Cigref
SUCCEED WITH DIGITAL

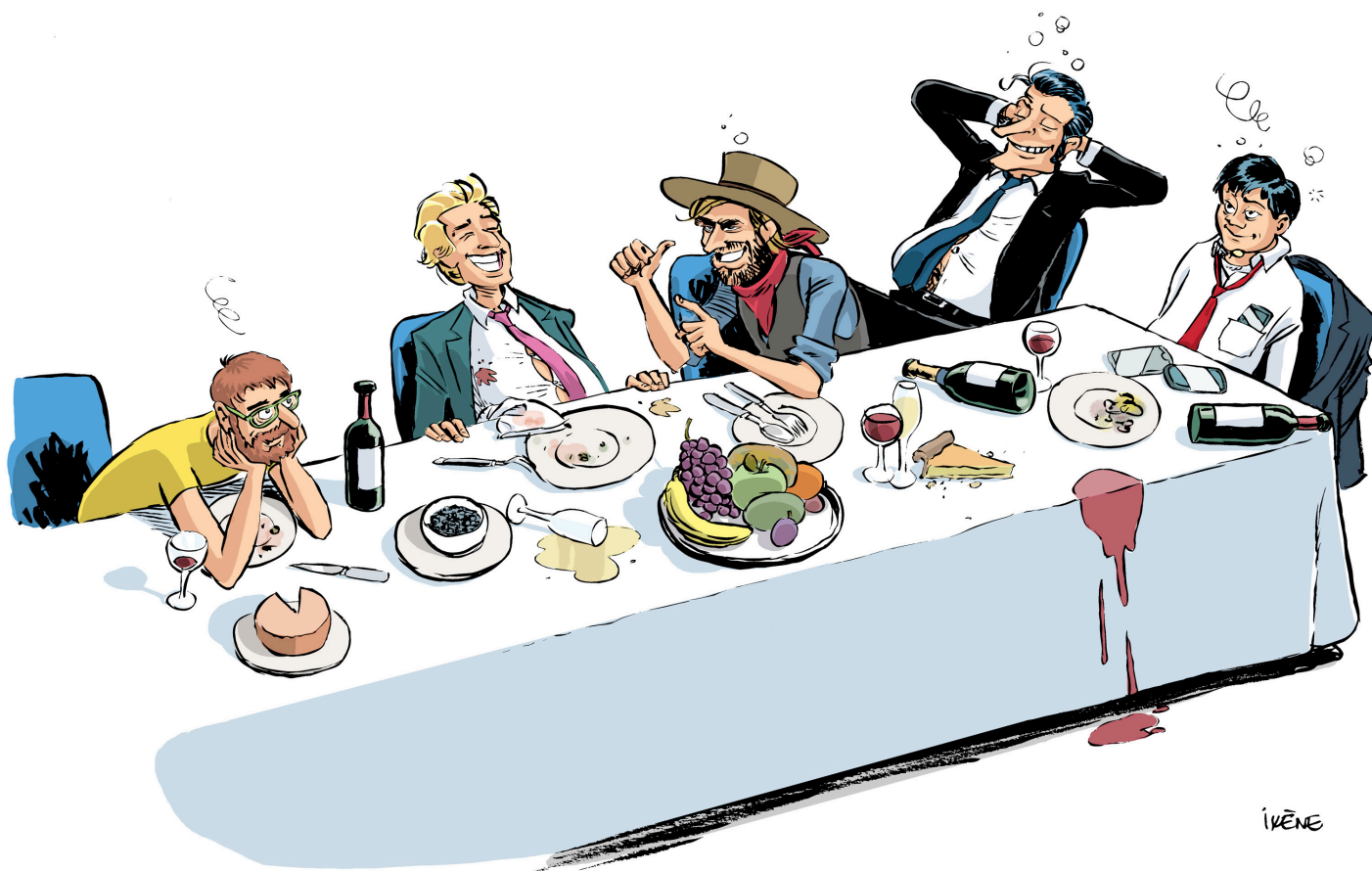# *Press folder*

IT SUPPLIER RELATIONSHIPS CLUB - CIGREF

**INSIGHTS FROM THE WORKING GROUPS:
STATE OF RELATIONS BETWEEN CIGREF MEMBERS
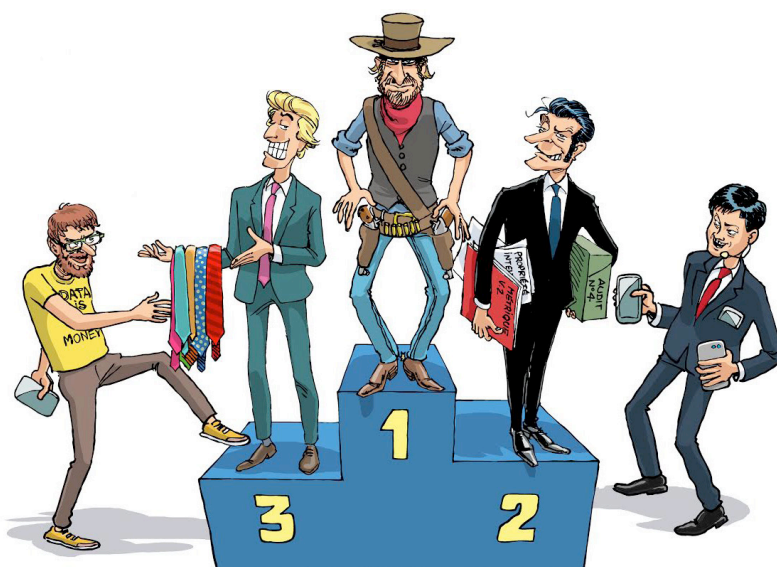AND THEIR MAJOR DIGITAL SUPPLIERS**

01/07/2019

WWW.CIGREF.FR

In 2018...

Cigref
RÉUSSIR LE NUMÉRIQUE

CLUB CIGREF
RELATIONS FOURNISSEURS

TROPHÉE CIGREF DE LA RELATION FOURNISSEURS

