

ESG Economic Validation

Analyzing the Economic Benefits of the Cisco Enterprise Agreement

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Executive Summary

As companies invest in new infrastructure, software, and services to become more agile, license management is rarely evaluated in the planning process, let alone considered as an enabler of further modernization. Procuring and managing traditional licenses is a complex activity that invites mistakes, which can be costly and make budgeting a pure guessing game. The rapid introduction of delivery methods and explosion of devices increases the challenge of licensing and causes a large percentage of companies to pay yearly penalties or true-up fees. Many companies offer enterprise license agreements (ELAs), but customers have found them to be tedious and, at times, punitive.

Cisco has created a transformative and consolidated Enterprise Agreement (EA) that simplifies tracking of licenses for compliance and does not penalize customers for growth. Rather, [Cisco True Forward](#) rewards companies for growth by adjusting contracts going forward instead of charging fees and penalties for the previous year's increase. This partnership approach allows companies to quickly activate licenses and deploy what is needed, when it is needed.

ESG interviewed customers with experience at various points of their Cisco EA along with an understanding of consumption models and traditional ELAs. The focus of these interviews was an evaluation of their licensing strategy and the positive and negative aspects that licensing can have on the achievement of business goals. Three of the customers are highlighted in this paper: a US-based health insurance company, a university system out of Alberta Canada, and a property services company providing both residential and commercial expertise.

All customers interviewed expressed a high level of satisfaction with Cisco EAs, specifically noting the shift of resources to more strategic activities when moving from an à la carte licensing consumption model to a Cisco EA. Three areas that specifically were reported are lower costs, lower complexity, and increased business agility. With Cisco's EA approach, customers see licensing as less of a barrier to and more of an enabler of business opportunity.

Introduction

This ESG Economic Validation focuses on the quantitative and qualitative benefits organizations can expect from implementing a Cisco Enterprise Agreement. Insight for this paper was gathered from customer and partner interviews combined with our extensive internal knowledge of licensing and enterprise agreements. The key metrics evaluated include overall usability of licensing, flexibility, value, and business enablement.

Challenges

Digital transformation is a critical goal for most organizations, with 72% of organizations reporting that they have implemented or begun to implement digital transformation initiatives.¹ Successful initiatives result in IT service provisioning agility, which in turn supports and enables modern business agility. As IT organizations attempt to deliver a cloud-like experience for internal and external services with infrastructure, software, and services that power businesses from the core to edge, it is critical that they modernize not only the technologies and services that power their applications and operations but also existing business processes and workflows. Doing so will help them to avoid business bottlenecks and roadblocks during critical execution events like procurement, deployment, scaling, and reallocation of IT resources. It is no surprise that, according to ESG research, respondents' most cited objective for their digital transformation initiatives is to become more operationally efficient.²

Figure 1. Operational Efficiency is the Most Common Objective of Digital Transformation



Source: Enterprise Strategy Group

Operational efficiency is the goal across every function of the IT organization, including those tasked with managing licenses and enterprise agreements. The traditional approach to software license management is time-consuming, error-prone, and expensive, resulting in underutilization and overspending. According to ESG research, 46% of respondents noted that their organization's IT environment has become more complex in the past two years.³ The challenge of properly licensing these more complex environments is growing and preventing companies from operating in an efficient manner. Transformation initiatives bring with them opportunities to rethink license management—by consolidating vendor,

¹ Source: ESG Research Report, [2022 Technology Spending Intentions Survey](#), November 2021.

² Ibid.

