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SOLUTION BRIEF

The Lock-In Trap:

The Compounding Effect of the Perpetual Support Contract

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There is currently an industry buzz around how open source technologies can help companies save significant capital, and operational expenses.

This issue is of particular interest to the many companies contemplating whether to switch from their existing legacy proprietary vendor (like Oracle) to an open source database technology (such as PostgreSQL).

Percona's Solution Engineers are frequently called upon to assist companies looking for an optimal open source database solution. One of our customers recently asked "Why are there such huge total-cost-of-ownership savings associated with moving away from proprietary solutions?"

This is an interesting question, and often isn't always clear to businesses considering their database software options. We thought it would be helpful to address this topic, and share some of the background and related issues.

The Situation

For example, we consider a generic mid-cap company, with annual revenues around $5 billion. It is entirely possible for this company to be paying several million dollars each year in support fees to the company that sold them their legacy relational database platform.

Of course, they didn't start out with an annual multi-million dollar support fee contract. But, over the years costs snowballed and now they are locked into the obligation in perpetuity. To make matters worse, not only are they unsure which software components they are paying support for, they often can't even identify how much they are paying per product.

It is surprisingly easy to reach this point and extremely difficult to fix. If you can't isolate the amount you pay per product, how do you know whether you are still paying support for products which have been discontinued, or which you no longer use?

This tricky situation affects most large companies and, unsurprisingly, has become intolerable for a significant number of them. But, how did we reach this point in the first place?

The Evolution and Outcome of the Unlimited License Agreement

We are going to walk back along the path that led our example company to where they stand today. The issue actually started many years before, when the company first chose to adopt a single proprietary database as their standard deployment platform.

Knowing they would deploy this database far and wide, they signed an Unlimited License Agreement (ULA). When signing, they committed to a set of contract terms described by UpperEdge as a "Total Support Stream" clause. This decision would have a catastrophic impact on them in the years to come.

In this example the initial contract was $500,000 for a three-year term, and support was set annually at 22% of the contract price in perpetuity. This brought the annual support bill to $110,000.

By the end of the three-year term, the database vendor had acquired several other companies that provided valuable applications, and it was time for our company to renew their ULA. In addition to the ULA renewal, this was also a good opportunity to adopt some of these additional applications.

At the end of another lengthy contract negotiation, our company was happy to sign a new deal, which extended the ULA for another three-year term. This deal allowed them to continue growing their database footprint and implement two new application platforms, as well as adopting additional technology from the same vendor.

This is where the problem of the compounding effect of the perpetual support contract began.

As a result of the terms of the company's new deal, particularly the "Total Support Stream" clause, the support amount that the company were already committed to paying in perpetuity from the first ULA was pulled forward, and added to the new software agreement.

The new agreement consisted of the ULA renewal and the new application and technical components, plus the rolled-forward ULA support bill from the previous deal. This time the contract for new software was $1,000,000 and support for the new software came to $220,000. The previous support bill of $110,000 was added to the new contract, bringing our company's single support bill ("Total Support Stream") to $330,000 per year, in perpetuity.

The Acute Condition

This cycle was repeated several times over the course of 15+ years. Each time the support bill from the prior contract was rolled into a new contract. As a result, the "Total Support Stream" compounded, even though the original deal which created the initial agreement of 22% support became more obscure and increasingly obsolete.

So, we reach the present day. Our company is now paying millions of dollars for support annually due to this "Total Support Stream'' clause and, in all likelihood, has lost sight (and use) of many of the products that their support dollars are supposed to pay for.

It is only with hindsight that the full implications of the "Total Support Stream" clause are realized.

As our example company grew, and modernized its business critical systems, they chose to abandon some of their legacy applications and technologies. However, because of the "Total Support Stream", and the nature of its commingled support costs, the company is unable to stop paying support for the products they no longer use.

The reality of vendor lock-in bites. Companies are not solely locked-in to their vendor's technology, they are often also locked into a massive and oppressive annual support obligation.

On the surface it seems that the only way out of this spiral is to completely discontinue the use of all products from the vendor, but this can also be an expensive and time consuming process. It is unsurprising that many organizations in similar situations are looking at their options.

Conclusion

At Percona, we believe that the move towards using open source software as a viable alternative to traditional proprietary software, and a way of avoiding vendor lock-in, is a major step.

Our expert consulting team has extensive experience helping companies avoid and escape vendor lock-in. We also recently published a white paper which looks in detail at the benefits and pitfalls of vendor lock-in, the negative impact it can have on your business, and the most viable alternatives available.

Contact Us

Percona Consulting provides onsite or remote assistance for current or planned projects, migrations, or emergency situations. Every engagement is unique and we work alongside you to plan and create the most effective solutions for your business.

Percona Managed Services can help you manage your existing database infrastructure; whether hosted on-premise, or at a co-location facility, or if you purchase services from a cloud provider or database-as-a-service provider.

Percona Support services are accessible 24x7x365 online or by phone to provide assistance with issues and help you keep your database running optimally.

To learn more about how Percona can help, and for pricing information, please contact us at +1-888-316-9775 (USA), +44 203 608 6727 (Europe), or email us at sales@percona.com.