



How to Negotiate With IT Megavendors

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Introduction



- 3rd year as a Gartner SPVM analyst
- 15+ years in Canadian public sector procurement
- Advocate for driving positive outcomes through the SPVM process

Information Sharing

Do

Share best practices you have observed and/or employed.

Discuss general licensing terms and pricing — not specific terms and pricing from any particular agreement.

Share frameworks and toolkits you have created to guide negotiations.

Do Not

Make any agreement regarding a joint action to take against a supplier.

Agree with others at the session to refuse to deal with a particular supplier or obtain more favorable terms from a supplier, particularly where your firm is a large customer of that supplier.

Confidentiality

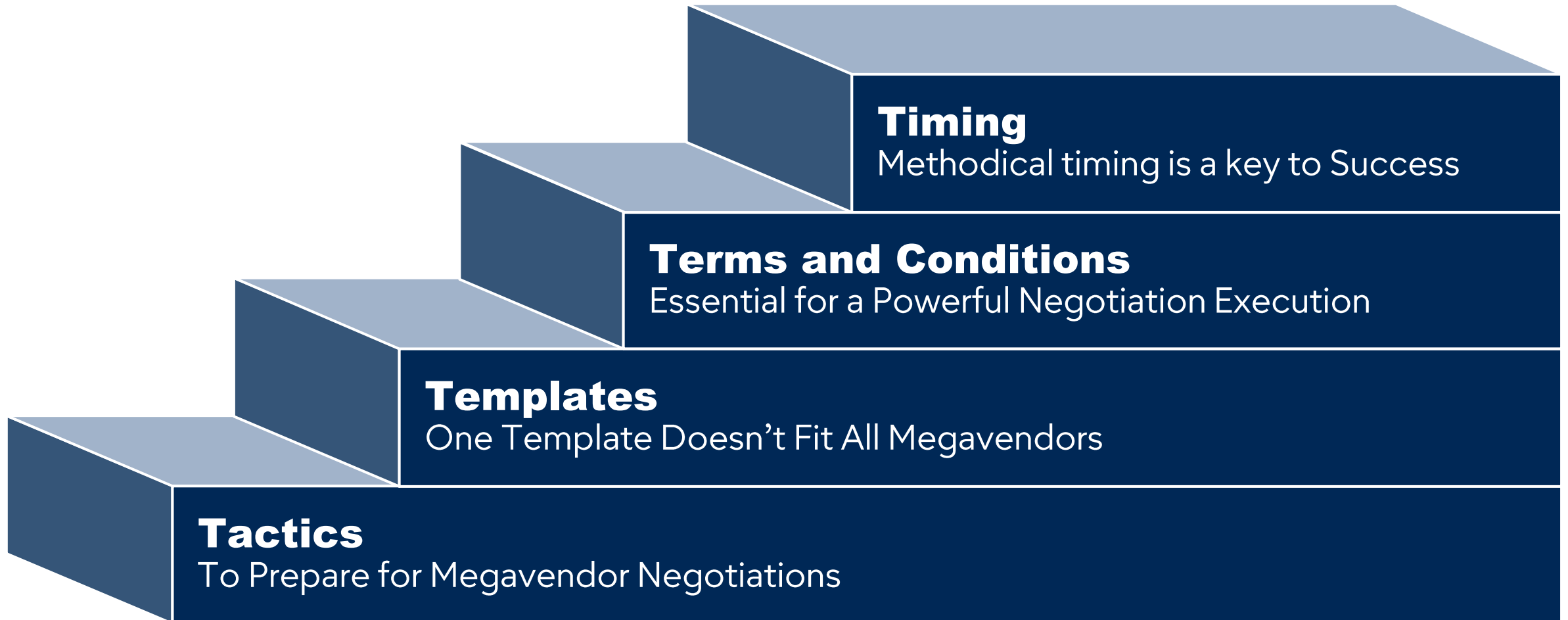
Confidentiality

Please do not share details of any specific deal, contract or offer involving your organization during this session.

No deal-specific information will be discussed.

We apply strict confidentiality standards to any subsequent use of information shared during these sessions. Please note that we cannot control how others manage information you share at this meeting.

Steps to Negotiate with IT Megavendors



What is an IT Megavendor?

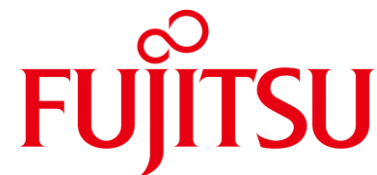
What is an IT Megavendor?

