

Vendor
Management
Workshop



WHERE
IT
LEADERS
CONNECT

IT PROCUREMENT

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Protect your business priorities. Contract better.



Agenda

1

Introductions

2

Process / Case Studies



Market Perspective

Vendor landscape, licensing options, policy
highlights



Market Perspective



WHERE
IT
LEADERS
CONNECT

IT PROCUREMENT

affect

AMERICANS for FAIR ELECTRONIC COMMERCE TRANSACTIONS

Formerly 4CITE



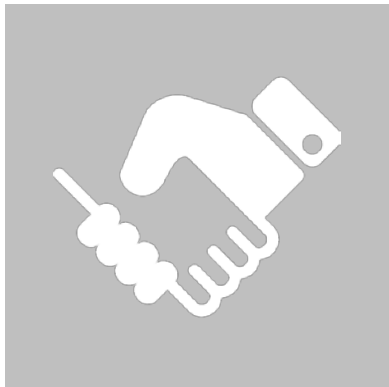
“Include experienced negotiators on your staff or you will pay more, in both the short and long term.”

- Gartner Group

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Negotiations



Negotiations and the “Relationship”



Process / Case Studies

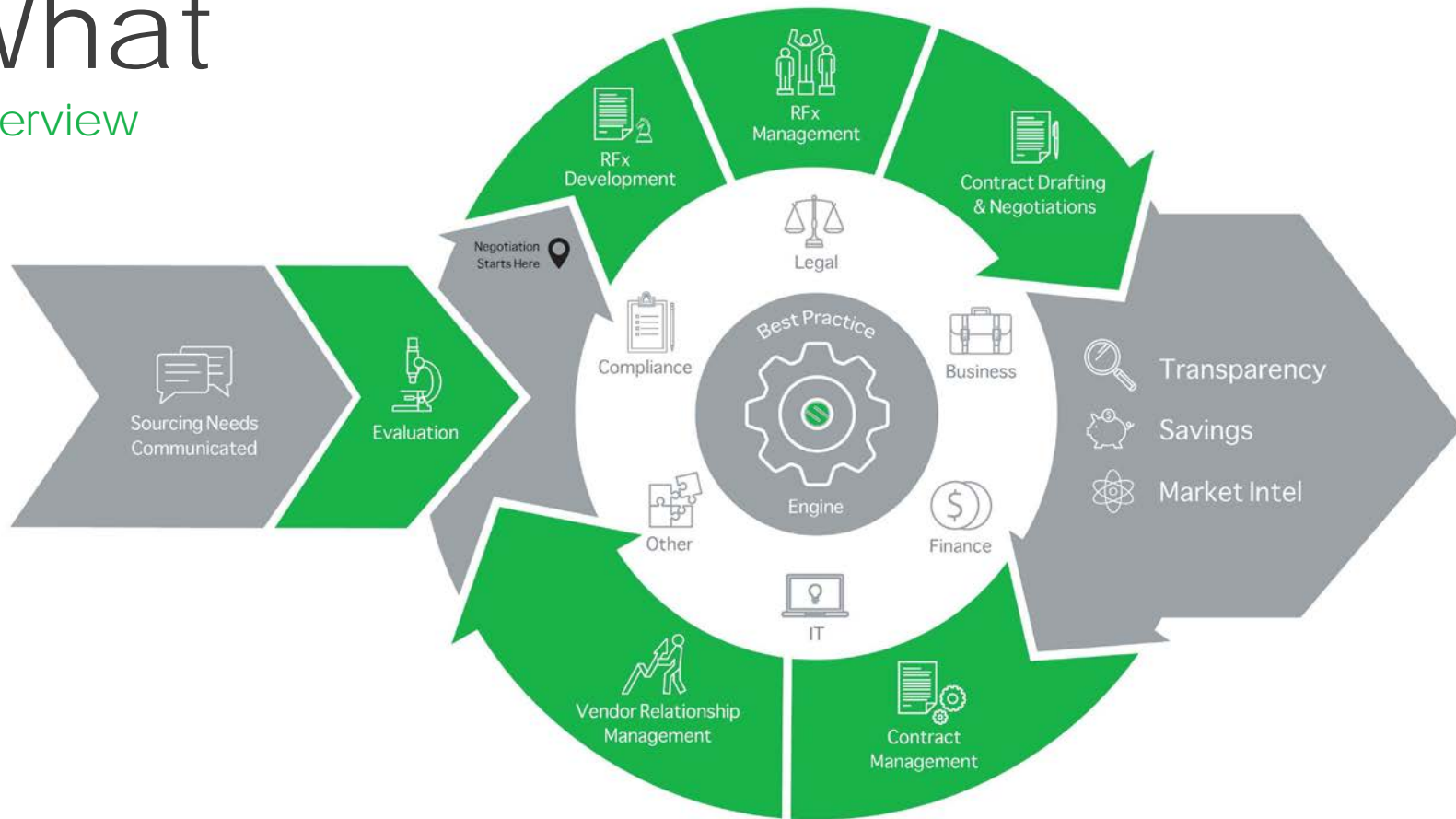
Review of Process, Real Customer Stories and
Lessons Learned



