



# DoD ESI & The Joint Information Environment (JIE)



[www.ESI.mil](http://www.ESI.mil)

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**DISA Mission Partners Conference 2012**

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# Agenda

- DoD ESI Overview
  - Economies of Scale for COTS IT Acquisition
- Alignment with JIE & DoD IT Enterprise Strategy & Roadmap
  - CIO Vision & Strategy
  - Implementation
  - ESI Commodity Acquisition Initiatives
- DoD ESI Best Value Toolkit for Software Buyers
- Summary

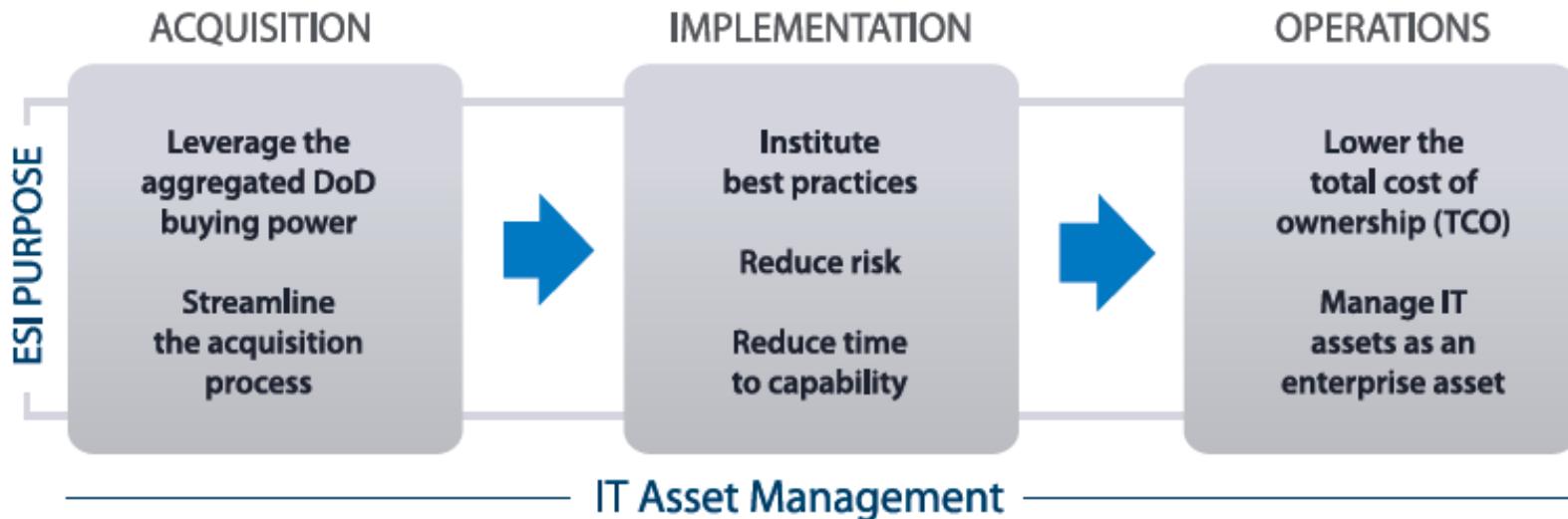


# DoD ESI Overview: Economies of Scale for COTS IT Acquisition



# DoD ESI Overview

- Summary: Joint DoD strategic sourcing initiative to save time and money on acquisition of commercial software, IT hardware and services
- Executive Sponsor: DoD CIO
- Goals:
  - Enterprise leverage and efficiencies in COTS IT acquisition
  - IT asset management





# DoD ESI Operations

- Team Composition: Army, DON, Air Force, DLA, DISA, NGA, DIA, and OSD
- Operations:
  - Award enterprise agreements for IT products and services
  - Implement unified vendor and contract management strategy
- Results:
  - Over 80 agreements with 48 separate software publishers and research/advisory firms
  - Over \$4 billion cost avoidance since inception
  - IT asset visibility of DoD ESI suppliers
  - More efficient acquisition processes for DoD ESI Enterprise Software Agreement (ESA) users



# Focus on Customers & Efficiencies

- Implement DoD enterprise agreements
  - Commercial Off the Shelf Information Technology (COTS IT)
  - Enterprise Software Agreements (ESAs)
  - Software Enterprise Licenses
  - Establish “best value” contract terms and conditions
  - Maintain strategic sourcing relationships with leading IT vendors
- Reduce total cost of ownership (TCO)
  - Influence Federal and DoD IT acquisition policy to enable strategic sourcing
  - Coordinate development of enterprise IT asset management (ITAM) policy, standards, and best practices
- Provide IT acquisition expertise to DoD buyers
  - Execute through Software Product Managers (SPMs) in five DoD Components
  - Support acquisitions for DoD buyers of all size
  - Provide training and tools



# DoD ESI and GSA SmartBUY

- **DoD ESI partnership with SmartBUY**
  - SmartBUY is aligned under the Federal Strategic Sourcing Initiative (FSSI)
  - SmartBUY is implemented within DoD through DoD ESI
  - DoD manages 21 GSA SmartBUY agreements
  - GSA SmartBUY participates in regular DoD ESI Team meetings
- **Requirements for DoD ESI and SmartBUY Use**
  - **In Acquisition Planning** – DoD 5000.2 requires maximum use of and coordination with DoD ESI when use of commercial IT is viable
  - **During Procurement** – DFARS mandates use of DoD ESI process when fulfilling requirements for software and related services
  - **DPAP/DCIO Memorandum** mandates use of GSA SmartBUY agreements where requirements match the offerings



# Using ESI

- Check [www.ESI.mil](http://www.ESI.mil) for offerings:
  - Software publishers
  - Product & price lists
  - Contract terms & conditions
  - Reseller ordering guide
- Coordinate orders with contracting officer
- Contact ESI SPM for assistance, if needed

**Visit [www.ESI.MIL](http://www.ESI.MIL) for additional information**

*Policy: DFARS subpart 208.74--ENTERPRISE SOFTWARE AGREEMENTS*





# JIE & ITES&R Alignment: CIO Vision & Strategy



# DoD IT Challenges



Hundreds of sub-optimal data centers and networks incur **unnecessary costs**



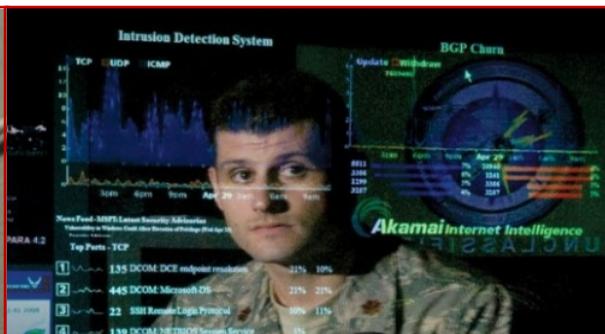
**Limited interoperability** reduces information sharing and mission collaboration



Increasing demand for **new technology** on **rapidly** evolving devices



IT Programs average **81 Months\*** – cannot rapidly and efficiently field new technology to meet warfighter needs



