

Software spend PODCAST #1

Adrian: You see it's like playing Poker, if you see. You don't wanna play Poker with Donald Trump and Warren Buffet, they've got deeper pockets, they can play longer even if you've got a lot of monies.

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Christiaan: Hi welcome to Software Spend, my name is Christian Murphy. Today I have with me Adrian Vaughan, he is another technology guy and we had a fun half-hour talk about all sorts of things, third party support, building savings funnels and how the new cloud technology is upsetting the market. I promised Adrian to put on a disclaimer before this. So here we go, this is just to see the opinions of Adrian and myself on this podcast and are not the opinions of our employers and have nothing to do with either of our employers. There you go Adrian. As always if you want show notes, head on over to softwarespend.com and if you like this and you want to get more of these podcasts, just enter your email address and I'll let you know whenever a new podcast is published. So without further ado, enjoy this conversation with Adrian Vaughan...

So, should we just start rolling?

Adrian: Yeah! Yeah, let's see where we go and if there's anything that needs editing, we'll edit it later, fair enough.

Christiaan: So yeah Rimini Street, I've been talking to them I got on call with some of the business stakeholders and they were going through, their whole business model, it just sounded so exciting, they're growing at 40 percent year on year, they sort of gave me an insider tip that apparently they're Q4 which ended in December was like mega, like blew that out of the water. So I don't know if they're even growing more than that, so yeah third party support it seems to be a big thing, there's a big splash on the interwebs. I'm hoping that that kind of thing will grow. I actually think it's, in fact in their presentation they demonstrate, I don't know if this is true or not and I hope SAP is not gonna contest this but they were saying that SAP has absolutely no major upgrades planned for their traditional ERP package. All of their investment is going into the

new cloud based Hana offerings. And, so their existing customers are paying 22 percent to get upgrades as well as support and there's actually no value coming from the maintenance side of it. So, it really makes sense for some of these customers to step over to Rimini Street, not all of them probably. Rimini Street are really open clear about how they do business, they don't mess around, they have a professional setup and they're growing fast. So I was really impressed with Rimini Street

Adrian: We thought that this is an area that really should be opened up a bit, but every time we thought we found somebody who could you know crack this or whatever, it is always falling down at the last hurdle. If you went with the third party provider and then over time if you go back to the OEM, the charges negated any savings you made over the previous years. I've seen in the hardware space a lot of companies trying to protect that revenue in getting strong or whether its scare tactics, you know like that, to not make it very difficult to give it a price and if you do split it then you end up, not really making a saving, but I'm with you I think we overpay a lot for so called support we never use. We've got a stable platform, we're using and I think we pay a lot of money for something that we don't get a lot of value, but believe we always need to have the latest level or we want access to this support desk. If, when something may go down but I've never done any real studies maybe something we should do on with the delivery teams of how many times we've actually called these support lines and got any actual real support from them on a stable platform, very rarely I would assume.

Christiaan: I think that's true and I think SAP in particular have so much downsizing and offshoring and cutting back on their support organisation. Customers that have big SAP installations, know a hell of a lot more than they do. And, so what's the point? You're just sort of paying for insurance. And it's not really insurance because they will not guarantee any SLAs. Rimini Street, interestingly, don't guarantee SLAs either, but they were saying we don't do it because SAP don't do it, but on the other hand we have a commitment to customer quality and that's what we're all about and if we don't offer customer quality and if something major goes wrong and we lose a big client and SAP will be all over that and would love to discredit us in the press. They really have a big incentive to make, to have their support organisation really top notch.

There's another guy who's coming on to the market and I'm actually meeting him for a drink in Brussels next week, a guy from Ireland called Tomas O'Leary and he's aiming to do the same thing as what Rimini Street has done for SAP, but he wants to do it for IBM, he's an ex-IBM guy and he's claiming to be able to do the same thing for IBM, so I'm interested in what he says.

Adrian: Yeah, I think we are to follow these guys closely to be honest and see you know I think some of them might have big ideas, they never kinda work, some may break through and start to get a good portfolio. I mean if they do and look credible and everything else then I think 40 percent year-on-year growth for some of these guys is probably gonna be quite small. I think there is an appetite in the market out there. Because if a lot of people catch on, and are probably paying a lot for stuff they are not getting good value for, and probably do need some level of support at some instances but can they can they get that through another channel and at a lot less cost, it's probably their way out because they're probably not at the stage to not have no support at all. Some people are bold enough but other people are still looking for some insurance but maybe third party insurance rather than "fully comprehensive".