Seprio

What

Overview



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Case Study (1)



Background

- 2 companies running same project simultaneously using same supplier pool
- 1 company followed process and supported the negotiations; the other did not
- Supporting company is 2x the size of non-supporting company
- Major Business Software Supplier(s)
- Mission critical App



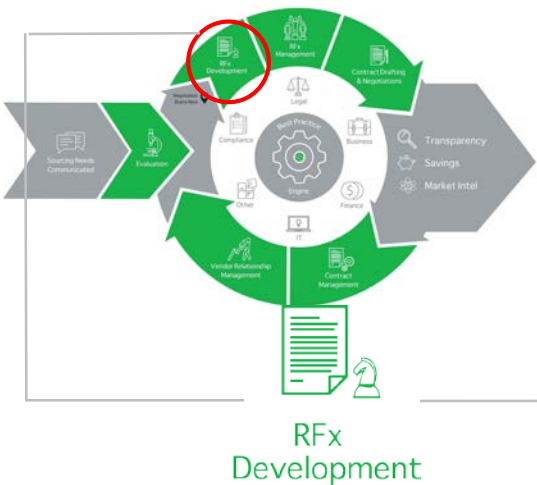
What Happened

- Supporting company paid 1/2 the price over 5 year period of non-supporting company
- Non-supporting company got initial term license, must pay additional fees for perpetual.
- Supporting company received perpetual license up front



Best Practices

RFx Development



Proven process to help articulate your requirements and develop how you will measure supplier information.

- Information = Power
- Control Information flow through process

RFx Document

10 - 4 Process

Leverage other client experiences

Shared Supplier Knowledge

Lessons Learned

Stick to a proven process

Leverage market intelligence

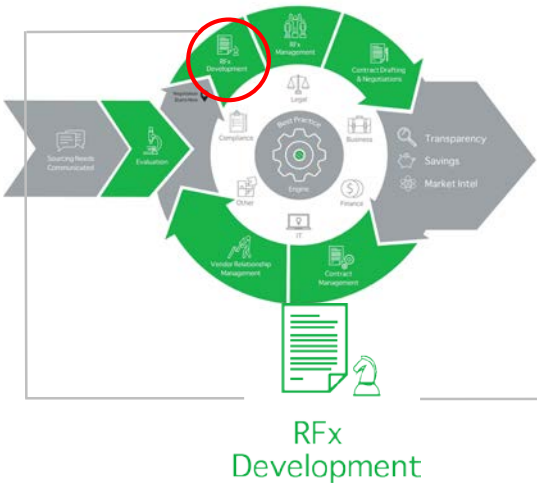
Utilize well developed tools

Protect your business priorities. Contract better.



Understanding the Vendor

RFx Development



The Vendor

- Intensive Training
- Primary goal
- “Partnership”
- Four “cardinal sin” questions
 1. Time
 2. Budget
 3. Team members
 4. Management

Lessons Learned

Use expert negotiators

Know your vendor

Understand the Vendor’s “Information Mining”

Act as a team

Protect your business priorities. Contract better.