**Cyber security vulnerabilities** threaten to exploit classified information and endanger our national security

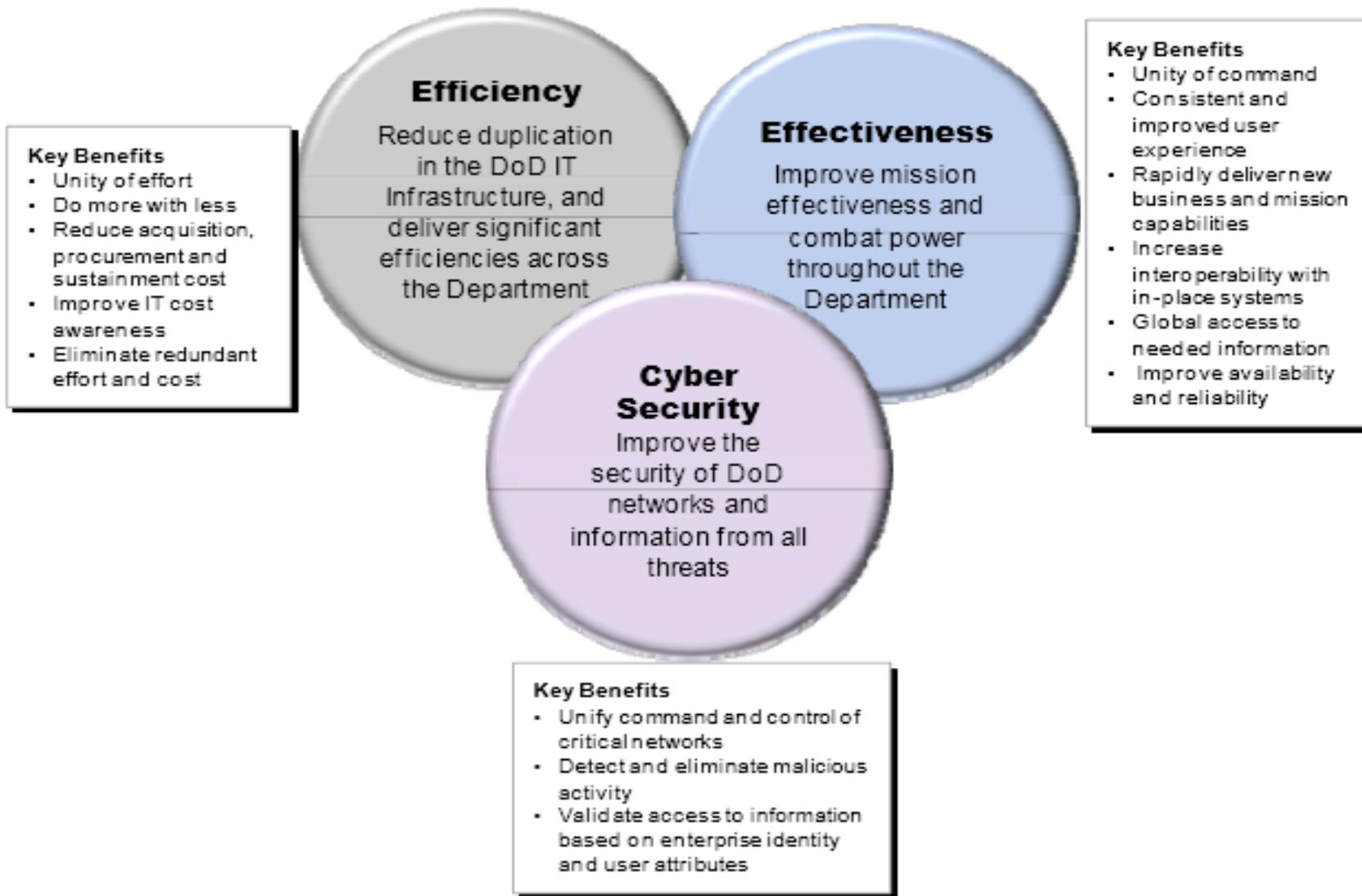


Current IT delivery process hinders our ability to take advantage of **new commercial technology**

Source: "DoD CIO's 10 Point Plan for IT Modernization," Ms. Teri Takai, March 2012, <http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf> (4/24/2012)



# ITES&R Goals

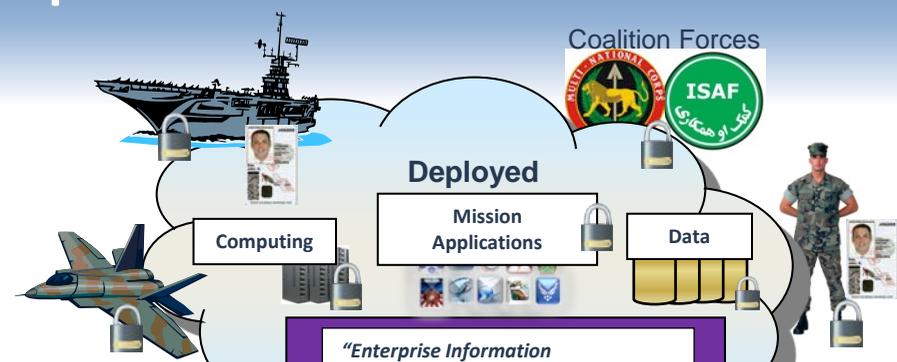
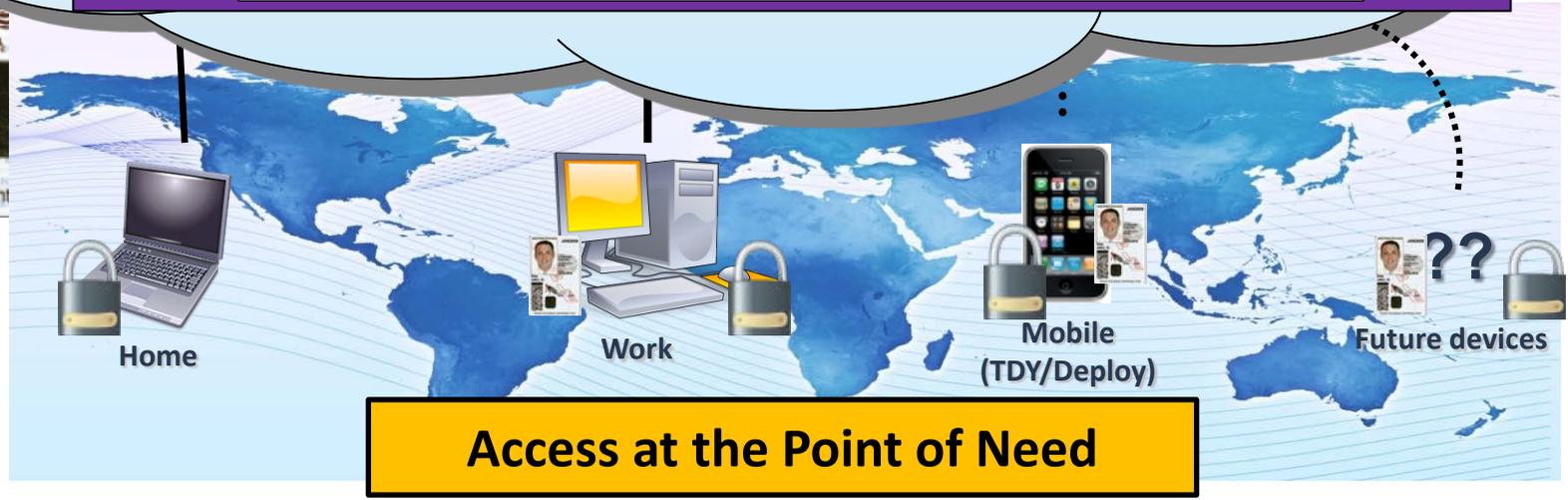


