

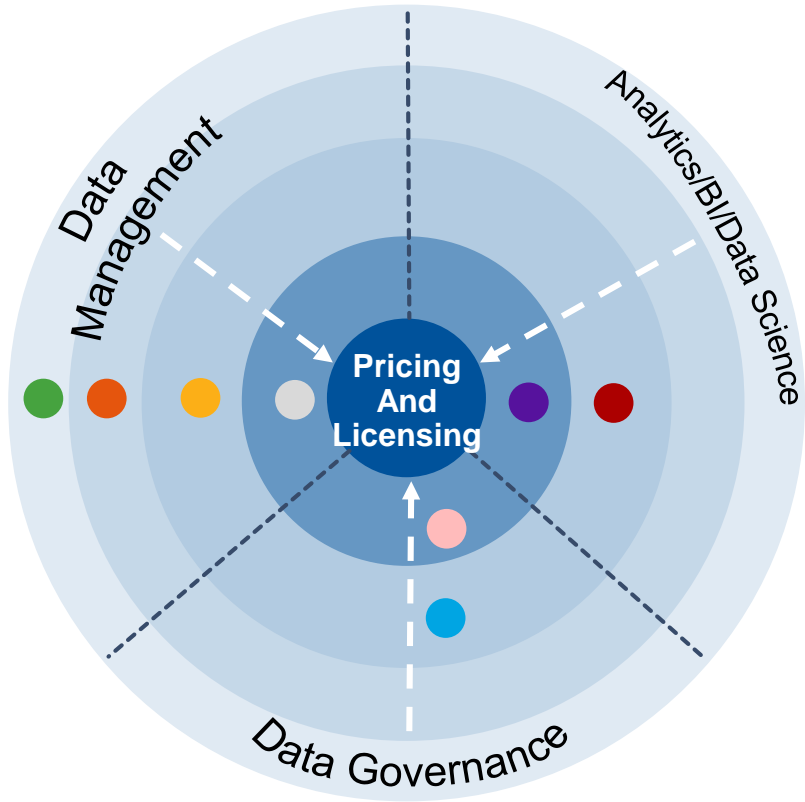
# Modern Data and Analytics Initiatives Require New Pricing Models and Negotiation Strategies

Ehtisham Zaidi  
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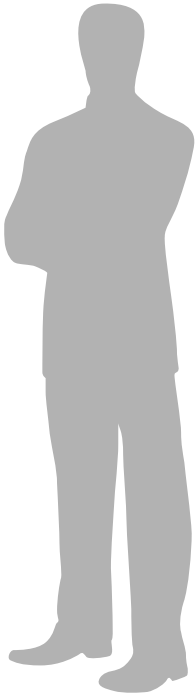
# Pricing and Licensing Is Very Impactful to Data and Analytics!

- Opportunity to experiment with new technology through **reduced capex**
- Opportunity to **reduce** shelfware and **TCO**
- Reduce/Eliminate infrastructure costs**

- MDM
- DBMS/Data Warehousing/Big Data
- Data Quality
- Data Integration
- Analytics and BI
- Data Science and Machine Learning
- Metadata Management
- Data Stewardship and Governance



Pricing and licensing is central to the entire data and analytics pipeline



- CDO
- CAO
- CIO
- CFO
- CTO
- Procurement Leader
- Data and Analytics Leader

**Data and Analytics** leaders must be: **Informed** of existing and new pricing models and **involved** in procurement/vendor management

# Key Issues

1. What is the current scenario in the data and analytics pricing landscape?
2. What are the existing and upcoming pricing trends and new licensing models that you should be aware of?
3. What are the best practices to cost optimize your data and analytics program and negotiate with vendors to save millions?

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# Strategic Planning Assumptions

- By 2018 (now), **all new analytic software purchases will begin as a free or low-cost proof of concept**, enabling buyers to **try the software before they buy**.
- By 2019, more than 35% organizations will cite "**dissatisfaction with current data and analytics vendor's pricing model**" as one of the **top three reasons to switch** to an alternate provider.
- By 2019, annual **maintenance pricing** for perpetual software licenses will become **more expensive than the subscription price** for equivalent functionality.
- By 2020, **more than 80%** data management and analytics software vendors will **transition completely to a term based/subscription based** pricing model.

