Meter iT - Optimize iT

Metering IT Assets: Chargeback/Showback 101

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Director of Sales, Americas
Speaker

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Founder
Speaker

Today's Agenda

- *Industry Trends and Economic Backdrop*
- *IT Chargeback Goals*
- *Implementing IT Chargeback*
  - *The process*
  - *Customer Cases*
- *Benefits of IT Chargeback*

Industry Trends and Economic Backdrop

Software licensing is **complicated** enough in its own right.

Industry Trends and Economic Backdrop

43%

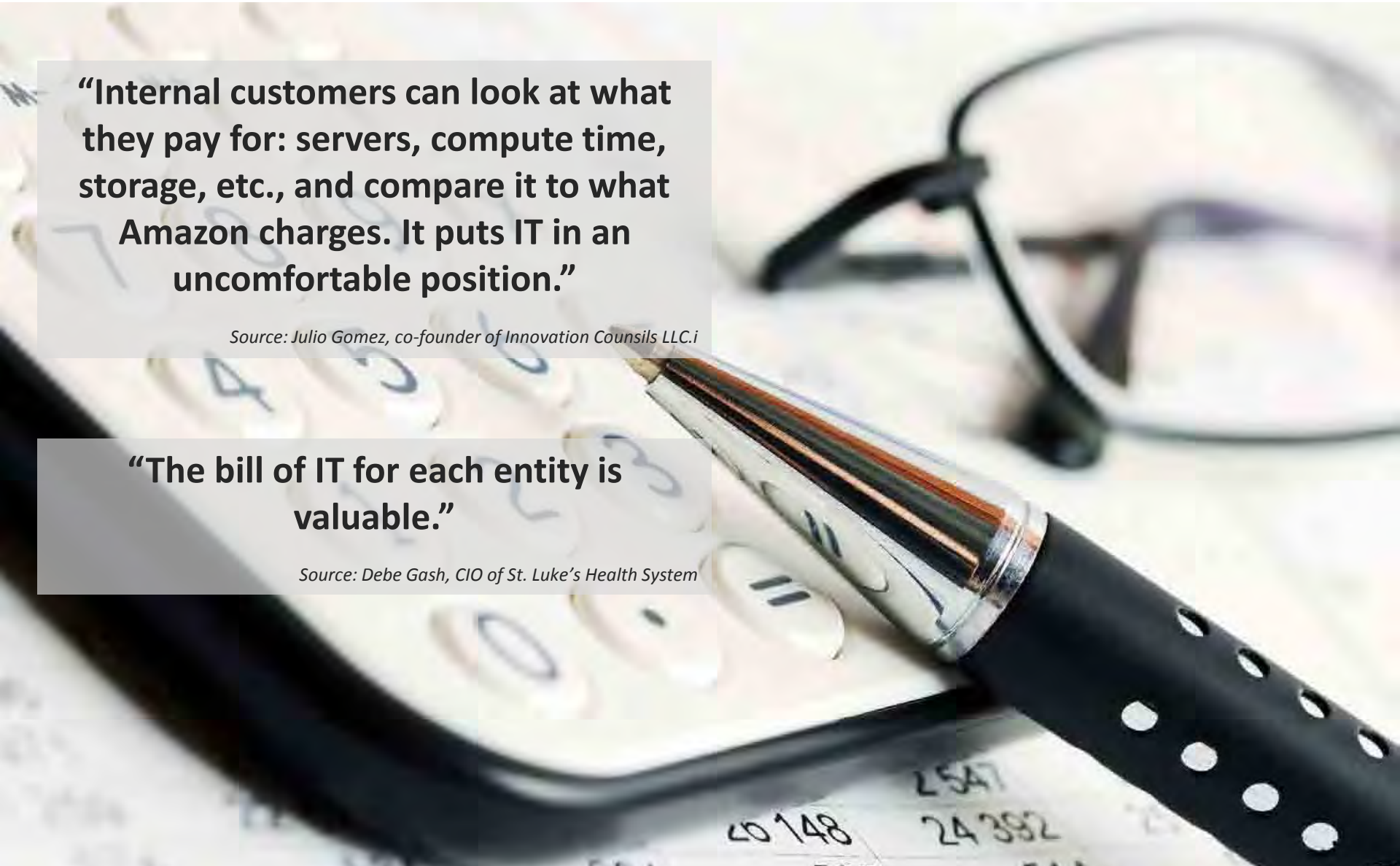
of organization increase their risk of falling out of compliance because of not having sufficient process and automation in place to manage their licenses.

Source: International Data Corporation (IDC)

Do you have an IT chargeback system in place?

IT Chargeback: Bill internal users, groups, and departments for use of software and other IT resources, based on actual usage.

Do you have an IT chargeback system in place?



“Internal customers can look at what they pay for: servers, compute time, storage, etc., and compare it to what Amazon charges. It puts IT in an uncomfortable position.”

Source: Julio Gomez, co-founder of Innovation Counsils LLC.i

“The bill of IT for each entity is valuable.”

Source: Debe Gash, CIO of St. Luke’s Health System

Key Chargeback Functions

- Data collection functions
- Account table maintenance
- Rate setting
- Billing & reporting
- Administrative functions such as:
  - Budgeting activities
  - Pricing decisions
  - Usage variance analysis requests
  - Business general ledger & accounting
  - Cost allocation decisions
  - Capacity & usage trending activities

Avoiding Situations Like This

IT Chargeback Goals

IT Chargeback Goals

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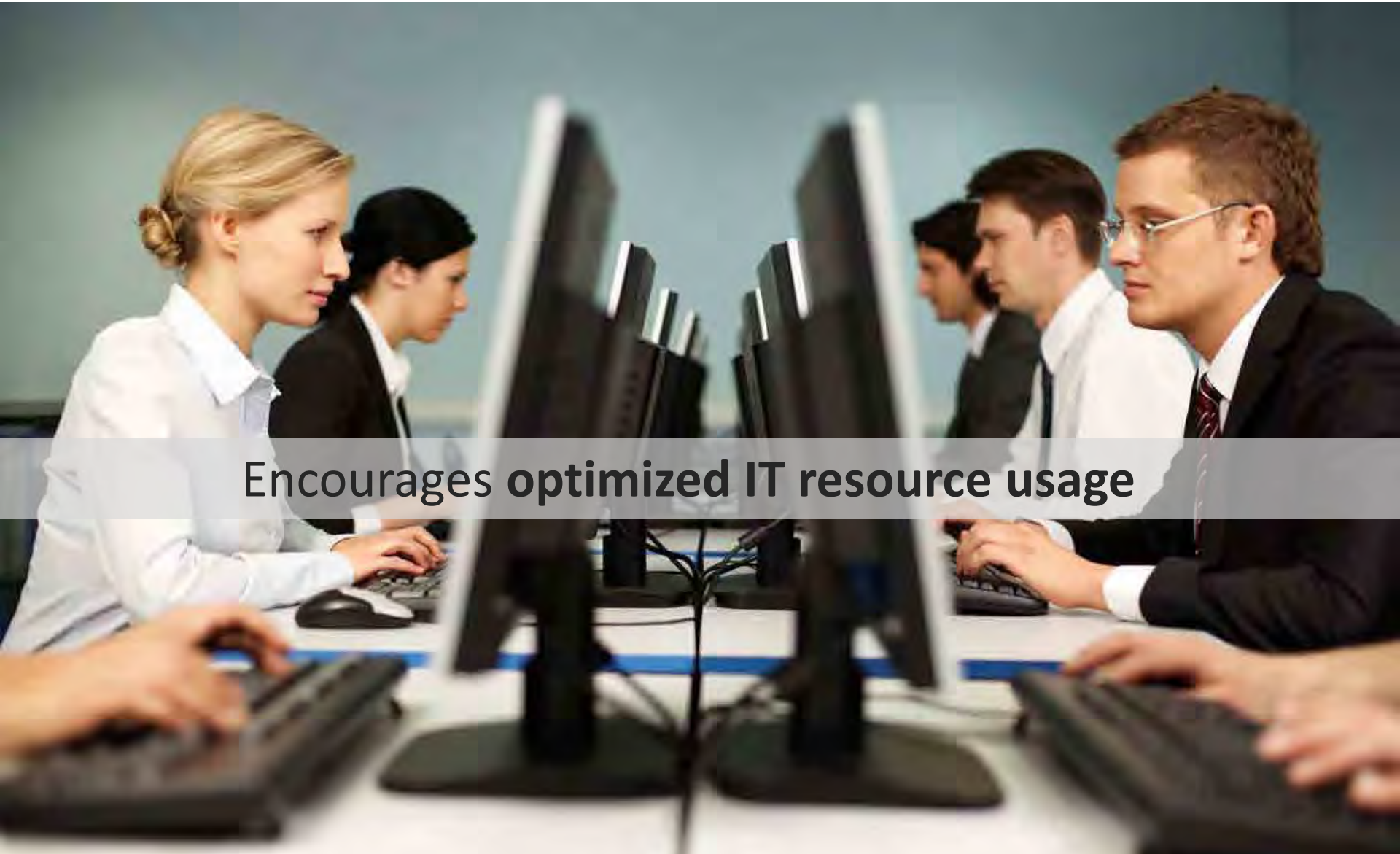
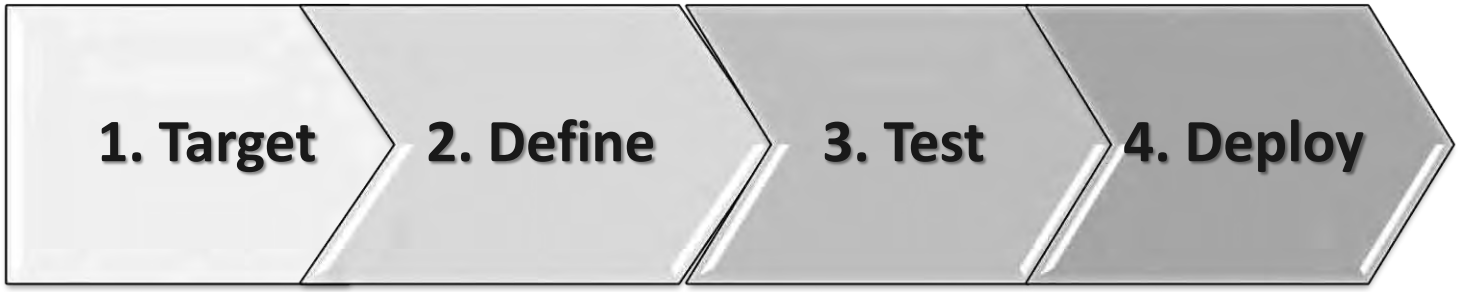


