

## Mitigate Risk and Optimize Value in SAP Enterprise Agreements

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The SAP enterprise agreements (EAs) that organizations use most often pose different types of risks, including deal lock-in, overlicensing due to anticipated growth that does not occur, deployment challenges and inflated maintenance fees. This research can help software asset managers and negotiators to more thoroughly understand their licensing requirements, SAP's approach to enterprise licensing and how they can mitigate these risks.

### Key Findings

- In tough economic times, SAP emphasizes the value of EAs to its installed base so that it can deploy more SAP licenses, but the vendor is prepared to negotiate the terms and pricing of these agreements.
- Organizations engage in SAP EAs because they think that licensing will be easier to manage, lead to fewer surprise license invoices, and enable them to focus on deployment and using the software.
- Not all SAP enterprise users feel that their SAP EAs have delivered the benefits they had originally anticipated, and the agreements have resulted in shelfware and inflated maintenance fees.

### Recommendations

Software asset managers and licensing negotiators should:

- Evaluate the EA models SAP offers and conventional component-based contracting models on how well they meet the organization's software implementation and business requirements.
- Analyze the best- and worst-case scenarios, and evaluate the project risks before taking an excessive cost-cutting approach focused on the high discounts typically associated with EAs. This will help to avoid or minimize shelfware and inflated maintenance fees.
- Understand the lock-in market value associated with major licensing deals for SAP, and negotiate flexible clauses in the agreement to address future maintenance fees, price holds and exchange options to prevent SAP from taking advantage of the lock-in.
- Do not consolidate all past deals and forecast requirements into the agreement, because this will leave you with fewer ways to motivate SAP to perform optimally during the deal term.

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### 1.0 Follow Four Steps to Prevent SAP Licensing Challenges

Gartner discussions with clients engaged in SAP EAs reveal that, for more than half of these clients, SAP EAs do not perform significantly better than conventional component-based licensing. Some Gartner clients with SAP enterprise deals that are about to expire have discovered that the benefits they had originally anticipated have not materialized. This is often because the client's business changed in unexpected ways during the agreement. If these organizations had developed tight project portfolio management and negotiated with SAP to adjust contractual conditions, then they would have minimized and prevented many challenges throughout the deal life cycle, by forcing deployments on phase by phase.

Negotiating EAs with any megavendor, including SAP, is a complex process, involving a substantial investment of time and resources. Software asset managers and negotiators must navigate power plays and work with creative sales proposals and process innovations — often with a lack of internal resources or contract negotiating skills within limited time frames. Even large organizations with experienced procurement staff find it challenging to understand the latest trends in complex SAP pricing and to identify the factors that may positively influence SAP to agree to alter the terms of its license offer.

Software asset managers and licensing negotiators can follow the detailed steps in this research to help them combine a thorough internal analysis with smart relationship management. This will enable them to negotiate more cost-effective SAP software licensing agreements that pose fewer risks to the business and deliver more predictable and optimal outcomes.

*Note: Gartner is not a legal firm and does not provide legal advice. The information contained in this publication may not apply to your company, and you should use it to identify and discuss potential areas of risk with your legal department.*

### 2.0 Understand the Benefits of Enterprise Agreements

All EAs aim to reduce costs, while increasing flexibility for customers when deploying additional licenses to the organization's user groups. These agreements:

- **Cater to growth:** When entering an EA, customers seek continuity within the term and options that enable additional use. Except for the Flexible Agreement, which is built on the assumption that growth will occur, the other EA models provide clauses to address organic growth. To mitigate any increases in cost that this organic growth may cause, clients should vigorously negotiate true-up clauses or the lack of them.
- **Remove shelfware:** Most SAP customers generate shelfware — unused or obsolete licenses — over time, but EAs typically roll all shelfware into the new deal so that the vendor does not lose its maintenance renewal base of licenses. To compensate clients for this, SAP may grant more-adequate user rights, like a customized user category. However, this is not true for all EAs, and customers should address the issue of shelfware and how to manage it during negotiations.
- **Enable predictable chargeback:** The structure of an EA can support a more effective chargeback of SAP usage to business units than component pricing. A flat rate per user is the simplest way to create transparency and reduce overall software cost, which can increase user acceptance of corporate services.