YOU CAN FIND THE FILE OF OUR PREVIOUS PRESS CONFERENCE OF JUNE 20, 2018 ON WWW.CIGREF.FR

In 2019, the Supplier Relationships Club:

7 working groups

433 employees mobilized

- AWS
- Google
- Microsoft
- Oracle
- Salesforce
- SAP
- Alternatives to the Major Suppliers

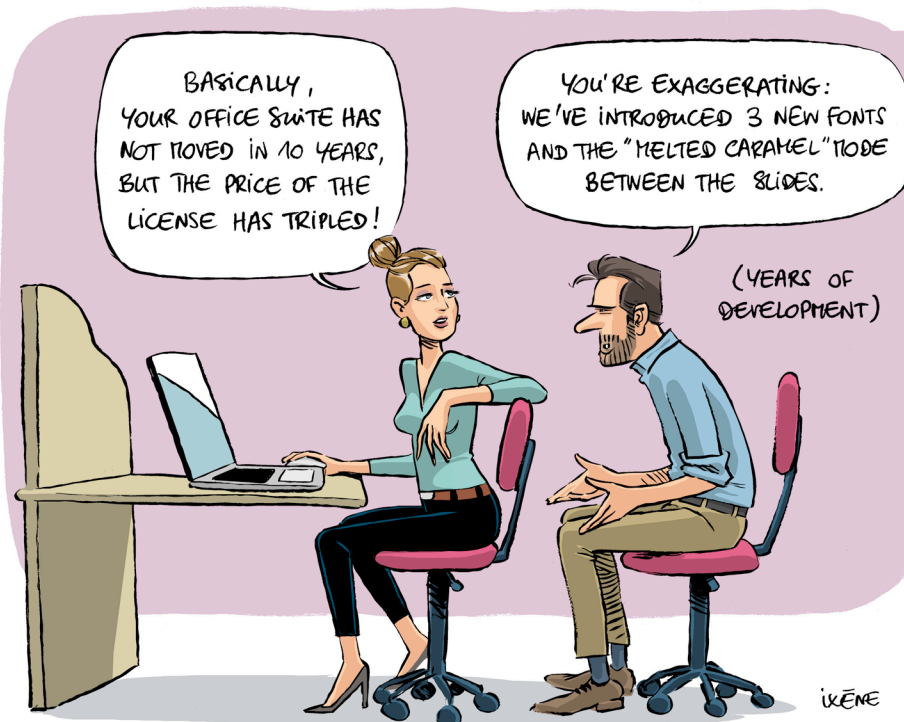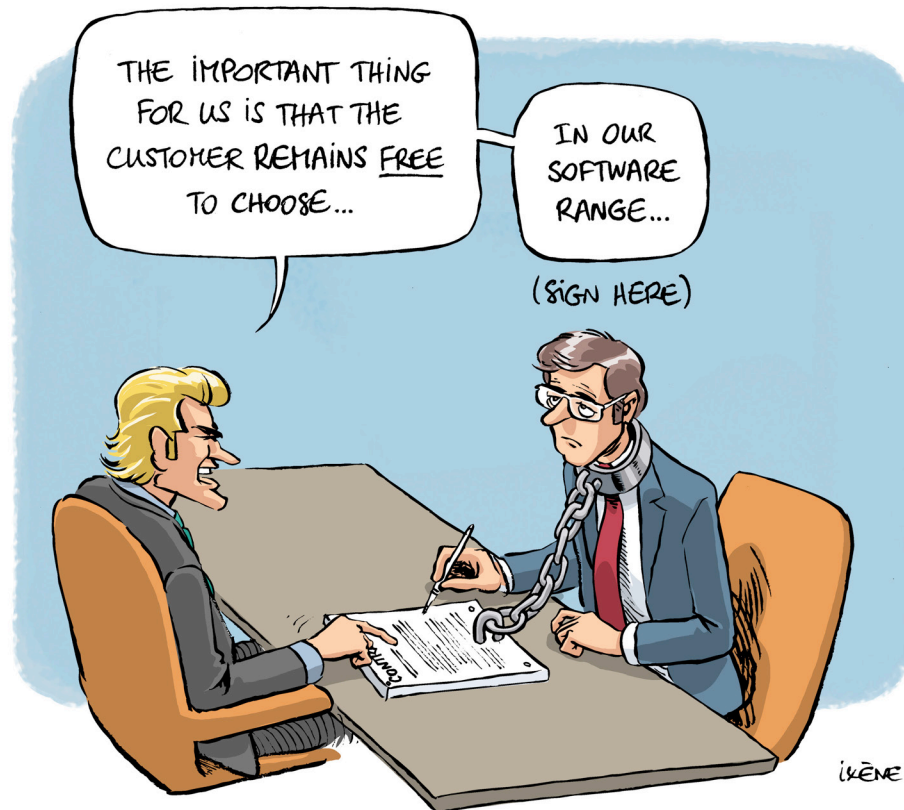## They run these groups and make up the steering committee (SteerCom) of Cigref's Supplier Relations Club