Operates at scale

Breadth of offerings, services, bundles

Appears across multiple public sector categories

Large concentration of spend



Why Megavendors?

Megavendor risk is not size
— it's spend concentration
and dependency

End to end capability

Proven delivery at scale

Perceived lower risk

Familiarity/experience with public-sector
requirements

Where Procurement Loses Leverage

Megavendors don't win because they're lower risk, they win because they have a better response.

Over Bundled Scope

- Fewer bidders
- Loss of price transparency
- Operational and technical dependence

Evaluation Criteria

- Can implicitly reward size
- Focus on technical criteria versus value
- Not enough focus on commitments to innovation/CI

Low-Risk Weighting

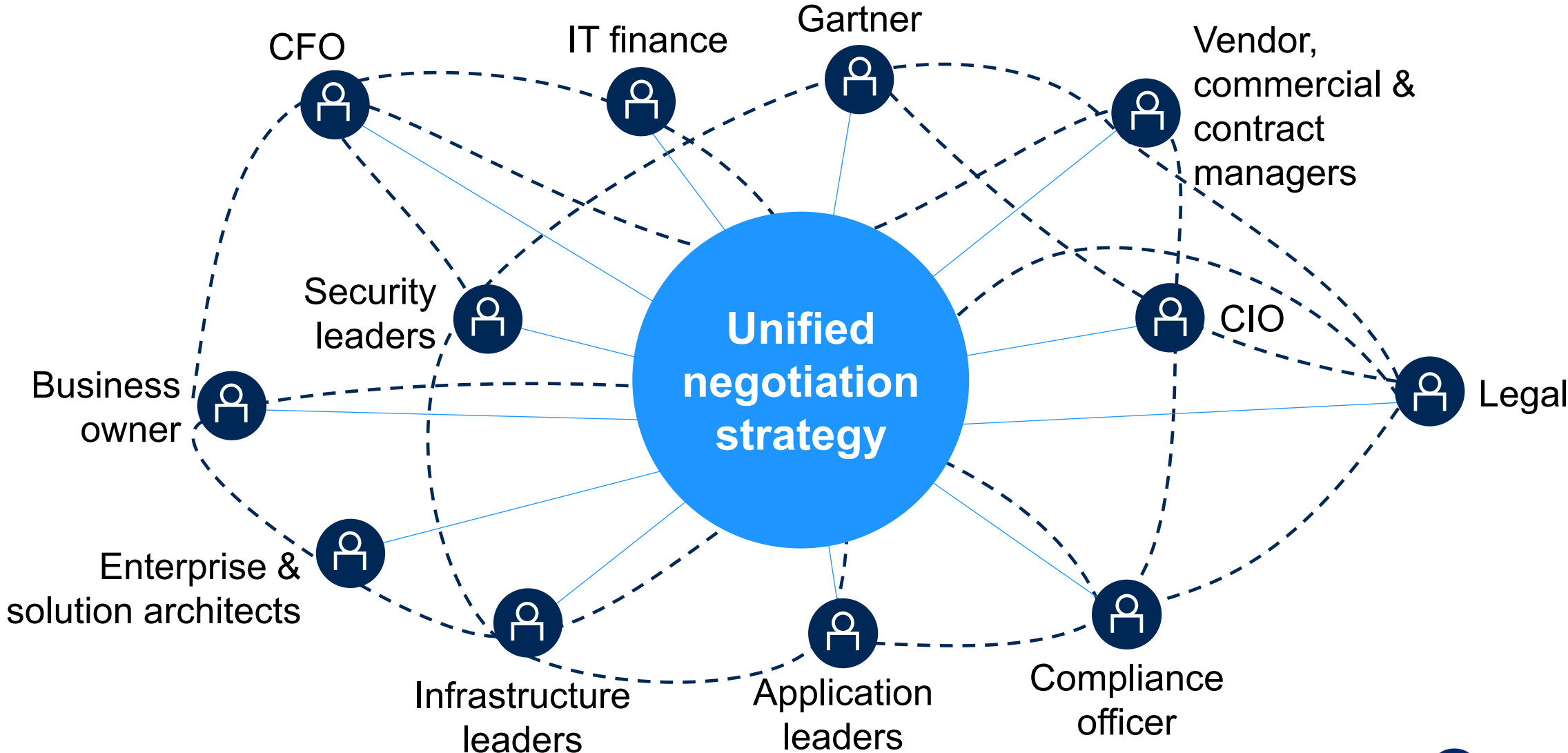
- Factors such as:
 - Minimum revenue
 - # of projects completed
 - Incumbency – knowledge of “our” requirements
 - Bench size/capacity

Reusing Templates

- Outdated contract template missing specifics (innovation, penalties and incentives, outcomes)
- RFX templates not allowing for modern sourcing approaches

Megavendor Tactics

Collaborate With Stakeholders



Over-bundled Scopes Obscure Competition

What are the key services our over-bundled vendor provides? What does the market look like?