**Figure 4-1: IT Infrastructure Enterprise Goals**



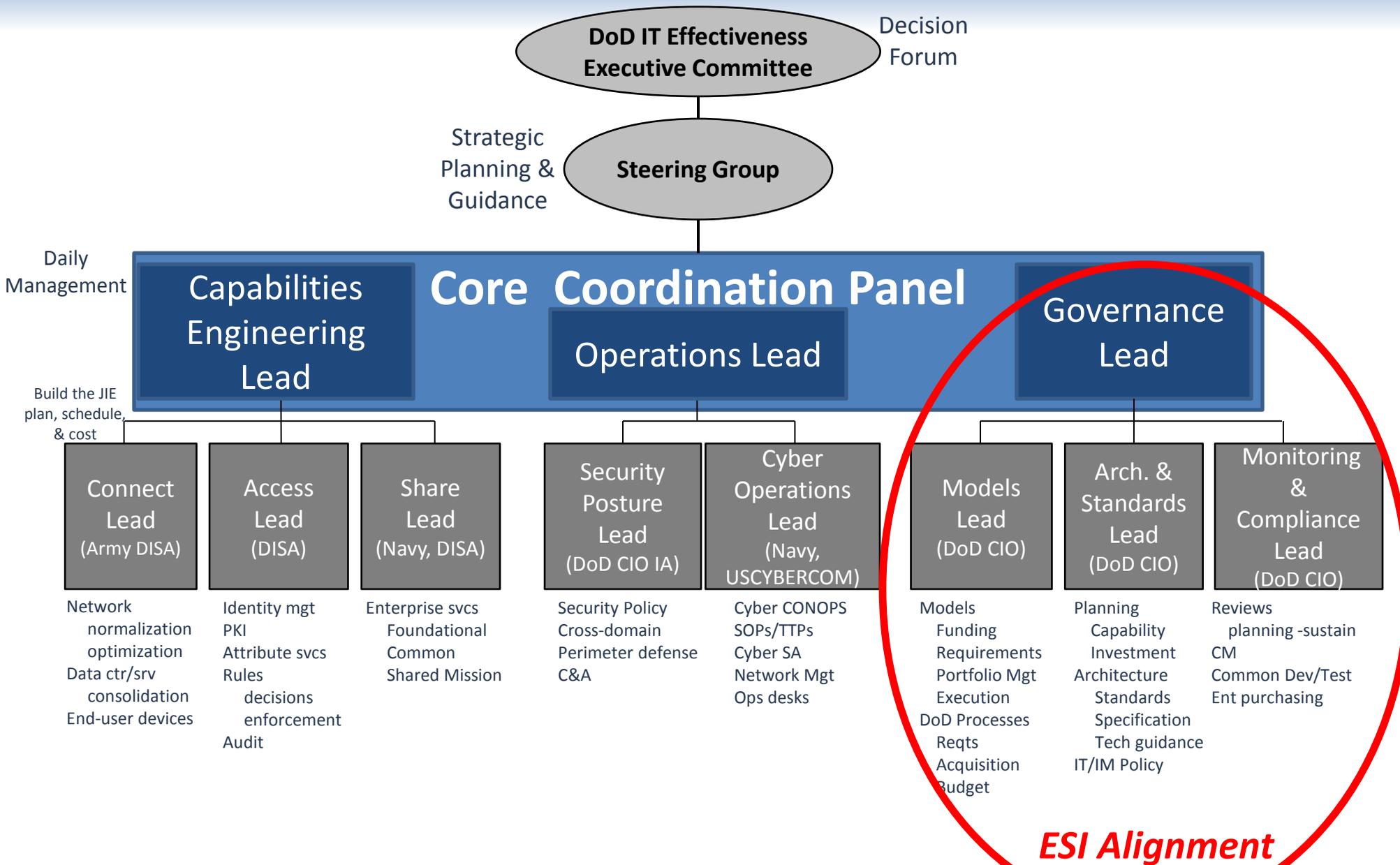
# Joint Information Enterprise – End State

- Defensibility/Redundancy/Resiliency
- Federation/Shared Infrastructure
- Enterprise Services
- Identity Access Management
- Cost: ????



# ESI Alignment with JIE Oversight



**ESI Alignment**



# JIE Guiding Principals & ESI

- All stakeholders commit to an enduring program
- Mission success is the first priority

*ESI Focus*

- Commonality is the default; uniqueness is allowed, but only when essential for mission success
- DoD IT will operate in an enterprise model
  - We are developing the DoD plan, not separate component plans
- We will maximize utilization of existing efforts
- We will enhance security
- We will leverage the existing statutory framework



# Implementation: IT Modernization Plan



# Alignment with DoD CIO 10 Point Plan for IT Modernization: Strategic Sourcing

## DOD IT MODERNIZATION

### CONSOLIDATE INFRASTRUCTURE



1. Consolidate Enterprise Networks



2. Deliver DoD Enterprise Cloud



3. Standardize IT Platforms

### STREAMLINE PROCESSES



4. Enable Agile IT



6. Strategic Sourcing for IT Commodities



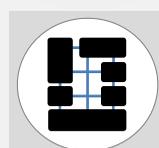
8. Strengthen IT Investments



5. Strengthen IT Governance



7. Strengthen Cyber Security



9. Improve Enterprise Arch Effectiveness

### STRENGTHEN WORKFORCE



10. Modernize IT Guidance and Training

*ESI Focus*



### 6. Leverage Strategic Sourcing for IT Commodities

- Implement an enterprise approach for the procurement of common IT H/W & S/W
  - Develop a standard strategic sourcing process template for DoD
  - Review and analyze current IT hardware spending and identify a standard set of hardware for DoD-wide procurement
  - Save a min of 15% at purchase and another 15% over the next two years after purchase
- Establish a DoD Commodity Council
  - Co-chaired by AT&L/DPAP and DoD CIO



# ESI Secondary Alignment with 10 Point Plan

## CONSOLIDATE INFRASTRUCTURE

<p><b>1. Consolidate Enterprise Networks</b></p>  <ul style="list-style-type: none"> <li>• Consolidate data centers and network operations</li> <li>• Optimize to a joint enterprise architecture with secure access</li> </ul>	<p><b>2. Deliver DoD Enterprise Cloud</b></p>  <ul style="list-style-type: none"> <li>• Develop and execute a strategy and standards for a secure DoD cloud environment.</li> <li>• Leverage commercial clouds that meet cyber security requirements</li> </ul>	<p><b>3. Standardize IT Platforms</b></p>  <ul style="list-style-type: none"> <li>• Minimize program-unique platforms</li> <li>• Drive DoD use of standard platforms</li> <li>• Design platforms that ensure a secure cyber environment</li> </ul>
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## STREAMLINE PROCESSES