Encourages **optimized IT resource usage**

Implementing IT Chargeback

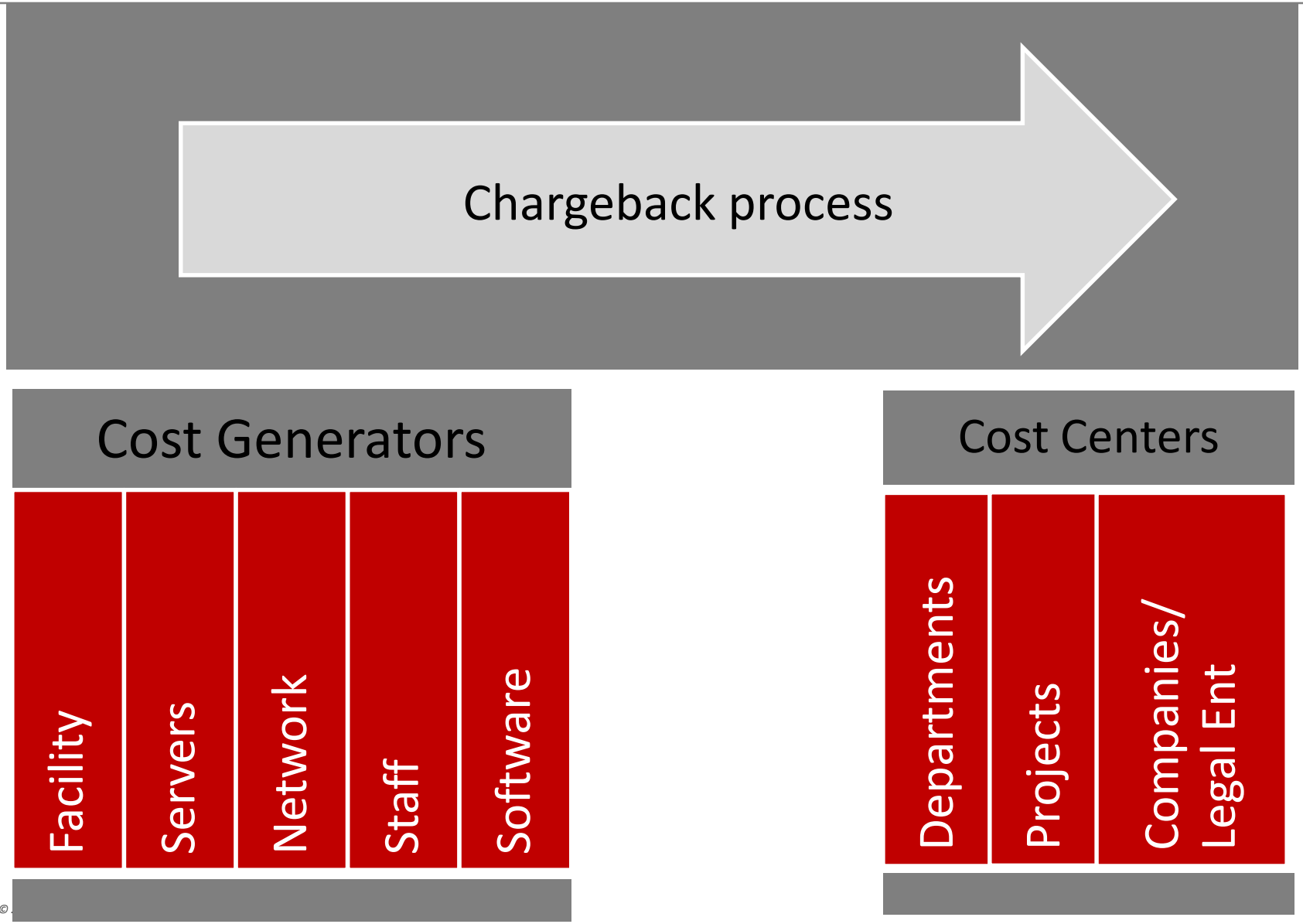
IT Chargeback Process



Corporate Policies and Procedures

GOAL: **Transition from a cost center to a value center**

The Cost Centers



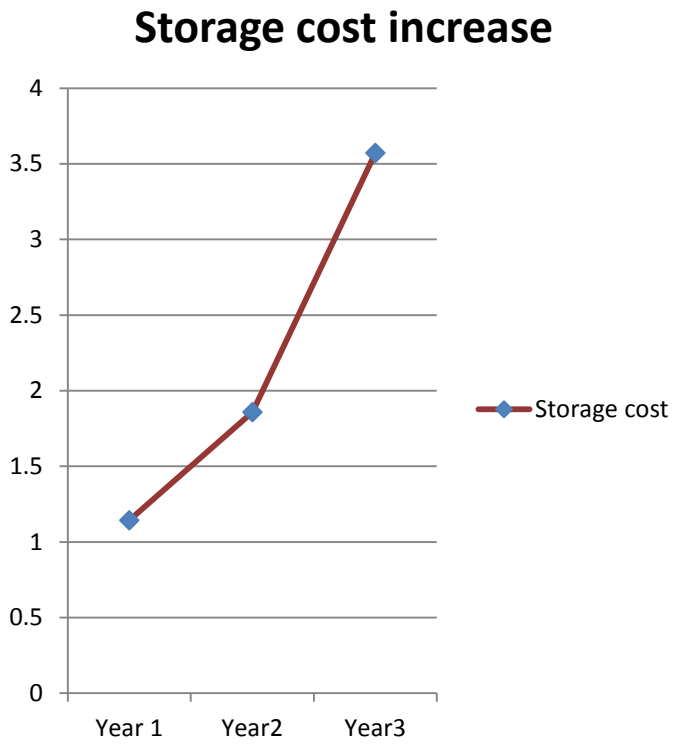
Increase Assets Efficiency

CUSTOMER CASES

Customer Sample: Reduce Cost

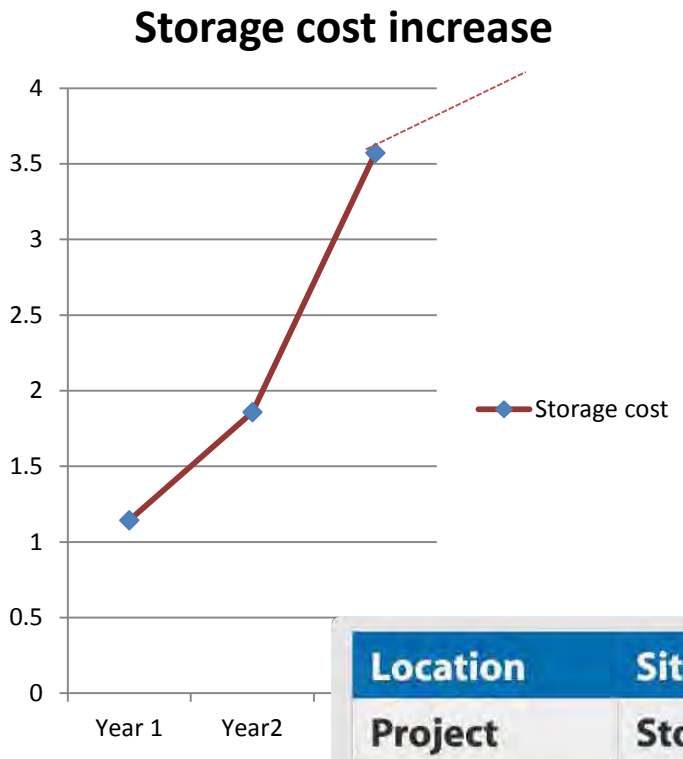
REDUCED STORAGE WASTE

Exponential Increase in Storage Cost



- Although storage units cost less each year, a customer had an exponential increase in their storage cost.
  (Year 1, storage cost was 1.14 MUSD, Year 2, it was 1.85 MUSD, and Year 3 it had grown to 3.57 MUSD. I.e. storage cost tripled while storage volume increased more than x 8!)
- Even though storage is cheap, managing the service is not.
- The company needed to change the “laissez faire” attitude towards storing and keeping data, and make sure employees cleaned up data no longer in use.

Exponential Increase in Storage Cost



- Solution:
  By mapping actual usage to projects, it is easy to charge projects for their storage usage. This is a strong incentive for project owners to make sure projects are cleaned up upon completion.

Location	Site 1	Site 2	Site 3	Site 4
Project	Storage Cost	Storage Cost	Storage Cost	Storage Cost
Project A	693.79	4.94	651.65	
Project B	6865.73	1547.79	4287.73	167.90
Project C	39393.47	1907.56	18688.54	3328.67
{Unmatched}				2.61

Support Business Process Improvement:

DOCUMENT SOFTWARE NOT IN USE

Document Software not in use...

- Usage reporting to support a remix of licenses or to reveal training needs

Site	Bergen		Caracas		Copenhagen		Harstad		London		Stavanger	
Applications	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct
CNTRASSIST	0.00	0.00	0.00	0.00	0.00	0.00	76.92	6.00	0.00	0.00	0.12	3.00
