

LICENSE 12

Bringing light to the license jungle.



QuickBenchmark®

Requested by: pkw@falk-enrich.com
Date of Analysis: **October 23, 2012**

Foundation

QuickBenchmark® provides the requesting party with an ad-hoc analysis based on the benchmark data available in the data base of License12. The requesting party has provided its own parameters via the **QuickBenchmark®** web application. These were used to determine if the data base has sufficient benchmark data to generate the **QuickBenchmark®** response and the associated PDF.

What is **QuickBenchmark®**?

With **QuickBenchmark®**, License12 offers a service for the analysis of new or existing software contracts. A contract will be analyzed exclusively on the basis of order volume. The result is a diagram comparing the transaction volume against the discount obtained. Your own data will be plotted as a point among color gradients that represent the density of peer group data.

How are relevant peer groups formed in **QuickBenchmark®**?

The comparison data is segmented into two classifying categories: industry and region. The color gradient diagram will be shown when at least seven comparable data points are available. If this is not the case, the benchmark will be generated on an aggregate level and displayed according to data availability.

What data is the benchmark based on?

All benchmarking information is derived from questionnaire data completed by software buyers giving their personal assessment of price developments based on their recent purchase orders. This data has been gathered by procurement experts in regular surveys over the course of several years, and has been validated for authenticity by License12.

How do new completed surveys take effect?

Every new contract on License12 generates a new survey. Surveys are structured specifically with the goal of allowing **QuickBenchmark®** to adapt to the latest trends and continuously refining its accuracy.

What can a user learn from the diagrams?

The color intensity in a **QuickBenchmark®** diagram reflects the density of points from survey benchmarks. Zones with a higher number and weighting of comparable data are shown in a darker shade. If the user's own data point is to the bottom left of a darker area, it will pay to continue to negotiate towards the upper right of that area, to avoid getting an inferior deal relative to the rest of the market.

How does older data affect the benchmark?

The benchmarking algorithm takes into account the ageing of data by giving greater weight to more recent data. The date of signing the contract is taken into account. That way, benchmarking data results always reflect current market trends.

You have requested QuickBenchmark® with the following parameters:

Date: 23.10.2012	Industry: Manufacturing
Vendor: SAP AG	Region: EMEA
Discount: 60.00%	Peer selection: EMEA, Manufacturing
Volume: 3,500,000.00 EUR	

The QuickBenchmark® was generated according to your original parameters.

Flash-Benefit (Ranking-Index):

Performance index



29.21%

Volume rank



12.96%

Discount rank



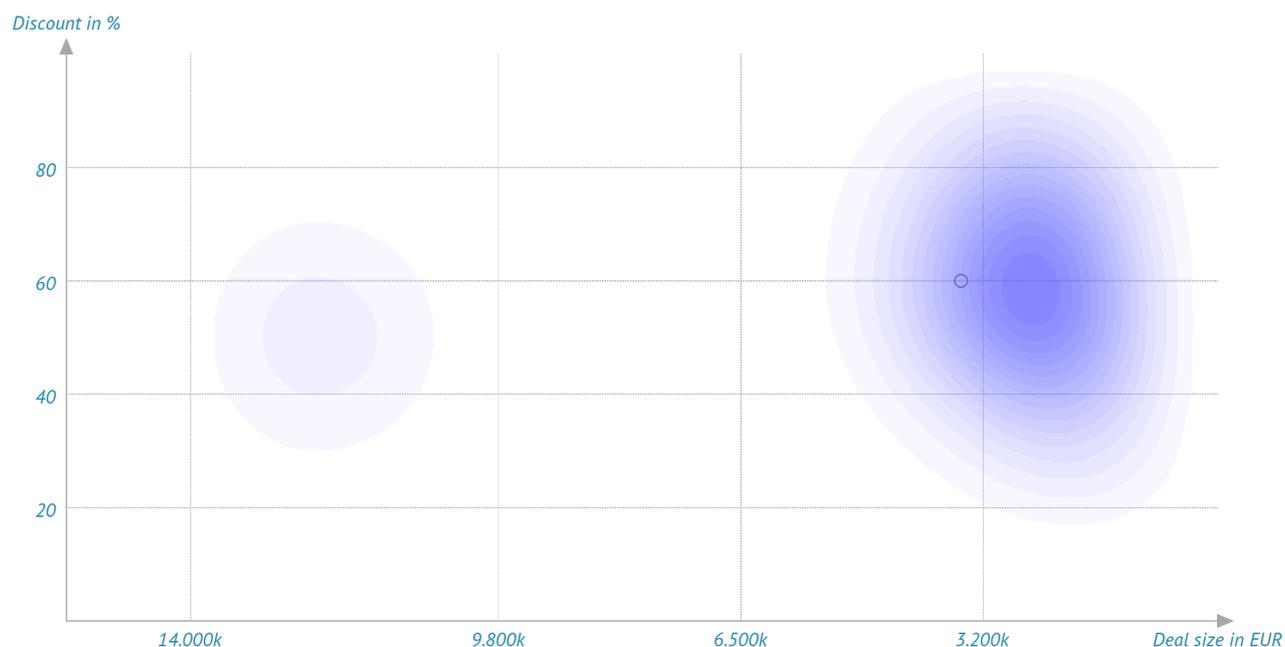
45.45%

Flash-Benefit displays the rank of the given volume and discount with respect to all corresponding data points. The general performance index is the mean of the respective indices for volume and discount.