- Offer aggressive discounts: EAs with no true-ups can equate to even greater discounts when organizations deploy and use more licenses than anticipated (see the footnote beneath Table 1).
- Accelerate implementations: EAs can reduce time between deployment and use by omitting individual procurement cycles during the term. When business units no longer procure licenses in an ad hoc and decentralized way, the organization is less likely to purchase various expensive best-of-breed solutions.
- Reduce the need to regularly renegotiate: An EA eliminates an organization's need to regularly engage in contract renegotiations, which is often required during transactional deals. This enables organizations engaged in an EA to concentrate resources on managing the relationship and deploying the software.

### 3.0 Differentiate Between Four Enterprise Agreements

With the exception of the Global Enterprise Agreement, which SAP has only offered to a limited number of clients worldwide, no official EA options exist. However, through discussions with hundreds of Gartner clients and SAP customers, we have identified several types of customized SAP agreements that appear to be like EAs in nature, consolidate previous SAP product usage and add volume entitlements. SAP appears to tailor these models to client needs during a negotiation cycle of three to six months. The increasing number of SAP enterprise users that have approached Gartner for advice have identified the following four types of EAs most often in their SAP licensing transactions:

- Flexible Agreement
- Global Enterprise Agreement
- Phased Agreement
- Flat Rate Agreement

We present the key features of these models in Table 1 and discuss them in more detail below.

**Table 1. Features of SAP Enterprise Agreements**

EA Model	Upfront Payment	Unlimited (in scope)	Term (years)	True-Up at End of Term	Future Functionality	Maintenance and Support Fees
<b>Flexible Agreement</b>	Yes	Yes	3-5	Yes*	No	Additional
<b>Global Enterprise Agreement</b>	No	Yes	5	Yes	Included	Included
<b>Phased Agreement</b>	Phased	No	3	No	No	Additional
<b>Flat Rate Agreement**</b>	Yes	By user or revenue	3-10	Yes	No	Additional

EA Model	Upfront Payment	Unlimited (in scope)	Term (years)	True-Up at End of Term	Future Functionality	Maintenance and Support Fees
<p>*True-Ups: SAP does not generally support any Flexible Agreements without a true-up provision. However, for certain functionality and associated metrics ("the scope of the agreement"), we have seen SAP make exceptions and offer such functionality with a lack of a true-up provision.</p> <p>**Flat Rate Agreement: As clients speak with us about the renewal or renegotiation of their SAP agreements, we have encountered an EA that has the characteristics that we attribute to the Flat Rate Agreement as listed in Table 1 and below in Section 3.4. However, this agreement type now appears to be obsolete, because we have not encountered new ones of this type for about two years.</p>						

Source: Gartner (October 2009)

### 3.1 Flexible Agreement

*Description:*

- The Flexible Agreement is a specific EA that allows the user organization to deploy as many licenses as it needs, with no true-up in licensing fees during the term for all licenses within the defined scope of the agreement. This contract does not usually offer variable payment schedules in favor of one upfront payment to cover all licenses specified within the scope of the agreement.

*Pricing:*

- Pricing in the Flexible Agreement allows SAP to provide customers with very high discounts for areas where the customer did not consider it necessary to license usage before the deal. The price is calculated according to an expected future deployment volume.

*Deployment:*

- This means rolling out the software to defined users with rights to use and access the production systems.
- The Flexible Agreement enables a user organization to deploy functionality, even if it is uncertain about the extent of deployment.
- The number of users and the functionality that the client organization deployed during the deal term become the baseline for renewing the contract.

*Recommendation:*

- Claim relatively low usage of scope enhancements if your initial usage of scope enhancements is likely to start low and stay low. This will help you to get the most from a Flexible Agreement.

### 3.2 Global Enterprise Agreement

*Description:*

- This model is the latest model in licensing SAP functionality for the entire user organization.
- It is the only model that includes new functionality in the subscription total, with the exception of SAP partner products. This future functionality is licensed to users' business functions or industry scope.

*Pricing:*

- This model does not require a huge upfront one-time license fee. Instead, it adds a recurring quarterly fee to reflect the total application value and associated support (like a rent fee) to previous recurring maintenance fees.

*Deployment:*

- The deployment may include any software from SAP and will create the new baseline at the end of the term. New functionality is included if it is released as "general availability" (GA) by the end of the term.

*Recommendations:*

- Understand that these agreements charge a high flat-rate fee for all-inclusive functionality for all the organization's requirements, but that this functionality refers only to what the contract defines.
- Be aware that this agreement replaces all previous appendixes but leaves the Master Software License Agreement (MSLA) intact.
- Monitor market implementations of this model, and ask SAP to provide customer references for its use when these become available.