DATALOAD	516.17	14.00	11.17	3.00	44.57	4.00	749.25	18.00	431.93	5.00	10929.83	96.00
DSPACE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	63.21	5.00
DSS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	606.71	36.00
DT3DV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.71	3.00
DTEXPLORER	0.00	0.00	0.00	0.00	2.75	1.00	562.75	2.00	3.93	2.00	2196.58	17.00
DTEXPRESS	0.42	1.00	2.42	1.00	0.00	0.00	555.50	3.00	58.25	4.00	551.62	14.00
DTGUI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.71	3.00
DTINTERPRETER	0.00	0.00	0.00	0.00	0.00	0.00	24.92	2.00	0.00	0.00	12.08	3.00
EARTHCUBE	0.00	0.00	0.00	0.00	0.00	0.00	490.42	17.00	278.82	8.00	3245.92	34.00
FMP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1094.62	6.00
FSTTRK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.24	1.00	0.00	0.00
FZAP	0.04	1.00	0.00	0.00	0.00	0.00	7.92	2.00	0.00	0.00	0.04	1.00
LGCIO	0.00	0.00	0.00	0.00	2.08	1.00	204.00	3.00	0.00	0.00	95.71	12.00

Action Item: More Training or Cut in Maintenance?

- Why is the product ”DSPACE” only being used in Stavanger?

Site	Bergen		Caracas		Copenhagen		Harstad		London		Stavanger	
Feature	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct	Active time	Distinct
CNTRASSIST	0.00	0.00	0.00	0.00	0.00	0.00	76.92	6.00	0.00	0.00	0.12	3.00
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DSS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	606.71	36.00
DT3DV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.71	3.00
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DTEXPRESS	0.42	1.00	2.42	1.00	0.00	0.00	555.50	3.00	58.25	4.00	551.62	14.00
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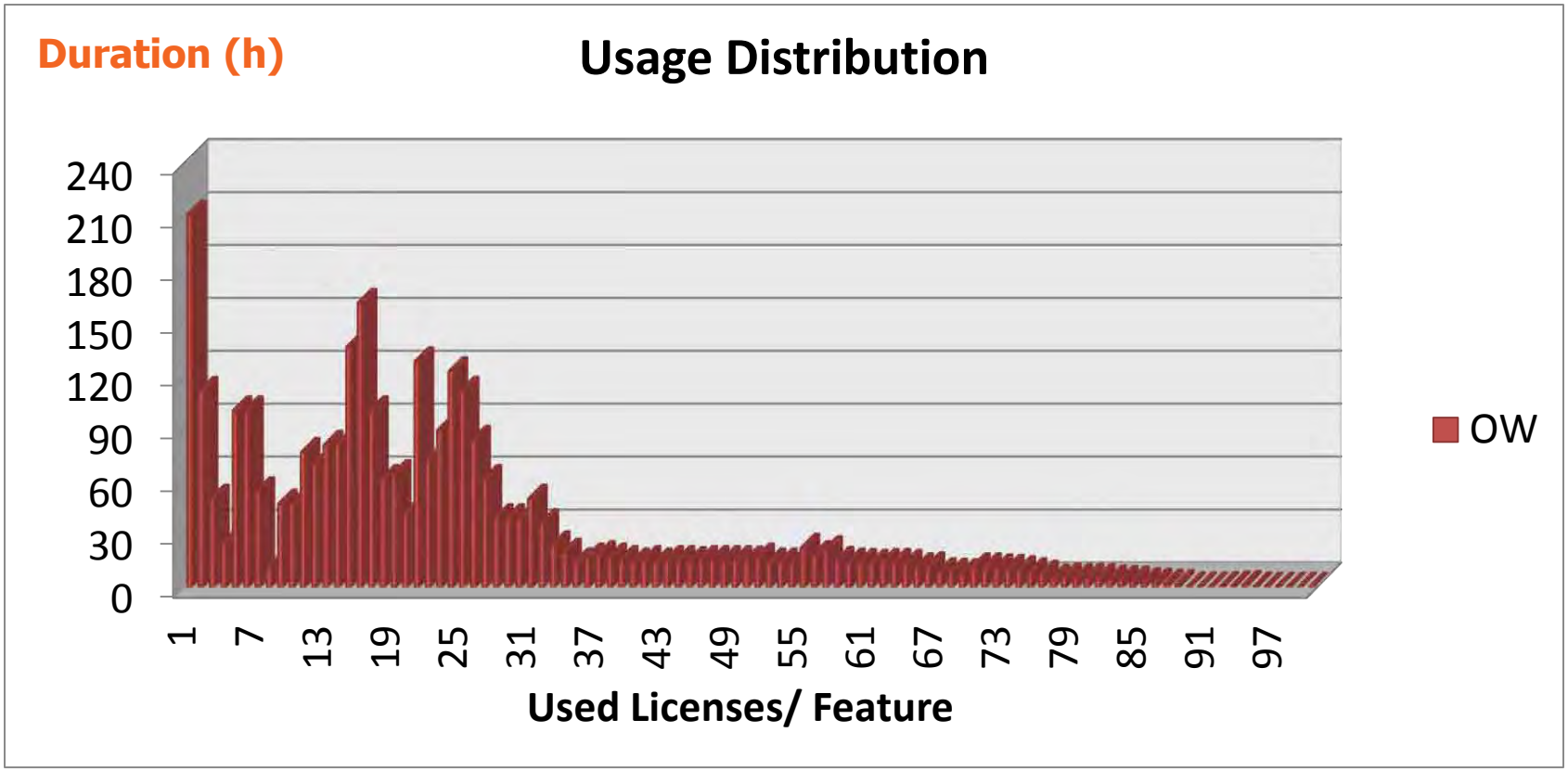
EARTHCUBE	0.00	0.00	0.00	0.00	0.00	0.00	490.42	17.00	278.82	8.00	3245.92	34.00
FMP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1094.62	6.00

