one thousand employees believe they have unlicensed software deployed somewhere in their environments[2].

In truth the majority of organizations don't know what they've got, simply because any underlying data used to make any judgments is likely to be suspect at best. And it's a sobering thought that just 26% of IT managers believe they are prepared for a software audit[3], especially when, in the current climate, Gartner indicates that more than 50% of their clients have been audited by at least one major software vendor in the past 12 months[4].

The answer for many organizations, lacking any strategic solution to the problem of monitoring software license usage or user demand, and rightly concerned about the results of any possible software audits, is to err on the side of caution and overspend unnecessarily on licenses, just in case.

Before the economic downturn, when budgets were less constrained, many companies got into the habit of simply buying software licenses as and when users or managers said they were needed, simply because they lacked the tools to accurately determine user demand and existing software license usage. But this habit has led to millions of dollars in unnecessary spending on software licenses that are simply not being used, and it cannot be allowed to continue.

Waste management and optimization

"Software is expensive. Good software, well used, justifies its cost many times over. However, software, good or poor, that is not used or used poorly, is a drain on budgets"

Shelfware is stealing your budget: Spot it and Stop it" May 2009, Andy Kyte, Gartner

Recent examples from Gartner include laptop security software licensed for every employee in the business, while fewer than 25% of employees had laptops, and e-procurement software licensed for everybody in the business, but only deployed in the U.S., with thousands of unused seats in Europe and the Asia/Pacific region (which had deployed a competitive solution)[5].

Every organization has orphan licenses (licenses without users). Think about all the times your organization has purchased and deployed software for a particular user or a specific project that is no longer being put to good use because the user has changed job roles or the project has come to an end. Likely as not, that software is still incurring license, support and maintenance fees. Whether your organization has 100,000 people or only one hundred, you can be sure there are orphan licenses like that somewhere in your network right now.

Think of this another way. It's like your Fleet Manager buying an additional company car every time a department head or manager requests one for an employee, without checking first to see if there are any unallocated cars already available in the business that could be used instead. Or it's like your IT team buying a new laptop every time one is requested, instead of checking to see if a spare one is available. Your organization wouldn't accept that kind of behavior, so why do you accept hundreds of thousands of dollars of spending every year on software licenses you don't need and don't use?

Software Asset Management (SAM) has been the traditional answer to this problem. But for many organizations, the goal of implementing a SAM program is very tactical in nature, focused specifically on balancing the number of software licenses purchased with the number of actual copies installed and in doing so to minimize liabilities in the event of an audit by a software vendor.

So where Software Asset Management might seek to answer questions like "What software have I deployed?" or "Do I have enough licenses to pass a vendor audit?, many organizations also need to know **how** those software licenses are being used and by **whom**, so they can reduce the volume of licenses they actually use.

With this in mind, those organizations have moved a step further, to Software License Optimization. An effective license optimization strategy can immediately help to lower overall software spend, while simultaneously reducing the risk of non-compliance, so most organizations employing Software License Optimization solutions are able to realize significant benefits in license cost reduction fairly quickly.

But software vendors are getting wise. In their pursuit of more revenue, vendors are implementing more intricate usage and subscription-based pricing models - and defining more complex contract terms and conditions. In this more complex climate, Software License Optimization, a little akin to Software Asset Management before it, has started to look slightly less effective.

Empowerment and efficiency

"Creating a self-serve environment is a critical step in any software environment. Imagine if the IT department had to be involved in sending every e-mail. The thought is almost laughable."
Increasing Productivity by Empowering Business Users, Hitachi Consulting, December 2009

So you've identified the number of software licenses you have and you've reconciled them against your license entitlement using Software Asset Management. And you've identified how those licenses are being used across your organization and by whom. Now what?

To combat orphan licenses, the questions you really need to answer are, "Do we actually need all those software licenses?" and "Could we be deploying smaller numbers of licenses and using them more efficiently across the business?"

Put it another way. Why buy one license for Adobe® Photoshop® for each member of your marketing team when they each may only use that application a few times a month. Instead, why not centrally manage all your Photoshop licenses, allowing the marketing team (or any other user for that matter) to download that software when they need it, 'renting' it on a daily, weekly or monthly basis. When the user is finished using the software it automatically uninstalls, returning to the central pool to be reused. You reduce the number of licenses you need, while still giving your users the applications they need, when they need them.

By allowing users to search for, find, request and receive applications through a self service shopping cart on demand, 'renting' those applications only for as long as they need them, even if that's just one day, any organization can make much more efficient use of the number of software licenses it has deployed while also making significant reductions in the number of applications they actually need to license.

Consider it another way. When a new user first arrives at your organization they are given the licenses they need to do the job they have been employed to do. In two years time, they move departments or get promoted, taking those applications with them. Likely as not they will be given new additional applications to use as part of that new job, but it's highly unlikely you will delete the applications they will now no longer need from their machine. When their replacement arrives, you'll provide that new user with additional licenses to those same applications, rather than reclaim and reuse the ones you already have.

