

Negotiating With BI Vendors

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Midsized Enterprise
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BI Standardization = Poor Negotiating Leverage

- Conventional wisdom: pool purchases with single vendor to maximize discounts.
 - BI market reality: Standardization → vendor lock in → increased prices and less flexibility on terms and conditions.
 - BI vendors don't offer licensing programs that facilitate pooled licensing.
- However, the value of BI standardization is greater than the lost negotiating leverage.
 - Not standardizing just to save money on licensing is penny wise and pound foolish.
 - Enforce contractual changes that prolongs "the honeymoon."



Key Issues

1. How can you avoid the hidden traps often overlooked in BI software negotiations?
2. What best practices can you apply to your selecting the right BI Software Partner(s)?

What Do You Want From Your BI Platform Vendor?

- Continued maintenance and support from the vendor
- Software that works with currently supported infrastructure (database, operating system, hardware)
- Rights to like functionality in new versions at no additional cost beyond maintenance
- No unexpected cost for changing license models, renaming and rebundling of products
- No unreasonable yearly increases in maintenance and support cost



Common License Models

How will license fees be calculated?

Named user

Role-based user

CPU/per processor

Per server (varies by size of server)

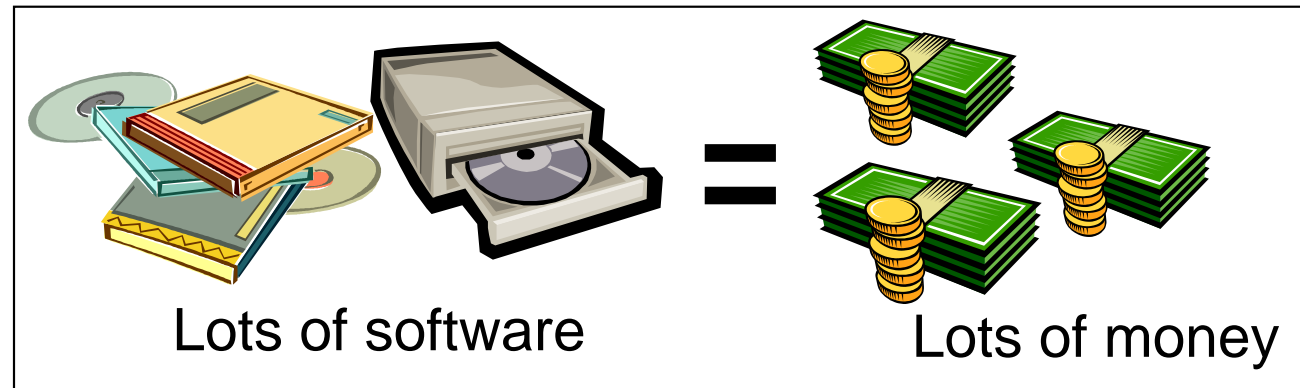
Concurrent user

Value-based (revenue, employee count)



Require Itemization and Description of Products and Functionality

Wrong:



Right:

Product	Description	License	Price	Number	List	Discount	Net
"Incredible Intelligence"	Enterprise reporting	CPU	5,000	4	20,000	25%	15,000
"Superduper Insight"	Ad-hoc query for relational data	CPU	8,000	4	32,000	25%	24,000
Total					52,000	25%	39,000

Organizations will need this itemization detail for future negotiations of discounts, maintenance and upgrades.

Allocate Enough Time for the Process

RFP Process

	Time
– Prepare RFP	2 to 4 months
– Supplier Prep. Time	2 weeks to 1 month
– Supplier Evaluation	1 to 2 months
– Contract Negotiations	2 to 4 months
– Supplier Award	1 to 2 weeks
– Project Begins	1 week to 1 month
<hr/>	
<i>Total</i>	<i>6 to 12.5 months</i>





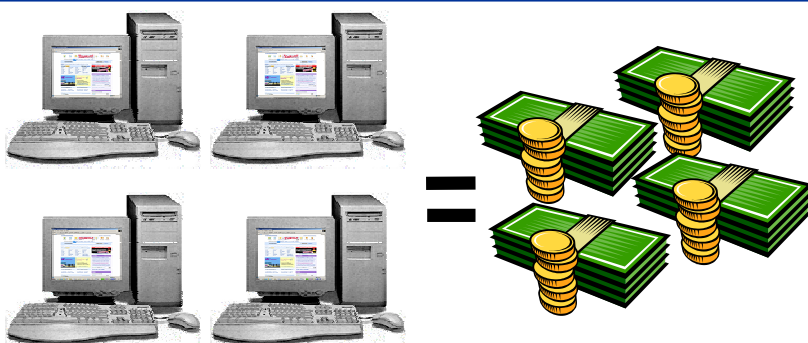

Start

Finish

Determine when you need to receive the product or start the project; then work backward to set the RFP calendar of events.