Case Study (2)



Background

- No negotiations up front, Deal done by Sr. VP
- Single use product
- 7 year term \$1MM, Average 52% annual maintenance
- Renegotiated deal after 5 years (Loss of \$300K of term)
- Paid \$1.4MM more
- Signed up for 8 additional years maintenance at an average annual cost of 34%



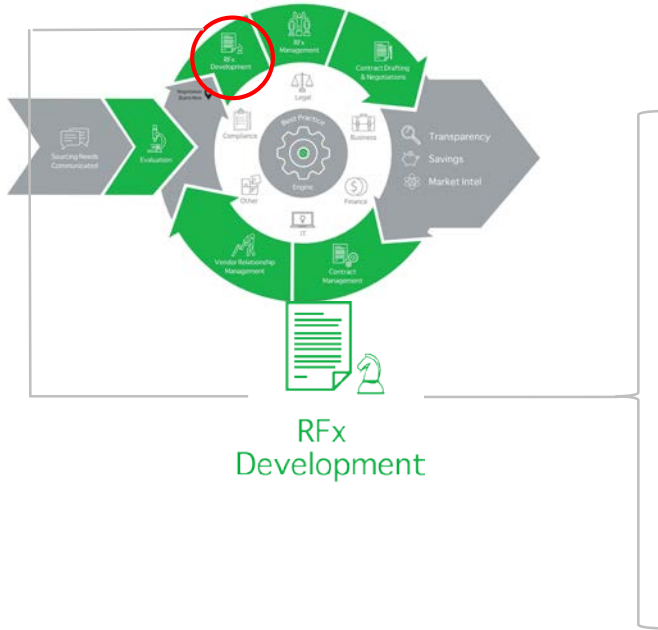
What Happened

- Company is paying MUCH more than is necessary.
- No recourse today.
- Sr. VP has left the company



Best Practices

RFx Development



Negotiator Responsibilities

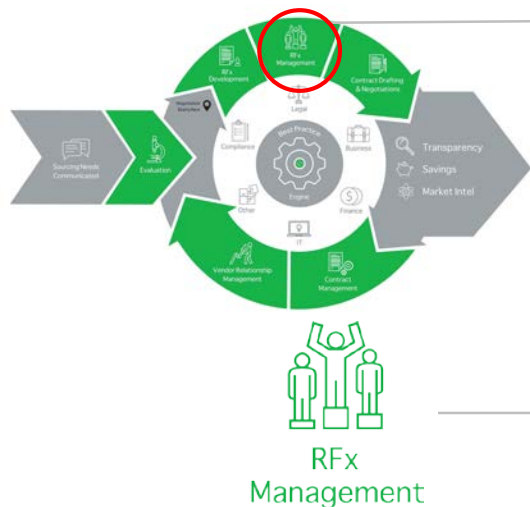
- Control information
- Train team members
- Process owner
- Balances terms & conditions
- Negotiates dollars
- Utilizes an agreed-upon strategy
- Balances business person's role

Protect your business priorities. Contract better.



Process

RFx Management



Maintain a single point of contact to maximize leverage.

Fair & balanced process
for all suppliers

Control the flow of
information, increase your
leverage.

Mitigate backdoor selling
and end runs to
executives

- Criteria is well known
- Criteria categories:
 - Must have
 - Important to have
 - Nice to have
- Fairness
 - Questions & clarifications
 - Emails
 - Bidders' conference

Lessons Learned

Single Point of Contact

Information is Power

Expert Negotiator

Protect your business priorities. Contract better.



Case Study (3)



Background

- Existing term license, Hosted
- Over \$3MM invested
- No RFP process
- Multiple charge points, Supplier took them to “the Cleaners”
- Can replace over ½ of functionality for < 20% of cost
- Poor agreement, No termination clause, Narrow license grant, Paid perpetual fees for term agreement