<p><b>4. Enable Agile IT</b></p>  <ul style="list-style-type: none"> <li>• Lead the development of an Agile IT development methodology</li> <li>• Provide Guidance to DoD On Agile IT Best Practices</li> </ul>	<p><b>5. Strengthen IT Governance</b></p>  <ul style="list-style-type: none"> <li>• Restructure IT governance boards for enterprise view</li> <li>• Improve DoD IT decisions, strategies, investments</li> <li>• Streamline compliance processes</li> </ul>	<p><b>6. Leverage Strategy for IT Commodity</b></p>  <ul style="list-style-type: none"> <li>• Implement an enterprise approach for the procurement of common IT HV</li> <li>• Establish a DoD Commodity Co</li> </ul>
<p><b>7. Strengthen Cybersecurity</b></p>  <ul style="list-style-type: none"> <li>• Develop enterprise cyber situational awareness including authentication</li> <li>• Leverage automated tools and continual assessments</li> <li>• Streamline certification and reinforce reciprocity</li> </ul>	<p><b>8. Strengthen IT Investments</b></p>  <ul style="list-style-type: none"> <li>• Obtain transparency of IT investments</li> <li>• Align IT Investments to DoD strategies</li> <li>• Review performance of major investments</li> </ul>	<p><b>9. Improve Enterprise Architecture Effectiveness</b></p>  <ul style="list-style-type: none"> <li>• Transition document based process to decision support model</li> <li>• Develop EA Implementation Plan and Instruction</li> </ul>

## STRENGTHEN WORKFORCE

<p><b>10. Modernize IT Guidance and Training</b></p>  <ul style="list-style-type: none"> <li>• Provide guidance to DoD on adoption of Agile IT best practices</li> <li>• Leverage ongoing workforce initiatives</li> <li>• Develop a robust IT acquisition community</li> </ul>
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Software Enterprise Licensing; UMGD

Compass SI Agreements

IT Asset Management (ITAM)

IT Acquisition Training & Tools

Source: "IT Modernization One Pager – Talking Points," (DoD CIO, March 2012), <http://dodcio.defense.mil>



# IT Modernization Benefits

- Mission Effectiveness
  - Rapidly and dynamically respond to and support changing mission information needs for all operational scenarios
  - Users and systems will have timely and secure access to the data and services needed to accomplish their assigned missions, regardless of their location
  - Users and systems can trust their connection from end to end with the assurance that their activity will not be compromised.
  - Capabilities are still available during an event , even if they are degraded.
- Increased Security
  - The DoD can operate, monitor and defend the DoD's IT assets to attain and maintain information dominance.
- **IT Efficiencies** ***ESI Focus***
  - **Information assets are joint assets to be leveraged for all Department missions.**
  - **A consistent IT architecture supports effective fielding of Department capabilities.**
  - **The DoD has visibility into its IT expenditures through increased budget transparency.**



# DoD ESI Commodity Acquisition: ESI Modernization Initiatives



# Leverage Strategic Sourcing for IT Commodities



**Enterprise approach for  
procuring common IT  
hardware and software**

**Establish a  
DoD Commodity Council**

Source: "DoD CIO's 10 Point Plan for IT Modernization," Ms. Teri Takai, March 2012,  
<http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf> (4/24/2012)



# 10 Point Plan: IT Strategic Sourcing

**Objective:** The DoD CIO, in **collaboration with AT&L and Components**, will develop **strategic sourcing** plans and utilize **consolidated contracts** for DoD-wide purchasing of **common IT software and hardware commodities**. This enterprise strategic sourcing initiative for IT will allow DoD to gain **economies of scale, improve effectiveness of IT throughout its lifecycle, and reduce total cost to the enterprise**.

**Background:** The DoD Enterprise Software Initiative (ESI) seeks to implement a software enterprise management process within DoD ... Additional emphasis, however, needs to be placed upon ... supporting **Department-wide requirements** ... Additional benefits include **compliance with standards, sustainability, security, energy efficiency, asset tracking, technology refresh, quality and achieving small business or other “good citizen” goals**. The initiative will enhance current DoD bulk purchasing efforts by ensuring a **focus on the larger set of objectives** that can be realized from strategic sourcing.

**Approach:** The DoD CIO will **leverage the existing Strategic Sourcing Board of Directors (BOD)** as a DoD Commodity Council co-chaired by senior leadership of AT&L/DPAP and DoD CIO, with representation from each of the Services. This Council will review requirements and analyze current DoD spending data to identify and agree on a **DoD-wide strategic sourcing strategy for IT hardware and software**

...Lastly, once strategic sourcing has been standardized across DoD, the DoD Commodity Council will implement a process for enterprise-wide strategic sourcing for commodity IT purchases. The Council will review and analyze current IT hardware spending and **identify a standard set of hardware** for DoD-wide procurement and use.



# Consolidate Software Purchasing

- Centralize DoD-wide enterprise licenses for the most widely used commercial software products
- Consolidate existing major Component-level enterprise licenses, or establish new DoD enterprise licenses and manage these licenses at the DoD level
- “Follow-the-Money” and focus on products and services from proven providers already accepted and in use within DoD
- Lower expenditures associated with patching and maintaining heterogeneous software products
- Reduce contract administration overhead



# Consolidate Hardware Purchasing

- Drive procurement of all DoD commodity IT hardware (desktops, laptops, monitors, servers, printers) through large-scale, proven enterprise-buying processes such as:
  - Air Force Quantum Enterprise Buy (QEB)
  - Army Consolidated Buy (CB)
  - Marine Corps Hardware Suite (MCHS)
- Modify these processes to ensure capture of other Components' basic configuration requirements
- Adopt other Component IT hardware buying processes or establish new vehicles to ensure coverage of other IT hardware devices, as needed
- Reduce lifecycle costs by reducing procurement expenditures, easing testing and maintenance support tasks, reducing aggregate contract administration overhead, and using “green” specifications to reduce power consumption