### **3.3 Phased Agreement**

*Description:*

- Phased Agreements focus on a certain volume license investment and allow the customer to purchase licenses as needed over three to five years.
- Clients should negotiate the agreement to include the right to substitute one product for another until the contract expires, which enables customers to increase their investment in arbitrary or predefined phases according to a defined list of software components and associated price holds (price protection).

*Pricing:*

- The (first phase) fee for the Phased Agreement is an upfront fixed amount and the basis for the annual maintenance fee.

*Deployment:*

- Licenses purchased but not deployed before the end of the agreement's term will not expire.

*Recommendation:*

- Be aware that price holds may only apply during the deal term.

### **3.4 Flat Rate Agreement**

*Description:*

- SAP does not recognize this agreement as an official EA offering. However, through our interactions with Gartner clients and SAP customers, we have identified the Flat Rate Agreement as a comprehensive approach to licensing all IT users in an organization that offered a predictable fee for each user, regardless of their usage of the defined SAP

functionality. The model was uniquely negotiated according to each case. Gartner has not observed a new agreement of this type in the past two years. Therefore, it may no longer be available.

*Pricing:*

- Pricing is based on revenue as a fixed lump sum or the number of employees. Negotiators can limit agreements based on the number of employees to white-collar workers or include price caps that enable growth within defined limits but without true-ups. When customers exceed such limits, previously agreed-on true-ups apply.

*Deployment:*

- SAP customers can deploy all functionality documented in the Flat Rate Agreement. They must, however, pay more to deploy licenses that were not included in the agreement's content description.
- The number of users and the functionality that the client organization deployed during the deal term becomes the baseline for renewing the contract.

*Recommendations:*

- Ensure that you roll beneficially negotiated terms and conditions (T&Cs) from earlier agreements into the agreement so that they remain valid, because the Flat Rate Agreement may replace the original master client agreement.
- Allow longer preparation to arrive at the appropriate flat rate.

## **4.0 Prepare Your Organization to Choose High-Value Options**

The following guidelines will help IT software asset managers and negotiators invest the time and resources appropriately to research and plan, so that they can develop more viable SAP EAs.

### **4.1 Understand Your Past Experience With SAP**

Most experienced SAP customers have an existing MSLA with many appendixes that reflect the various transactions over time and have contributed to the current license inventory. Over time, SAP has adjusted its licensing models, and the customer may not have applied such changes to its established usage.

*Recommendations:*

- Maintain an up-to-date and accurate inventory of SAP licenses purchased and installed/in use (see "Best Practices for Confirming Software Inventories in Software Asset Management").
- Identify which previously licensed products have since been rebundled or renamed to help you understand your entitlements during the licensing negotiations.
- Review the discounts SAP offered you for past deals, and compare these to discounts you may achieve today.

### **4.2 Reassess Assumption-Based Value**

Licensing agreements are based on assumptions, such as how many employees will use the software or how many transactions the software will process. If the organization undergoes significant change, such as a merger, acquisition, divestiture, downsizing or a change in business

strategy, then the company may require a different type of functionality and significantly fewer/more licenses. In some cases, this may lead the EA to become less attractive than transactional purchasing — for example, if the organization requires new functionality from a new SAP product but cannot add new products midway through the EA.

*Recommendations:*

- Base discussions about licensing on mature IT asset management that reveals all shelfware and helps you to forecast future use (see "Toolkit: ITAM Policy Checklist," "Toolkit Decision Framework: Best Practices for Beginning an IT Asset Management Program" and "Key Elements of a Mature IT Asset Management Program").
- Manage software licenses throughout the deal term to place you in a stronger position to make informed decisions when the agreement approaches renewal.
- Evaluate all your licensing options and consult third-party experts if necessary to help you do so before selecting the licensing model that is most likely to meet your existing and future requirements.

### **4.3 Assess Your SAP Licensing Requirements**

Early in the sales process, SAP will express its intent and ability to deliver innovation and broad process knowledge. SAP has, for example, built in a MaxAttention service component to address the needs of clients that want advanced functionality to meet their business innovation goals. This service component can help reduce project risk. However, not all organizations are early adopters of emerging technologies or require added functionality. IT software asset managers, who assess their requirements to meet the needs of a growing business or an increasing number of compliance regulations, are less likely to license more functionality than the business needs or will use.