Scalability: Get the Negotiated Configuration Right or See Hidden Costs at Deployment

- Organizations need a realistic estimate of deployment configuration requirements:
 - User types, applications, workloads, hardware, development and test

	Vendor A	Vendor B
Proposal		
Deployment		
	Higher cost in larger configuration	Predictable cost configuration

Scope: Consider the Limitations When Scoping License to Specific Application Use



Caution: Licenses can only be used directly within the scope of the "application."

Server-Based Pricing Is in a State of Change



Microsoft's Position: One per-processor license per physical chip, irrespective of the number of cores contained on the chip.

Oracle's Position:

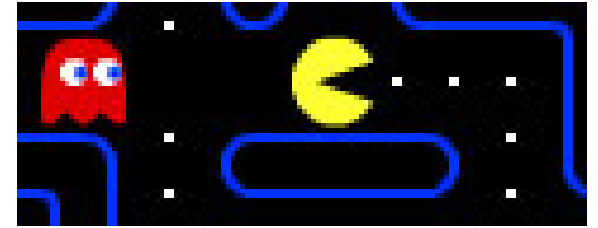
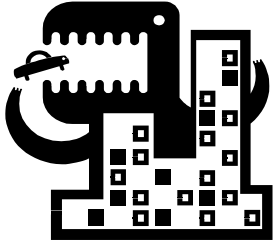


UltraSPARC T1	0.25
AMD/Intel	0.50
All other multicore servers	0.75
Single-core servers	1.00

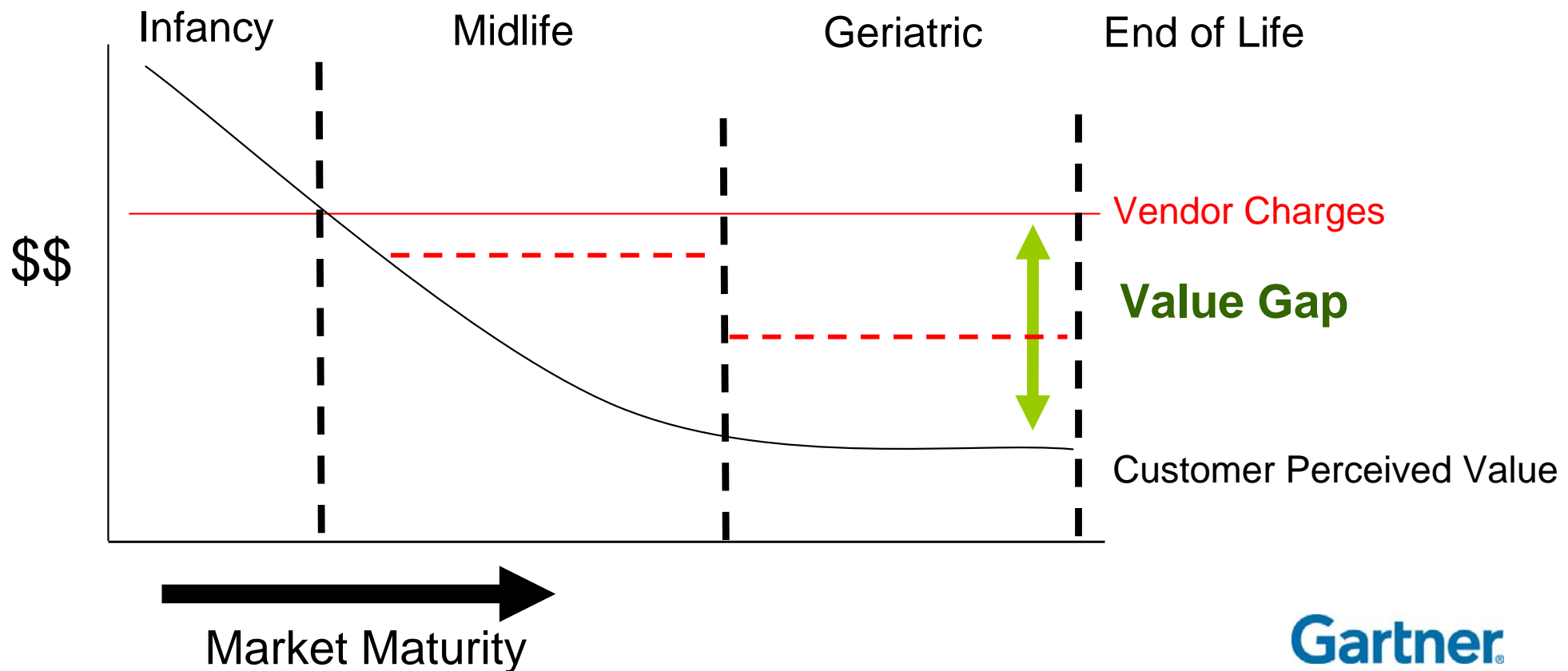
IBM's Position: In July 2006, IBM announced that "Processor Value Units" will be the new pricing metric for all nonmainframe products by year end, and customers on the CPU-based license model will be converted by year end. This will not result in any price increases at this time, but future processors will need to be evaluated by IBM for pricing.