# ESI – Delivering JIE Benefits



**Increase mission effectiveness**



**Strengthen cyber security**



**Improve outcomes of IT Acquisition**



**Faster capability deliveries**



**Improve interoperability**



**Save billions through cost efficiencies**

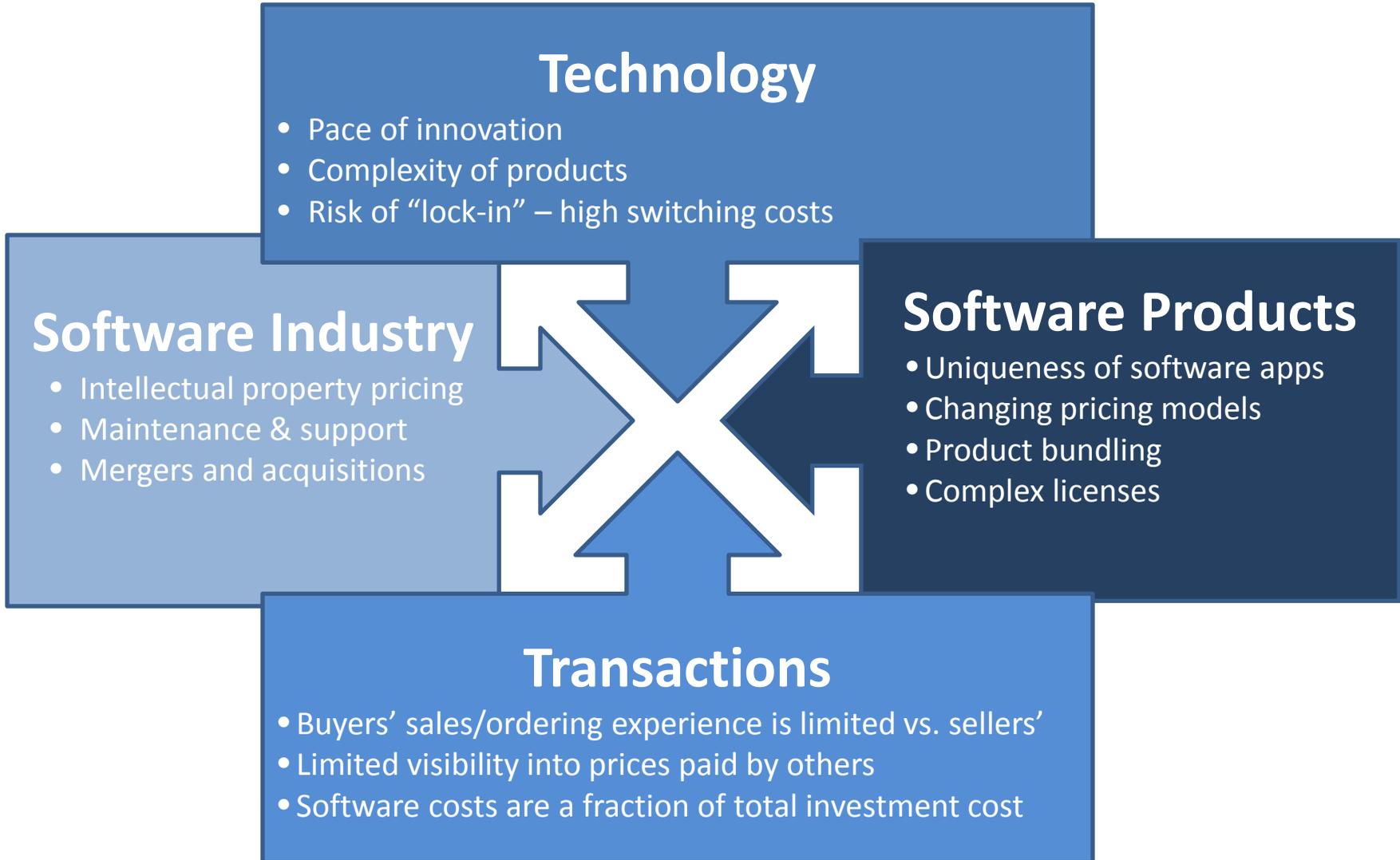
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# DoD ESI Best Value Toolkit for Software Buyers



# Challenges for Software Buyers





# Best Value for Software

## Best value can be achieved when programs:

- Acquire solutions that best fit their requirements
- Receive the best price, all factors considered
- Secure the best terms and conditions

*As defined in FAR 2.101, "Best value" means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.*

*Dan Gordon, who recently stepped down as OFPP administrator, offers a more tempered view. There are times when the lowest cost is fine, he said. But on more complicated procurements, the best value deserves a close look, too.*

*"IT acquisition: Pay less now, more later," Federal Computer Week, by Matthew Weigelt, 1/20/2012  
(<http://fcw.com/articles/2012/01/15/feat-watch-list-acquisition.aspx>)*



# ESL.mil Best Value Toolkit for Software Buyers

- Tools to estimate total cost of ownership for software
  - Rapid assessment
  - Comprehensive analysis
- Guidance for terms and conditions
- Advice for negotiating best value

DoD ESI Home

Home Overview How to Use Rapid Assessment Best Value Roadmap Tools Library

**Best Value Toolkit**  
Commercial Software Acquisition

Rapid Assessment  
Best Value Roadmap

**Total Cost of Ownership (TCO)**

REQUIREMENTS / FIT	PRICE	TERMS & CONDITIONS
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DoD ESI, an official Department of Defense initiative sponsored by the DoD Chief Information Officer (CIO), helps information technology buyers achieve *best value* on commercial software for their government programs.

Best value can be achieved when programs:

- ✓ Acquire solutions that best fit their requirements
- ✓ Receive the best price, all factors considered
- ✓ Secure the best terms and conditions

All resulting in the most economical Total Cost of Ownership (TCO).

This toolkit represents the commercial best practices combined with DoD ESI's many years of experience in commercial software acquisition in the DoD. It has been designed for use in a variety of situations - use as appropriate and customize its tools to fit your situation.

<http://www.ESI.mil/BestValueToolKit>



# Total Cost of Ownership (TCO)



## Total cost of ownership

From Wikipedia, the free encyclopedia

**Total cost of ownership (TCO)** is a financial estimate whose purpose is to help consumers and enterprise managers determine direct and indirect costs of a product or system. It is a management accounting concept that can be used in full cost accounting or even ecological economics where it includes social costs.

Contents [hide]
1 Use of concept
1.1 Computer and software industries
1.2 Transportation industry
2 See also
3 References
4 External links

**TCO: Sum of all expenses for buying, sustaining, and decommissioning an asset or investment over its entire life.**

### Use of concept

TCO, when incorporated in any financial benefit analysis, provides a cost basis for determining the economic value of an investment. Examples include: return on investment, internal rate of return, economic value added, return on information technology, and rapid economic justification.

A TCO analysis includes total cost of acquisition and operating costs. A TCO analysis is used to gauge the viability of any capital investment. An enterprise may use it as a product/process comparison tool. It is also used by credit markets and financing agencies. TCO directly relates to an enterprise's asset and/or related systems total costs across all projects and processes, thus giving a picture of the profitability over time.

