IT Operational Oversight Committee

Round #4: Software Licensing Strategies Team

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Software Licensing Strategies Project Team –

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Executive Summary

IT plays a significant role within Purdue’s overall strategic goals. In the Fall of 2012, the Software Licensing Strategies Team evaluated the IT software portfolio for Purdue with the aim to identify where potential savings could be realized through software license purchasing and management. The team evaluated software purchasing and licensing information from a variety of sources that included data from central purchasing (i.e., SRM), credit card purchases (not included in SRM), and a list of ITAP-maintained software purchasing and license information. In addition, members of the team met with the Academic IT Leads to solicit their input on the status of how software purchasing and licensing information is currently maintained at Purdue and how it could be improved. The overall software portfolio of administrative computers was also evaluated to determine the number of, and commonality of software on administrative computers.

The most involved task of the committee was provided by Julie Kercher-Updike who evaluated software and licensing data from central purchasing (SRM) for the past five years. We broadly categorized software and license agreements as falling into one of these five categories.

A. Enterprise level – large enterprise-wide applications (e.g., One Purdue)
B. Software & Licenses managed centrally (e.g., Microsoft)
C. Software & Licenses that are managed decentrally at the college level
D. Items where a negotiated agreement or academic pricing is not in place
E. Software & Licenses that are purchased and maintained by individuals.

The scope of the committee focused on those items in Category C and D. Those items in Categories A and B are actively negotiated and cost savings are already being realized. At the other end of the spectrum, leveraged pricing would not apply where only one or a few licenses of a software package are owned at Purdue (i.e., Category E). A total of 12,700 purchase orders were reviewed as keyed “software/license” purchases in the Supplier Relationship Management (SRM) system at Purdue between Feb. 2007 and October 2012. This corresponded to approximately 867,600 individual items for a total of $20,386,615 (total dollars spent on 12,700 purchase orders). There were 1,390 ‘unique’ software products that were purchased during this 68 month period. There were 108 products that had > 100 licenses purchased during the 68 month period, and there were 95 products that had > 10 purchase orders during this time period. The team evaluated those products with a spend of > $10k over the 68 month period.
that did not have a contractual agreement. We identified 34 products for a total amount of $1,330,963. This converts to approximately $235,000/year. To estimate the potential savings to Purdue if leveraged pricing could be obtained on all of these products with a 25% savings, this would amount to a modest amount of roughly $59,000/year. These items, the number of licenses purchased and the total spend for each product are listed in the Appendix.

According to the SRM data, the IT spend documented as “licenses” at Purdue is roughly $3.6M/year. We investigated the IT-spend based on an ITAP-maintained list of software purchasing and licensing information for 2011-2012. The ITAP data indicated a total IT spend of $8.6M/year, consistent with the amount identified by CITP in 2010 ($8.0M/year). Thus, a significant amount of IT spend was not accounted for in the analysis of SRM data. At the same time, it is likely that some of the SRM data is not accounted for by ITAP. For example, if half of the SRM software purchases were not in the ITAP list, the total IT spend at Purdue would be $10.4M/year. Based on this analysis, the IT spend on software not covered by an existing contract is 0.5% of the total.

Evaluation of the SRM purchasing data for the purpose of this report revealed the presence of ‘dirty data’. Items that were input into the SRM system were inconsistent and sometimes inaccurate (Adobe vs Avobe), hardware documented as software, etc. In addition, the SRM data could only account for $3.6M/year where the actual IT spend was at least double that amount. Analysis of the SRM data revealed that some of the larger agreements (e.g., Microsoft) were present in some years but not in other years indicating that these agreements might have been keyed into the SRM system using a different code.

**Recommendation(s)**

1. Develop an improved way to input software purchasing and licensing information into the SRM systems (or its replacement as Purdue replaces the current platform).

The goal is to have improved software-licensing accounting metrics. This would allow software and licensing information to be easily tracked and would ensure that optimum pricing is obtained. The committee discussed several strategies to meet this goal which included the following.

   a) The first would be to share the committee’s analysis of the SRM data with those in central purchasing who are involved in the purchase and licensing of software.
   
   b) The committee suggested that one approach would be to require purchase orders to include the SKU (stock-keeping unit) number for a particular item. This would facilitate the consistency necessary to analyze software-licensing purchases on an annual basis.
   
   c) From this information, Central Purchasing could create a ‘software catalog’ that contains the manufacturer’s SKU number for ‘known’ software at Purdue.
   
   d) This information would also provide critical data to assist in strategic sourcing and volume pricing discounts.
   
   e) At a first pass of the SRM purchasing data, approximately $1.3M in software/licensing purchase orders were identified for 34 different products that are not covered under a negotiated contract. Share this data with Central
Purchasing to determine if leveraged pricing could be obtained in the future.

2. Share SRM analysis of purchasing data with IT leads to identify any ‘low hanging fruit’ where optimal/leveraged pricing is not currently being realized. The team has assembled a SharePoint site and this site, which includes the SRM analysis, could be shared with the IT Leads at Purdue.

3. Create a software licensing purchasing database.

   Having met with Academic IT Leads, there was uniform support for the development of a central database that would contain accurate purchasing, licensing, and contact information among the diverse software packages that make up the software portfolio at Purdue. Create a searchable database that would be accessible by the broader campus community starting with the contractual agreements currently in existence within the software portfolio. Over time add new software license agreements as identified through the SRM catalog mechanism identified in item 1C. One example would be a faculty member who might be interested in purchasing a statistical analysis package that is not part of the Purdue software portfolio. He/she might see what statistical package we do have academic pricing on and try one of these applications instead.

4. Track credit card purchases of software.

   Although not a significant part of the IT spend at Purdue, limited analysis of the credit card purchasing data is > $100K/year. Additionally, there are is an unusually large range of purchase costs, varying from under a dollar to well over $3000 in many colleges including Agricultural, Pharmarcy and Liberal Arts. This may warrant further inspection. Furthermore, it is possible that some of the purchases could fall into “Category D”. At this point, the recommendation would be seek a future means to track software and licensing purchases obtained by credit card.

**Impact Assessment (if known)**

**Key stakeholders** – Distributed and central IT. Purchasing and Strategic Sourcing.

**Impact on stakeholders** – Time spent to analyze purchasing data.

**Identify assumptions** – The suggested software purchasing catalog and searchable database would be used by distributed and centralized groups. SKU’s could be obtained from vendors. SRM is being replaced and the value this recommendation brings would be seen as sufficient to warrant inclusion in the project.

**Risks associated with the recommendation** – Although the subcommittee noted there is potential savings in license management. It was much less than anticipated. The potential savings needs to be carefully weighed against the resources that would be needed to implement the suggested changes.

**Identify organizational units responsible for implementation** – Central Purchasing, ITaP.
Timeline – Where applicable, include target effective date, recommended phases and/or implementation dates for major milestones. We recommend the purchasing and SRM modifications coincide with the implementation of the new SRM system.

Cost Savings – Include possible FTE reductions, potential recurring and non-recurring $ income/savings, appropriate fiscal year and detail by general fund, auxiliary operation, sponsored research and other funds (if known); and breakdown savings by individual campus (if known). Less than $50K

Resource Requirements – Include estimated incremental new costs to implement and maintain; and an estimated return on investment. Use of any existing staff/resources should be noted. Additional time and requirements gathering needed to define and modify processes in SRM replacement.