EIFFAGE, ELIOR, ENEDIS, ESSILOR, FRANCE TELEVISIONS, LAGARDERE, LVMH, NEOPOST, ORANGE, SAFRAN, VEOLIA.

Chronicles of supplier relationships....

Editorial 2019

BY THE STEERCOM OF THE SUPPLIER RELATIONSHIPS CLUB

It has been two years since Cigref's supplier relations efforts were structured and expanded as part of a dedicated club, run by a steering committee (SteerCom) of ten member CIOs. The purpose of this new structure is to improve cross-functionality and strategic discussions between the leaders of the working groups, as well as with the ecosystem and the partner associations of Cigref, such as EuroCIO.

More than ever before, given the widespread rollout of cloud services in organisations and the pressure coming from suppliers, the network of Cigref members needs to be strengthened by sharing practices and experiences, as well as by aligning public discourse.

It is vital for businesses to reestablish a balanced relationship of trust with digital service providers. Given the far-reaching transformation of their business models, companies share challenges that they can only address together: supporting innovation and the scaling up of European unicorns, developing the digital skills of current and future employees, creating the conditions for agility and continuous adaptation in organisations, etc.

This is why it is high time that certain legacy vendors permanently abandon the fantasy of double-digit growth in revenue without adding real value for our businesses, and finally offer their customers powerful and flexible services that meet the promises of the cloud. In 2019, Cigref will stay on course to take a firm line and converse with digital service providers. The stakes around these rebalancing efforts are huge. The working groups are open to transparent and proactive suppliers to jointly build tomorrow's models. Meanwhile, suppliers that persist with practices that user companies criticise, both through Cigref and other user associations, are liable to attract dissatisfaction among their customers, which will look for alternatives and exit solutions. Indeed, this is increasingly the case.

The SteerCom of the Supplier Relationships Club

Cigref leads working groups on supplier relations in accordance with its corporate purpose, which stipulates, in particular, that Cigref's mission is to «share with members their experiences in the use of technologies» and «make known and defend the legitimate interests of member companies...».

Amazon Web Services (AWS)

The «Relationships with AWS» working group, the latest of the working groups addressing relations with major digital service providers, began in January and has met four times, with two sessions attended by cloud suppliers. The group currently has **43 member organisations (70 employees)**. The subjects addressed by the members and discussed with the supplier are as follows: Contractual framework - Pricing practices – Ecosystem – Cloud migration – Multi-cloud strategy - Roadmaps

2019 retrospective.

Following the launch meeting in January, the working group initiated a cycle of meetings every six weeks aimed at addressing the members' key questions. The topics included the AWS ecosystem (service and technology partners, skills, roadmaps, etc.), followed by services providing support in migrating to the cloud. There was a positive reception to the first two meetings with representatives of AWS France's senior management thanks to the quality of the content and the level of expertise. However, doubts remain concerning announcements about the TCO presented, exit conditions, service continuity, etc.

The working group, which is comprised of prospects and user companies at varying stages of deployment, alternates between meetings with the supplier and between members only. The members aim to compare with peers their experiences of the commercial relationship and contractual negotiations with AWS, their perception of how mature the solutions are and of the management of their rollouts, strategies on migrating to AWS and their implementation in technical and human terms, etc.

Outlook.

AWS is very much a strategic partner for a growing number of companies, with more and more committing to the public (multi) cloud every day. Most customers want AWS products, which are powerful and stable. As far as the commercial relationship is concerned, they recognise AWS's efforts to expand its ecosystem and its workforce in France, and to develop a customer-centric culture.