Christiaan: And then they're also saying what you're saying about the reaction of SAP. They said yeah SAP is very aggressive when you first mentioned this and they give you all kinds of scare stories, and then they say as soon as you've done it and you flip the switch then you become, you become a new potential customer for SAP and they write you off as being an ex customer, and then they start chasing you as a potential customer so the tables turn completely. They start wooing you to try win back the business, so a lot of their customers were kind of afraid of their scare stories and then as soon as they flick the switch and turn back to Rimini Street, they find SAP became very friendly and try to win them back.

I think the trouble, the guy from Ireland, his name is Tomas O'Leary, and I think he said his company's called "Origina". I hope I'm pronouncing that right cuz I first said Orange-ina when I saw it written. He's doing IBM, the problem with IBM is I think most big IBM customers will have both perpetual licenses and also term licenses. So I think the chances are (I'll have interest to see how he answers this question) but I think IBM, if they

lose revenue on perpetual sites for passport advantage licensing, then they will just sting their customer on the other side on MLC, so I dunno if it has this much scope to fly, but it certainly will welcome development. And the same guy is actually starting up a campaign - a European wide campaign to free up the software market and make it more equitable. There's actually an attempt by the car manufacturers, he was telling me this, couple of years ago car manufacturers tried to prevent 3rd party garages, i.e. garages not affiliated to the brand, like an independent Mercedes dealership or your corner garage from doing maintenance on cars. This was contested, but the independent garages don't have a big presence in the European lobby scene. They're not there in Brussels talking to politicians and trying to influence the law makers. But there was this person that who has done a campaign on behalf of these independent garages and won, so independent garages can still service cars on market they're not stopped by the OEMs, and so he has now hired this person and got him working on software to try and do the same in the software market. I'm looking forward to go out for a drink with him.

Adrian: Well I think that there's some interesting developments in all purchases and people should keep on watching brief on. You know we don't have the voice against the big OEMs and they make things more difficult. If the customers want it and there's a good response from them and that could also be a way to get some things moving in this area.

Christiaan: Definitely yeah, I actually spoke to someone from SAP who is in a job where his job is to improve the value the customers get from maintenance and support payments from SAP for UK. I was kinda teasing him about Rimini Street and he said yeah I sense they're parched on the scene now. He's just been so busy with trying to persuade the customers to stay in and showing them value.

So, I was gonna also ask you. I've been busy on LinkedIn last couple of weeks it's my New Year resolution to put stuff on LinkedIn. It's been great I've been posting some stuff and getting a lot of feedback and a lot of people are seeing the stuff that I'm posting, prior to that I was gonna post it on my own blog. I got an impression no one was seeing my blog posts so I started posting on LinkedIn. I posted something about 3 measurements for more savings, which got a lot of attraction actually and a lot of people re posted the blog post and read about it and I was talking

about how sales can teach procurement people a lot about managing a funnel of savings opportunities and make them happen. I put forward three, three things you should measure, I'm just looking at the blog post. So first of all, you have to have a real funnel, a real thing where you log stuff. A lot of the time I see procurement people, they've got ideas and when they're asked by management where are your savings coming from they share those and provide a list and as far as it goes. But I was suggesting in this blog post to have an Excel sheet to manage it and really measure what's going on. The first thing to measure is how you're getting these ideas, how these opportunities are coming in to your funnel. So whether it's talking to suppliers, talking to stake holders in the business, doing spend analysis, doing market reports or conversations with people in your own procurement org, going to conferences and from all that you can see what is effective. I started doing this and I never really did it in the past, ideas came and I just put them into my pot of ideas and then I wouldn't really track where they were coming from. If you actually track where they're coming from, it becomes so obvious where you should be spending your time and it's so obvious it's not stuck in bloody management meetings, just listening to org changes, or having to report on your savings, such a waste of time all that crap. Now I can turn to my boss and say look: four of these last big ideas came from talking to suppliers or talking to stake holders. I'm going to a conference next month so I'm hoping some ideas can come from that and I can get budget for more conferences. So now I can really like see where I am getting the opportunities so this is where I should be spending my time. That was the first thing.