Reduce Risk:

NEGOTIATE A DIFFERENT SOFTWARE AGREEMENT

Once upon a time…
Maximum Concurrent Users Agreements

- Took advantage of different license agreements by selecting agreements that best fit usage patterns:



  - Changing from max number of concurrent licenses to enterprise agreement based on average maximum concurrent users

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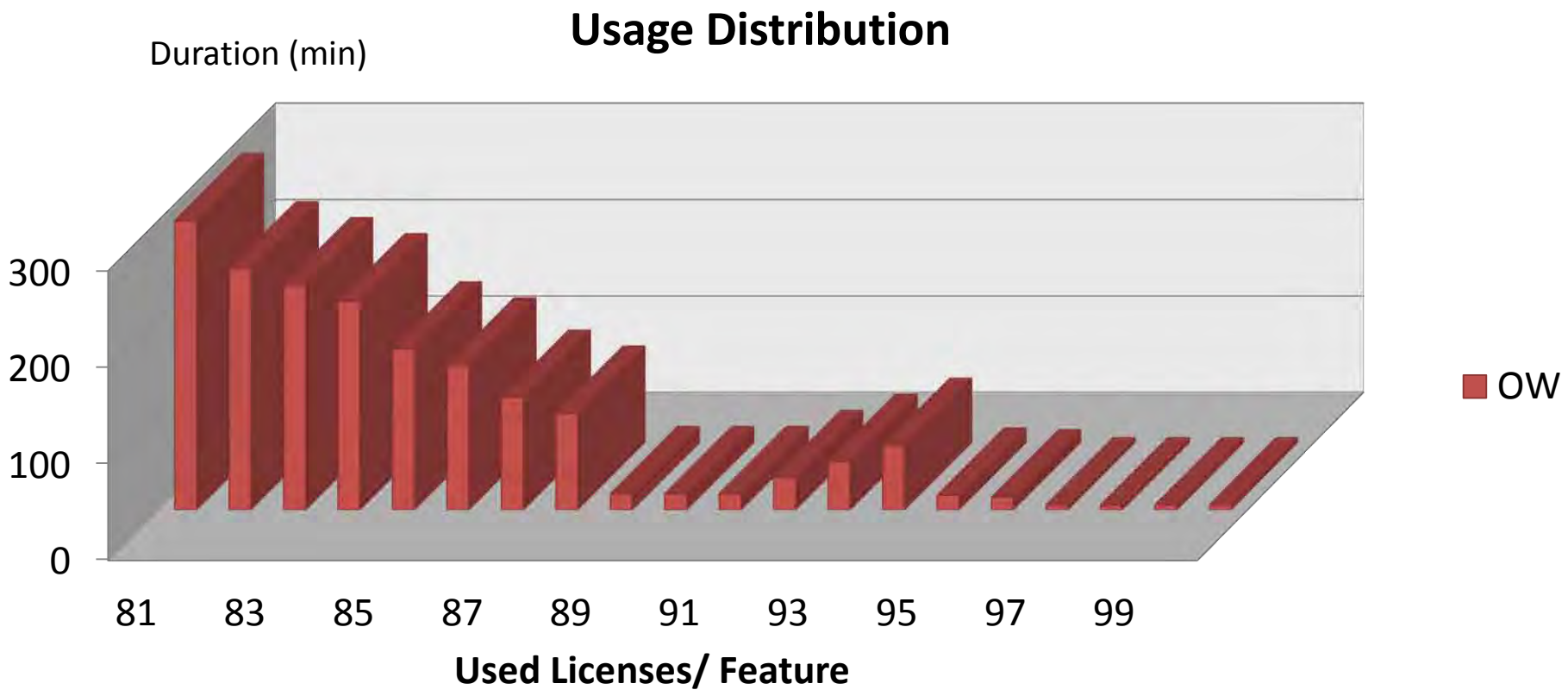
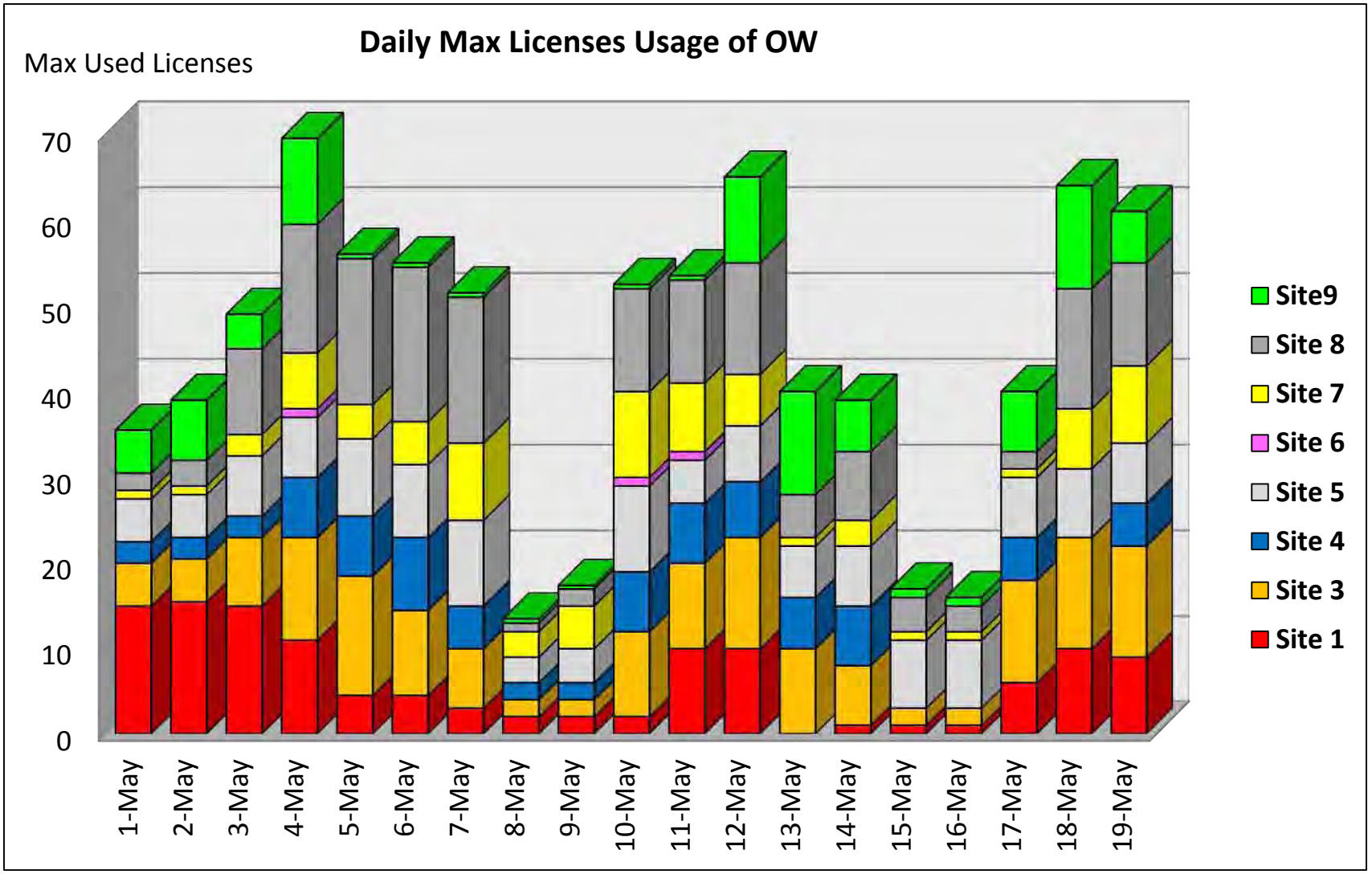


