

Deloitte.

THE RIPPLE EFFECT

Stories of purpose and lasting impact

Unlocking critical budget dollars

For one life sciences company, a software dollar saved is a dollar spent on finding a cure for cancer.

THEY KNEW THEY WERE **OVERSPENDING ON SOFTWARE**, BUT NOT WHERE.

THE SITUATION

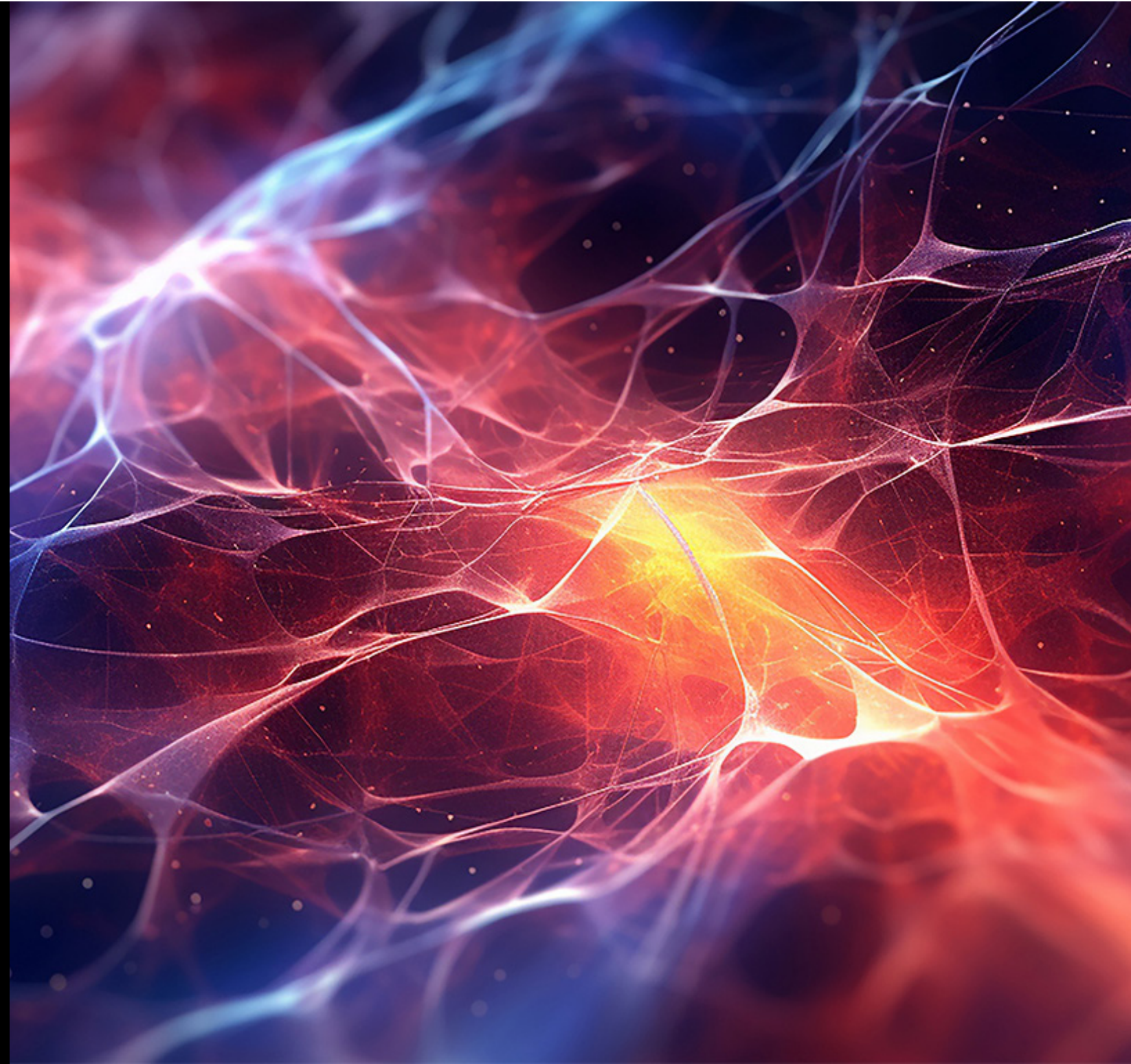
One of the laws of physics is the *conservation law*: It describes how plenty of things in the universe *change* but that the basic amount of stuff stays the same. What leaves one side of the universal ledger simply shows up on another—a concept familiar to anyone who's owned a budget. Things may change over the course of a fiscal year, but the budget number doesn't. If Paul needs more, Peter knows he's in for a haircut.