Adrian: I think you're right there, I don't think enough people have done, if I see our process it's just a bunch of placeholders and things nobody does any analysis at the end of the year to say this all the things we planned to do by the end of the year. Did any of these things come off or where did all these other things come from? Somebody finds that what we put in the beginning of the year where just a bunch of ideas to put something there, then what actually happened through the year and what it resulted in was something completely different. And using that, and understanding the gap, and learning from the intelligence in certain areas or whatever it may be. We get to the end of the savings target and say we've made it, then we start the process again. There's not enough

analysis of that. I don't think and really getting down to, how you really create a good funnel, what actually do you do. I think the intent was, especially in our organisation, was to have the business partners going out and engaging with people just like the sales team should be but I still don't think we got down to the right level of people in the organisation, it was a lot of high level meetings but not really understanding what was really gonna happen in the year. You're quite right, you look at a sales organisation, they're trying to get to the under belly of a company and then really find out what the opportunities are and then bring that into their sales pipeline etc. I've seen that work, I think that it was intended to work but not to the level I've seen it working.

Maybe some of that is because the customer isn't mature as well but I think when you're a sales guy, he doesn't always know what budget he's gonna get so I think they're set face with the same problems but they seem more successful in it. Maybe there's things you can learn from those guys, how they plan, what questions do they ask and do they get mad and then bring that into the procurement organisation and then mirror some of those traits to get same level of information.

Christiaan: We are sales people and we're selling our services as a corporate service within the business units, if they don't wanna use procurement they can easily get rid of the procurement department and do it themselves.

When I first started in procurement way back, maybe in 2005-2006, before they had categorised things, so we were working as a local procurement organisation. Part of what my manager at the time got me doing... we got together with the sales people and did deal support work, so we were the procurement function within the sales team going out wherever HP didn't have the technology, it needed to do buy it externally. So they would do teaming agreements with third parties to fulfil that gap. Before we came along they were doing these deals but never really structured, and then after the facts, if we'd win the deal and the supplier would come along and say haha. So we got involved and started locking that down by means of a teaming agreement.

But what I was really meaning to say was: it was so interesting to see how these sales teams worked because they were basically working on a

quarterly funnel. If they thought they could get money off a customer within a quarter then they would spend time with that customer, if not then they would not waste time with them, they would keep that lead warm, but would not spend any time or effort, they would just move on to the things that were more likely to happen and try make those happen.

Adrian: That was a very interesting debate in terms of what it is a procurement department, is it just a savings engine or is it a department that's there to put up robust contracts, controls and put things in place. I think a sales guy just chases sales or in our case savings but there's a lot of work a procurement department do, and do we just drop everything that's not a saving and leave it and move to the next thing where there is an opportunity, or do we have a duty to the organisation to do the things that don't always result in a saving but are for the benefit for the protection of the company or risk situations?

I think that's always a debate as well.

Christiaan: Yeah I agree with you and I think that mature procurement organisations are evolving to be more "value add" and not just savings. I means savings will always be there, that's what everyone goes to the procurement department for, to save them on their cost every year. But I think it is interesting to see that.

So the second point up here in my blog post was qualify your leads, because half the time you can be working on something that may happen, sometimes the picture is not real clear and you wanna be working on stuff that's really gonna happen. So my second point was copy how sales organisations work by qualifying your leads, rate them, high, medium and low. Work on high stuff and then maybe the medium stuff and if you're working on low stuff then maybe it's time to go out and see if you can find more ideas.

And then the third thing which I think we don't do enough of is knowing who your stakeholders really are. And often, at least in my experience, it's not the people at the top of the tree or people that are sort of assigned as procurement stakeholders because they make the decisions officially, it's the influencers that I'm trying to identify. If someone in middle management stands up and says I want this, I wanna do this project, do they get listened to or do they not? So, by tracking who the

true decision makers are in the organisation, over a period of time you'll see that everything that I proposed to this guy over here happens, he seems to have management's ear. So, he's someone I should be spending more time with, that kind of thing. I think sales organisations do that pretty well.

Adrian: I think they invest better in their relationship building as well, they'll put money to craft that relationship, whereas procurement want relationships but getting face to face meetings. I mean, forget those kind of things. It's difficult for, I don't think one procurement organisation has trained their people into being salesmen or promoting their organisation. The organisation sometimes gets a bad rap to be the policemen and people, sometimes you're not selling the product what people are warming to. Yeah and lastly, you gotta be good to at selling that product and get engagement too. They're not invested in building that relationship, sometimes probably not as effective as you should be but you know I mean maybe we need to look without all that engagement model and see should we invest more or do things differently in order to get more attraction there. The view is that even though some organisations spend quite a lot of money on departments so called to build those relationship but don't think after several years that we got the depths in the ingrained relationships that could be due to all those factors to be honest.