  - Changing from max number of concurrent licenses to enterprise agreement based on average maximum concurrent users

New Enterprise Agreement based on daily maximums at each site



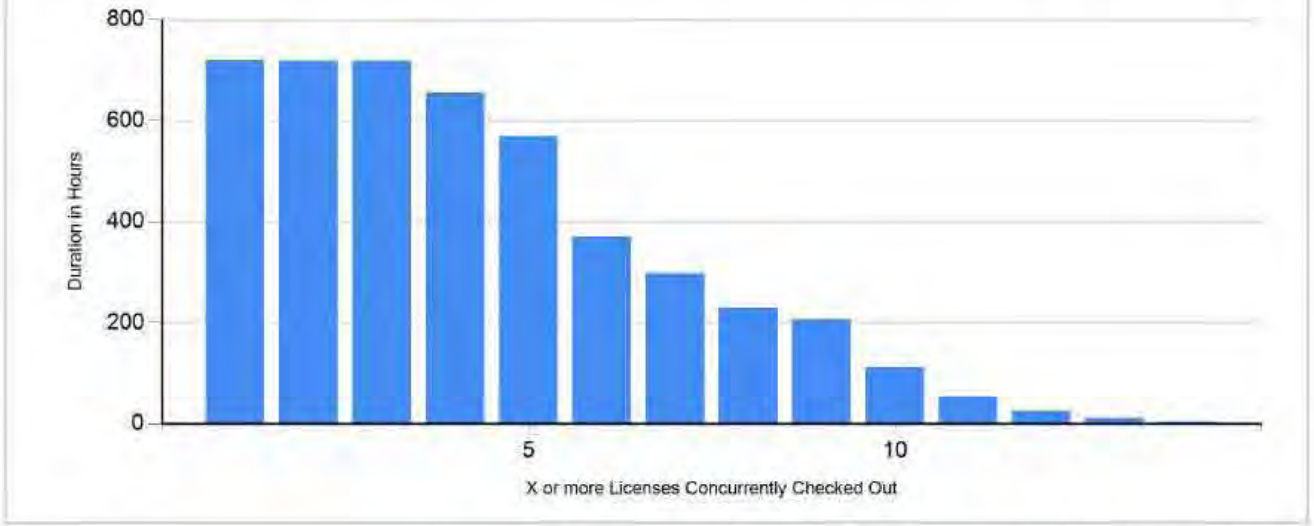
Increase Assets Efficiency

CHARGING MORE AT PEAK HOURS

License Efficiency Chart

License Efficiency Chart

Application Name	Max Available	Max In Use	Within 95%	Within 99%
GPFULL	14	14	11	13



Licenses	Duration in Hours	Duration in % of Total
14	3.75	0.52 %
13	10.33	1.44 %
12	25.83	3.59 %
11	53.92	7.49 %

License Efficiency Chart

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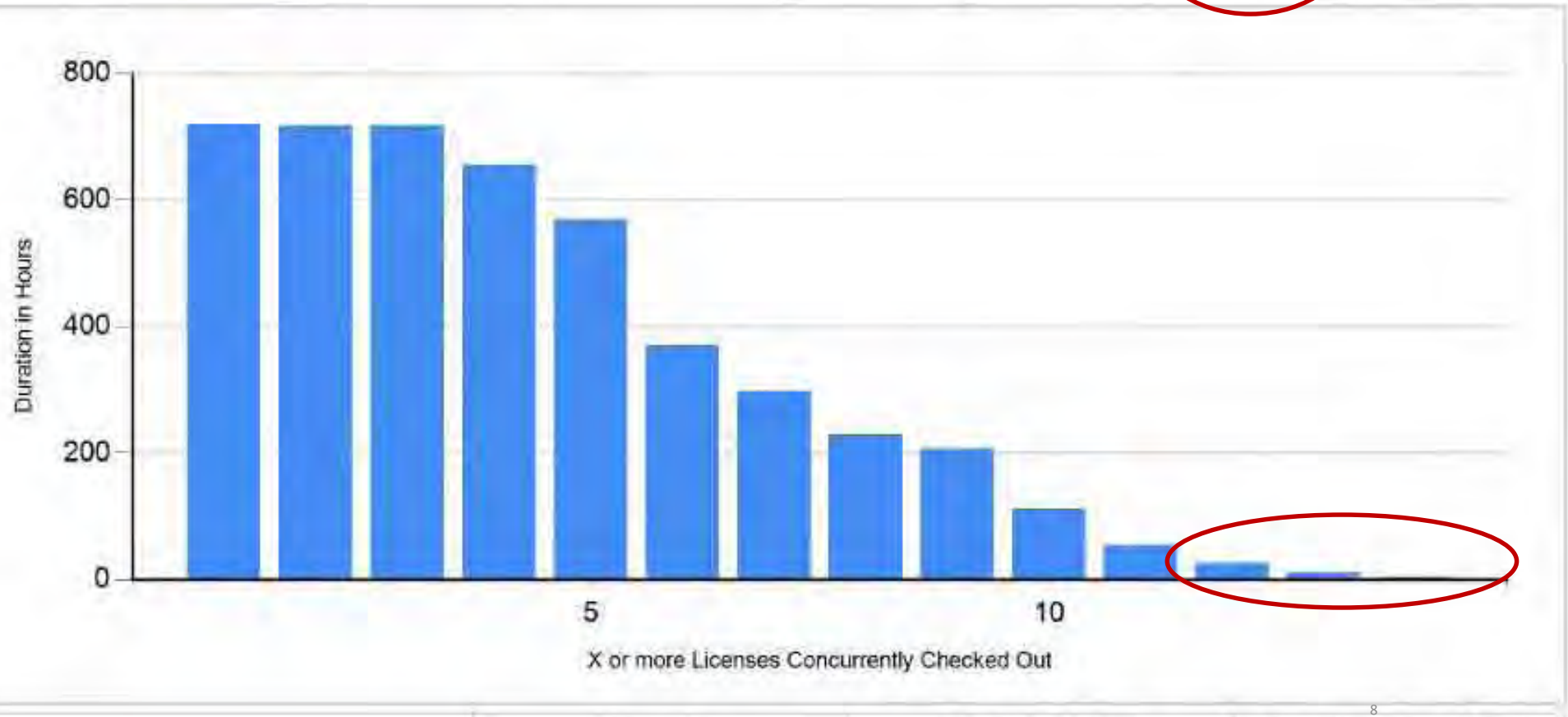
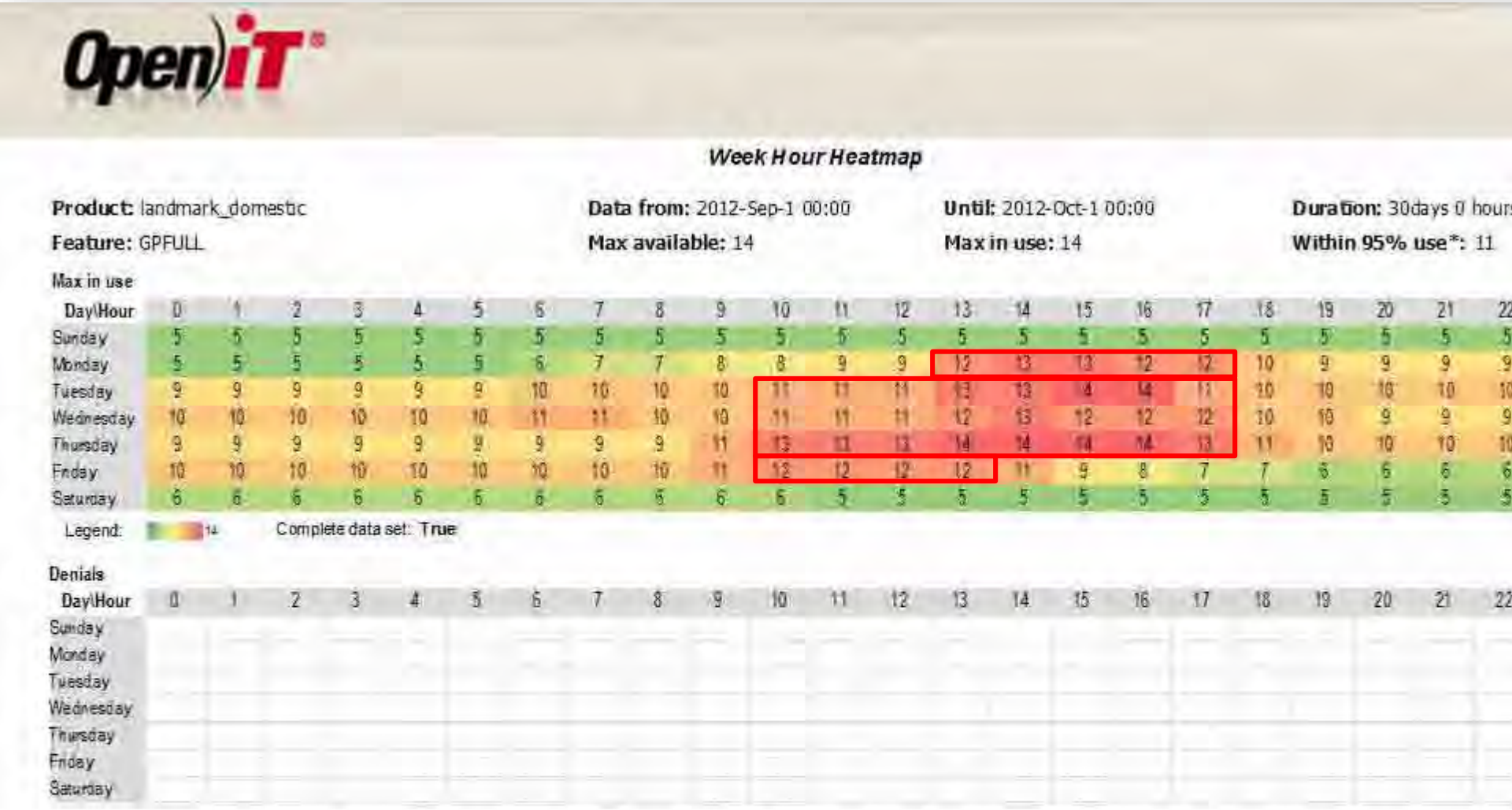
Application Name	Max Available	Max In Use	Within 95%	Within 99%
GPFULL	14	14	11	13