This is the lens through which a global life sciences company recently reviewed its IT spend. It needed to resize its technical infrastructure after a restructuring; every dollar saved there, the thinking went, was a dollar that could be spent on finding a cure for cancer. What could Deloitte do to help? The company shared that the least controlled part of its IT budget was for software.

This included a significant software *tail spend*. Tail spend is the amount of money an organization spends on software that make up some 80% of transactions but only 20% of total dollar spend. Like most enterprises, the company had a handful of contracts with major global software providers, but thousands of small "cats and dogs," as tail spend denizens are also known. In fact, by some estimates, 90% of its software vendors were part of the company's tail.

Why does this matter? Because ineffectively managed software assets—software sprawl—bring risks to an organization. There are cost risks, of course: overpaying vendors for licenses that go unused or making unplanned payments because of software audits. There are also security risks: Unauthorized or unsecure software deployed behind a corporate firewall can create gateways for cyberattacks. And there are operational risks: It can be time and labor intensive to manage third-party software without oversight—time and labor that could be reclaimed through self-service and automation.

Here was an opportunity to make an impact—optimize cost and reduce risk by taking the sprawl in hand—and Deloitte had a proposal for company leadership to get there. It was pretty compelling.



THE SOLVE

“We’ve tried this before; what makes you different?” the company said. Our response: *Give us six months to assess your licenses, and we’ll find you significant cost savings of a certain dollar figure. If we don’t, you pay us nothing. If we do, you’ll use part of those savings to pay us a fixed fee, with the balance going to your bottom line.*

Zero risk to the company and a win-win from any perspective—it was “a complete no-brainer,” according to company leadership.

This is the part where we’re compelled to say *your mileage will vary*: Each company has a unique set of circumstances, software spend and contractual situations vary, and not every savings estimate will be the same. But—and you can see where this is going—in this case the Deloitte team found a whopper of an opportunity, 10x bigger than anyone expected, large and complex enough that the company agreed to have the Deloitte team take the lead in contract negotiations with the vendor on the \$450 million five-year contract. *They found what makes us different.*

Savings secured and shifted elsewhere in the ledger, the company formalized the relationship with Deloitte by awarding a multi-year managed service contract for [software asset management](#) (SAM). Through the ongoing SAM function, Deloitte was engaged to help the company minimize the total cost of ownership of its software portfolio with the goal of driving cost down and eliminating liabilities; increasing operational efficiencies associated with the use and management of software to power the business; and reducing risk, leading to improved outcomes and minimizing the attack surface for cyberthreat bad actors.

Why do all this? Because every dollar not spent on software is another dollar to be invested in the business of curing cancer.

PAY ONLY IF SAVINGS ARE FOUND?
‘A COMPLETE NO-BRAINER.’

THE IMPACT

Generally speaking, a software asset management program like the one used by this global life sciences company helps optimize software assets to drive the lowest total cost of ownership of software and avoid unwanted budget surprises and mitigate operational, financial, and legal risk.

Specific to this story, a SAM function has been instrumental in starting a culture shift in the company—what the Deloitte team calls a *proactive software asset management lifestyle*. This model elevates software management from a task bullet on an IT project to a shared mindset by all stakeholder groups focused on long-term outcomes. Those outcomes? Nothing less than lowest total cost of ownership of software providing the highest ROI overall across price, operational efficiency, and risk.

In terms of metrics, there are ranges, and there are specifics. As one of the biggest outsourcers of software asset management services in the world, Deloitte has helped its clients avoid more than \$550 million in client software spend and \$2.5 billion in liabilities since 2015 by reducing costs through software asset optimization. Typical engagements save companies roughly 2–10% on costs, with actual savings based on individual facts and circumstances.

Over the course of its relationship with the company, the Deloitte team has so far produced a positive ROI. Simply put: The team funds itself and then some. And those are savings that can be shifted to the company's mission.



GOAL: LOWEST TOTAL COST OF SOFTWARE OWNERSHIP,
HIGHEST ROI.

LET'S CONNECT.

Do these challenges sound familiar?



BRIAN HIBNER

Managing Director
Deloitte & Touche LLP
bhibner@deloitte.com
+1 312 342 3070



JOHN CONRAD

Principal
Deloitte & Touche LLP
jconrad@deloitte.com
+1 443 418 8329



MIKE VEHLEWALD

Senior Manager
Deloitte & Touche LLP
mivehlewald@deloitte.com
+1 312 402 2685



SABRINA QUINN

Senior Manager
Deloitte Services LP
saquinn@deloitte.com
+1 215 282 1206



About this publication

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2023 Deloitte Development LLC. All rights reserved.

Member of Deloitte Touche Tohmatsu Limited