The Thing That Ate My IT Budget: Maintenance on Nondifferentiating Software



The Software Value Gap for Maintenance



Software Maintenance Trends

Current Situation

- Maintenance policy, rather than "agreement," that changes summarily at the vendor's will.
- Reduced quality of maintenance support at current level — higher cost options offered instead.
 - encouraged to upgrade in lieu of bug fix.
- Termination of maintenance on portion of licenses in portfolio is impossible/very expensive.
- No clear upgrade path when product packaging changes

Long-Term Goals

- Significant and sustained pressure on maintenance prices to scale down to low double-digits for more mature software categories, in which innovation and support incidents are low.
- A break in the maintenance monopoly? The emergence of third-party support offerings.
- Emergence of fix-time promises in maintenance, rather than just response-time commitments.

Vendor Selection Process

- Incumbency
 - Satisfaction: Is there one, and how well does it satisfy BI requirements?
 - Switching Costs: How costly would it be to migrate to another vendor's product versus doing a major upgrade with the incumbent?
- Technical Differentiation
 - Consider Ancillary Markets?
 - Data Integration: Extract Transform Load, Data Quality, Master Data Management
 - Corporate Performance Management: Planning, Consolidation Profitability Modeling, Financial Reporting
- Price
 - Large powerhouse vendors are forcing pure-play vendors to negotiate more competitively.
 - Pure-play BI platform vendors will need to justify premium pricing.

Magic Quadrant for BI Platforms

Pure Play Vendors Challenged

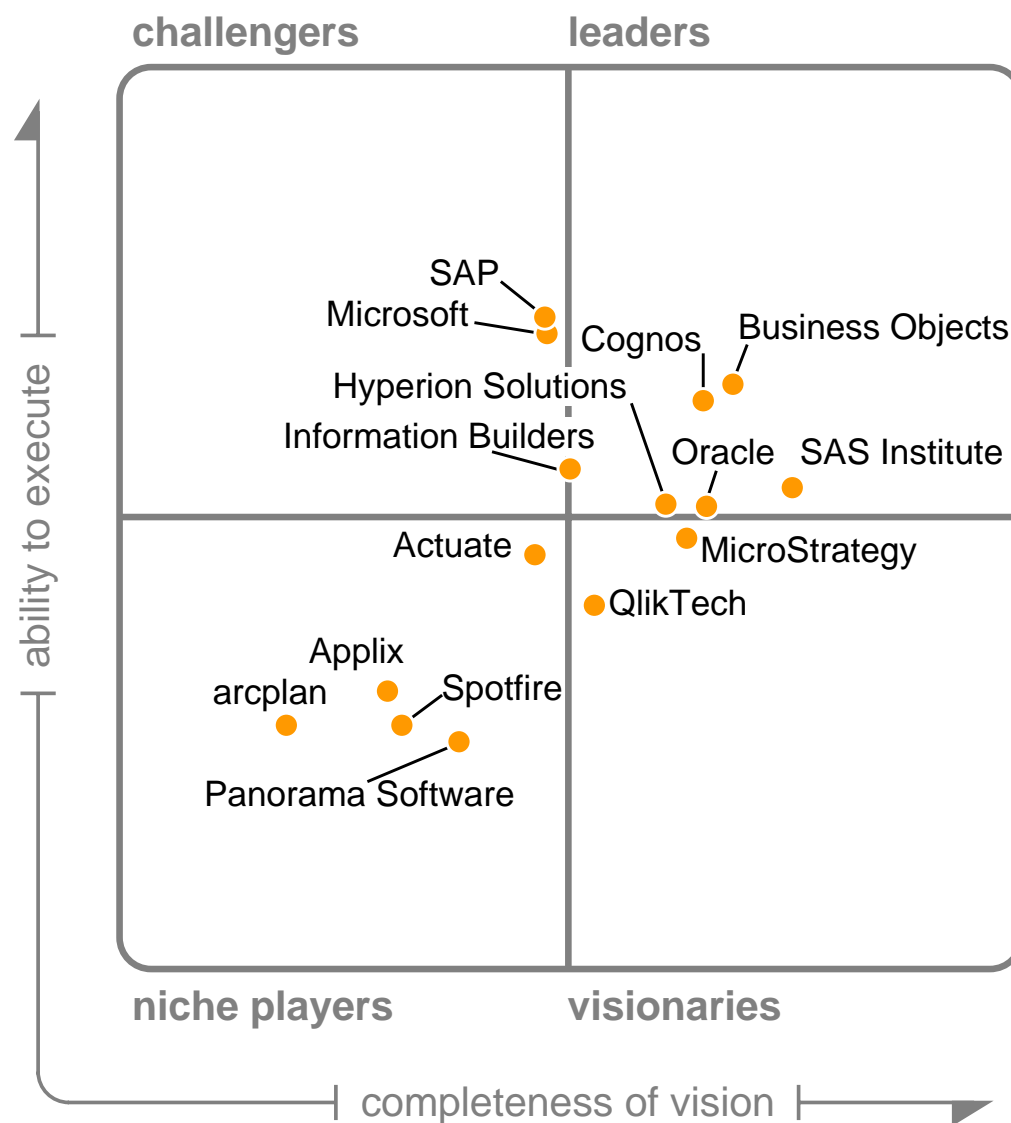
- Business Objects: Broader Info delivery and access
- Cognos — Performance Management
- SAS — Predictive Analytics and BI
- Microstrategy — High End BI