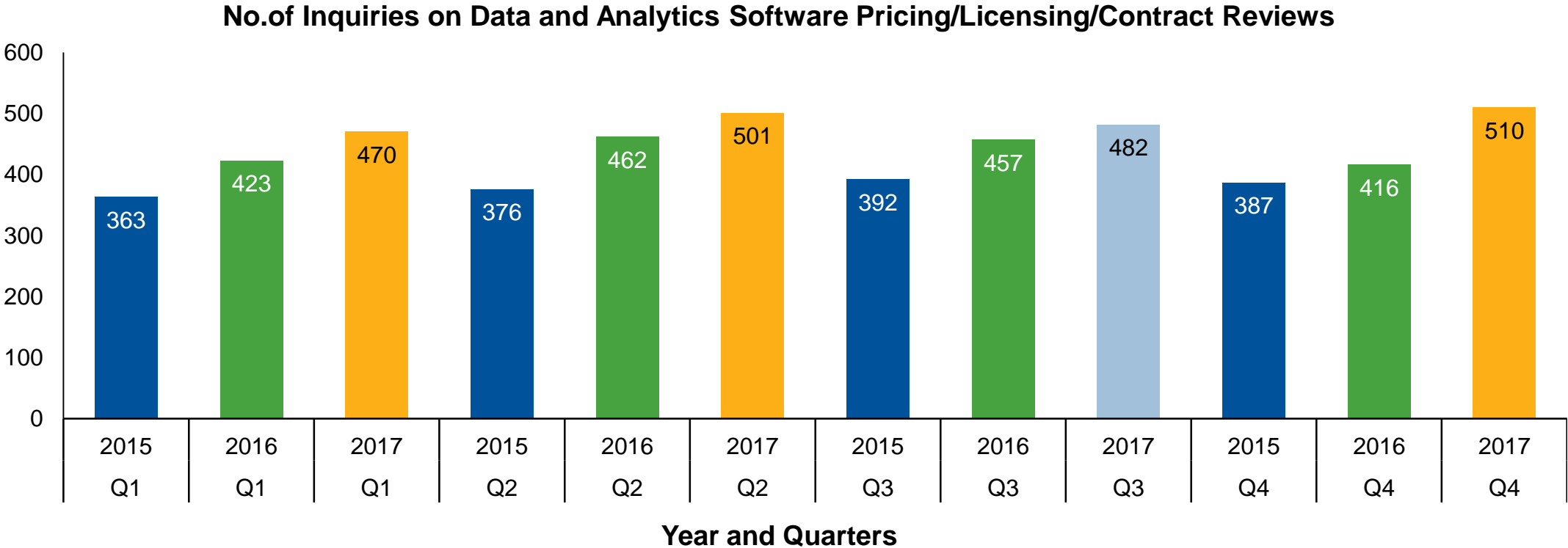
# Interest in Pricing Trends and Licensing for Data and Analytics Is Increasing!

Ever Increasing Number of Inquiries on Data and Analytics Software Pricing/Licensing/Contract Reviews

Inquiries and Contract Reviews

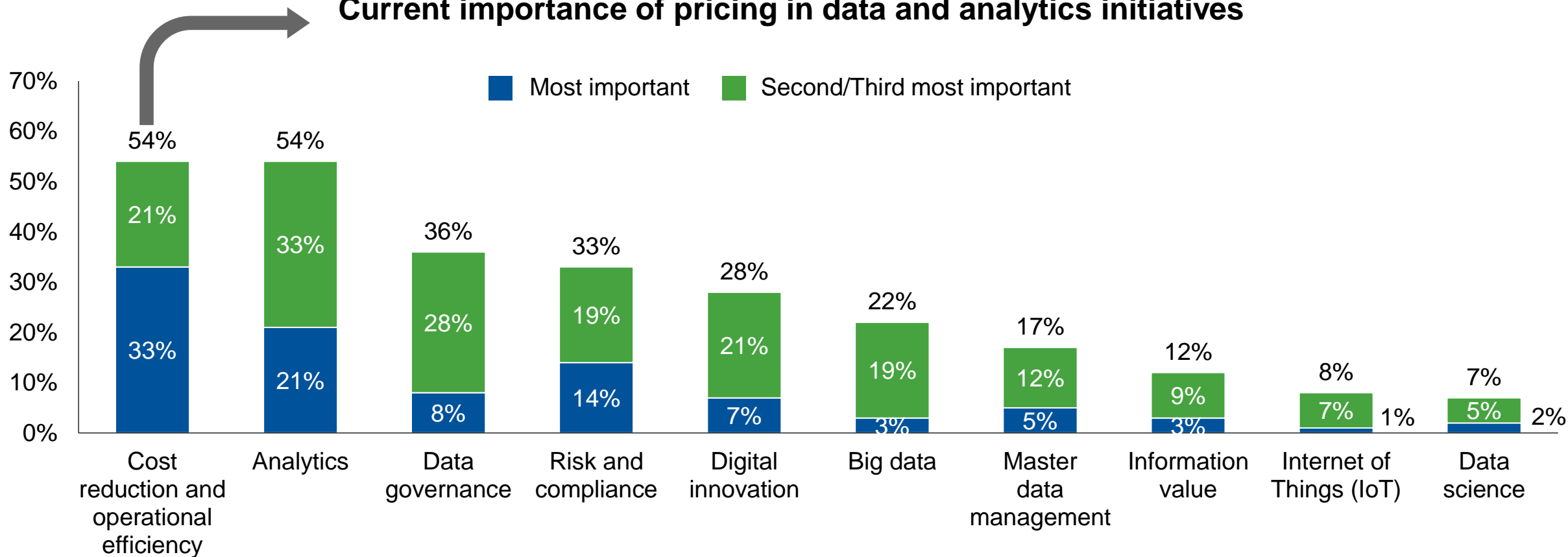
■ Year 2015 ■ Year 2016 ■ Year 2017

~18%  
Increase  
YoY



# Cost Reduction and Operational Efficiency Is "the" Most Important Initiative in Global Survey

Current importance of pricing in data and analytics initiatives



Base: n = 111 Gartner Research Circle Members.  
Q. Please rank your organization's data and analytics initiatives for the current year by selecting them in order of importance.  
Source: 2017 Gartner Information Infrastructure Modernization: New Technology Adoption Trends Survey

# How Is Adaptive Sourcing Changing the Data and Analytics Software Procurement?

Convergence of two **forces** – technology procurement getting in front of deals earlier – vendors wanting to sell modular software.

Procurement leaders leverage relationships with LOB's to derive **greater discounts and to limit shelfware**.

Traditional **top-down approach** – expensive RFPs to procure "one" solution as **enterprisewide standard will no longer work**.