*Of all contracts with a similar discount, 87.04% had a lower volume.
Of all contracts with a similar or lower volume, 54.55% had a higher discount.*

QuickBenchmark®-Chart:

Here you see your pre-set deal parameters within the context of available benchmark data:



*The color intensity of the gradient reflects the density of benchmark data points.
The upper right corner is the area of optimum because here you find the deal with highest discounts at lowest volumes.*

Suggestions for possible negotiation options:

1. Try to **assess your leverage** by determining your options to either postpone closing the deal now, to reducing the scope or to procure the project requirement via competition. Communication leaks can reduce the leverage.
2. Make a self-assured impression with respect to your knowledge of the marketplace, but do not provide information about details. When you **establish uncertainty** about your course of decision, you increase your leverage.
3. If the net contract value is the baseline for support fees, point to the **long-term effect** of insufficient discounts. At the same time, protect important terms that allow for a flexible use or re-configuration of your license estate.
4. Always remain **credible** and do not get lost in details. It is easier to call for the right principles (e.g. paying the region- and industry-wise net price or avoiding unreasonable true-ups for support services) which allow you to justify a strategic relationship with the vendor.
5. Demonstrate that you are under **no time pressure**. Make it clear that your company can reach targets without making the software investment at this point in time. Use a potential delay to the next quarter as a threat to shift the pressure to your negotiation partner.
6. Unexpectedly, **start questioning** a clause in the framework agreement, such as the rights to transfer software to other entities. Show that you are following and understanding other vendors' legal battles and create a philosophical debate about the legality of some of the restrictions. Ask for the complete documentation of your license entitlements and how you can get such information seamlessly.
7. Check out the **marketing interest** of your vendor and how he views your organization in terms of a light-house or thought leadership. Drop names of other thought leaders to create the notion that satisfying your needs will have a positive impact and vice versa.
8. Talk about TCO (total cost of ownership) and ask for a flexible **operational model**. Many young and ambitious competitors offer easier implementations such as cloud-based, are being considered.
9. Bring **downgrades** of support fees into play. Consider discussions on third party or industry collectives if you have proper contacts. Or, simply postpone the negotiations for that reason.
10. If appropriate start talking about **re-organizations** affecting the project that owns the requirements. That way, you increase the time pressure for closing on your partner's end.
11. Review the underlying root agreement for your orders. This allows you to identify areas of risk, like country-applicability or audit terms, that you can address and fix when signing a new order. A discussion about such **principal terms** and how to change them increase the time pressure on your counterpart.
12. Consider this list of issues as not complete and map individual company issues to the above, to give them authenticity. Also, include internal stake holders in the framework of your negotiation tactics and get their endorsement prior to approaching the vendor.

Extending the ad-hoc analysis

QuickBenchmark® cannot shed light on all negotiation options. In particular, it does not exploit the potential given by linking the existing license rights and entitlements of single license products to the negotiation. For further leverage, a full understanding of your licensing history and any reminder of old privileges is very powerful.

The capabilities of **QuickBenchmark®** can be extended via registration to License12 services that provide you with such additional insights by using the License12 **ContractSafe®** and **ContractCompass®** services. They analyze all details of your software contracts and new proposals, including license items and terms. Special Queries enable procurement history views, tracking of term expiration and optimization of license pricing.

By simply uploading the contract scans, **ContractSafe®** extracts automatically, conditions, metrics, terms and other details to provide you with your license inventory and related entitlements. With that, you create one easy-to-use company-exclusive repository for all software vendors. As you may add new users without extra cost, you can establish **ContractSafe®** as the primary source of information for all procurement and asset management associates.

With **ContractCompass®** analytics, you can detect vendor promotions for single items and increase your total discount by extending special, hidden discounts to the whole deal. Your entire procurement history can be digitalized and the associated entitlements and definitions along the timeline become transparent and are therefore protected against vendor-driven changes.

Once registered, you can couple your contract repository on License12 with the **QuickBenchmark®**: When a new proposal is digitalized, you can compare relative improvements against earlier versions by calling the ad-hoc **QuickBenchmark®** for validation. As a benefit to all registered License12 users, their **QuickBenchmark®** documents are archived for sub-sequent comparisons.

Make use of the free registration option to License12 and analyze the demo data and all features the platform is offering to procurement professionals. Let your team experience the transparent and intuitive application.



Disclaimer: The requesting party is an established business and no consumer and has ordered this benchmark study in that function. The benchmark represents a statistical summary of market data that have been generated according to the parameters provided by the requesting party. It is based on a survey database which has been validated for authenticity with great care over several years by the provider falk-enrich GmbH. The benchmark data was generated exclusively with respect to its classifying categories without a reference to its origin. The analysis is ad-hoc and may be associated with error probabilities as usual in statistical statements and can therefore only reflect an approximation. All derived directions and consequences based on this statistical evidence are within the sole responsibilities of the requesting party; any liabilities or shared responsibilities are excluded for falk-enrich GmbH within the proper exceptions stipulated by German law.