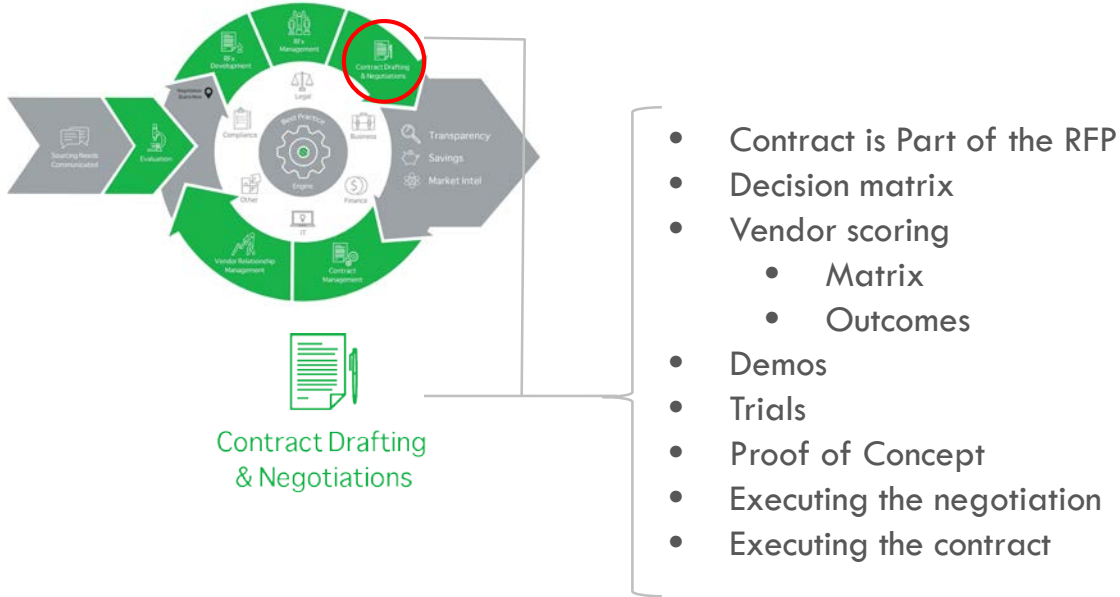
What Happened

- Dropped monthly costs by 42% saving \$350k annually
- Converted term license to perpetual license, saving \$1MM at end of term
- Amended agreements with broad license grant