However, they criticise some of the supplier's practices, particularly its contractual and pricing policy: a very rigid contractual framework not suited to large groups; very changeable licensing that is deemed excessively complex; and difficulties concerning pricing and billing linked to the tracking and control of consumption and costs.

In the open and hybrid cloud environment that the AWS IaaS is part of, companies need more than ever to develop skills and organisations around integration and DevOps. They are also questioning their degree of dependency, the protection of their personal and business data, and their actual ability to migrate from one supplier to another.

Google

Reinitiated in September 2018, the «Relationships with Google» working group currently has **41 member organisations (82 employees).** The subjects addressed by the members and discussed with the supplier are as follows: Data protection, security and compliance in the cloud; Reversibility and transferability; Commercial relations and governance of the Group; Strategy and roadmap of Google offerings; Ecosystems (integrator and technology partners); Workstation, mobility, identification; Big data and artificial intelligence.

2018-2019 retrospective.

2018 marked the revival of this working group, which had been inactive since the 2012 publication of a Cigref report on Google's sales policy and business model. This revival came about for two reasons: firstly, growing interest from our members examining the two main areas of services provided by Google G Suite and Google Cloud Platform; secondly, the sizeable investment in the business market by Google, which is bolstering its operations in terms of resources, expertise and ecosystem in this segment. It is therefore time to assess whether the promises made align with the actions taken.

Many subjects were identified by Cigref's member organisations, starting with data security, compliance and protection, which was the subject of the first dedicated meeting with the supplier in November 2018. This very productive session demonstrated Google's proactive approach to this subject.

The following meetings since January 2019 have addressed Google's innovation ecosystem and strategic partnerships with the IT consultancies ATOS and Accenture in particular, digital workplace services around G Suite and Chrome, and the artificial intelligence and data management services of Google Cloud Platform. The participants felt these sessions were of a very high level, with Google providing its technical experts on each topic rather than its salesforce.

Outlook.

Security is becoming one of the key drivers for switching to the cloud, ahead of agility and scaling up. Business perception is changing and moving towards the public cloud, as reflected by the growing demand for virtualised infrastructures in companies. However, hybrid cloud and multi-provider strategies are raising issues around interoperability and reversibility, which are far from resolved. Similarly, as the main challenger to Microsoft Office in the work environment with G Suite, Google still needs to convince the market of the strict separation between Google Cloud and other Alphabet group entities: for example, by reasserting the very clear position taken by its CEO Thomas Kurian during the latest Google Next on the security and confidentiality of data entrusted to Google Cloud.

The working group therefore developed a roadmap including Google's participations, along with numerous testimonials and experience-sharing between companies, on the topics of cloud as a service, as well as the HR and organisational impacts that serverless and all-cloud have on IT teams.

Microsoft

The closely followed «Relationships with Microsoft» working group currently has **61 member organisations (128 employees)**. The subjects addressed by the members and discussed with the supplier are as follows: Change to Microsoft's contractual, sales and pricing policy on 1 October 2018 – End of compatibility or continued support for previous versions - Pricing alignment and modification of discounts - Drive towards the cloud and significant price increases for on-premises customers.

The member network is very active regarding this supplier, with several campaigns to request the exchange of information about failures in the cloud services (particularly Office 365) and support services, about «how to exit from the Microsoft Premier support contract», about OnlyOffice, an open-source alternative to Microsoft, etc. These campaigns are indicative of user companies' concerns and mood.

2018-2019 retrospective.

Since 2017, discussions with Microsoft, with which Cigref meets regularly, have primarily concerned the supplier's sales policy (product offerings, pricing). Despite the outcry caused by the pricing escalation during the renewal of cloud contracts in Office 365, Microsoft continued to take a tougher sales stance – particularly for on-premises customers – with its June 2018 announcement of price increases on certain products, the end of certain contracts, discontinued compatibility and support for certain licence versions and substantial changes to its purchasing platform and pricing policy.

Data protection and the principle of joint responsibility, particularly within the framework of telemetry, have also been significant topics due to the introduction of the GDPR in 2018. Concerns about compliance with the GDPR were revived by the Dutch Ministry of Justice and Security, which wrote a letter to Microsoft's compliance department notifying it of flaws in W10 and O365 Pro Plus. In November 2018, it also published a Data Protection Impact Assessment on Microsoft's data processing concerning the use of the Microsoft Office ProPlus software. The working group gave Microsoft full latitude to provide its own version of the facts and the follow-up to the approach taken by the Dutch Ministry.

Outlook.

In recent months, the working group has refocused on dialogue between members, which are keen to share their best practices to negotiate more effectively and avoid the pitfalls of the vendor's licensing and its sales policy. To this end, the latest meetings have also addressed cloud migration strategies and alternatives to Microsoft, as companies question the value proposition of certain products given the vendor's pricing policy. To prepare for their face-to-face discussions with Microsoft - whose local operations appear to be picking up the pieces of a hesitant sales policy - Cigref members feel the need to have every possible tool available to avoid an inflationary spiral affecting the on-premises products, which many of them still use.