Christiaan: I saw relationships, I wouldn't name names on this podcast, but I know people who know work within HP, if the senior VP would have any problem whatsoever with any third party cost or with a supplier, they would pick up the phone and call one person. And that person then became so well respected and so powerful within procurement because they were the ear of a senior person in the organisation and they had that trust and they had that respect and could make things happen. If you don't have those relationships, making things happen is, you arrive there after the facts and you're told here.

Adrian: There's been times when you've got a good lead or you've got a thing and then you bring it back in to the organisation and then it doesn't get allocated, have we done a good job? We're only as good as our last

value add and if we've got a lead and all of a sudden we mess it up or it falls through the gaps and you don't get a second chance and I don't think people realise that sometimes to be honest, that we're actually damaging the relationship there every time if we're not fully engaged and providing the support the customer is looking for. I also think we are too quick to tell our stakeholders what we don't do. Telling them we don't do this and we don't do that and that's your response and we're not selling what we do enough.

Christiaan: Yeah, it's up to procurement organisations to change really and I think, from what I see in procurement, is the one advantage of having procurement seen as this break on as you put it, the policeman. If you come with a 'can do' attitude, then you can really make things happen. You sort of stick out like a sore thumb if you say I'm from procurement and I'm gonna do this this for you, and really proactively chase things and make things happen. You really can change, which is a good thing in one sense but it does show that the procurement organisations are generally not well respected within corporates and I think that's just the way things are.

Cloud

Christiaan: The other thing I was just gonna ask you, is how this is impacting the hardware side of things, because you're more in the hardware side of things. I'm seeing so much going on in the cloud and there's so much hype, it's quite funny you know that people get so hyped up about cloud and how it's changing everything and at least it changing a lot of things you see the crap IBM is going through. They're cutting staff like crazy and they haven't got very good cloud strategies so they're suffering. I think HP has also suffered as well because cloud is really cutting into the business models of a lot of traditional outsourcers, a lot of hardware companies as well.

Adrian: It is, I think it will be another element, I think where I begin to see customers are not gonna go lock stock and move everything to the

cloud. It will be another element within their traditional setup that they will manage and they will need to integrate. I think there's panic at the moment. I see a lot of money and a lot of companies spending a lot of money setting up data centres because they don't want to miss out on this. I think there's a lot of, we gotta get on cloud, and we gotta get it quick because if it does come off our business will be trashed. There's a lot of people running towards it at the moment and investing a lot of money on the belief they will take off but I think for a lot of traditional big enterprises, yes they have a cloud platform and it will be a percentage of their current setup but it will only be another element or another service operative, it won't be a complete offering for a lot of people to be honest.

Christiaan: I think you're right there for the older stuff, but the new stuff will be. And I think IT departments are being sort of bypassed, if not yet completely, at least they're losing their control over the enterprise. Because the marketing folks are just not interested in what technology is behind it, they just want something that's going to improve their CRM or getting customers through the door. That's what they care about so they will buy it from whatever technology vendor offers that, and don't need their IT department to budget it and manage it and do all that crap. So I think that relationship is changing the dynamic within organisations themselves.

So, the other thing that I think is changing was cloud's, and you're right it's still a small portion and it's still not gonna be everything. But if you look at vendors, like I've been looking at the security market recently for various reasons. Vendors like this were typically selling to everyone. If cloud really takes off and it becomes the norm that people buy their IT, their software as a hosted service then these companies are not gonna care what kind of security technology is behind it. So the Symantecs, the Trends, the McAfees are gonna have to be selling into the cloud providers. And I imagine the same is true in hardware. Did you know... I heard this a long time ago so I'm kind of assuming it's still true... You know who the biggest server manufacturer it is in the world?

Adrian: I understand its Google.

Christiaan: Yeah it is Google.

Adrian: I don't know how true that is, but I heard it too, and I don't think it was from the same source. So I think the hardware manufacturer, some are trying to get onto that greater service, others like Lenovo then I think we're just blindly going on to be trying to provide hardware, and then hardware will be competitive and will sell into the providers.

Software, on the other hand, I think where they're gonna struggle is they need to work out how they are gonna charge and bill and everything else. Because some of the traditional models have already charged in the past or revenue streams that will be challenged in a new environment. I think and some will adopt creative ways to do that and probably be successful and others will probably just like anything when you gotta change technology stay to their old traditional ways of doing things make it left behind but I think there's opportunities and I think companies will need to be dynamic and kinda roll with it, they're gonna make money in this, especially the software guys.