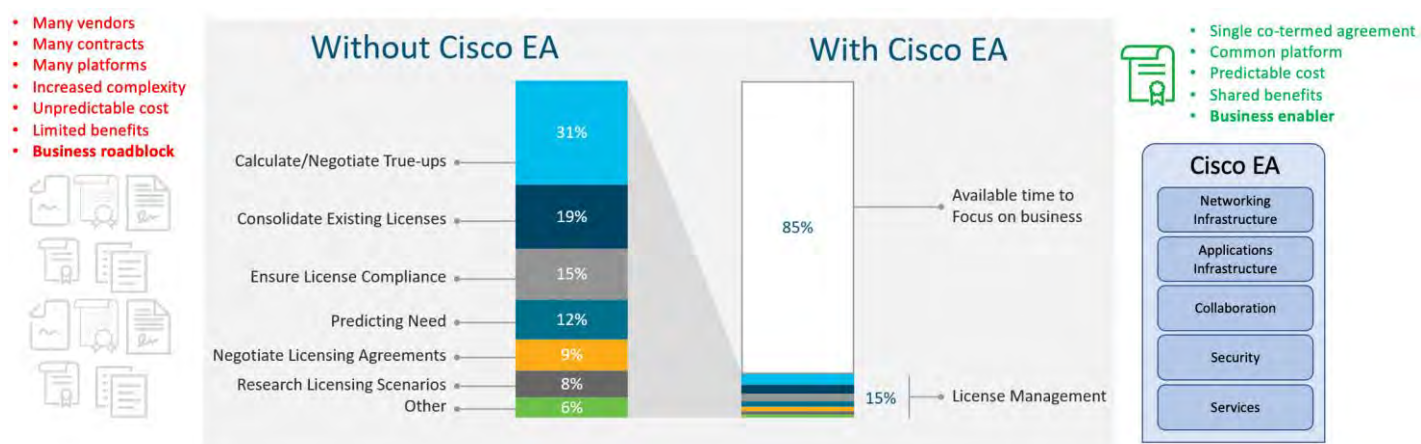
³ Ibid

technology, and service enterprise license agreements (ELAs) into a single, easy-to-purchase-and-manage contract while also extending the operational and cost savings benefits of ELAs to more departments and organizations.

The Solution: Cisco Enterprise Agreements

Cisco has simplified its licensing approach by offering enterprise agreements (EAs) that recognize a key factor that other vendors often miss: While cost and compliance are important, customers mainly focus on solving business challenges, not worrying about licenses. Cisco EAs work across multiple architectures (networking and application infrastructure, collaboration, security, and services), greatly simplifying management of complex environments. Cisco's approach of making software and services easier to buy, consume, and manage allows customers to pick the right tool for the job without the delays that come with traditional licensing approaches. The result, as shown in Figure 2, allows customers to focus their time and energy on strategic revenue-producing activities instead of mundane licensing tasks.

Figure 2. Time Spent Performing License-Related Tasks – Before and After Cisco EA



Source: Enterprise Strategy Group

Cisco is continually improving the value and impact that EA delivers to its customers, by including more technologies and solutions, making them available to more organizations, and combining all architectures into a single, co-termed agreement and management platform that scales rapidly with the business.

ESG Economic Validation

ESG completed an economic analysis of the impact of adopting Cisco Enterprise Agreements with a focus on both the activities in the licensing cycle and the impact that EAs have on customers' ability to meet business objectives.

ESG's Economic Validation process is a proven method for understanding, validating, quantifying, and modeling the economic value propositions of a product or solution. The process leverages ESG's core competencies in market and industry analysis, forward-looking research, and technical/economic validation. ESG conducted in-depth interviews with end-users to better understand and quantify how moving to a Cisco EA has impacted their organizations, particularly in comparison with previous licensing methods. In addition to experience with Cisco EAs, some of the customers interviewed had experience with ELAs from other vendors and were able to explain differences between the licensing solutions.

Cisco Enterprise Agreement Economic Value Overview

ESG's economic analysis revealed that customers who moved to a Cisco EA were able to realize substantial benefits in cost predictability, reduced complexity, and increased business agility when compared to traditional à la carte licensing.

- **Cost predictability** – Customers report benefits in cost predictability with fixed pricing when moving to a Cisco EA.
- **Reduced complexity** –With workforces becoming mobile and remote, business becoming global, and the types of devices that must be serviced consistently changing, Cisco EA simplifies license management with its single portal where customers can view, manage, and renew licenses.
- **Increased business agility** – Cisco EAs allow businesses to rapidly deploy capabilities to address business needs without the delays and uncertainty of annual licensing audits that come with à la carte licensing.



Cost Predictability

ESG's economic analysis found that customers reported overall cost benefits that went far beyond a comparison of the per license cost to previous charges. While the lower cost per license was noted by each customer interviewed, many stated that cost predictability was a driving factor in signing an EA.

- **True Forward** – True Forward is Cisco's approach to handling growth over the life of an EA. True Forward allows for growth each year without retroactive billing for over-usage of licenses from the previous year. Customers report that one of the most frustrating parts of licensing, true-ups, has been eliminated by True Forward. In traditional licensing environments, documents with 15,000+ line items must be reconciled, which takes multiple hundreds of person-hours and invites the strong possibility of errors. Additionally, it is highly likely that customers are out of license compliance due to the complexity of the task. According to Cleanshelf, enterprises are wasting up to 30% of their software spend. One of the top reasons for wasted software spend is due to excess licenses or usage.⁴ In the end, many companies owe money for true-ups each year. True Forward has eliminated this penalty for growth and helps companies concentrate on the future.
- **Cost Predictability and Flexibility** – Each customer interviewed reported that the predictability in licensing fees, even when only partially committing to a suite, was a large factor when deciding to move to a Cisco EA. With à la carte billing, it is next to impossible to accurately predict and hit licensing budgets and, with traditional ELAs, the variability in true-up costs often forces companies to pull money out of this year's budget to pay for last year's growth. Cisco has continued to lower minimal commitments, making it possible for small and growing organizations to take advantage of the preferred pricing, included benefits, growth allowances, and investment protection offered by the Cisco EA.