Oracle

Reinitiated in September 2017 after a nearly 18-month interruption in dialogue, the «Relationships with Oracle» working group is now the number one group by number of member organisations (70) and employees (154). The (consistently raised) subjects addressed by the members and discussed with and without Oracle are as follows: Licensing, ULA, virtualisation – New model for Java commercial licences – Security and compliance in the cloud, GDPR - Third-party application maintenance (TPAM) – Migration to the cloud.

The member network of the Oracle working group is one of the most active, with around ten campaigns to request the exchange of information about renegotiations of Oracle contracts, the end of the ULA, the Java LTS subscription, relations between Oracle and VMware, etc. These campaigns reflect the main stumbling blocks with the supplier, some of which have shown no progress for several years...

2018-2019 retrospective.

There was a busy cycle of meetings during the first half of 2018, following the resumption of dialogue with Oracle at the end of 2017 under the guidance of Gérald Karsenti, the new General Manager at the time. His departure six months after his announcements to the WG did not pose a problem for continued dialogue, notwithstanding the long-standing stumbling blocks around virtualisation, the complexity of licensing and control of the base (paid options that can be activated without control, etc.). The application of the GDPR, the new Java sales policy and cloud offerings (BYOL etc.) were key subjects during the year and have continued to dominate the 2019 roadmap.

The class action launched in 2018 by Oracle shareholders against Group Management (shareholders criticize the publisher for having given, from May 2017 to March 2018, a poor representation of its true growth drivers in the cloud) was seen as proof of Oracle's difficulties in converting its installed customer base, despite real pricing «efforts» and sales teams... and the pressure faced by companies.

Outlook.

Having been particularly exasperated by the price increase in the new Java licensing and the stringency of audits, some members have expressed a desire to closely examine among themselves solutions that allow them to withdraw from Oracle, and to discuss Java and the cloud migration (CSA - Cloud Services Agreement, BYOL, etc.).

Predictability and pricing security for the longer term is also a key issue for business customers that do not have pricing guarantees over their contract term.

Salesforce

Created at the end of 2017, the «Relationships with Salesforce» working group currently has **49 member organisations (114 employees)**. The subjects addressed by the members and discussed with the supplier are as follows: Group and subsidiary strategy, market positioning – Product roadmap and acquisitions – Clarification of the marketing of offerings and interconnection of cloud platforms - Contractual framework, pricing policy, regulation, data protection – Commercial relationship, support and key account services (CSM) - Ecosystem – Skills - Service continuity, coverage of services worldwide, performance.

2018-2019 retrospective.

Cigref members had the opportunity to meet with Salesforce several times in 2018 in an open and collaborative climate. During this period, there was significantly more involvement in the working group.

Following these meetings, Salesforce agreed to record in writing - with the notable exception of legal matters - the discussions with Cigref. The new members are very pleased with this comprehensive document, having criticised the difficulties of governing the commercial and legal relationship with Salesforce at the scale of large groups.

These legal/sales difficulties are reflected in tough negotiations with the provider on contract renewals, the rigidity of the contractual framework, the lack of clarity on metrics and the commercial offering, and the inclusion in the contract of an attrition rate, which Salesforce views as a key performance indicator (KPI).

Outlook.

As of 2019, the goal is to strengthen dialogue with Salesforce (whose commercial structuring and management changed at the start of 2019), while also stepping up the sharing of experiences and specific use cases between members. A new France sales division has proven to be very involved.

Discussions cover both the product offering (Lightning and SalesforceOne mobile app, acquisition of Mulesoft, use of Einstein and AI for example) and customer service (assistance, support, incident management, etc.). To ensure the successful rollout of projects, the development of partner ecosystems and skills at customers are still key topics for the members.

Salesforce has an ambitious strategy of growth through acquisitions and expanding its scope of business, which businesses currently view as generating value. However, they remain vigilant about developments in the SaaS model.

Also very closely followed, the «Relationships with SAP» working group currently has **61 member organisations (125 employees)**. The subjects addressed by the members and discussed with the supplier are as follows: Digital access - Indirect access - Metering and audit tools - ROI from migration to S/4 HANA - Post 2025?

Focused on questions concerning the migration to S/4 HANA, the campaigns to request the exchange of information between members illustrate users' concerns, which SAP has not managed to respond to. SAP's promotion of the Digital Access model as a solution to indirect access (a notion that some customers refuse to acknowledge) is not likely to make discussions easier.

2018-2019 retrospective.

2018 was another eventful year for the supplier and the working group, on several counts: the change of contacts at Cigref with the arrival of Gérald Karsenti as the head of SAP France, SAP's announcement of its new Digital Access licensing model, which comes in response to the dispute concerning indirect access but has faced opposition from reticent customers that do not want to approve this principle; and the announcement of the end of the current version of the SAP ERP (ECC), which will be replaced with S/4 HANA, the only version maintained from 2025.