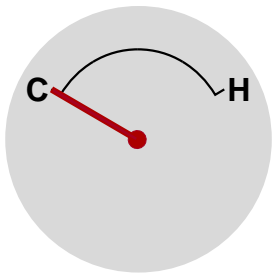
Through **adaptive sourcing**, solutions will increasingly be purchased with a **bottom-up approach**.

Buyers much more likely to try smaller vendor offerings as a "**try-before-you-buy**" approach – lessens the risk of **shelfware/ redundancy** problem.

**Large vendors** that tend to not "**chase the small deals**" will find that their go-to-market strategy is **finding fewer and fewer leads**.

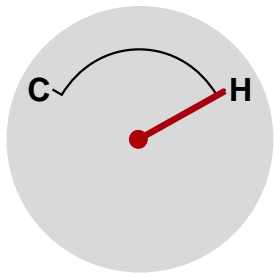


# What's "Hot" and What's "Not" in Pricing and Licensing for Data and Analytics Software



Pricing Options and Licensing Trends That You Should Move Away From:
<b>Hardware-Unit-Based</b> Pricing Options — CPU-Core, Server!
Huge Enterprise <b>Unlimited License</b> Options — Shelfware!
Perpetual/On-Premises Deals With <b>Additional Maintenance</b> — High TCO
Pricing Based on Records, Data Volume, Queries, Data Sources — Difficult to Scale
Huge Infrastructure Costs Due to <b>Unavailability of PaaS</b> Options! — Higher TCO
Data Under Management (Raw Data In-Memory/Disk) — High-Storage Costs
<b>No Collaboration</b> between Data and Analytics Leaders and ITPAM Leaders — "Shadow" Procurement by Citizens — Redundancy
<b>No Choice</b> to Get Support From Third-Party — Vendor Lock-In!

Pricing Options and Licensing Trends That You Should Investigate and Adopt:
<b>Flexible Pricing</b> Models — Per User, Prepay Commit, PAYG, Term ...
<b>Adaptive Pricing</b> — From Hardware Units to Modality (Per Module)
<b>Value Based Pricing</b> (Based on Measurable KPIs)
SaaS, Private Cloud and Public <b>Cloud Options</b>
<b>Separation of Pricing for Storage and Compute</b> — NoSQL/DBMS/EDW: Storage: \$/TB/Month; Compute: \$/Hour
<b>Cloud-Based Micropricing</b> — Granularity at Subsecond Level (Charge Me for 65 Minutes — Not 2 Hours!) — E.g., Clusterpoint
<b>ITPAM</b> Being an Integral Part of the Data and Analytics Team
<b>Maintenance</b> and Support from <b>Third-Parties</b> (Rimini Street, WiredTiger, Spinnaker, etc.)



# Key Issues

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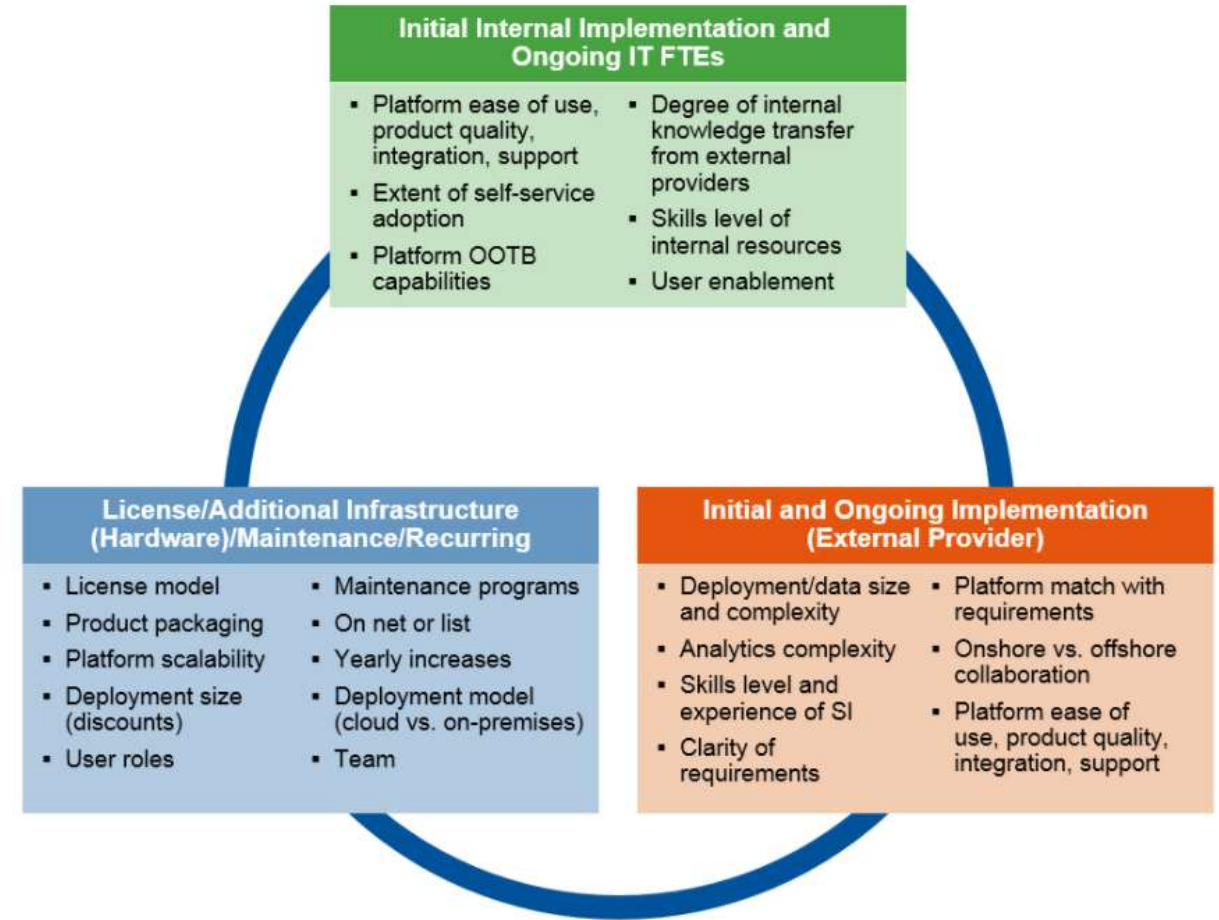
# The Nightmare of BI and Analytics Buying