Licenses	Duration in Hours	Duration in % of Total
14	3.75	0.52 %

Use Heat Map to Determine Prime Time



Week Hour Heatmap

Product: landmark_domestic **Data from:** 2012-Sep-1 00:00 **Until:** 2012-Oct-1 00:00 **Duration:** 30days 0 hours

Feature: GPFULL **Max available:** 14 **Max in use:** 14 **Within 95% use*:** 11

Max in use

Day\Hour	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Sunday	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Monday	5	5	5	5	5	5	6	7	7	8	8	9	9	12	13	13	12	12	10	9	9	9	9
Tuesday	9	9	9	9	9	9	10	10	10	10	11	11	11	13	13	14	14	11	10	10	10	10	10
Wednesday	10	10	10	10	10	10	11	11	10	10	11	11	11	12	13	12	12	12	10	10	9	9	9
Thursday	9	9	9	9	9	9	9	9	9	11	13	13	13	14	14	14	14	13	11	10	10	10	10
Friday	10	10	10	10	10	10	10	10	10	11	12	12	12	12	11	9	8	7	7	6	6	6	6
Saturday	6	6	6	6	6	6	6	6	6	6	6	5	5	5	5	5	5	5	5	5	5	5	5

Legend: 14 Complete data set: True

Denials

Day\Hour	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Sunday																							
Monday																							
Tuesday																							
Wednesday																							
Thursday																							
Friday																							
Saturday																							

Cut Cost

GET RID OF DORMANT USERS

Following up Named-User Agreements

Max Concurrent/Days Since Last Use for: *shou01lmkr21;lgcx, shou01lmkr21;licsrv*
Query Period: *2011-08-01 00:00 to 2011-09-28 00:00*

Application Name	User Id	User Full Name	Max In Use	Elapsed Time	Days Since Last Used
DATALOAD	bap010	James Moore	1	1.17 h	5
	cbw005	Kim Mills	1	56.00 h	15
	cnw009	Russell Billington	1	7.67 h	18
	dam004	Helen Dunham	1	47.50 h	14
	dhs013	Ricardo Corry	1	165.42 h	41
	dkr023	William Bonner	1	0.17 h	39
	gol011	Joan Bryant	1	0.17 h	20
	kbu026	Jeffery Hand	1	0.50 h	18
	ldu015	Adriene Bland	1	2.50 h	41
	nja044	Kimberly Banister	1	22.75 h	1
	pav010	Kevin Levesque	1	0.17 h	25

Days Since Last Use for: *shou01lmkr21;lgcx, shou01lmkr21;licsrv*
2011-08-01 00:00 to 2011-09-28 00:00

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bap010	James Moore	1	1.17 h	5
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gol011	Joan Bryant	1	0.17 h	20
kbu026	Jeffery Hand	1	0.50 h	18
ldu015	Adriene Bland	1	2.50 h	41
nja044	Kimberly Banister	1	22.75 h	1
pav010	Kevin Levesque	1	0.17 h	25
sgo101	Mary Heffernan	1	255.58 h	11