"With Cisco True Forward, we did not have to worry about unpredictable budgets with true-up costs. We also didn't have to worry about keeping track of multiple end-dates with the ability to co-term their subscriptions."
– **National Credit Services Company**

⁴ Source: LeanIX, [2019 The State of SaaS Business Spend](#), conducted by Cleanshelf (now a part of LeanIX).

- **Consolidation of Licensing Procurement and Monitoring** – The simplicity of managing a Cisco EA allows technology and procurement teams to free up time for strategic initiatives by an average of 85% while maintaining a high level of visibility, control, and assuredness that licensing is kept in compliance. Cisco EA made it easy to buy, manage and consume licenses with common terms and conditions for software and services and with a single renewal date for the organization.



Reduced Complexity

Complexity is often the enemy of efficiency in IT environments. ESG estimates that most companies can achieve overall IT savings of up to 25% by focusing on driving complexity out of day-to-day operations. Cisco EAs bring products and benefits that help eliminate complexity and focus efforts on innovation and efficiency.

- **Deployment Efficiency** – ESG has found that a Cisco EA and True Forward are enablers for company growth due to the elimination of the steps of requesting and waiting for individual license approval. Companies interviewed reported that, for a large percentage of deployment projects, they were able to eliminate hundreds of person-hours of effort because people had instant access to the proper license to complete the job (or set of licenses when deploying some full-stack solutions that required licenses across multiple technologies). Additionally, they were able to drastically reduce rework because they were able to access the correct product at the correct time.

“Our techs in the field no longer have to juggle licenses. They go all over the country to do installs. In the past they would often have to delay jobs or take multiple trips. With our EA they can deploy exactly what they need the first time.”
– Multi-national Property Services Company
- **Vendor Consolidation** – Studies consistently reinforce the notion that consolidation of vendors can reduce complexity, costs, and delays. The Cisco EA gives customers access to network and application infrastructure, collaboration, services, and security software suites, many of which can be used in place of offerings from different vendors. In addition to eliminating the licensing costs of those additional products, customers report time savings, reduced training requirements, and lower support costs by utilizing a Cisco EA.
- **A Common Platform** – The Cisco Enterprise Agreement Workspace provided a common platform for organizations and their partners to provision, manage, purchase, migrate, monitor, and forecast license usage across all product suites using a web-based portal that could be accessed from anywhere. This could potentially save organizations significant amounts of time and effort when compared to manually consolidating information and license management tasks.



Increased Business Agility

While cost savings will always be a key factor when making decisions, changes in an organization that enable employees to create value often drive the overall success of a business. Moving to a Cisco EA allows companies to focus energy on activities that enhance offerings, free up time for strategic initiatives, and produce revenue.

- **Strategic Efforts** – License procurement and management is something that often drives a wedge between the people implementing technology and those charged with approving and purchasing the licenses. Time and energy

lost in this process is costly and rarely results in the genesis of new ideas to reach business goals. Customers ESG interviewed report that freeing a large block of time previously used for license procurement across infrastructure, software, services, and security allows for much more effective use of those resources, streamlined workflows, and a better level of cohesion between implementation and licensing staff.

- **Deployment of New Capabilities** – Moving to an EA is not just a cost-cutting measure; it often leads to the deployment of new products that help solve business challenges. When customers purchase through an EA, organizations gain unlimited access to new software capabilities that are added to purchased suites. This is even more important for growing organizations, a key reason that Cisco has reduced the barrier to entry for their EA up to 2.5x. These new capabilities can be deployed faster and more frequently than those in à la carte environments. “Past versions of the agreement required an enterprise-wide commitment. The new agreement makes it easier for customers to expand into new products without making such a broad commitment. We bring everything together – Webex, AppDynamics, Meraki, ThousandEyes, Solution Support, DNA, Cloud Networking, Intersight, Security, and so much more – into one convenient place.”³
- **More Efficient Use of Licenses** – Shelfware is software that has been purchased but is not currently bringing benefit to the organization. Much shelfware was created by a fragmented purchase process that is far too often reactive and ties up budget in products that don’t create benefit. ESG has found that companies switching to enterprise agreements dramatically reduce money wasted on shelfware. The ability to Value Shift licenses between eligible software and suites also allows organizations to convert unused licenses to active licenses in other areas. This helps to avoid overages and helps to quickly react to the changing needs of the business.

