

EXHIBIT 10

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Five simple steps to reduce software maintenance costs

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Posted by: R "Ray" Wang ShareThis

Maintenance costs represent a major part of the software budget and the largest growing source of revenue for software vendors.

In fact, an aggregation of the past four quarters of software vendor financial results definitively demonstrates double digit declines in new license revenue, even more exacerbated by the evils of currency flux from the strong dollar for US based vendors.

Not surprisingly, vendors are hard at work vigorously protecting their 70 to 80% margin in maintenance revenues just as clients and readers of this blog now zero in on this line item as the major concession target during contract negotiations. Here are five steps you need to do now*:

1. **Assemble all the relevant contract information.** Aggregate all your contract information and vendor interaction history so that its centrally accessible. Determine the value of your maintenance agreement. Examine how often you call for support, apply patches, conduct upgrades, and require technical assistance. Then calculate the total support and maintenance spend. Most customers will find that for \$1M a year, 5 support calls can be pretty pricey at \$200k a pop, especially when upgrades aren't in the picture for the next 24 months. The vendor better show up the next day with white gloves and be there in person.
2. **Breakdown the total cost of shelfware.** Simply put, shelfware is the software licenses purchased, not deployed that is incurring support and maintenance fees. That great deal 3 years ago you got on 1000 user licenses, when you only ended up using 800, now comes to bite you in the butt. Calculate the maintenance fee you have for 200 user licenses at \$1000/user which is \$200,000 X 20% annual support and maintenance X 3 years. At \$120,000, you had better make up the "big" discount you got for buying 1000 user licenses by at least 12% this year and 15% the next year.
3. **Craft your overall software adoption strategy.** Consider the business drivers that impact software adoption. Assemble the domain experts, vendor management and sourcing professionals, legal experts, business owners, and IT team. Apply a long term apps/ recession proof apps strategy and determine when and how licenses will be used in the software ownership lifecycle. What processes will be supported? What roles will use the software? When will you upgrade? Can you consider an alternative?
4. **Determine all the alternatives.** Depending on your adoption strategy, multiple paths exist. If there are no intentions to upgrade or enhance the software, self support and third party maintenance (3PM) options from vendors such as Rimini Street and Spinnaker should be considered. In some cases, an upgrade should be completed before switching over to 3PM or self support. If the system can be replaced, begin vendor selection efforts so that you will have leverage during the negotiation. If the system cannot be replaced, consider swapping out unused licenses for credit towards newer or more desirable modules. Reduce your CPI for new maintenance. Focus on reducing new license costs.
5. **Follow-up with your account representative at least one quarter before the contract expires.** Put preparation on your side and begin to let your sales rep know 3 to 6 months in

advance that you are unhappy with the current agreement. Based on steps 1 to 4, you now have the ammunition you need to negotiate from a position of strength.

The bottom line - align your contract negotiations strategy with your product adoption strategy.

Successful negotiations will require these 5 steps. However, more importantly, organizations should keep a current apps strategy and product adoption strategy.

Without these two key documents, lack of visibility into the business case will lead to shortsighted negotiations that fail to meet the true requirements of the business. Sourcing, procurement, and vendor management professionals should partner with domain experts who can provide third party, independent and objective advice that will complement contract negotiations strategy. Click here for more contract negotiation strategy tips.

Got more enterprise software contract negotiations questions? Set up a call with the inquiry team and ask for R "Ray" Wang.

Your Turn

What's your best practice in reducing maintenance costs? Post your comments here or send me a private email to rwang@forrester.com

Contribute to the 2009 Enterprise Software Licensee's Bill of Rights

Take the new poll on what rights should be included in the 2009 Enterprise Software Licensee Bill of Rights Posts are preferred! For every good idea or comment, whether or not we use your idea, we'll send you a copy of the final report. Let's put the collective wisdom of the web to work and help our end user clients create a fair win-win playing field with the vendors. We'll be publishing the official update in Q2 2009. Thanks and look forward to your input!

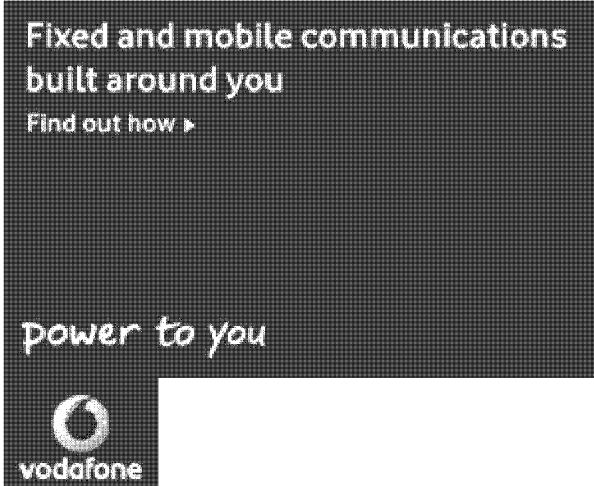
*Caveats are as follows: 1) This does not constitute legal advice. Please consult your legal counsel for an official opinion and wording. 2) This does not consider any procurement or vendor management rules that must be applied to your enterprise. Please work with your vendor management teams for compliance. 3) Contract negotiation support provides insight into overall trends and price points. Benchmarks are not provided as each user scenario is unique.

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