Outlook.

Following the latest meeting with SAP France representatives, Cigref's members were not convinced by the value promise of the new Digital Access model and the migration to S/4 HANA. They therefore decided to officially notify their requests to SAP France's management through a letter from Cigref.

They want SAP to provide firm and comprehensive commitments on securing the use of ECC products beyond 2025 and the availability of extended ECC support at no extra cost or at reasonable cost.

Aside from issues directly linked to the licence and conversion model, the cost of S/4HANA migration projects are a major obstacle for businesses, particularly because no ROI has currently been demonstrated. This forced change of version is akin to a CIO's resources being engulfed, with no proven business benefits. Customers have therefore adopted a wait-and-see stance.

This has been confirmed among a broad panel of companies by a USF (association of French-speaking SAP users) survey of the 70 participants from the «S/4HANA: The paths to take» committee:

● **70% of companies say they have still not begun their S/4 HANA migration project or are in the preliminary design phase.**
● **63% are considering migrating to keep pace with the vendor strategy. Business motivation (benefits generated for business units) is down in third place.**
● **Equally cited (at 70% and 72% respectively), migration project costs and difficulties in demonstrating the business value are the two main hurdles that companies are encountering.**

Source: USF survey of committee participants «S/4HANA: The paths to take» - May 2018

Lastly, the members agree that discussions with SAP regarding the new Digital Access licensing model, and the terms of its implementation, are absolutely no indication they will legally recognise indirect access.

Alternatives to the major IT suppliers

The «Alternatives to the major suppliers» working group, which was initiated in 2018, completed a first cycle of meetings at the end of 2018 and published its report Open source, an alternative to the major suppliers. Followed by **68 organisations (124 employees),** the group is currently continuing its debates according to the timetable provided by the members.

In 2019, discussions concerned the alternatives to several dominant suppliers on their market, notably the alternatives to Oracle Java, Adobe and Microsoft Office.

68 organisations   **124** employees   Since **2018**

2018-2019 retrospective.

The EuroCIO survey in 2016 found that half of European CIOs on the panel are considering an Oracle exit strategy. More generally, companies and public organisations are looking for alternatives to loosen the financial stranglehold of suppliers and gain room for manoeuvre in their negotiations with software publishers. Cigref's working group aims to support them in this ambition.

After giving a reminder of the specific characteristics of the open-source ecosystem, the working group listed the advantages and disadvantages of open software, then looked at risk management to identify how businesses need to plan ahead for the switch to open-source software and organise themselves accordingly. Lastly, the WG provided components - process and analysis criteria - to help organisations choose a software solution. All of this work is summarised in the Cigref report «Open source, an alternative to the major suppliers», published in December 2018.

DECEMBER 2018
CIGREF REPORT

Cigref
SUCCEED WITH DIGITAL

OPEN SOURCE, AN ALTERNATIVE TO MAJOR IT PROVIDERS

Taking the plunge into open source

Outlook.

The members decided to continue the working meetings after the report was released in order to continue jointly identifying alternatives to the major suppliers. Open-source software is currently mainly implemented in the lower layers of an information system. Companies want to increase the number of free solutions in higher layers. They aim to explore the business applications of free software and, more generally, discuss the solutions on the market. Lastly, discussions will take place to identify business applications liable to be jointly developed on the basis of shared or open ownership with companies in the same sector or even competitors.

EuroCIO, the European association of CIOs

For the last 10 years, EuroCIO has united and run a community of European CIOs to represent the interests of users at major companies concerning the ecosystem of suppliers and to favourably influence legislators and key individuals at the European Commission.

As such, EuroCIO's Supplier Relationship Council is tasked with coordinating the efforts led by Cigref and its association counterparts in Europe's leading countries to develop strategic dialogue at a European level with the directors of major IT suppliers, whose decision-makers are often in the US. Indeed, user organisations around Europe now say that digital service providers' practices are no longer delivering on the promises of cloud computing, except perhaps concerning cloud natives. These suppliers apply the licensing and pricing model inherited from their old proprietary offerings (known as «on-premises») to the cloud service offerings. What's more, their practices aim to lock down the market by keeping their customers captive and ousting potential newcomers (sometimes by acquiring them).

Faced with this situation and in order to maintain an open market, EuroCIO is developing experience-sharing on reversibility and exit alternatives with the support of major European companies and national CIO associations that are locally present in member states.

Companies that use digital services in Europe must not allow this sector to further concentrate within two major hubs - American and Chinese.

To alert its ecosystem and the European Commission regarding these crucial subjects, EuroCIO has for the last two years conducted a major European annual survey of CIOs: the Supplier Satisfaction Survey. The results of the 2018 survey, accompanied by insights from the working groups led by several CIO associations (notably in Germany, Belgium, France and the Netherlands), were presented to representatives of the European Commission's Directorate-General for Competition last September.