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# Potential Applications

- Planning
  - Requirements development & analysis
- POM
  - Support for budget formulation
- Acquisition
  - Business case analysis
  - Ind. Govt. Cost Est. (IGCE)
  - Requirements definition
- Source selection
  - Best value determination

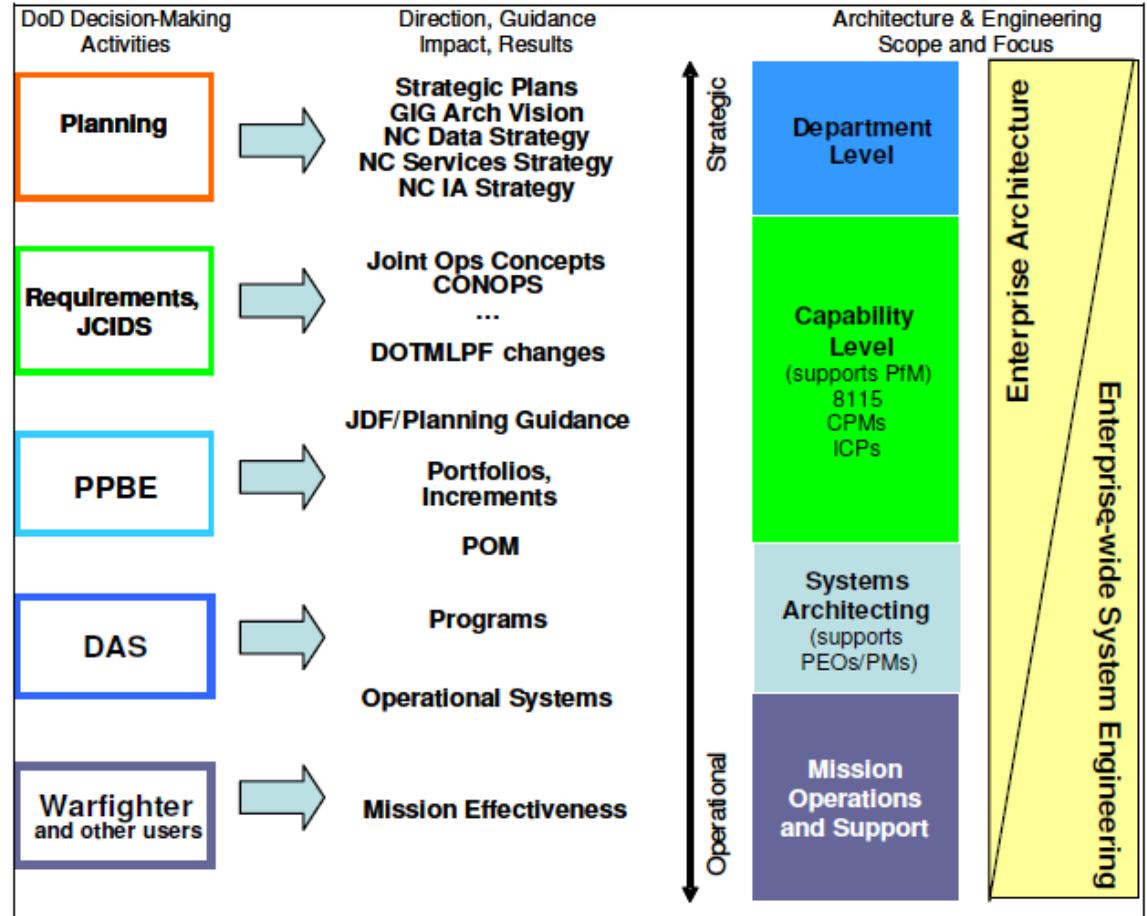


Figure 2-1: Establishing the Scope for Architecture Development

Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009



# DoD ESI Best Value Roadmap




DoD ESI Home

 **Best Value Toolkit**  
Commercial Software Acquisition

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 [Rapid Assessment](#)   
 [Best Value Roadmap](#)   
 [Tools Library](#)

## Roadmap

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The Best Value roadmap has been developed for programs that have the time, tools and resources available to ensure Best value is achieved using the following proactive, methodical, four phased process. Within each phase, there are several steps to the process, discussed by selecting the phase desired.



### BEST VALUE PROCESS ROADMAP

<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"><b>GATHER »</b></div> <p>Gather and organize the relevant acquisition documents and data.</p>	<div style="background-color: #70ad47; color: white; padding: 5px; margin-bottom: 5px;"><b>ANALYZE »</b></div> <p>Evaluate and analyze the data gathered to become intelligent on software acquisition.</p>	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"><b>STRATEGIZE »</b></div> <p>Define the best price, terms and conditions that represent Best value for this transaction.</p>	<div style="background-color: #70ad47; color: white; padding: 5px; margin-bottom: 5px;"><b>NEGOTIATE »</b></div> <p>Execute the negotiation strategy to arrive at Best value for the requirement.</p>
<div style="border: 1px solid #ccc; background-color: #f0f0f0; padding: 5px; margin-top: 10px;"><b>TEAM APPROACH</b></div>			



# Using the Framework

## GATHER »

Gather and organize the relevant acquisition documents and data.

## ANALYZE »

Evaluate and analyze the data gathered to become intelligent on software acquisition.

## STRATEGIZE »

Define the best price, terms and conditions that represent Best value for this transaction.

## NEGOTIATE »

Execute the negotiation strategy to arrive at Best value for the requirement.

### OBJECTIVES

**Gather Phase:** Determine software performance requirements and the ability of existing COTS software packages to meet the requirements (fit).

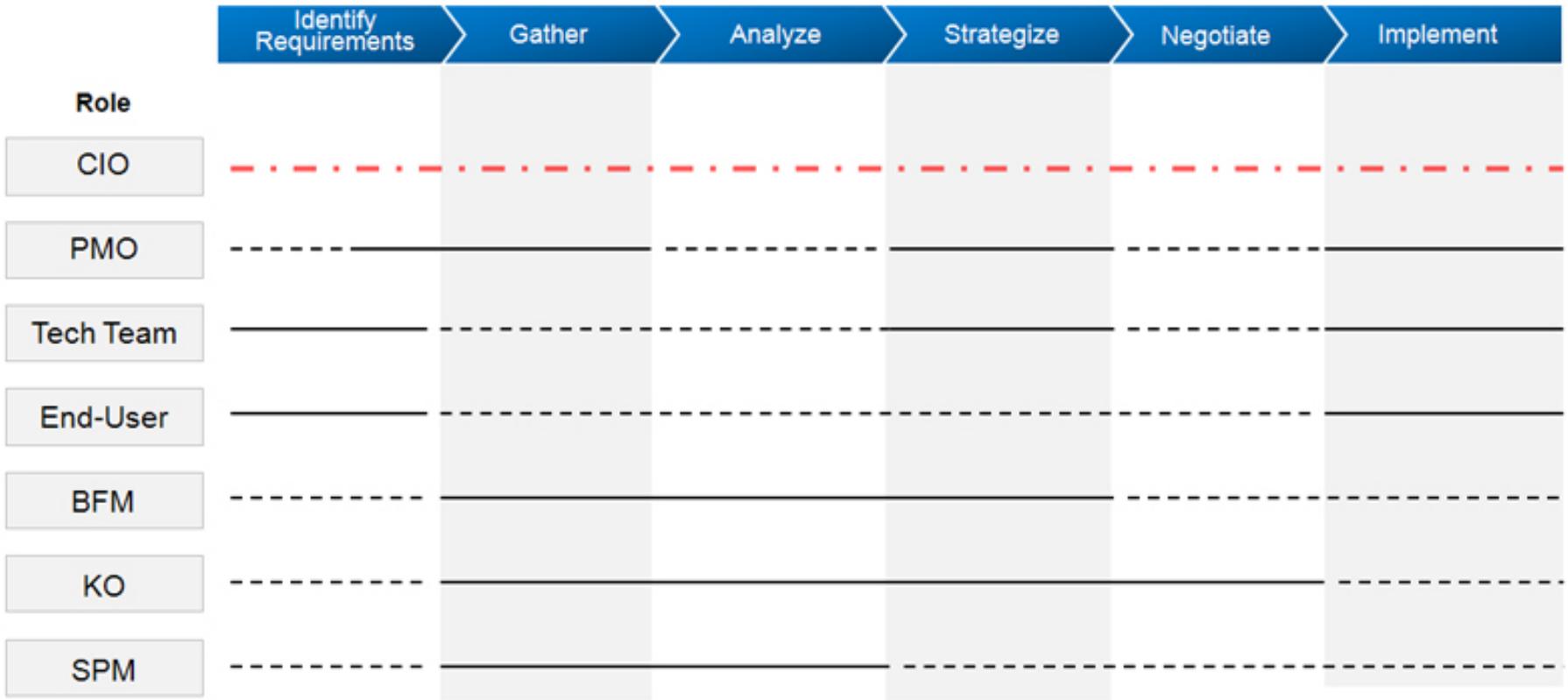
**Analyze Phase:** Assess the current opportunity in comparison to existing contracts, acceptable terms and conditions, pricing information, and relative value compared to similar transactions.