Sad Stories

Sad Story

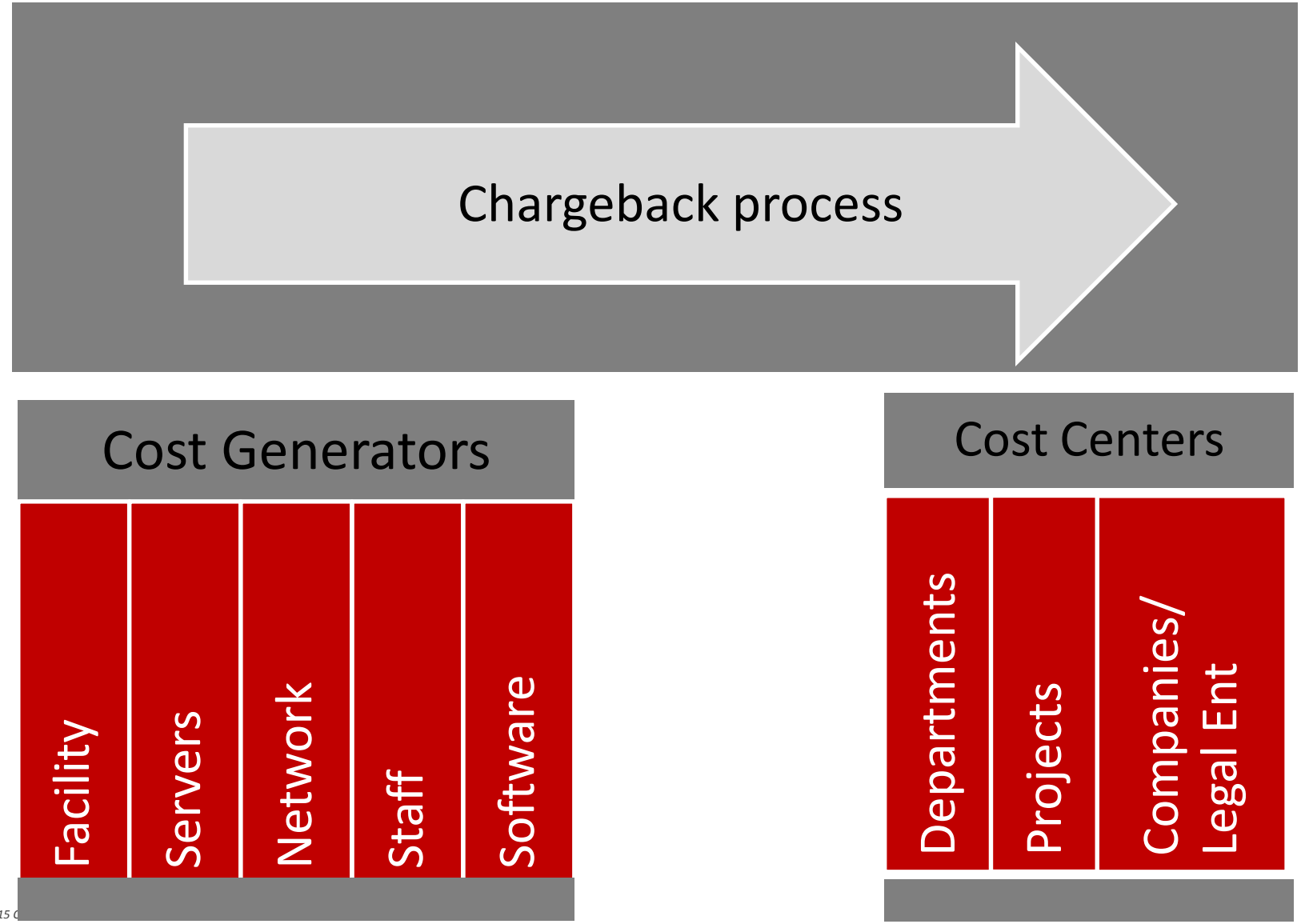
"A user of the software using it for 8 hours on Sunday afternoon pays the same as a user utilizing 8 licenses for one hour during peak time."

Which **units/measurements** are needed?

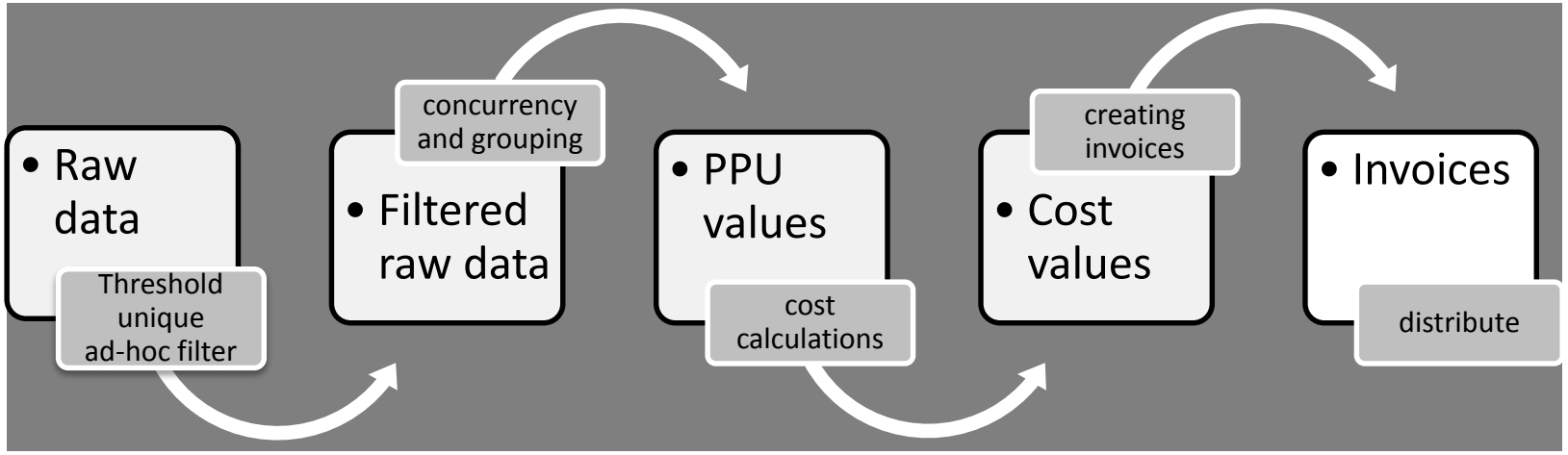
Sad Story

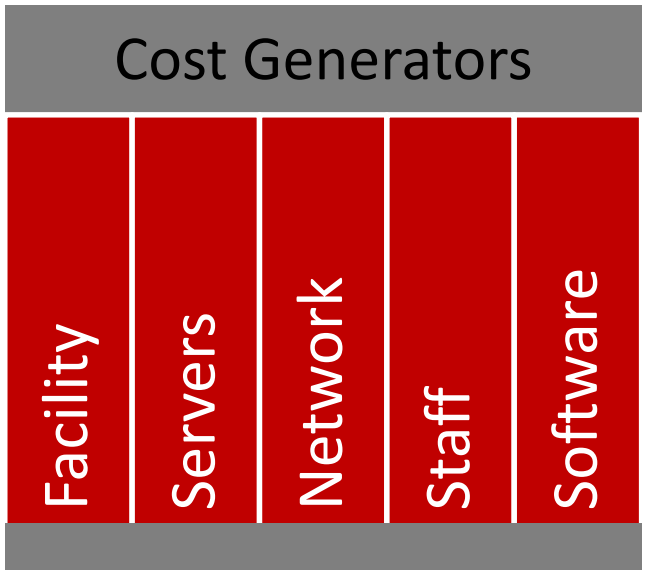
"During one month, there is only one user of an application. This user has used the application for 20 minutes only, but will have to carry all costs related to that application for the full month."

The Cost Centers



The Cost Centers





User/Cost Center Hierarchy

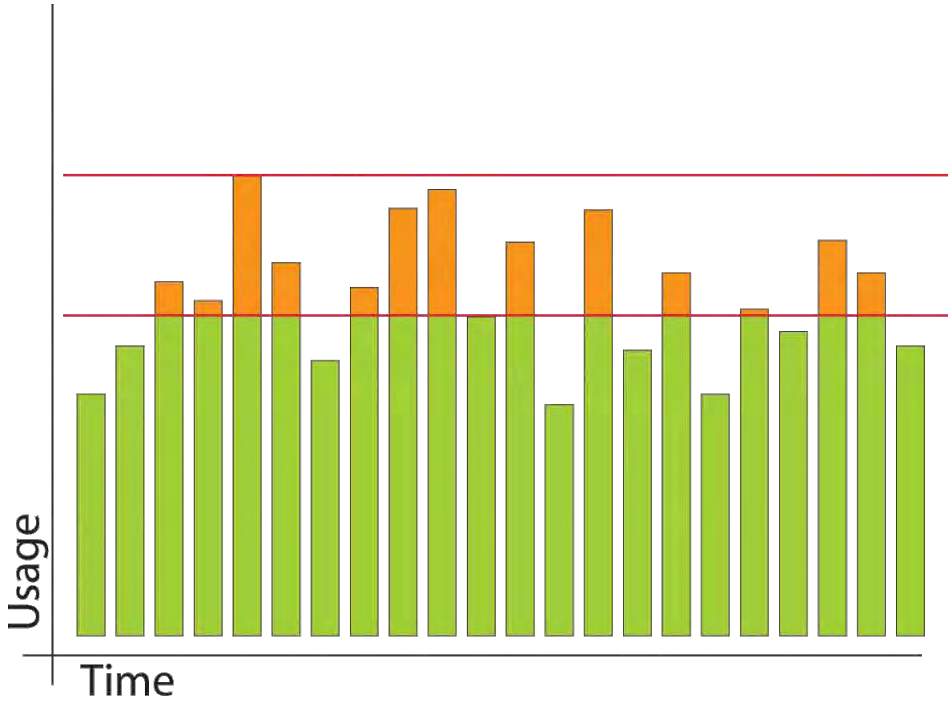
- We need to understand the current structure :
  - Mapping from Users to Cost Center using Active Directory?
  - Or what about SAP HR?
  - Do the costs centers belong to a division or Legal entity, or are they across all? (1:M, or M:M)
  - Are Project ID's used?