*Recommendations:*

- Engage in what-if scenario planning to create realistic license projections.
- Involve business stakeholders and your SAP developers in this process.
- Define your innovation objectives and how you expect the vendor to help you to achieve these in the agreement, if innovation is part of your business strategy.

### **4.4 Phase and Define Your Deployment Milestones**

Software managers will need to assess whether they are equipped with the right resources to deploy licenses, even if SAP provides additional support. Demand for deployment may increase unexpectedly when business units express more interest in unplanned deployments as soon as the organization publishes its EA internally. With aggressive savings targets and high demand, deployment schedules may be unrealistic, which leads IT implementation teams to try to accelerate projects to meet target deadlines.

*Recommendations:*

- Analyze the planned deployment and its associated risks to decide whether embarking on the project is a sound business decision. Also, check if delaying the deployment will affect expected return on your investment.



- Obtain approval and commitment from IT and business leaders to roll out the project and take responsibility to make decisions, based on a thorough understanding of the magnitude of the investment and to mitigate project risks, delays or failure.
- Reserve spare capacity to meet the need for unexpected deployments, and establish a realistic phased deployment road map to avoid immediate new shelfware. Continuously update the road map by documenting project milestones and indicating lessons learned or early warning signs of potential problems.
- Consider the options SAP offers to enable customers to increase licenses and maintenance payments as they deploy them, but be aware that these options make the deal more expensive.
- Use your SAP Center of Excellence (CoE) to achieve a quality standard at each step of the rollout.
- Consider negotiating a Global Enterprise Agreement, because this agreement is designed to reduce the financial impact of delayed deployments.

#### **4.5 Scrutinize and Benchmark the Proposed Solutions**

Customers want to determine what constitutes fair value for the deal and what other SAP EA customers have spent in comparable deals. Software asset managers must first calculate and compare conventional licensing options against the proposed SAP solution. This can also help to disclose the balloon effect associated with upfront fees. Although SAP tailors each agreement, customers can benchmark deals confidentially with the support of a third party.

##### *Recommendations:*

- Take your conservative projections, and understand what you would pay for those licenses if you were not buying an EA but just signing a transactional deal.
- Observe the efforts and early statements that SAP sales executives make to better understand their sales approach.
- Ask for complete documentation and details about associated business value for the proposed solutions so that you can thoroughly evaluate the proposal.
- Use the information in an internal assessment briefing to validate or refute whether the solution will provide the proposed benefits in your environment.
- Do not use existing price holds, but benchmark the deal against discounting trends, which may be higher than what you have locked into the agreement. This will indicate whether the EA discount is appropriate for your business.

#### **4.6 Avoid Overlicensing**

Organizations often feel tempted to overload the agreement so that they can achieve the most value. As a result, clients often approach the deal from a short-term cost perspective instead of looking at the long-term value the agreement can deliver. SAP will sense this and propose license options and promote the additional value that the agreement can deliver to take advantage of the sales opportunity.

##### *Recommendations:*

- Compare the EA to a conventional licensing approach to avoid overlicensing.

- Do not overestimate your ability to deploy, even if you have accurately predicted your licensing requirements, because you cannot reduce EA licensing midterm, even if your needs plummet.

#### **4.7 Protect Your Benefit in a Flexible Agreement**

The benefit a customer will achieve when engaging in a UA depends on the deployment numbers that SAP will take as a baseline for negotiations. If that baseline is too optimistic, it is difficult to receive a benefit at the end of the agreement.

##### *Recommendations:*

- Establish a worst-case and best-case scenario, and understand the factors that drive the number of licenses you need to deploy.
- Take the worst-case scenario as your starting point when negotiating with SAP, and close the deal at no higher than 30% of the discrepancy between the worst and the best case.
- Do not use the value discrepancy if you are an advanced planner. Rather, assign risk factors and business value factors to each license deployment subproject. This helps to focus vendor support on the most valuable portion of the deal and increases the likelihood that you achieve the benefits you require.

#### **4.8 Understand the Pros and Cons of Lock-In**

Engaging in an EA locks the customer into working with the vendor, which has advantages and disadvantages. The lock-in may be a strategic decision, and management is often aware of it, but it may become problematic if the deal does not continue to deliver quantifiable business value throughout its term.

##### *Recommendations:*

- Calculate anticipated benefits during the next five years.
- Consider switching options if the anticipated value is not adequate. Otherwise, future management may view the deal as inadequate.
- Avoid dominant usage built on the concept of indirect use, because vendors tend to license usage that involves connecting to third-party systems.
- Ask SAP for a comprehensive agreement that will fully meet your needs and not lead to any surprises, such as incurring additional fees for functional features. Do so once you have taken into account the degree of lock-in.