**Strategize Phase:** Based on vendor data, contract information, and benchmark data, you can construct a target position (actually a range) of the intended acquisition.

**Negotiate Phase:** Ensure you obtain Best value for your customer and the Government at-large.



# Software Buyer Team



**Legend**

Heavy Involvement —————

Light Involvement - - - - -

The CIO role may vary depending on the IT Governance and policies of the organization and the size or complexity of the software project.

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# Best Value Toolkit Resources

Tool	Purpose
<a href="#">Benchmark Data Gathering Checklist</a>	Summary Level Guidance on Benchmarking
<a href="#">Benchmarking Elements Table</a>	Key elements to be gathered to compare benchmark data
<a href="#">Best Value Price Factors Guide</a>	Review of items that drive the price of commercial software
<a href="#">Best Value Terms and Conditions Guide</a>	In-depth review of critical Ts & Cs, applicability, risk identification, etc.
<a href="#">Contract Vehicle Utilization Checklist</a>	Identification of available contract
<a href="#">Negotiation Checklist</a>	Top level negotiation preparation review
<a href="#">Negotiation Position/Strategy Outline</a>	Template for establishing and tracking negotiation positions
<a href="#">Price Analysis Checklist</a>	Top level Pricing issues review
<a href="#">Proposed Deal Points Checklist</a>	Top level review of acquisition and initial consideration of issues and strategies
<a href="#">Rapid Assessment Checklist</a>	Top level guide to obtaining Best Value as well as Reference to Applicable Tools
<a href="#">Requirements Fit Checklist</a>	Review of requirements and configuration issues
<a href="#">Software Maintenance and Support Guidance</a>	Discussion of Software Maintenance and Services
<a href="#">Software Provider's Negotiating Position</a>	Identification of important issues from Software Vendor's perspective
<a href="#">Strategy Checklist</a>	Top level strategy setting issues
<a href="#">Summary License Terms Checklist</a>	Top level Terms and Conditions review
<a href="#">TCO Workbook</a>	TCO/Life-Cycle Costing analysis tool
<a href="#">TDP Worksheet</a>	Form to capture salient deal elements
<a href="#">Total Cost of Ownership Elements</a>	Elements to Consider in TCO/Life-Cycle Cost Estimating (LCCE)



# TCO Example

	A	B	C	D	E	F	G
1	<b>Total Cost of Ownership Example</b>						
2			<b>Initial Acquisition Year</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
3	License Acquisition Data						
4		Initial Acquisition Price	\$7,500,000				
5		% Discount Initial Acquisition	62.0%				
6		Future Purchase Discount %		55.0%	55.0%	55.0%	55.0%
7		Future Product Purchases		\$0	\$250,000	\$350,000	\$450,000
8	Maintenance/Support Data						
9		Support % License Fees	22.0%				
10		Annual Support Initial Acquisition	\$1,650,000	\$1,699,500	\$1,750,485	\$1,803,000	\$1,857,090
11		Annual Support Escalation %		3.0%	3.0%	3.0%	3.0%
12		Annual Support Future Purchases		\$0	\$55,000	\$133,650	\$236,660
13	Education/Training Spending Data						
14		% Discount	5.0%				
15		Annual Spending	\$100,000	\$50,000	\$25,000	\$25,000	\$25,000
16	Consulting Services (CS) Data						
17		Initial CS Discount %	5.0%				
18		Initial CS Spending	\$100,000				
19		Future CS Discount %		3.0%	3.0%	3.0%	3.0%
20		Future CS Purchases		\$0	\$0	\$0	\$0
21	Configuration of COTS Product Data						
22		Initial Configuration Spending	\$250,000				
23		Recurring Configuration Spending		\$0	\$0	\$50,000	\$0
24	Hosting Fees		\$0	\$0	\$0	\$0	\$0
25	Hardware Data						
26		Hardware Product Spending	\$50,000	\$25,000	\$0	\$25,000	\$0
27		Hardware Maintenance	\$5,000	\$7,500	\$7,500	\$7,500	\$7,500
28	Other Vendor Services		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
29	Other Costs/Spending (Define Below)*		\$0	\$0	\$0	\$0	\$0
30		Total Cost/Year	\$9,665,000	\$1,792,000	\$2,097,985	\$2,404,150	\$2,586,250
31							
32	5.0%	NPV TCO	\$17,479,110				
33							
34	*The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition						



# ESI.MIL Price Benchmarks

## Product Price Benchmark Reports (Private SPM Site)

Report Type: Product Price Benchmarks

Report Period: Start 1-Jan-2008, End 31-Dec-2011

Service or Agency:  All, AFSC, AIR FORCE, AMC, AMCOM, ARMY, ATF

Publishers: Adobe

RESET

All | None Please use Control-click to select multiple entries

### Product Price Benchmarks

- [-] Acrobat - WIN Platform (CLP 4.5)
  - [+] Acrobat 10.0 AOO New License
  - Acrobat 10.0 Upgrade License (STD-ST
  - Acrobat 10.0 Media (NACT)
  - Acrobat ALL Gold - PRO MIN REQ - 1Y
  - Acrobat ALL Gold Renewal - PRO MIN R
  - [+] Acrobat ALL New Upgrade Plan - 1Y
  - [+] Acrobat ALL New Upgrade Plan - 1Y
  - [+] Acrobat ALL Renewal Upgrade Plan - 1
  - [+] Acrobat ALL Renewal Upgrade Plan - 1
  - Acrobat 9.0 AOO New License**
  - Acrobat 9.0 Upgrade License (STD-STD
  - Acrobat 9.0 Upsell License (ELE-STD, A
  - Acrobat 9.0 Media (NACT)

