
Software's Automation Paradox

Razor-sharp decision-making takes Insight





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Don't go chasing unicorns

Software has been the single biggest accelerator for business for the last half a century and more. Even so, there are some things that it hasn't transformed. One of these, paradoxically, is the purchase of software, and the fact that the way software publishers have built the market to date puts automation in conflict with cost effectiveness.

At Insight we're used to helping clients automate their business processes. But when it comes to software procurement, things become a bit complicated. We sometimes get requests along the lines of "can we hit a button to get three prices from three different vendors and just choose the best one?". As request and transaction processes can be automated, it might seem straightforward to apply it across technology purchasing. However, software is not a tangible commodity product, it has too many variables to guarantee the best deal from implementing an automated request system. Some

software applications may appear to have the same functionality but actually have differing capabilities or levels of overhead to implement and run, making the real cost much higher. Opensource or 'freeware' can look attractive but have hidden challenges. The converse exists too. A requestor might decide on what they want, but there could be suitable alternatives in the form of different editions, bundles or competitive products that offer better value.

You also need to consider the need to buy, the fit with your current software portfolio and the alignment to IT strategy. An automated quoting process does not factor in the ability to re-use existing capacity or re-structure entitlement. Nor does it consider the ongoing cost to integrate, manage, administer, operate and support. For 'standard' applications, good practice is to have negotiated framework pricing which removes the need for quotations.



Without running this pre-quotation 'triage', both cost and complexity are increased. Once you have taken the decision that the new software is the right choice – or maybe your organisation chooses to bypass these considerations – it's a case of buying the software. If you go direct to the publisher and ask for the price it is quite possible that, by design, a list price does not exist. If it does, you'll likely get an inflated figure unless the product is a genuine commodity. Automation can easily fail at this stage.

Often publishers want to have a conversation around the context: what challenge are you trying to solve, who are the key stakeholders, how are you going to use it, what other systems will it need to integrate with or work alongside? Many publishers will want you to showcase a suite of offerings, or a whole platform. Few set out to sell a point product. They want to enable a process or solution or have a path for further growth.

You may not even be able to go direct, because you might not know which vendor can sell you the product(s) you want. You might need some support as to what options

are available for the particular software sub-category or to address specific functional needs. And that's why you might go to a partner and say, "I want to do X Y or Z, what is out there in the market that can help me do that?".

Some partners might have a vested interest in pushing particular technologies. Others are technology agnostic but know the market well. They will know that the business need is addressed by this piece of technology by this vendor – or even multiple vendors. They will go to those vendors with the opportunity and ask for favourable pricing. They may position themselves as a channel partner for you to procure the software through.

A lot of publishers have deal registration programmes to enable channel partners that identify opportunities, often securing a deal that helps to benefit the customer. It may sound simple, but again, it can be complicated. Requests may have gone through multiple paths to get comparable offers. Some partners may have pre-contracted rates, some publishers may cancel deal registrations when multiple parties contact them.



Again, it's complex and there can be politics at play. This could concern an individual salesperson's behaviour and preferences, a larger relationship dynamic, or who the customer is. The reality is there are many ways that make the playing field less than level.

When comparing products and deals, there are a lot of options that can be added in or flexed. Two seemingly similar offerings might share a lot of functionality, but the vendors don't operate in the same way. One may have certain core features and another may provide them as part of an additional module, another may compensate for missing elements in another area. One deployment model might require a lot more effort. One may offer a subscription service and another might involve a licence fee and an annual maintenance charge. Whichever way you look at it, it can get very messy very quickly.

And that's just for buying new software. Renewing licences is a far more frequent activity than buying

software for new projects. A common issue is that responsibility for renewals sits across procurement, finance, asset management, IT, business unit and legal teams. These teams are already under enough pressure doing their day jobs. Whoever shoulders the burden, the volumes are typically too large for most transactions to be addressed proactively. Rarely can sufficient diligence be applied, certainly not without forward-planning. Even then it becomes a fire-fighting exercise with little value achieved.

Organisations must allow sufficient time to carry out this work and whatever time you allow will never seem enough. Waiting until just before the renewal date and expecting a good deal is going to deliver a major disappointment. The vendor is unlikely to give you a discount because they know you are not going to replace their software. In fact, if the vendor has added new features, or their cost to support the software has gone up, they are quite likely to increase the renewal cost from the previous period. At Insight, we are seeing significant inflationary pressures, especially in tail spend.



All of this is complicated enough when renewing like for like, but your needs will probably have changed since the original purchase. Over time the number of users fluctuates, support requirements change and companies restructure. What's more, the product or application itself may not be the same when you renew it: features may have been added or removed, the features you licensed may have been split into multiple products or bundled into a suite. When the application is SaaS this is done behind the scenes. With installed applications, there are decisions and costs that relate to responding to changing technology offerings. These factors all combine to take complexity to a whole new level.

In short, automating software purchasing and renewals is a bit of a unicorn.

What most companies need, but seldom have the capacity for, is a structured approach to monitor and manage their software procurement and renewals. This involves looking at the whole portfolio. Investigating what you have, what you need, where the overlaps are and what service levels are appropriate. Then you can go through your sourcing channels with a desired bill of materials and work on getting the right pricing and right structure.

We realise that this is quite an undertaking, which is why Insight has built up dedicated expertise to address this very issue. Preventing clients from chasing unicorns is possibly the area where we add most value.



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