



NOT EVERY
CLOUD HAS
A SILVER
LINING: THE
CLOUD
SOLUTION
MIGRATION
CAVEAT

{ THE CLOUD IS THE WAY OF THE FUTURE! }

If your software vendor has been touting the benefits of migrating to the cloud lately, you're not alone. The IT industry is at the beginning stages of a major shift in which lifeblood applications are being transitioned from on-premises to cloud. All the major players are participating- Microsoft, Oracle, SAP, the list goes on. In fact, 70% of American organizations are currently using cloud technologies, and another 56% are planning transfers in the near future.¹

And while cloud solutions do have a vast array of benefits, the cloud industry is still in its infancy, and therefore cloud solutions are far from the trouble-free platform many vendors claim them to be. All too often, organizations succumb to the pressure to transition their software - without any incentive we might add - and discover myriad troubles as time goes on.

BENEFITS OF CLOUD SOLUTIONS

In general, vendors will emphasize four key benefits of cloud solutions:

1) SCALABILITY

Rather than being tied down to a set number of licenses, cloud solutions allow the organization to add users and functionality as it is needed. For companies that are experiencing periods of growth or change, this flexibility is extremely helpful.

2) FREQUENT FUNCTIONALITY UPDATES

We live in an iOS universe, and as such, we're accustomed to having access to all the latest upgrades, bug fixes, and functionality add-ons as soon as they're available. Unlike traditional on-premises solutions, with periodically release updates that customers can choose to apply or not based on their individual needs, cloud solutions are automatically updated as upgrades are available, so customers are kept "up to date at all times".

3) VENDOR-MANAGED IT

Cloud solutions shift the IT responsibility to the vendor. Your in-house team no longer needs to worry about availability, disaster recovery, storage and back ups - the vendor makes sure that the solution is functioning at its best at all times and that your data is secure given that data storage is shifted off-site and onto the cloud.

4) COST SAVINGS

On-premises solutions are typically purchased for a high one-time fee, followed by roughly 20% yearly to keep functionality current. In a cloud-based solution, organizations pay by subscription, lowering the initial costs substantially.

Sounds great, right?

Unfortunately, while cloud-based solutions do carry a number of benefits, the risks can sometimes be too high to make the transition worthwhile. If your organization is considering moving to the cloud, there are a number of pitfalls you'll need to avoid in order to maintain functionality and manage costs.

THE DARK SIDE OF THE CLOUD

The decision to transition services to the cloud is one that shouldn't be taken lightly. While moving to the cloud isn't necessarily a permanent decision, switching back to your former on-premises system following an unsuccessful migration would be costly and time-consuming, with no real guarantee of returning to the functionality you had before. So it's critical to understand the risks before you sign on the dotted line.

MATURITY

How mature is the cloud solution your vendor is offering? Keep in mind, though the salesperson claims that the same functionality exists on the cloud, the process really isn't as easy as simply taking your on-premises version and putting it on the cloud. The stability and quality you've come to expect from your on-premises system does not necessarily indicate that the cloud solution will be as robust. Many vendors (even the big players!) do not have references to prove successful migrations with other clients, which is worrisome indeed.

TERMINATION

What happens if you decide to switch vendors? In moving to the cloud, you hand over a great deal of power to the vendor. They now have your computing infrastructure, your apps, and your data. >>>

¹ Forbes, "13 Biggest Challenges When Moving Your Business to the Cloud", <https://www.forbes.com/sites/forbestechcouncil/2017/06/05/13-biggest-challenges-when-moving-your-business-to-the-cloud/-29f2d0da9b0e>



And it stands to reason that they are likely to create several impediments to pulling your business should the time come to change. Not being able to simply walk away with your data could cause significant delays and interruptions to your business in the event of a vendor transition.

PRICE INCREASES

While vendors extoll the virtues of cost savings through subscriptions, what they don't often share is the likelihood of future subscription cost increases following the conclusion of your initial agreement period (often 3 – 5 years).

INVOLUNTARY UPGRADES

Sure, having the latest functionality sounds great, but everyone has experienced updating their iPhone only to find all their contacts have vanished, or a number of emails have disappeared simply to gain a few emoji's. Where with an on-premises solution the organization can choose if and when to conduct an upgrade, switching to the cloud means that upgrades are conducted involuntarily and according to the vendor's schedule. When this happens, there are no guarantees that integration points with other internal systems (for instance, HR or finance) will not be broken due to the upgrade. When this occurs,

the onus is on the customer organization to manage the cost, responsibility, and downtime associated to implementing version updates.

NON-COMPLIANCE FEES

Once on the cloud, many organizations find themselves rolling out more users than they're licensed for. While this may initially seem like a bonus cost-savings, rest assured that your vendor is keeping a close eye on your usage and metrics from afar, and will not hesitate to deliver a hefty punitive invoice for retroactive subscription activity. When using cloud-based solutions, it's critical to keep a constant eye on utilization vs. contractual entitlements to avoid unplanned non-compliance charges and time-consuming vendor audits.

RED FLAGS TO WATCH FOR IN A CLOUD MSA

Knowing the risks inherent in a cloud migration, there are several red flags that organizations should monitor as the transaction progresses:

UNCLEAR FUTURE PRICING TERMS

While most vendors will be hesitant to commit to pricing several years down the road, it is important to clarify how pricing will

be treated once the initial contract period ends. If this part of the MSA is left vague, you risk being held hostage to unreasonable increases in subscription prices, with increased difficulty in changing vendors.