- Lack of **transparency**
- **Different models** to choose from:
  - Named user
  - Concurrent user
  - Token-based
  - CAL plus server
  - Server
  - Platform fee
  - Data access fee/Volume based
  - Subscription
  - Value-based
  - Dual licenses for cloud and on-premises
- **Maintenance** — % of list, % of net, 18% to 25%
- **Line of business buying:** The opportunity and threat of land and expand strategy of vendors



# Focus on the Overall 3 Year TCO for Your Analytics and BI Initiatives

- Focus on all components of TCO
  - License costs/user
  - Maintenance/recurring fee/user
  - Initial implementation costs (external)/user
  - Initial implementation costs (internal)/user
  - Ongoing implementation costs/user
  - Server/hardware costs/user
  - FTE costs/user
- Focus on ways to keep costs down as deployments grow:
  - Role-based pricing for viewers versus content authors
  - Core-based pricing
  - Enterprise licenses
  - Volume-based discounts to reduce the price per user as user volumes increase



# The Latest Trends in Analytics and BI Pricing

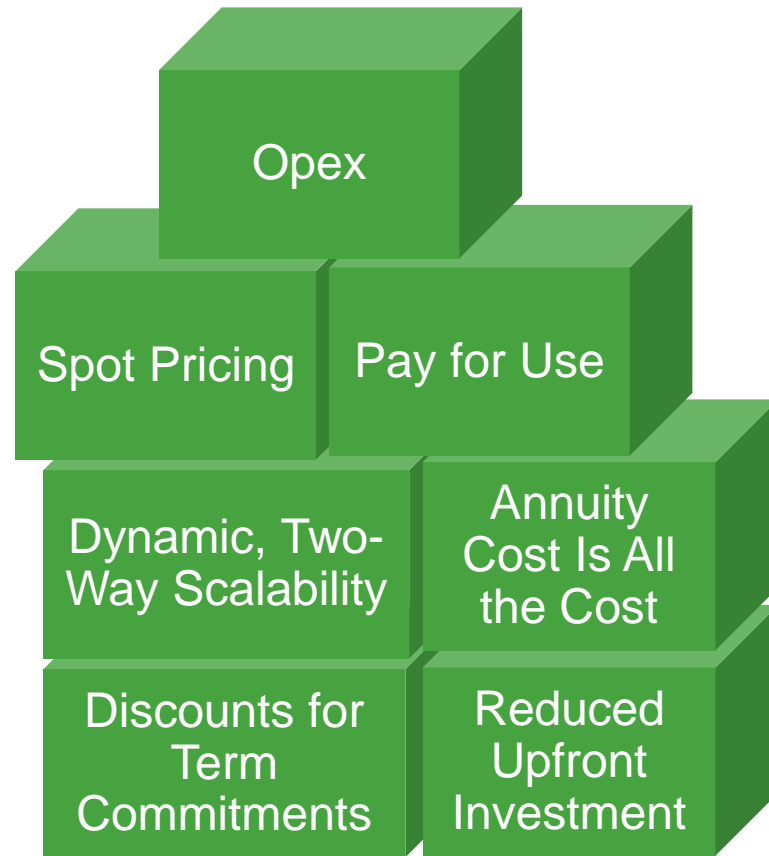
- **Freemium models** being offered (free desktops, open source, limited experience) — stay informed
- **Alternative licensing** metrics — **utility-based (pay per hour)**, **volume-based** and **value-based** metrics
- Low-cost options to get started — **land and expand** and **systematic discounting**
- **Downward pricing pressure** — from \$1200 down to \$120 **PUPM**; several examples like Microsoft, Amazon, Cloud BI vendors
- **Subscription** is "**already**" the norm (both on-premises and cloud) e.g., Tableau's new pricing
- **ELAs only** for enterprisewide BI use (desktop/single user to department/enterprise)
- Beware of Land and Expand Strategies by vendors — due to Shelfware