Rise of the MEGA Vendors

- SAP: significant influence and improved performance
- Microsoft: Low Priced, Popular with Developers.
- Oracle: Strength from Acquisition of Siebel and Hyperion

Niche/Visionary Vendors

- Emerging Technologies



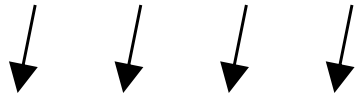
As of January 2007

Gartner

(From "Magic Quadrant for BI Platforms, January 2007")

Market-Flattening Technologies

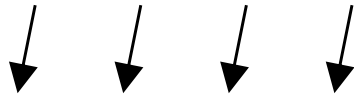
In-memory Reporting & Analysis



Microsoft Excel 2007 services



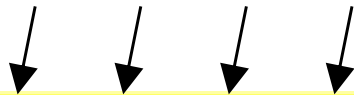
Search (e.g., Google OneBox)



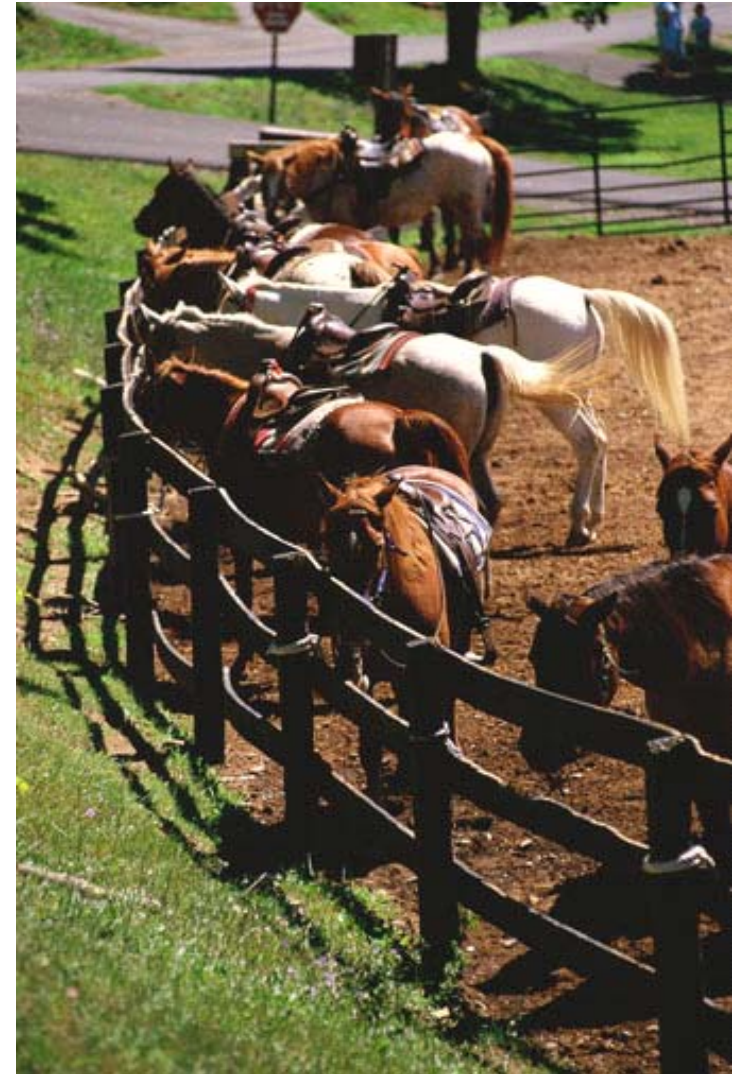
Web 2.0 clients: Ajax and Flex



MDX and ODBO/XMLA



BI COMMODITIZATION



How Do Pure Plays Compete?

As reporting, ad hoc query and OLAP technologies reach parity, how do pure-play BI platform vendors protect and extend their turf?

- Encourage upgrades to their latest offerings, particularly with large enterprisewide deals
- Promote the process-driven BI vision as a means to create switching costs that go far beyond what today's report-driven BI can provide
- Recruit application vendors that are not SAP, Oracle or Microsoft to OEM their BI platform to provide analytical applications
- Leverage extensive relationship with VARs to create domain-specific solutions
- Invest in emerging technologies (in memory, visualization, search) and ancillary markets (CPM, data integration) to increase their value proposition
- Look to emerging SaaS models to deliver BI functionality as a means of penetrating the small to midsize BI market
- Evolve the scope of BI metadata to go beyond just serving as a semantic layer for reporting to become a metric hub for all stakeholders and applications

BI Platform Capabilities

Business Intelligence Platform

Integration

- BI Infrastructure
- Metadata Management
- Development Environment
- Workflow and Collaboration

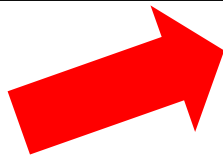
Information Delivery

- Reporting
- Ad-hoc Query
- MSFT Office Integration
- Dashboards

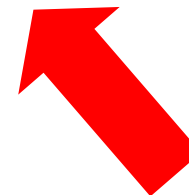