Solutions like Shopping™ from 1E empower both desk-based and mobile workers to download applications on-demand, 'renting' them for only as long as they need them (which could be a day, a week, a month or a year). Think of it as *on-demand software provisioning*. The user needs a specific piece of software and they need it now. They visit an internal web site that looks more like Amazon than it does an Intranet; they find, select and download the software they need and begin working. When they're finished, the license is uninstalled and returned to the central pool for another user.

Shopping maximizes productivity while minimizing wasted licenses, driving up efficiency. When requests are first made, checks are made dynamically to ensure sufficient licenses exist and then any approval requests are automatically sent to chosen managers. Once requests are approved, the application is delivered to the user without helpdesk intervention, installing 'silently' in the background while the user works on something else. And this entire process could take minutes.

And Shopping can also be extended to handle requests for 'freeware' or internal applications, just as easily as licensed software, together with other resources such as secure access, power polices and even replacement or new hardware.

A picture paints

So is a 'rental' model the answer to orphan licenses? Well to illustrate how an organization might use application rental to increase efficiency and reduce costs, we have considered some likely scenarios:

The Project Team

A cross-department team has been recruited for a new project lasting five months. The project team comes together and requests new licenses for suitable software (for example MS Project, CAD tools etc). You purchase new software licenses, with a new annual support contract. After five months the project comes to an end as planned. The project team disbands and its members return to their previous roles and areas of responsibility.

Without application rental, when the project team is disbanded, those new software licenses would, more than likely, be left installed but unused on each user's machine. As time passes the licenses are forgotten and when another project starts, or new requests for the same software are received, IT buys additional copies of the same software and the cycle repeats itself.

With software rental, when the project initially starts, members of the team can request suitable software licences from a central pool through a 'shopping cart'. If no such licenses exist, the organisation can invest in only those licenses it needs for the project team, 'renting' those applications to the team only for the duration of the project. Once complete, the software can be uninstalled and reclaimed automatically, returned to a central pool to be requested and used by the next project team or by other users as required.

The Decentralized Department

As a multi-national organization, your marketing department is typically made up of people working in different parts of the world, perhaps even in different offices in those countries. To add further complexity, some users may be desk-based and some may be mobile. At different times during any given month, that department may need access to different software, for example to work on a new campaign, develop new collateral or revamp a web site.

Without software rental, IT will make an 'educated guess' as to what software those users may need, making an assumption based on a 'one-size-fits-almost-all' model. You will, more than likely, over provision software licences for key products, like graphics packages, CRM tools or collaboration suites.

But not every user will need all those tools every day or even every week, so you are continually paying for licences you users will simply not use.

With a rental model, licences can be pooled so that users can access the applications they need, when they need them, but without the burden of additional, unnecessary license costs on the organisation. If a user in marketing needs access to a graphics package, they log on to the central shopping cart and download the application there and then, using it for as long as necessary, even if that's only for a one day. Once finished, they can choose to uninstall the application themselves or the software can be uninstalled and automatically reclaimed, returning to the central pool to be used by other users.

The Contractors

You are launching a new product and bring in several external contractors to complete the work on time. Each contractor needs a suite of suitable applications to complete their tasks and so new software is bought and installed on their machines. When the product is launched the contractors leave, the software remains installed on those machines.

Without software rental, if the contractors are working from their own machines and IT forgets to remove the software, you have lost those licenses completely. Even if the machines are your property, it is possible that the software could sit unused on those machines for many months until new contractors are hired, or software might be wiped when those machines are redeployed to different users.

With software rental, contractors can request suitable software licences from a central pool, 'renting' those applications only for the duration of the project. Once complete, the software can be reclaimed automatically and returned to the central pool to be used by other users or other contractors.

Waste not, want not

From projects teams and decentralized departments, to contractors and even rebel users the problem of orphan applications are is an ever increasing one in many organizations. But, as many are finding, traditional methods such as Software Asset Management and Software License Optimization sometimes don't go far enough.

As decentralization and user empowerment continue apace, to combat orphan applications, organizations need to answer the two fundamental questions we posed earlier in this whitepaper.

They need to know if they actually need all the software licenses they have, and, more importantly, they need to know if they could be working smarter, by deploying smaller numbers of licenses and using those licenses more efficiently.

The answers to these questions will give real insight into how 'rental' of software to users, on a daily, weekly or monthly basis could help to significantly reduce costs, driving down the number of unused licenses across the business.

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i Gartner Perspective: IT Spending 2010 Table 3 Worldwide Enterprise Spending (September 2009)

ii King Research "Software License Compliance: A Survey of Corporate IT" (May 2008)

iii King Research "Software License Compliance: A Survey of Corporate IT" (May 2008)

iv Gartner Polls and Surveys Show an Increase in Software License Audits, Gartner, July 31 2009

v Gartner: "Shelfware is stealing your budget: Spot it and Stop it" May 2009 | ID Number: G00167234

References

1 Gartner Perspective: IT Spending 2010 Table 3 Worldwide Enterprise Spending (September 2009)

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