# Recommendations

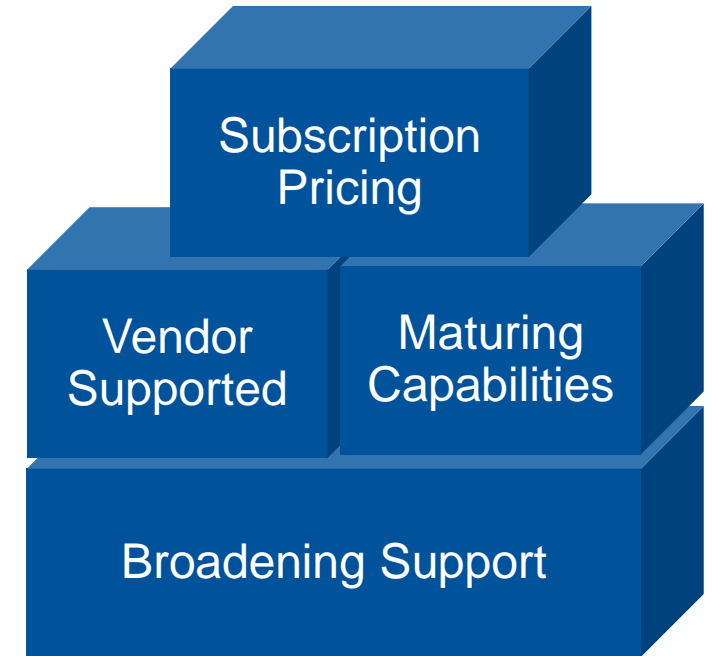
- ✓ Look at total deal and average cost per user
- ✓ Get a contract review from Gartner
- ✓ Make staged investments
- ✓ Focus on business benefits, while managing costs
- ✓ Don't focus solely on initial price negotiations; also manage the cost of incremental pricing as deployment sizes grow, and manage maintenance increases over time.

# In Data Management Technology — Cloud and Open Source Are Common Themes ...



Cloud

- 
- Data Quality
  - Data Integration
  - DBMS
  - DMSA
  - Metadata Management



Open Source



# Data Integration/Data Quality Tools Pricing Trends

## Popular and Upcoming Pricing Models:

- **Licensing Model:**
  - Subscription-Based (iPaaS, iSaaS, PAYG)
- **License Metric Options:**
  - Annual/Monthly Platform Subscription With:
    - Additional Named/Concurrent User Costs
    - Additional/Included Connector Costs
    - Additional Environment Costs (Sandbox, Dev./Test/QA)
    - Optional Modules for Data Quality/Data Governance
- **Average Deal Size:** \$150K for subscription vs. the \$350K for On-Premises Options
- **Average Discounts:** 15%-20%
- **No Maintenance and Support Costs:** Maintenance Rolled Into Subscription



## What Customers Love:

- Single Platform Subscription Fee Inclusive of All Connectors
- Monthly/Quarterly Payment Options
- Price/Discount Protection on Additional Component Buy



## What Customers Hate:

- Hardware-Based Pricing Which Is Difficult to Understand/Scale: CPU-Core, Processor, SPECint, PVU, Server ...
- Separate Yearly Maintenance and Support Costs
- Expensive Connectors to Data Sources

## Data Integration Options Providing Attractive Pricing Models:

- **Incumbent Data Integration Vendors** Offering Cloud Options
- **Data Virtualization Vendors** Offering **Public Cloud Hosted Models**
- **iPaaS Vendors** With Low Opex Subscription-Based Models



# MDM Tools Pricing Trends

## Current Scenario

- **Perpetual, on-premises** licensing still prevalent
- **Fixed cost components:**
  - Platform cost
  - Domain cost (Customer Domain, Product Domain...)
  - Other Modular components e.g., DQ, Integration, BPM support etc.
- **Variable cost components:**
  - Number of **source** systems
  - Number of "**unconsolidated**" **records** (each record could cost from \$0.15 to \$3 — scaling is costly)
  - **Number of users** (either named or concurrent)
- **Annual maintenance:** 18% to 23% per annum of net license
- **Implementation costs** as high as 1x to 1.5x of license on average
- **MDM consultants cost \$200 to \$350 USD per hour!**
- Time taken:
  - **Single domain** — 6 to 8 months > \$800K
  - **Two Domains** — 8 to 12 months > \$1.2 million
  - **3+ domains** — 1.5 years > \$1.8 million...