Chronicles of supplier relationships....
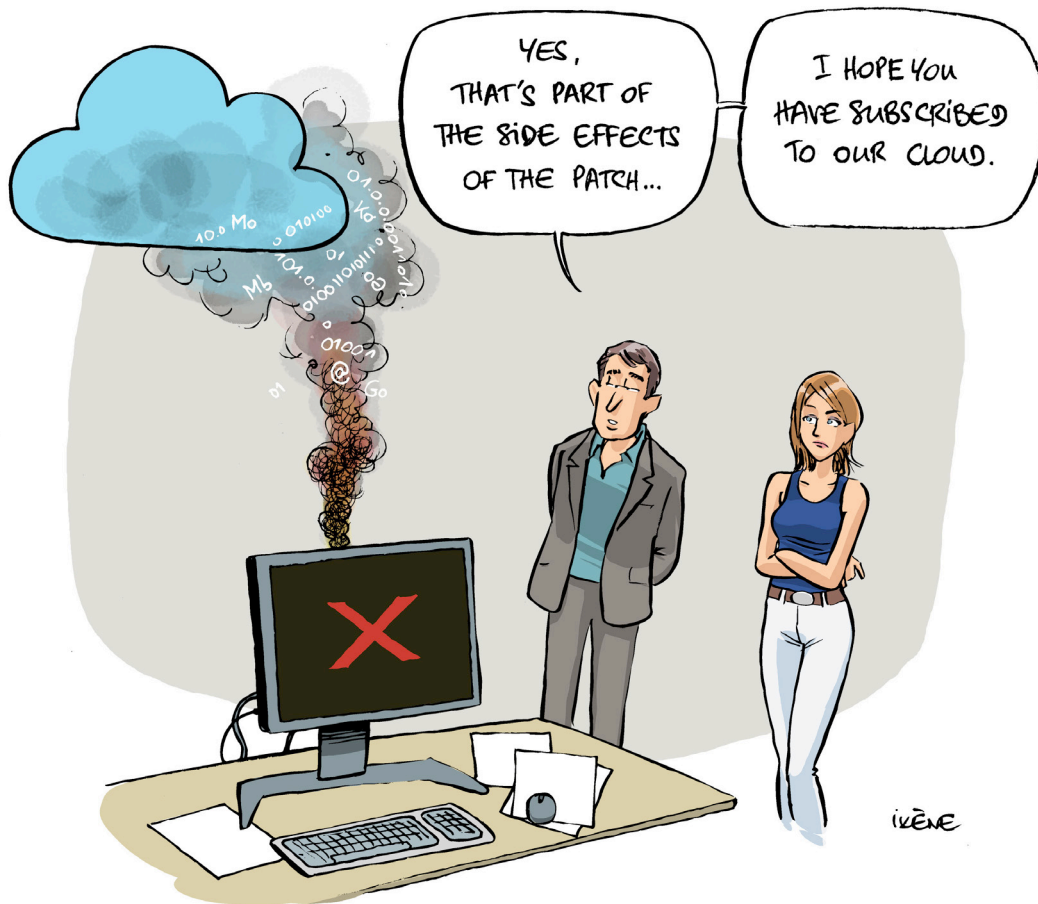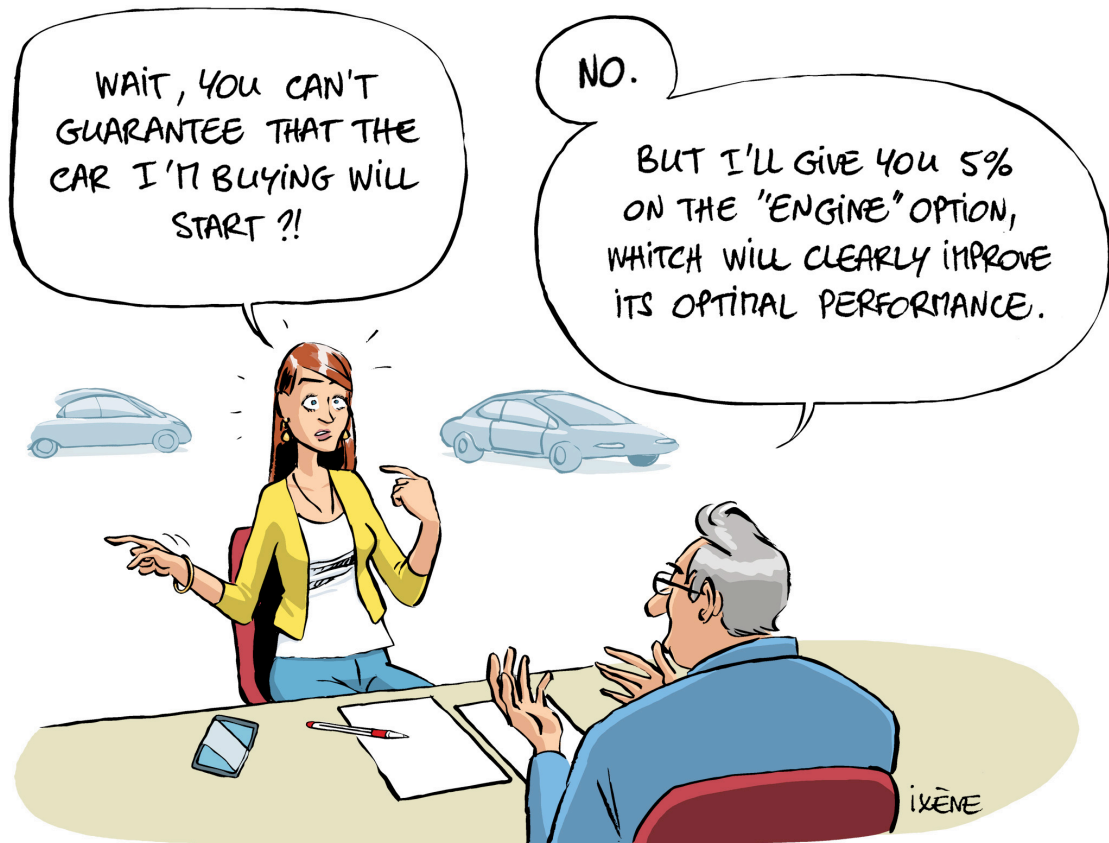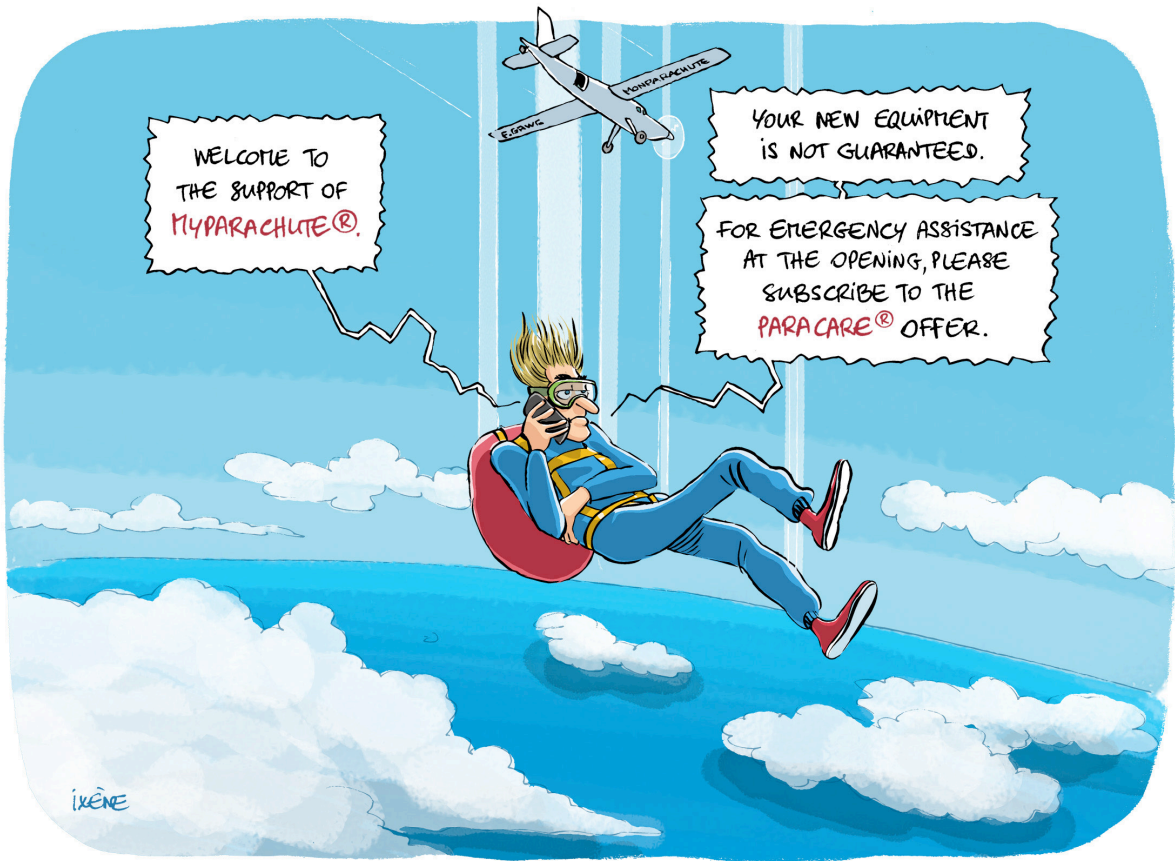
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Serving the economic growth and competitiveness of our members, large French companies and public administrations, users of digital solutions and services, through the success of digital technology.