Cost Center	Division/Legal Ent
P1-D-12341234	Production
D5-C-12341234	Design

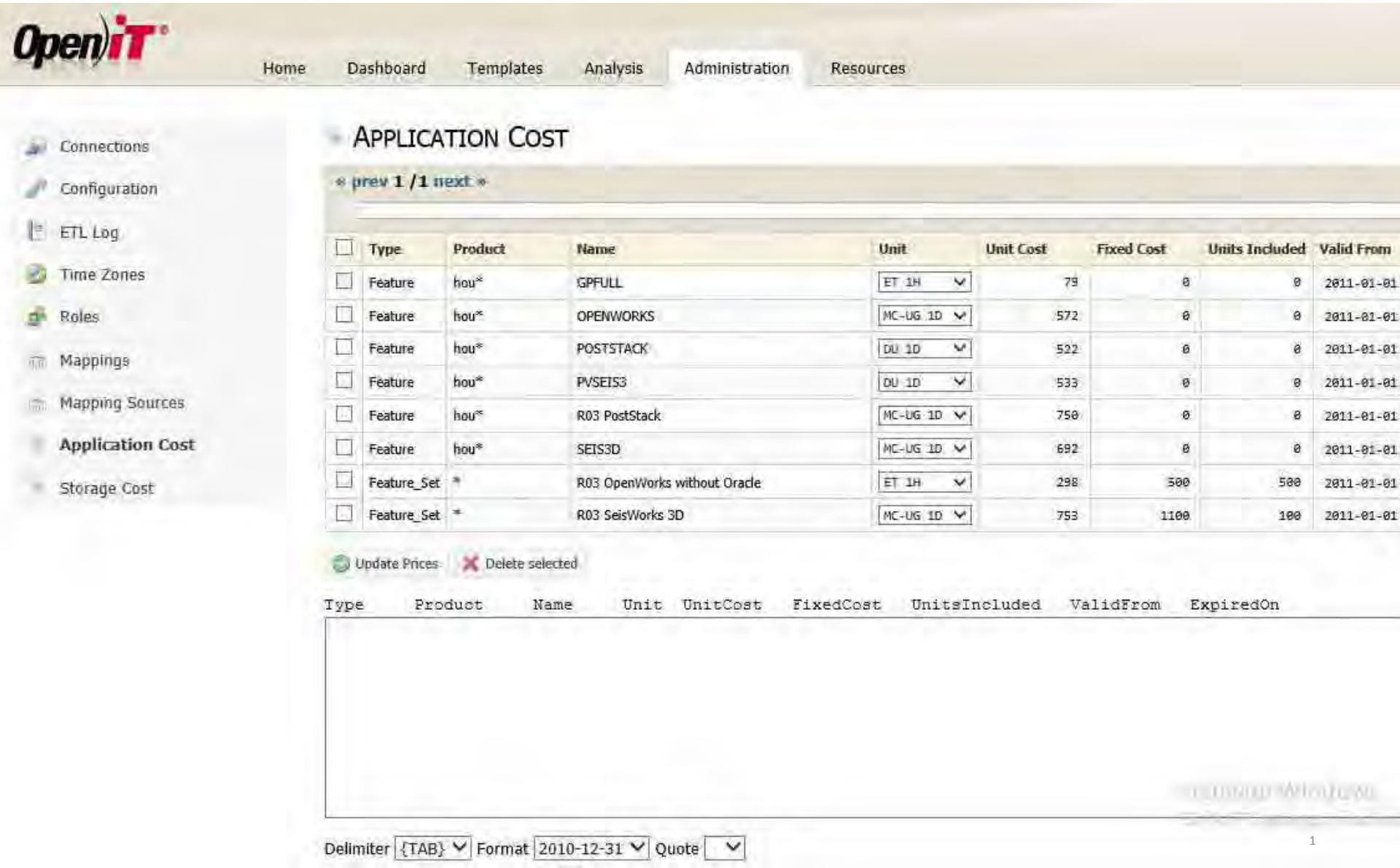
Chargeback

- Types of agreements:
  - Base only, fixed payment for access/service
  - No base; only pay for usage
  - Base payment includes “free” usage up to a limit; only pay for extra usage

- Usage is metered as a function of:
  - Elapsed time
  - # of distinct users or devices
  - # of concurrent users or devices
  - Combinations



Update the Cost Catalog



Analysis | Administration | Resources

Update the Cost Catalog

Name	Unit	Unit Cost	Fixed Cost	Units Included	Valid From
GPFULL	ET 1H	79	0	0	2011-01-01
OPENWORKS	MC-UG 1D	572	0	0	2011-01-01
POSTSTACK	DU 1D	522	0	0	2011-01-01
PVSEIS3	DU 1D	533	0	0	2011-01-01
R03 PostStack	MC-UG 1D	750	0	0	2011-01-01
SEIS3D	MC-UG 1D	692	0	0	2011-01-01
R03 OpenWorks without Oracle	ET 1H	298	500	500	2011-01-01
R03 SeisWorks 3D	MC-UG 1D	753	1100	100	2011-01-01

```
    Unit  UnitCost   FixedCost   UnitsIncluded   ValidFrom   ExpiredOn
```

Sample Invoice

A sample of an auto generated invoice

Invoices emailed at regular interval, typically once a month. We advise excel or .pdf attachments or a link to SAP (BAPI)

Account Information:

Name:
Cost Center: Bill Group 1460
Additional Info:

Invoice No.: CB-1-132296534

Invoice Date: YYYY-MM-DD

Billing Summary:

Period:	YYYY-MM-DD to YYYY-MM-DD
Fixed Charges:	$1,600.00
Usage Charges:	$20,067.67
Total Amount	**$21,667.67**

Charges Detail

Fixed Charges: **$1,600.00**

Name	Type	Unit	Units Included	Amount
R03 OpenWorks without Oracle	Feature_Set	ET 1H	500.00	$500.00
R03 SeisWorks 3D	Feature_Set	MC-UG 1D	100.00	$1,100.00

Usage Charges: **$20,067.67**

Name	Type	Unit	Total Usage	Exceeding Usage	Unit Cost	Amount
GPFULL	Feature	ET 1H	37.67	37.67	$79.00	$2,975.67
OPENWORKS	Feature	MC-UG 1D	10.00	10.00	$572.00	$5,720.00
POSTSTACK	Feature	DU 1D	4.00	4.00	$522.00	$2,088.00
PYSEIS3	Feature	DU 1D	4.00	4.00	$533.00	$2,132.00
R03 OpenWorks without Oracle	Feature_Set	ET 1H	93.50	0.00	$298.00	$0.00
R03 PostStack	Feature_Set	MC-UG 1D	4.00	4.00	$750.00	$3,000.00

Sample Invoice

Charges Detail

Fixed Charges: **$1,600.00**

Name	Type	Unit	Units Included	Amount
R03 OpenWorks without Oracle	Feature_Set	ET 1H	500.00	$500.00
R03 SeisWorks 3D	Feature_Set	MC-UG 1D	100.00	$1,100.00

Usage Charges: **$20,067.67**

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PVSEIS3	Feature	DU 1D	4.00	4.00	$533.00	$2,132.00
R03 OpenWorks without Oracle	Feature_Set	ET 1H	93.50	0.00	$298.00	$0.00
R03 PostStack	Feature_Set	MC-UG 1D	4.00	4.00	$750.00	$3,000.00
R03 SeisWorks 3D	Feature_Set	MC-UG 1D	6.00	0.00	$753.00	$0.00

Benefits of IT Chargeback

- Cost awareness
- Recognition of the value
- Resource flexibility
- Understanding the complications and charges for requesting an IT service
- Accountability

IT Chargeback Takes You to a Higher Level

Better financial control

Stay Compliant

Increased Resource Flexibility

Optimization and negotiation power

Better employee productivity

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