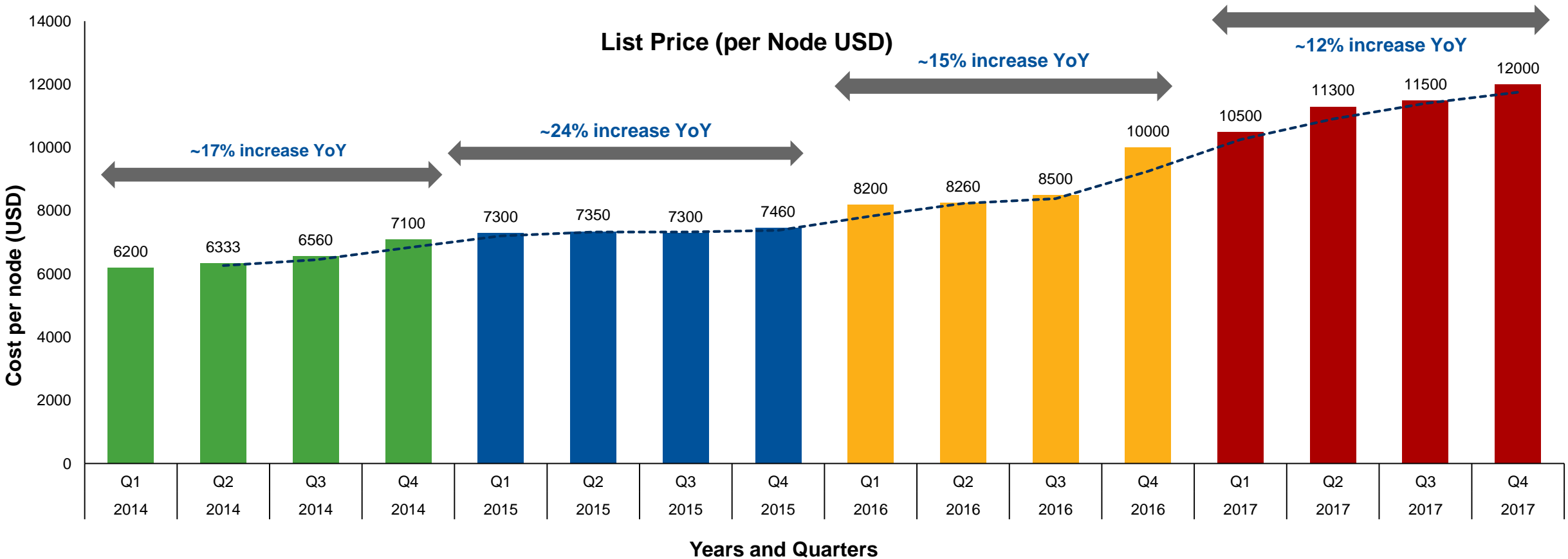
## New Trends and Licensing

- Customers opting for **multidomain** MDM platforms
- More interest in **MDM IaaS** and **MDM PaaS** vendors for subscription deals (10% increase YoY for cloud MDM on our contract reviews)
- Engage vendors that provide all inclusive subscription based **platform and per-user based cost models**, e.g., Talend, Reltio, etc.
  - **Limited** number of production, dev./test **environments**
  - Given number of **records** to be consolidated
  - Given number of APIs/**connectors/integrations**
  - Fixed number of "**named users**"
  - **E.g., Informatica MDM Cloud, Reltio, Dell Boomi, Semarchy, Orchestra Networks, etc.**
- More propensity to **move away from "per record"** based pricing:
  - Negotiate **unlimited records and domains**
- Managed Services while expensive in the long run is viable for complex projects/new projects where organization is less mature
- **More discounting on multiyear contracts:**
  - 5% to 7% additional discount for each additional year on subscription deals



# Hadoop Distributions Software Pricing Trends

The yearly subscription costs of Hadoop distribution vendors' nodes are increasing every year!



Source: Gartner (Dec 2017)

# Hadoop Distributions Software Pricing Trends (Contd.)

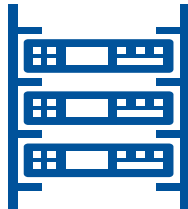


## Current Licensing Model

- **Subscription/Term-based** licensing models
- Based on the number of **nodes/storage size**
- **Discounts** depending on:
  - Number of **nodes**
  - Total **spend** (including consulting and training)
  - **Term** of the deal (generally one, two or three years)
  - **Multiyear deals** (5% to 7% additional per year)
  - **Upfront payment** vs. term-based payment
- Always watch out for:
  - **Price protection** for additional nodes
  - **Discount protection** on additional purchase
  - **Cap on renewals** to not exceed an additional 3% or CPI whichever is less

## New Licensing Models

- Hadoop distributions delivered via the **public cloud** (AWS, Microsoft Azure, Google Cloud Platform, etc.)
- **Prepay Commit:** The customer prepays for an amount of "credits" upfront and these are deducted based on hourly usage
- **Pay-as-you-go:** The customer is invoiced at the end of billing cycle based on the usage
- 3-5 year **ELA models: all nodes forecast are provided together**
- **Advantages:**
  - Excellent for **POCs**, "**one-off**" use cases, **determining value, justifying investments**
  - **Low upfront costs** and superior TCO
  - Costs depends on **hourly usage** of the cloud instance and the **Hadoop distribution** software
  - **Superior SLAs** from trusted CSPs (99%+)

# Emerging Cloud Pricing Models for DBMS/DMSA

	Node-Based	Performance Metric	Serverless Metered
			
Operational/Transactional	Good Fit	Good Fit	Poor Fit
Dashboards	Good Fit	Good Fit	Caution
Standard Reports	Good Fit	Good Fit	Caution
Development/Test	Caution	Good Fit	Good Fit
Exploratory	Caution	Good Fit	Good Fit
Ad Hoc	Caution	Caution	Good Fit

 Good Fit     Caution     Poor Fit

# Impact of AI, ML and IoT on Pricing and Licensing When Things Become Platforms and Users

By 2025, 40% of software that is currently priced by **named user** will transition to **alternative pricing mechanisms** as **AI, ML** reduce the need for human intervention

- ✓ Opportunity for end users to reduce costs as vendors have not accounted for AI/ML using software AS named users!
- ✓ Productivity of AI using software will be higher, hence less named use licenses needed.
- ✓ Expect vendors to respond by adding "**AI Users**" at a higher price point than **Named Users** or even **eliminate named user models** for AI/ML/IoT in favor of **value based/usage based models** like **API access points** which could be tremendously expensive.