Digital business consulting and engineering	Application implementation & managed services	Infrastructure support & maintenance services
<ul style="list-style-type: none">• Slalom• WPP• Omnicom• Publicis Groupe• Oliver Wyman• FTI Consulting	<ul style="list-style-type: none">• delaware• Atos• CGI• Leidos• Samsung SDS• NEC• Neusoft• Persistent	<ul style="list-style-type: none">• Tech Mahindra• Birlasoft• Hexaware• LTIMindtree• Mphasis• Zensar• Coforge• Virtusa

Understand the Nuances

Do the megavendor motivating factors align with what we need?



What are the vendors focus areas/industries?



What are their future roadmaps/investments/IP?



What are the vendors sales tactics? How do they bundle solutions?

Critical Cost/Scope Questions

- ① What is the delivery model?
- ① What is the commercial/contract model?
- ① How will the provider meet our outcomes/objectives?

Megavendor Templates

Gartner's IT RFP Quality Review Accelerator

Architect a viable solution



1. Provide business context



2. Document the scope of requirements



3. Define provider qualifications

Schedule and prioritize activities



4. Clarify the evaluation process



5. Document the evaluation model



6. Outline commercial requirements

Respond in a timely and consistent manner



7. Clarify the rules of engagement








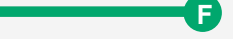
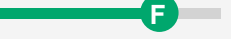
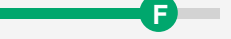

















8. Provide vendor response template



9. Check the RFP structure

Choose the Right Pricing Model

Low impact  High impact **F** Favorable **O** OK **N** Not favorable

	Flexibility	Transparency	Predictability	Buyer risk	Provider risk
Time and material					
Consumption					
Fixed price					
Fixed price per sprint (agile)					
Business outcome					

Source: Gartner

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SOW Template/Checklist Example for an Implementation Project

Industry PM data shows that **70% of projects fail** – scope creep, resources, unclear R&R, ineffective terms.

- 1 Plan of Record**
 - Start Date
 - Target End Date
 - Duration Estimation
 - Bottom-Up Plan
 - Scope Referenced
 - Agreed-On Constraints
- 2 Time Blocks/Phases and Deliverables**
 - Phases/Time Blocks
 - Activities per Phase
 - Deliverables per Phase
 - Deliverable Table
 - Deliverable Definition
- 3 Acceptance Criteria**
 - Acceptance Process
 - Acceptance Criteria
 - Acceptance by Whom
 - Measurable Factors
 - Obligation to Fix
 - Escalation Process
- 4 Service Provider Resource Plan**
 - Resource List
 - Skills & Experience Identified
 - Resources vs. Time
 - Rate Card
 - Resource Location
 - Resource Utilization
- 5 Delivery Model and Locations**
 - On-Site or Landed
 - Remote
 - Offshore
 - Dedicated
 - Pooled or Consultative
 - Named Resources
- 6 "A" Team Locked In**
 - Resources Named
 - Resumes Seen
 - Key Staff Kept on Project
 - Can Replace
 - Replacement Process
- 7 Expected Client Resources**
 - Client Staff List
 - Client Resource List
 - Resources vs. Time
 - Dependencies Listed
 - Client Resources Funded
- 8 Responsibilities**
 - Active Language
 - RASCI Table
 - Supplier-Driven
 - No Gaps
 - No Overlaps
- 9 Incentives and Penalties**
 - Pricing Model
 - Expenses
 - Pay on Acceptance
 - Holdback
 - Penalties
 - Bonus and Incentives
- 10 Closing Out**
 - Hypercare Period
 - Handover to Support
 - Documentation
 - Training
 - Final Acceptance
 - Warranty

Clarify Responsibilities and Avoid the Scope Creep and “Bait and Switch”



Time Blocks/Phases and Deliverables

- Phases/Time Blocks
- Activities per Phase
- Deliverables per Phase
- Deliverable Table
- Deliverable Definition



"A" Team Locked In

- Resources Named
- Resumes Seen
- Key Staff Kept on Project
- Can Replace
- Replacement Process

SOW Template/Checklist Example for a Managed Services engagement

Gartner survey data indicates 98% of orgs have SLA's, **35% consistently** enforce and **23% have no penalty/reward** structure.