The Bigger Truth

As organizations look to modernize their business, licensing is rarely called out as a strategic factor when planning digital transformation initiatives. However, companies that recognize ways to transition licensing from being a time-consuming and repetitive task to an opportunity for workflow improvement more often meet their business objectives and are in a better position to remove roadblocks and deliver effective and agile IT services. In the past, licensing has focused on two main points—lowest possible cost and reduction of the risk of non-compliance. The process of obtaining and managing appropriate licensing was a tedious task that invited errors and made additional payments and penalties an expected part of doing business.

Traditional ELAs can reduce the risk of non-compliance but often inject a level of complexity that causes pressure to overbuy or reluctance to adopt an ELA. When signing traditional ELAs, the challenge of accurately predicting the needed licenses often results in large true-up fees and can result in delays in innovation when unforeseen opportunities require access to products outside the scope and phase of the current agreement.

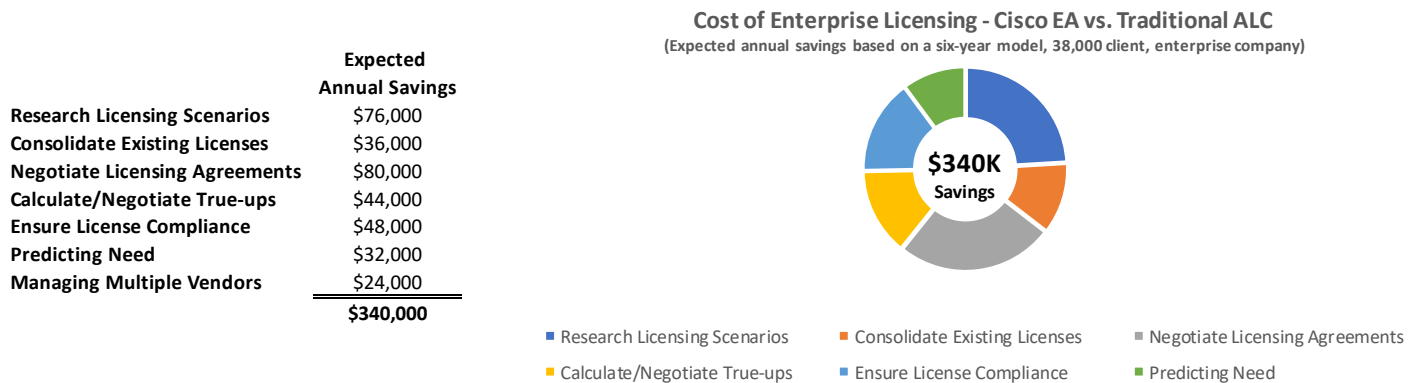
The concepts behind Moore’s Law make forecasting business needs a daunting task. Additionally, the rapid changes in platforms and delivery methods make accurately predicting needs close to impossible. Cisco has designed its EAs with this in mind and has revolutionized enterprise licensing for customers. Cisco’s True Forward method invests in the yearly growth of your company instead of requiring you to pay additional fees and penalties for past year usage. Cisco EAs are

³ Source: Lohmeyer, Dan, Cisco Blog: [The Power of One, Simple Agreement](#), November 2021.

created in a way to minimize tedious tasks associated with à la carte and traditional enterprise licensing agreements and allow customers to focus on using technology to create business value. What is even better is that the Cisco Enterprise Agreement is continually expanding to consolidate more infrastructure, software, and services into a single agreement with a common management portal and a growing list of benefits which are being made available to more organizations.

Using both the qualitative and quantitative information confirmed through our discussions with organizations who have experienced the shift from traditional enterprise licensing agreements to Cisco EA, ESG calculated the expected licensing-related costs over a six-year time period for a modeled enterprise organization. ESG predicts that over six years, the 38,000-client organization could save over \$340K per year, largely made possible through the elimination of licensing-related tasks. Figure 3 shows the dollar breakdown of those savings for licensing-related tasks, including simplifying the negotiation of license agreements, researching licensing scenarios, calculating and negotiating true-ups, and ensuring license compliance. And these benefits would be expected to be even greater as the number of included vendors, agreements, technologies, and services are added to the mix. With Cisco's EA, inclusion of more infrastructure, software and service suites extends the value even further.

Figure 3. Expected License-related Savings - Cisco EA versus Traditional à la Carte Licensing



Source: Enterprise Strategy Group

When choosing a long-term enterprise technology partner, there is a lot for an enterprise to consider. More often than not, licensing agreements simply get rolled into the cost of the solution. However, simply comparing cost savings when considering different vendors' enterprise licensing agreements is not enough. One must equally consider the people and processes required to plan, manage, and implement licenses, as well as the business agility that can be derived by choosing the right agreement. ESG has found that customers who adopt Cisco EAs realize benefits in cost predictability, reduced complexity, and improved business agility. True Forward offers a better, more predictable way to manage licenses. ESG strongly recommends that customers consider an Enterprise Agreement when purchasing Cisco infrastructure, software, and services.

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