**Recommendation:** Be prepared for vendors to try to monetize new pricing metrics, and watch out for overt or covert pricing metric conversion tactics that result in either higher price points or you having to repurchase functionality under new metrics



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Cost  
Optimization

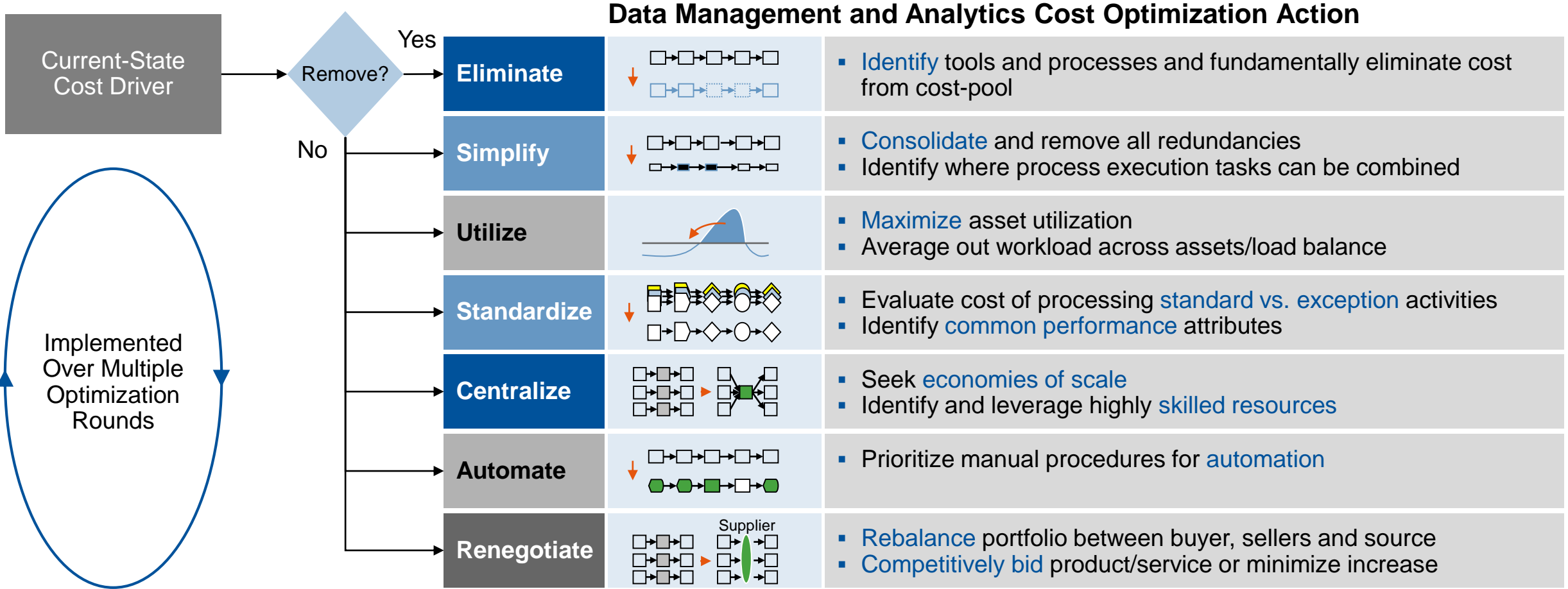


Cost  
Cutting

Cost optimization is a business-focused, continuous discipline to drive spending and cost reduction, while maximizing business value.

Cost optimization requires the calibration  
of conflicting constraints


# Use the Gartner Cost Optimization Framework as a Guide for Cost Optimizing Current and Future Processes





# The Right Negotiation Tactics Can Save You Millions!



<b>Competition is a key negotiating lever</b> 	
Competitive Alternative(s)	Data Warehouse
Rip and Replace, or Gradual Displacement	<ul style="list-style-type: none"><li>▪ Teradata</li><li>▪ SAP HANA</li><li>▪ Microsoft SQL Server</li></ul>
Other Competitive Alternatives	<ul style="list-style-type: none"><li>▪ Cloud DBMS E.g., Snowflake Computing, AWS Redshift</li><li>▪ DWaaS</li><li>▪ Hadoop Distributions</li><li>▪ NoSQL DBMSs</li><li>▪ Open Source</li><li>▪ Third-Party Support (E.g., Rimini Street, Spinnaker Support)</li></ul>

## Collaborate with external stakeholders and outside experts

- ITAM, IT Finance, Contract Managers
- Gartner, Vendor Management, Legal



Bargaining Power

## Sales are always incentivized to sell some products, find out which ones — "Just ask!"

Vendor	Strategic Data Integration Products
IBM	<ul style="list-style-type: none"><li>▪ InfoSphere Information Server</li></ul>
Informatica	<ul style="list-style-type: none"><li>▪ PowerCenter</li><li>▪ Informatica Cloud</li></ul>
Oracle	<ul style="list-style-type: none"><li>▪ Oracle Data Integrator</li><li>▪ Oracle GoldenGate</li></ul>
SAP	<ul style="list-style-type: none"><li>▪ SAP Data Services</li><li>▪ SAP HANA Cloud Integration</li></ul>
Talend	<ul style="list-style-type: none"><li>▪ Talend Data Management Platform</li><li>▪ Talend Big Data Integration Platform</li></ul>
SAS	<ul style="list-style-type: none"><li>▪ SAS Data Management</li><li>▪ SAS Data Integration Server</li></ul>

# Vendorize Your Data and Analytics Proposal Requests to Ask the Right Questions



## 1. What Are the Delivery Options?

On-Premises, Private Cloud/Hosted, Public Cloud ...



## 2. What Are the License Model Options?

Perpetual, SaaS, Term ...



## 3. What Are the License Metric Options?

Processor, Revenue, Device, User, Value Unit ...



## 4. What Are Maintenance and Support Options?

Basic, Premium, Subscription vs. Technical Support, Third-Party ...



## 5. What Are the Contract Models and Options?

ELA, Unlimited, Term, Pay-as-You-Go, Prepay Commit, Flexible Use ...