1. Services

Define the set of services to be delivered



2. For a scope

Specify the current scope and mechanisms to change the scope



3. To a service level

Quantify the level to which the services are to be delivered with



4. For a price

Agree on a basis for pricing, payment, penalties and earnback



5. Delivered by resources

Clarify the key resources that will be used to deliver the services



6. Governed by

Create a structure and process to govern the services and delivery



7. At locations

Specify the location and times of delivery



8. Through a transition and transformation plan

Plan the transition and transformation activities and costs



9. And changed by an improvement and innovation plan

Create a plan for improvement and innovation of the services and delivery



10. Under a framework contract

Establish the overarching master services agreement

A note on Service Levels, Penalties and Incentives



3. To a service level

Quantify the level to which the services are to be delivered with



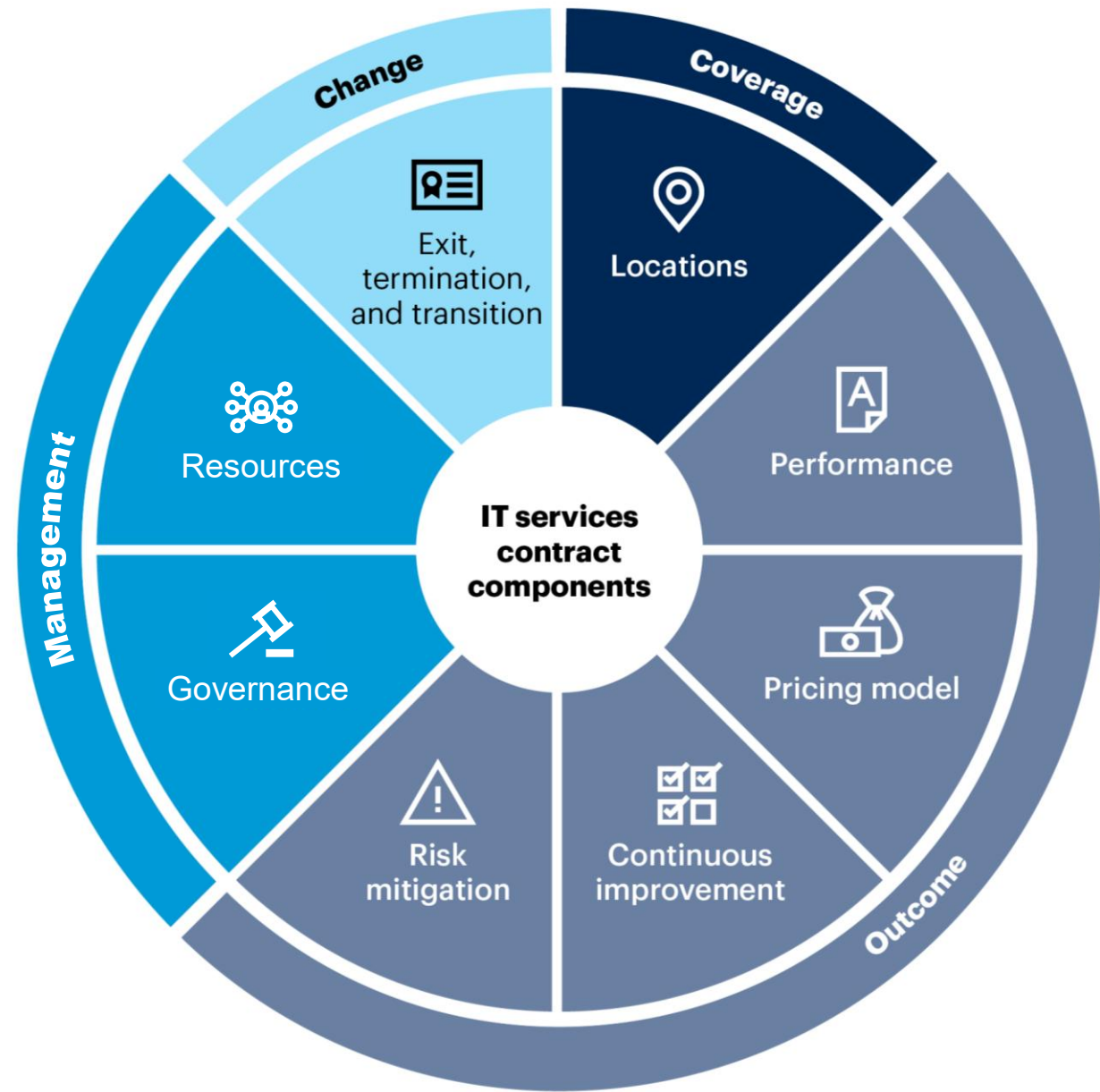
4. For a price

Agree on a basis for pricing, payment, penalties and earnback

		Example breakdown
		Total monthly cost
		\$200,000
		AaR
		20%
Level weighting	SLA 1	5%
	SLA 2	5%
	SLA 3	5%
	SLA 4	5%
	SLA 5	5%
	SLA 6	5%
Penalty amount for missed SLA	SLA 1	\$10,000
	SLA 1 and 6	\$20,000
	SLA 1, 3, 4 and 5	\$40,000