**Product Price Benchmarks**

Sales Report Period: 2008-01 to 2011-12 Agencies: ALL

	Price	Quantity	Service or Agency
Min Price	\$20.05	1900	AIR FORCE
Max Price	\$113.94	1	ARMY
Average Price	\$78.38		

A significantly better price was obtained for a significantly larger quantity





# Best Value Comparison

	A	B	C	D	E	F	G
1	<b>Total Cost of Ownership BV Range</b>						
2							
3					<b>Best Value Range</b>		
4			<b>Current Offer</b>		<b>Most Aggressive</b>	<b>Least Aggressive</b>	
5	License Acquisition Data						
6		Initial Acquisition Price	\$7,500,000		\$5,500,000	\$7,300,000	
7		% Discount Initial Acquisition	62.0%		73.0%	63.0%	
8		Future Purchase Discount %	55.0%		73.0%	55.0%	
9	Maintenance/Support Data						
10		Support % License Fees	22.0%		18.0%	22.0%	
11		Annual Support Initial Acquisition	\$1,650,000		\$990,000	\$1,650,000	
12		Annual Support Escalation %	4.5%		2.0%	4.5%	
13	Education/Training Discount		5.0%		10.0%	5.0%	
14	Consulting Services (CS) Data						
15		Initial CS Discount %	5.0%		10.0%	5.0%	
16		Future CS Discount %	3.0%		10.0%	3.0%	
17	Configuration of COTS Product Data						
18		Initial Configuration Spending	\$250,000		\$150,000	\$250,000	
19		Recurring Configuration Spending	\$0 - \$50,000		\$0 - \$50,000	\$0 - \$50,000	
20	Hosting Fees		\$0		\$0	\$0	
21	Hardware Data						
22		Hardware Product Spending	\$50,000		\$0	\$50,000	
23		Hardware Maintenance	\$5,000		\$0	\$5,000	
24	Other Vendor Services		\$10,000		\$0	\$10,000	
25	Other Costs/Spending (Define Below)*		\$0		\$0	\$0	
26							
27	<i>*The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition.</i>						
28							



# Alternative: Rapid Assessment



## Gather

- ✓ Collect acquisition information: items, quantities, quoted prices, Ts & Cs, Maintenance practices, configuration required, services needed, etc.
- ✓ Ensure that the Customer/Technical Lead has validated that the software satisfies requirements.
- ✓ Identify available contract vehicles and their terms & conditions
- ✓ Review industry literature or benchmark data to determine standard pricing, Ts & Cs, and average TCO

## Analyze

- ✓ Compare quotes and terms to existing contracts.
- ✓ Utilize The Best Value Terms and Conditions Guide to compare Ts & Cs reflect best practices.
- ✓ Compare market research to benchmark prices, TCO, and Ts & Cs.
- ✓ Review the Total Cost of Ownership (TCO) Elements List. Complete the Total Cost of Ownership (TCO) Workbook. Analyze the entire deal, alternative offers, and alternative issues

## Strategize

- ✓ Determine the Best Value Range (Price, Ts & Cs, and TCO) that is acceptable to the Government.
- ✓ Establish your target Ts & Cs and develop your trade-off plans.
- ✓ Review the Best Value Price Factors Guide and incorporate this information is establishing your negotiation strategy.
- ✓ Use the Negotiation Position/Strategy Outline as a framework for ensuring all issues are addressed.

## Negotiate

- ✓ Negotiate to your Best Value Target.
- ✓ Use the TCO Worksheet to track financial trade-offs for the Life-cycle of the program.
- ✓ Award a contract, knowing that you obtained Best Value.
- ✓ Report deal data if using DoD ESI or GSA SmartBUY vehicle.



# Navigating the Online Toolkit

<http://www.ESI.mil/BestValueToolkit>



Definition  
Commercial Software  
Applicability

Summary  
Applicable Scenarios

Scenario  
Utilization

Roadmap  
Team Approach  
Gather  
Requirements/Fit  
Available Contract  
Vehicles  
Vendor Data/Quotes  
Analyze  
Strategize  
Negotiate

Tools Library

A direct link to tools utilized throughout the Best Value toolkit are available below:

Tool	Purpose	Link / Type
<a href="#">Benchmark Data Gathering Checklist</a>	Summary Level Guidance on Benchmarking	<a href="#">[icon]</a>
<a href="#">Benchmarking Elements Table</a>	Key elements to be gathered to compare benchmark data	<a href="#">[icon]</a>
<a href="#">Best Value Price Factors Guide</a>	Review of items that drive the price of commercial software, oriented towards Vendor's flexibility to grant better pricing based on Government's position.	<a href="#">[icon]</a>
<a href="#">Best Value Terms and</a>	In-depth review of critical Ts & Cs,	<a href="#">[icon]</a>



# Related DoD ESI Resources on ESI.MIL

- *“Software Licensing: A Deep Dive in these Changing Times”*
  - Session Brief from AFCEA West 2012 Conference
  - <http://www.esi.mil/download.aspx?id=2359>
- *“Software That Goes ‘Bump in the Night’: Software Licensing Do’s and Don’ts”*
  - Session Brief from AFCEA East 2011 Conference
  - <http://www.esi.mil/download.aspx?id=1730>
- *“How Strategic Sourcing is Driving Benefits and Efficiencies to DON/DOD IT”*
  - Session Brief from AFCEA West 2011 Conference
  - <http://www.esi.mil/download.aspx?id=1350>
- DoD ESI Pricing Portal
  - Search selected ESI BPAs for products and pricing
  - <http://www.esi.mil/pricing/product/details.ashx?id=1>
- DoD ESI Software Buyers Checklist
  - Recommendations for assessing quotes, software licenses, and contract terms
  - <http://www.esi.mil/download.aspx?id=577>
- *“Cloud Computing and its Impact on Software Licensing”*
  - Session Brief from AFCEA West 2012 Conference
  - <http://www.esi.mil/download.aspx?id=2375>
- Software as a Service (SaaS) Toolkit
  - Introduction to analysis of alternatives for on-premise licensing vs. SaaS
  - [http://www.esi.mil/saas\\_toolkit/index.html](http://www.esi.mil/saas_toolkit/index.html)

## **DoD ESI Educational Series Course: Commercial Software Licensing**

*A two-day in-depth course covering industry structure, delivery models, licensing, pricing, licenses, and other topics. Held quarterly at various locations.*

Details:  
<http://www.esi.mil/contentview.aspx?id=278&type=1>





# Summary



# DoD ESI Summary

- Promotes cross-Component sharing of IT acquisition “lessons learned”
- Protects enterprise-level IT management interests in IT vendor negotiations
- Leverages economies of scale for IT acquisitions
- Returns significant cost avoidance, improved software use rights for ordering agencies
- Reduces administrative costs by reducing duplicative IT agreements and contracts
- Promotes enterprise-level visibility into IT asset acquisitions
- Enables buyer access to professional licensing expertise
- Ensures that unique DoD enterprise needs are communicated at the Federal level for COTS IT acquisition policy and initiatives



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# Questions?



[www.ESI.mil](http://www.ESI.mil)

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