Analysis

- OLAP
- Scorecarding
- Visualization
- Predictive Modeling and Data Mining

Data
Integration



Corporate
Performance
Management



BI Platform Capabilities: Integration

Vendors	Infrastructure	Metadata	Development	Workflow and Collaboration
Actuate				
Applix				
arcPlan				
Business Objects				
Cognos				
Hyperion				
Information Builders				
Microsoft				
Microstrategy				
Oracle				
Panorama				
QlikTech				
SAP				
SAS				
Spotfire				





























































= Strong Positive
 = Positive
 = Promising
 = Cautions
 = Strong Negative

BI Platform Capabilities: Information Delivery

Vendors	Reports	Dashboards	Ad Hoc Query	MSFT Office Integration
Actuate				
Applix				
arcPlan				
Business Objects				
Cognos				
Hyperion				
Information Builders				
Microsoft				
Microstrategy				
Oracle				
Panorama				
QlikTech				
SAP				
SAS				
Spotfire				

= Strong Positive
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BI Platform Capabilities: Analysis

Vendors	OLAP	Visualization	Predictive Modeling	Scorecards
Actuate				
Applix				
arcPlan				
Business Objects				
Cognos				
Hyperion				
Information Builders				
Microsoft				
Microstrategy				
Oracle				
Panorama				
QlikTech				
SAP				
SAS				
Spotfire				

 = Strong Positive
  = Positive
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  = Strong Negative

Recommendations

- ✓ BI is a long-term investment — organizations need to negotiate with software and service providers accordingly.
 - Make vendors a partner in achieving the organization's business rationale for investment.
- ✓ Recognize that aggressive discounting is not often repeatable in subsequent deals.
 - Vendor lock in will result in higher licensing and maintenance costs, but this might be worth it.
- ✓ When selecting a BI vendor(s), draft a specific list of required capabilities.
 - This practice prevents buying unnecessary software and helps determine how many vendors will be needed to meet all the requirements.

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