Megavendor Terms and Conditions

Define Specific Commercial Terms Associated With the Engagement



Maintain Both Standard and Customized Use Case T&Cs Checklists

Customized use case	
✓	Change management — including change requests, approvals, and any associated costs or impacts on service levels
✓	Resource replacement clause
✓	Acceptance criteria — clearly defined
✓	Transition services — in-house/vendor
✓	Payment terms – 30, 45, 60, invoice rejection
✓	SLAs mapped into business outcome KPIs
✓	Subcontracting

Digital Business Consulting-Specific T&Cs Checklists (Sample)

Avoiding bait and switch and ensuring quality deliverables.

Use-Case Specific Commercials

- ***Detailed RACI chart*** to clarify all service provider roles, prevent superficial involvement and ensure ***key personnel are committed***.
- Define ***explicit acceptance criteria*** to objectively measure success and ***deliverables quality***.
- Disclose any ***potential conflicts of interest*** with OEM vendors to ensure the provider's recommendations are unbiased.

Implementation Services-Specific T&Cs Checklists (Sample)

Redefining “successful”
implementation, not just
on-time/on-budget.

Use-Case Specific Commercials

- Outline governance, resource management, risk management and ***success metrics***.
- Document structured ***change and release management*** processes and responsibilities.
- Link payment to ***acceptance or milestones***
- ***Clarify subcontracting*** or assignment rights, requiring prior consent and adherence to terms.

Managed Services- Specific T&Cs Checklists (Sample)

Managed services should focus on quality and ongoing improvement.

Use-Case Specific Commercials

- Set ***measurable SLAs*** with ***clear performance targets***, response/resolution times, uptime guarantees and ***defined penalties/incentives***.
- ***Document on-site/offshore staffing plans***, identify key personnel, and state their account commitments.
- Require the ***MSP to commit to ongoing service improvements***, measured by reduced backlogs and enhanced delivery quality.

ERP Software-Specific T&Cs Checklists (Sample)

Pricing terms can only reasonably be negotiated before execution.

Use-Case Specific Commercials

- Ask for year-over-year ***pricing lock-ins*** or caps with ***scale up/down provisions*** (increase to users, number of licenses)
- Review ***dependency provisions*** and risks, ensure you have ***clear termination and exit rights***
- Ensure ***data transfer/disentanglement provisions*** are included (in what timeframe, format etc.)
- ***Remove auto-renew*** provisions

Megavendor Timing

Maintain a Fiscal-Year-End Database

“Stringing” the negotiations along can serve as great leverage for improved pricing and special terms and conditions.

Vendor	Fiscal-year-end
Megavendor 1	August 31st
Megavendor 2	August 31st
Megavendor 3	December 31st
Megavendor 4	March 31st

Strategize Timing to Meet Internal Requirements and Plan Negotiations

— Treat It Like a Project!

Select negotiation team

- **Create team** and establish and delegate responsibilities.
- **Identify gaps** in ownership or data sources and identify responsible team members.
- Identify potential **switching costs** and any technology or business impacts.

Validate portfolio and identify needs

- Assess **future requirements**.
- Review **technology roadmaps** — current and future state.
- Address consolidation/**migration efforts**.

Demand forecast and negotiation planning

- Identify **key drivers** influencing IT services demand.
- Determine the right **services mix**.
- Detailed review of **outsourcing options** and terms.

Sourcing and negotiations

- Run the **sourcing event**.
- Run **financial analyses** across all options.
- Conduct **Demos/POCs**
- Use negotiation tactics for best pricing and T&Cs as part of a **final negotiation** phase.

Contract execution

- **Execute contract**.
- **Drive awareness** of new contract impacts.

18-24 months before contract expiry or need to RFP

Closing Thoughts

- Tactics inform the templates that then stipulate the Ts and Cs
- Over-bundling increases spend which increases dependence and subsequently increases risk
- Focus on value, not technical specifications
- If you don't ask, you don't get

Q and A and Discussion

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