

Planning for Recessionary Software Audits

Let's be honest: the economy is slowing and inflation is increasing. Trying to maintain a level or even decreasing budget is going to be difficult for the next couple of years. And, if your organization is planning for a recession, it is safe to assume that your key technology vendors are making the same scenario.

Throughout the world, raw materials, fuel and labor costs are increasing. In spite of this, companies have tried to maintain prices at the expense of profits. That strategy is no longer viable and companies across the board are going to need to raise prices. This includes the customer communications management (CCM) world. CCM software and consulting services costs will be rising over the next 12 months just as companies can't maintain their own profit margins. If you are planning for a recession, you can be sure they are too and they will likely identify alternative revenue streams to drive growth in a defuncted economy.

While raising prices for software and services predominantly impacts new and renewing customers, another way that software companies tend to raise their income in a slowing market is through software audits. While you usually hear about companies like Microsoft, Adobe, etc. doing software audits, some CCM vendors may use the same tactics. Finding companies that have used too many licenses or have more servers than their contracts allow will be charged for going over their limits. At the very least, any breach will be used to renegotiate the licensing agreement and pricing.

This white paper outlines the two approaches to license management that software companies use and offers tips for successfully challenging audits. It also provides ways to avoid the time and expense of unplanned transactions in the future. License management is sometimes referred to as "entitlement management" as in you are "entitled" to this many seats, servers, pages rendered, etc., per the terms of your agreement with your suppliers.

TWO APPROACHES TO ENTITLEMENT MANAGEMENT

Every organization running technology has license agreements in place with their software and service vendors. These contracts define the type and amount of usage that is and is not allowed. The contract covers what a customer is entitled to use, and at what price, in the form of one or more of the following items: system access, environments, total output, volume, bandwidth, time, people, desktops, servers, queries, or other metrics.

Technical Compliance Approach

Some vendors use technical means to enforce compliance, which ensures the customer runs within the bounds of the agreement. In general, you will have transparent access to a portal or mechanism that grants access to the capabilities within the limits of the contract. For example, if you are licensed for 100 concurrent users, the 101st user will be denied access. If you are licensed to generate 10 million communications per year, you will receive a system warning when you approach the limit stating you that you are nearing the boundaries of your agreement.

Vendors that use a technical enforcement mechanism take on the burden of accounting for software usage by investing in access management. For the customer, this improves transparency and is usually accompanied by screens, portals or other usage reports that inform the customer of their usage. This approach removes the customer side burden and expense of audit compliance and risk of penalties for overuse. Using the data generated, customers reliably anticipate costs for any increased need to use licenses or output volumes before there is an unexpected hit to their budget.