UNCLEAR DEFINITION OF METRICS

What exactly is a 'user'? If someone on your team simply needs to view the information, but not edit or add to that information, are they still considered a user? Make sure you understand the terms of the licenses to avoid unnecessary license fees.

DYNAMIC TERMS AND CONDITIONS

Many contracts will reference definitions, policies, and specifications as hyperlinks contained inside an on-line contract document. These links can therefore change over time, meaning that what you sign on for today might not be what you receive tomorrow.

INTRODUCING A THIRD-PARTY NEGOTIATOR

Given the nascent nature of the cloud computing industry, knowledge of these type of contracts is scant at best. In-house procurement teams may not have the requisite experience negotiating MSA terms for cloud solutions. Resellers have conflicting

interests, given that they take a piece of the pie as a result of the negotiation.

Further, even when the terms of the initial agreement are sound, without the foresight of a subject matter expert laying the groundwork for the years following the term, subsequent subscription rates can skyrocket without notice and with little available recourse.

Licensing models are tremendously complex. Particularly for cloud computing solutions, the seemingly endless functionalities and varying levels of involvement can make the decision process difficult without subject matter expertise. The vendor will undoubtedly sing the praises of packages with maximum functionality (and an associated price tag), but chances are your organization doesn't need all the bells and whistles. In fact, signing on for a system with too much ability to customize can increase the workload of team members to an unrealistic extent, decreasing productivity.

Further, there are several different ways to purchase the same functionality, and it is not in the interest of the software provider to point out opportunities for cost savings. Having an unbiased subject matter expert on your side ensures that the negotiation process ends with your best interests at the forefront of the MSA.

Deal IQ's licensing experts have decades of experience negotiating terms, and have saved clients millions of dollars in the process.

HOW DEAL IQ CAN HELP

The Deal IQ team consists of master negotiators and individuals with years of experience working in-house at the very vendors with which we negotiate. This combination of negotiation skill and insider knowledge uniquely equips us with an understanding of the various discounting mechanisms and licensing models of the client's chosen vendor.

The process begins with Deal IQ's team conducting an intake assessment, and

gaining an in-depth understanding of the specific functionality required from the software. They speak with the client's team to determine the key activity and number of licenses necessary, and use this information to stress test the bill of materials and develop a new model to present to the vendor. Once the correct bill of sale has been vetted, and a strategy for discounting developed, the client can either approach their vendor to negotiate the new contract, or engage the Deal IQ team for further assistance in completely taking over the negotiation process. Altogether, their involvement can take anywhere from a few hours to three days to complete.

Some of the key points that Deal IQ examines in a cloud-based licensing negotiation include:

FUTURE PRICE PROTECTION

Though many vendors do not like to fully disclose their list prices, it's critical that they supply this information during the negotiation process. This way, it is possible to attain future price protection, expressed as a percentage of that list price. Vendors will often warn that future prices will rise as functionality is added or upgraded. And while this logic may seem sound, it is canceled out as your support requirements diminish. The longer you use the system, the more knowledge you have, and therefore the less support you require. Further, technology prices decrease with time- why should you pay more for the same subscriptions purchased five years prior?

VOLUME DISCOUNTS

Deal IQ always seeks to establish clarity on volume discounts at the outset of the MSA. As your organization grows and you require more subscriptions, you should be offered a discount on bulk purchases. 800 subscriptions should be further discounted from 300 subscriptions.

TECH SUPPORT

While the vendor may sell you on 24/7 tech support, it is critical to clarify what is included in the level of support they are offering. All too often, the first tier of

tech support simply provides access to a web-based Q&A style support centre, and contact with a live help team member carries an additional cost.

SECURITY

In a recent survey, 86%² of respondents stated that their primary concern with moving to the cloud was the risk of data breach. And with the recent implementation of several global data privacy regulations, including the GDPR, it stands to reason that data protection would be front of mind for many organizations. Not only is the protection of the rights and freedoms of data subjects critical to maintaining trust with customers, but the punitive fines for breaches have become increasingly prohibitive in recent months. During the negotiation process, Deal IQ seeks to clarify the breach mitigation infrastructure of the vendor, to protect the client's best interests.

Keep in mind that challenges will come both in the form of technological details and human resources. Members of your team are accustomed to interacting with your on-premises platform in a certain way. They understand the process and have established routines associated with the system. While younger, millennial workforces may have less trouble transitioning to a cloud-based program, you'll still need to factor in initial training and continuing education as upgrades are scheduled.

INTENTIONAL CLOUD MIGRATION

The bottom line is this: As with any large business decision, organizations need to have a clear goal and intention first to justify migrating to the cloud. Simply jumping ship at the urging of one's vendor isn't a good enough reason. Are you looking to cut costs? Save time? Increase efficiency? Then design your cloud strategy around those overarching goals. Working closely with the Deal IQ team, they can help you establish your migration strategy, and ensure that every term of the MSA reflects these goals.

Harness the expert knowledge of Deal IQ's Licensing Optimization team by calling 1(877) 272-8240 to learn more. 

² Computing, "86% of Cloud Migration Fears are Still Data Breaches and Loss", <https://www.computing.co.uk/ctg/news/3030407/86-per-cent-of-cloud-migration-fears-are-still-data-breaches-and-loss>