A lot of its cloud to be honest that seems to be a lot of the moment in terms of getting all these cloud platforms set up at the moment. You know, I've been working on a lot of things to make cloud really quick, people want, they don't wanna wait days or even weeks to get this setup, they want it setup right away. So there's a lot of investment going in data centres, in setting up the data lines and everything into this. And some of that joint investment with some of our telecom providers as well but really throughout they pretty much flick the switch if you want a cloud platform, you can have it 'before the end of a meeting' kind of attitude set up. Not 'we'll start working on it and it will be ready for you in six months'. So it seems to be speed and agility is king. Whether that works in the long run, so there's going to be a lot of money poured into this whether it will get a good return is still out for debate at this moment in time.

Christiaan: So I see, you're specialising in telecoms at the moment, right?

Adrain: At the moment I'm doing a lot on telecom, but I'm doing data centers as well. The two are running hand in hand in terms of getting these things set up but you know I think traditional enterprise companies, they've invested a lot in their traditional technologies and the cost to migrate a lot of that stuff will be prohibitive. So as I said, these things

move across, maybe they would overtime. But for years to come, it won't even be a percentage of their requirements.

Christiaan: Yeah they're still gonna be dragging their old legacy stuff behind them. Mainframes are dying!

Adrian: But yeah 10, 15 years ago main frames were all dead and nobody would ever want them but we just bought one two weeks ago for a customer.

I think maybe cloud is the same, it will be another offering, another part of people's IT infrastructure. It needs to be managed alongside it etc.

That's gonna be a challenge to integrate the existing stuff and everything else but I don't think within two or three years time you won't find everybody just solely on a cloud platform and nothing else, I don't think that will be the case. Where that line will be? Is it 10 percent of that existing 50 percent, 30, I don't know. And I don't think it will be a full on adoption and everybody flicks a switch overnight and goes that way. I think it will, you know as I said you will still see current technology around for many years to come.

Christiaan: Yeah I agree, but then I think there will be a lot of pressure on organisations, and procurement organisations specifically, to reduce cost in those legacy data centres. Because the business will wanna go out and buy the new shiny object, which is cloud, and they don't have the budget for it, so they're gonna try to cut their existing budget to try and fund the new and exciting stuff. And that's where Rimini Street come in, that's their sales pitch basically. You want to go out and spend your IT budget on fancy new stuff, we'll reduce by half the cost of your SAP environment. And it kinda makes sense if the market is changing then there's opportunity for new players to come in and look after the stuff that the bigger players are neglecting.

Adrian: I also think if there is over capacity in this market, if all the big companies make massive investments in this and all of a sudden it doesn't take off. Well there might be some very attractive prices for cloud, where there may be a lot of loss leaders where people are struggling to get some revenue through the door and giving very attractive price, and probably not getting a full return on their

investments, but I mean they're struggling for market shares, so that may accelerate the market just for the fact that there's over capacity through this massive investment.

I think at the moment the hardware providers and everybody else look good because they're supplying into this investment and are reacting it. But it could be good for the customers because they could get some cheap services in the future as a result of it.

Christiaan: Yeah, that's interesting, I've never really thought of that, maybe a bubble that may burst.

Adrian: Well yeah maybe, they're piling money into it, everybody is gearing up because people are afraid about being left behind. There's over investment. In a year or so then people will be selling off at lot lower than what they add in their original business model just to try and get some return on this stuff. There will be losers, there will be companies that will invest and lose their shirt on it because they didn't get take-up, and the customer base and run out of cash. But you've got big players with deep pockets. So if that's the case they can usually force the market, that's what I've seen in the past. If you've got cash, if you can make things fly as long as you keep your nerve and you've got deep pockets to create the market.

Christiaan: I can see that with Oracle. You can see our ex-boss Mr Hurd. He's laughing at what's going on in IBM and he saying who's gonna outspend Oracle on cloud offerings. So he's really pushing that because, although its probably not great for Oracle's existing business, he knows that he is in the best place to capitalise on a big market change.

Adrian: You see it's like playing Poker, if you see. You don't wanna play poker with Donald Trump and Warren Buffet, they've got deeper pockets, they can play longer even if you've got a lot of monies. In this game if you see a weak player and you'll prepare to stick it in, you can clean up in the long run, as long as your strategy is the one the market adopts. And I think they will, they will adopt it. But I think maybe to what degree and what time frame is a little bit unsure. Investment is probably not quite the same, but people are so scared of being left behind, not landing a platform or being underinvested and you know there's too much risk. If it

does come off, it's probably the end for some people's companies that are based on a more traditional setup.

Christiaan: Fascinating, we can chat about this all night but...

Adrian: I have to go in a minute, okay? It's been fun Adrian!

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