Action Item: Use our contextualized RFP templates for all data management and analytics technology areas to expose hidden costs, know all the details and ask the Right questions.

["Toolkit: RFP Template for Data Integration Tools" \(G00302097\)](#), ["Toolkit: RFP Template for Data Quality Tools" \(G00301590\)](#), ["Toolkit: RFP Template for Master Data Management Solutions" \(G00273360\)](#), ["Toolkit: RFP Template for Operational DBMS." \(G00273369\)](#), ["Toolkit: RFP Template for Data Management Solutions for Analytics" \(G00278953\)](#), ["Toolkit: BI and Analytics Platform RFP" \(G00316534\)](#)

# Maintain Both Standard and Customized Vendor-Specific T&Cs and Checklists

On-Premises Software	SaaS and Cloud
<ul style="list-style-type: none"> <li>▪ <b>Metrics-Defined</b> — Counting Rules Illustrated by Example</li> <li>▪ HA/DR/Test <b>Use Rights Clear</b></li> <li>▪ <b>Maintenance</b> Renewal <b>Increase Caps</b></li> <li>▪ <b>Audit</b> Rights Clear Requiring NDAs</li> <li>▪ <b>Website Terms</b> Printed and Attached</li> <li>▪ <b>Policies</b> Defined Using Examples (E.g., Virtualization, Indirect Access)</li> <li>▪ Hardware, <b>Technology Change</b> Cost <b>Impact</b> (E.g., Physical to Virtual)</li> <li>▪ <b>Bundling</b> and Renaming Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Renewal Price</b> Protection</li> <li>▪ Meaningful <b>SLA Penalties</b></li> <li>▪ Clear <b>Usage Rights</b> to Allow Production, Test and Development</li> <li>▪ URLs Attached and Referenced in Agreement (<b>No Change During Term</b>)</li> <li>▪ Clear <b>Data Privacy/Security</b> Terms</li> <li>▪ <b>Support Clearly Defined</b> (E.g., Bundled and Nonbundled, Basic vs. Premium)</li> <li>▪ Cloud to On-Premises <b>Re-Entry</b> Rights With Price Protection</li> <li>▪ <b>Exit Protection</b> Provisions</li> </ul>

Create and Maintain Relevant T&Cs Checklists Using Gartner Toolkits and Research:

- On-Premises Software: ["Toolkit: Negotiating Optimal On-Premises Software License Terms and Conditions"](#) (G00294673)
- SaaS and Cloud Services: ["Toolkit: Minimize SaaS Risk and Cost Using This Toolkit to Efficiently Negotiate Optimal SaaS Contract Terms and Conditions"](#) (G00302168)

# Maintain Both Standard and Customized Vendor-Specific T&Cs and Checklists



## Fiscal Year-End Dates for Popular Analytics and Data Management Vendors

**Remember:** All vendors don't have their fiscal year ending in December

Vendor	Fiscal Year-End
IBM	December
Microsoft	June
Informatica	December *
Oracle	May
Cisco	July
Dell	January
Salesforce	January
SAP	December
SAS	December
Tableau Software	December
MicroStrategy	December

**Timings is everything:** Negotiating in fiscal year or fiscal quarter end could mean an additional 5% to 10% discount on average

**Identify and Use "Both" Prospective Vendors' and Their Competitors' Quarter and Fiscal Year-End Dates as Negotiating Levers for Deals and Audit Settlements.**

\*Informatica was taken private in April 2015, the fiscal year-end mentioned here is before it was taken private

# Strategize Timing During Negotiation Planning Process to Optimize Your Deals



Maintain a Competitive Environment —  
Always Keep Two in the Running

Use CxO Power —  
Strategically Time Approvals to  
Align With Fiscal Year-End

Regularly Remind IT and Stakeholders of  
the Importance of Keeping Negotiating  
Levers Confidential

No Award Until All Contracts and  
Transaction Documents Are Finalized  
and Agreed in Writing

Follow the Recommendations and Action Items in Gartner Research  
["Follow Gartner's T4 Process for Vendor-Specific Practices to Negotiate the Optimal Deal"](#)  
(G00271850) to Effectively Strategize Timing of Deals for Leverage and Bargaining Power.

# Recommended Gartner Research

- ▶ [Best Practices for Cost Optimizing Your Data Management Program](#)  
Ehtisham Zaidi, Eric Thoo, Mei Yang Selvage and Others (G00325836)
- ▶ [Emerging Technology Trends Create Opportunities for DBMS Cost Optimization](#)  
Donald Feinberg and Adam M. Ronthal (G00303849)
- ▶ [Toolkit: Comparative Total Cost of Ownership Calculator for Cloud and On-Premises DBMS Deployments](#)  
Adam M. Ronthal, Donald Feinberg and Rick Greenwald (G00309335)
- ▶ [Market Trends: Prepare Now to Smooth the Inevitable Transition to a Subscription-Based Business Model](#)  
Laurie F. Wurster, Joanne M. Correia and others (G00290238)

For information, please contact your Gartner representative.

# Recommended Gartner Research

- ▶ [Focus on These Key Contract Components When Negotiating a Data Integration Tool Purchase](#)  
Ehtisham Zaidi (G00308741)
- ▶ [Adopt 10 Best Practices to Become a Contract Negotiation Expert for Data Integration Tools](#)  
Ehtisham Zaidi (G00299302)
- ▶ [Follow Gartner's T4 Process for Vendor-Specific Practices to Negotiate the Optimal Deal](#)  
Jo Ann Rosenberger (G00271850)