#### **4.9 Take Advantage of Your Privileged Relationship**

SAP considers organizations with EAs as preferred customers and even partners. The vendor often expects EA customers to provide positive references regarding their engagement, and customers can ask SAP to address unresolved issues before providing a client reference. When customers understand that they are in a powerful position, they are also more likely to use their preferred customer status to negotiate more effective T&Cs.

##### *Recommendations:*

- Explain to SAP what will work for you, but ensure a positive yet candid exchange of opinions to develop a better deal.

- Offer or agree to speak at SAP marketing events, providing facts that can prove a working relationship and quotes for press announcements.
- Use the prospect of willingly providing a customer reference to negotiate optimal deal T&Cs, and encourage SAP to collaborate swiftly before and during the deal term.
- Develop your strategic vendor management capabilities to help you negotiate optimal T&Cs and drive vendor performance throughout the life cycle of the deal (see "Toolkit: Using Gartner's Scorecard Template to Improve Product Vendor Relationships" and "Building a Strategic Vendor Management Program").

## 5.0 Negotiate SAP Enterprise Agreements to Minimize Risk

IT software asset managers and negotiators must use their analysis of their organizations' requirements, evaluation of available SAP EA models, and price and deal comparisons to guide their negotiations. Negotiators should take the following considerations into account to optimize T&Cs so that their EAs can meet their business needs at a cost-competitive price and at lower risk.

### 5.1 Time Your Deal Negotiations Strategically

Although it takes about four to nine months to frame an SAP EA, depending on the customer's geographic spread and the complexity of its application portfolio, software licensing negotiators can optimize discounts if they finalize and sign the deal at the end of the quarter and fiscal year. General economic conditions, however, may influence the degree of concessions customers will achieve. SAP sales personnel want to close deals by the last business day in a quarter, because SAP measures and rewards its sales teams according to their quarterly performance. As a result, SAP is busiest at the end of each quarter and especially during the fourth quarter.

#### *Recommendations:*

- Schedule enough time to enable business owners, legal and IT staff to thoroughly review and approve the relevant sections of the agreement.
- Expect that SAP will shift the conclusion of your deal negotiations into the next quarter to help SAP staff manage their workload, if you feel that you are not ready to finalize and sign the agreement near the end of the quarter.
- Establish milestones to re-evaluate and refresh aspects of the deal during its life cycle, and document these in the agreement.

### 5.2 Work With Solution Engineers

SAP solution engineers know the functionalities, but are less familiar with the commercial impact of usage and licensing, particularly as many of the SAP product names do not directly correlate to SAP licensing nomenclature. This can increase customers' risk of an out-of-compliance judgment when they are audited. Customers that verify how SAP product names correlate to SAP licensing nomenclature, as well as the commercial impact this may have, can reduce their risk of audit exposure and noncompliance costs and fees.

#### *Recommendations:*

- Govern how you disclose intent internally and how you structure decision-making processes to help software asset managers and negotiators to work effectively with solution engineers.

- Determine which areas you should not discuss and even which opinions you should safeguard during this process.
- Ensure that the contract properly records statements about in-scope/out-of-scope work and that the audit department verifies these.
- Exclude frontier areas of scope from the agreement to indicate to SAP that you are willing to consider other alternatives in the future.
- Work with your legal department, and consult with other customers to establish clear statements that address and protect you against additional fees stemming from SAP intellectual property rights for in-scope work.

### 5.3 Include Exchange Rights

Even when providing sophisticated estimates, most organizations cannot effectively predict the actual use of software, such as ERP and CRM. The degree of acceptance, as well as training and business support required to deploy and use the software, often only becomes evident after deployment and may differ from the original expectations. If users prefer alternative ways of performing a business process outside of SAP, then the previously planned usage may drop. However, if users discover additional decision support, it may also rise unexpectedly. Therefore, large or enterprisewide deployment programs cannot become efficient without the option to exchange usage rights, or to redefine the user role or task. However, customers will only enjoy this right if they negotiate it into their licensing contracts.

#### *Recommendations:*

- Design exchange rights along SAP's licensing specifications for user categories, engines and product options.
- Apply exchange rights to all types of EAs that define the baseline at the date of expiry, and execute these rights before the end of the deal term.

