

Flynet Vitality Brief:

Fixed Subscription Cost (TCO Program)



Situation

Software is often purchased as a subscription, with a user typically paying on an annual basis, rather than for a perpetual license.

Obstacle

Because the software is quoted annually organizations are often not aware of the total cost of the software year-on-year when they begin their subscription. Organizations are therefore vulnerable to fluctuations in cost.

Implication

Several issues can complicate subscription-based software:

- Unpredictable inflation rates
- Currency fluctuation
- Re-licencing adjustments, such as changes to the pricing of the product
- Changes to bundle discounts and promotions
- Alterations to the licencing structure
- Unpredictable scaling costs, especially if an organization has plans to increase their use of software over time or are using the software as part of a larger project
- Changes to Support entitlements
- Changes to EULA entitlements

This situation may cause problems for users within the organization, forcing them to justify a higher price point for necessary software. It may also cause problems with internal budgeting. Especially if departmental budgets are set using a historical budgeting methodology.

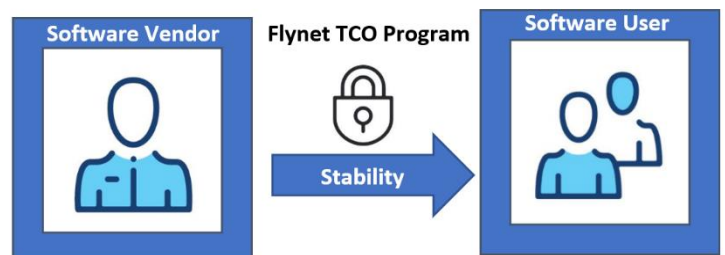
Solution

Vendors that offer fixed term contracts for long term subscriptions can be an effective way of maximising budget clarity and stability. Flynet's TCO program offers organizations the following benefits:

- A clear cash flow obligation
- Pre agreed inflation level
- Currency fluctuation insulation
- Total licencing cost known, with no changes to product price
- Bundle benefits and promotions locked in
- Scaling costs at pre agreed inflation level for the period of the agreement
- Support level agreed
- MSLA terms set for the period of the agreement

Conclusion

Flynet's TCO program offers an effective way for organizations to have a clear understanding of their budgetary requirements, offering clarity and stability.



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