### 5.4 Address Rebundling

Vendors are continuously rethinking how they can best package and market their software. As a result, they continue to create new editions of what they offered in previous versions. In the past, functions licensed in an EA became part of new components, replacing the former way of licensing. During the term or after expiry, user organizations are faced with new product names and new price tags.

#### *Recommendations:*

- Protect yourself with a rebuy clause that does not force you into new bundles if you do not intend to use extended functionality.
- Reserve the right to upgrade to new bundles at no additional fee.
- Require the vendor to provide you with modern measurement technology, which can prove that you are not using additional features.

### 5.5 Use the Early-Adopter Phase

Client organizations that need the newest version of software should ask SAP for early-adopter coverage. SAP is quite familiar with implementing increasing volumes of software licenses and

the challenges customers experience when tracking bugs often associated with innovative solutions.

*Recommendations:*

- Include in the contract the right for replacement by a more conventional solution if you cannot eliminate the barriers to adoption.
- Negotiate with SAP to improve your deal in exchange for your participation as an early adopter if there are only a few.
- Ensure that SAP commits the appropriate support resources to deal with implementation headaches.

## **5.6 Negotiate Accrued Recurring Fees**

Experienced SAP customers will discover that some of the accrued investments are still an ongoing cost to the organization, even though the software is no longer delivering benefits to the business. SAP may have rolled some of the old licenses into other products over the years, whereas some old maintenance fees may no longer make sense.

*Recommendations:*

- Review the accrued appendixes that lead to the existing recurring fees, when negotiating the deal value (the additional investment associated with the transaction).
- Create a contemporary view of the existing entitlements, and understand what a new customer would invest today for the same baseline.
- Base maintenance fee calculations on the actual inventory of software used and the additional new licenses.

## **5.7 Negotiate a Balanced Disclosure/Nondisclosure Clause**

Traditionally, vendor T&Cs include nondisclosure agreements or clauses to preserve the unique nature of an agreement. However, these agreements or T&Cs prevent customers from obtaining expert third-party advice, because the agreement does not permit them to disclose its contents to an independent advisor.

Customers can negotiate contract language that enables them to share the agreement with third-party advisors (see "Include Critical Rights in Confidentiality Agreements"). Some Gartner clients have found the following wording effective:

1. Vendor's obligation to maintain confidentiality: Vendor will maintain the confidentiality of licensee's confidential information. Vendor will not use or disclose any of it without licensee's prior written consent (except as described in Clause 2) or where the vendor needs to in order to fulfill his obligations under this Agreement or where it is required by law or stock exchange regulation.
2. Sharing licensee's confidential information: Vendor will only disclose licensee's confidential information to companies within vendor's group and to those of vendor's officers, staff and professional advisors who need it in order to fulfill this Agreement or to give professional advice to vendor. Vendor will ensure that they maintain its confidentiality.
3. Licensee's obligations: Licensee agrees that his responsibilities in respect of vendor's confidential information are equivalent to those imposed on vendor by Clauses 1 and 2.

*Recommendation:*

- Negotiate a balanced nondisclosure clause or agreement that allows both sides to share the details with professional advisors and not only limited to legal counsel.

## **5.8 Protect Your Business Against Sudden Market Changes**

The recent recession is an unexpected event that has caused havoc with many transactions. A few customers have included clauses in their EAs that deal with sudden market changes and losses in revenue and staff. Because an EA establishes a much higher baseline for a recurring maintenance fee, such clauses allow the customer to reduce the recurring cost to the previous minimum. If licenses are not used, at least the customer can save associated yearly fees.

*Recommendation:*

- Avoid including clauses that defer fees to a later date, but negotiate true reductions for the related fees.

## **5.9 Include an Option to Extend the Agreement**

Even with the best planning and foresight, deals may not work as planned. For a three-year term in particular, Gartner clients have reported the need to prolong the deal for an additional two to three years so that they can make the most of the original value proposition.

*Recommendations:*

- Establish a prolongation clause that provides you with an option to extend the deal.
- Stipulate in the clause the conditions that will enable you to extend the deal — for example, mergers and acquisitions, or major shifts in your business strategy and goals.
- Include a buyout clause for the Global Enterprise Agreement or at least a renewal price cap.

## **RECOMMENDED READING**

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"Constructing an Effective Enterprise Software License Agreement"

"Vendor Rating: SAP"

"Q&A: Top Client Issues for SAP Users"

"New Benchmarking to Guide SAP Enterprise Support Fees"

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