Process

Contract Drafting and Negotiations



Lessons Learned

Objective scoring

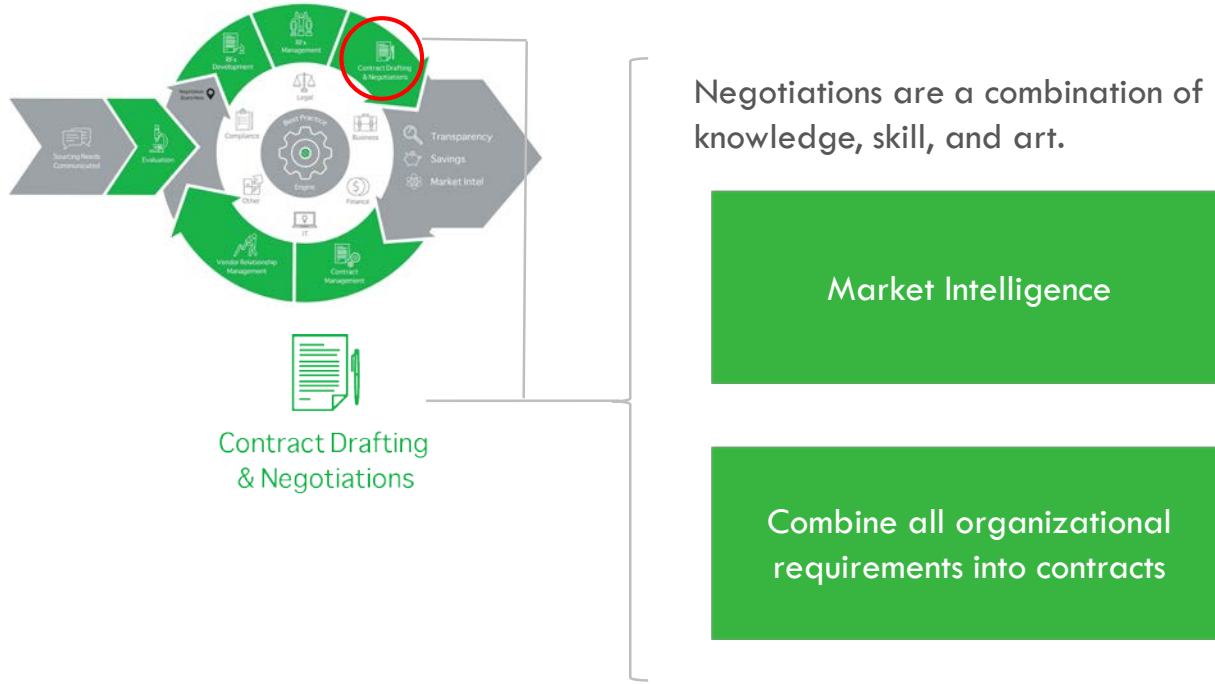
Use a proven process throughout

Knowledge is power



After the RFx

Contract Drafting and Negotiations



Protect your business priorities. Contract better.



Case Study (4)



Background

- RFP run correctly
- Team trained in what to or not to say to vendors
- Team member goes to lunch with colleague.



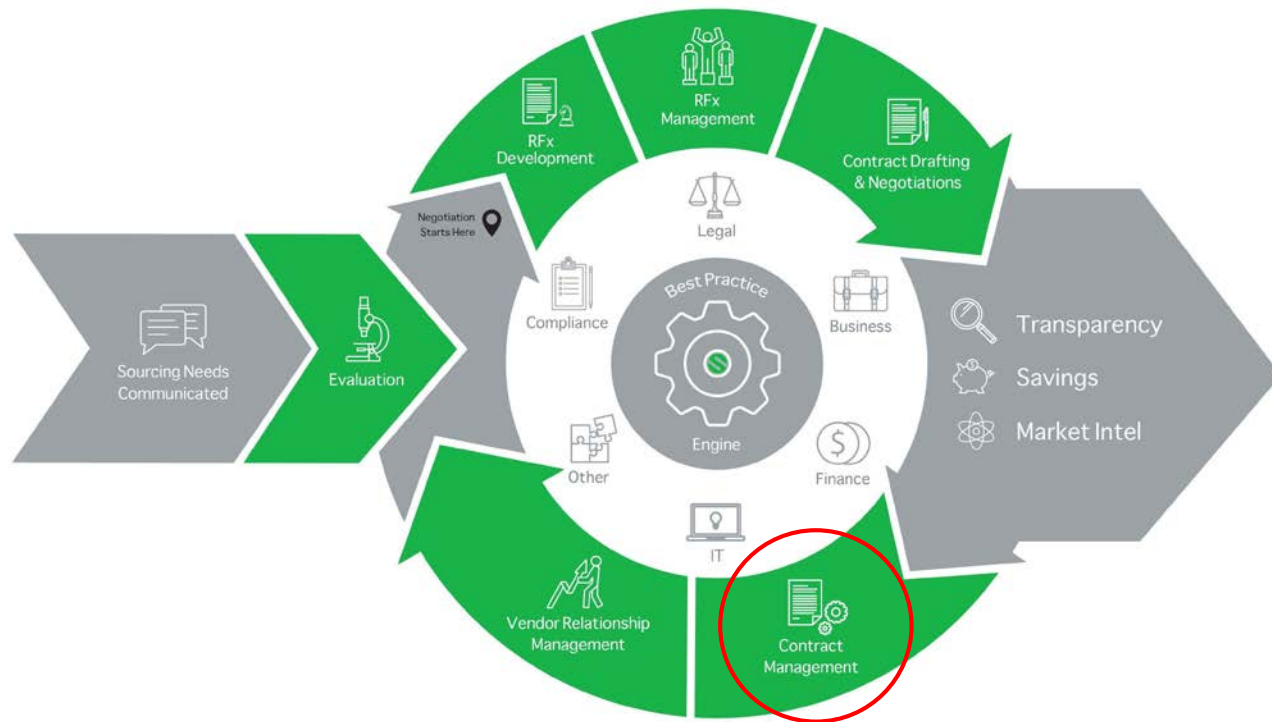
What Happened

- Lost all leverage
- Paid \$500,000 more than expectations.



Contract Management

Overview



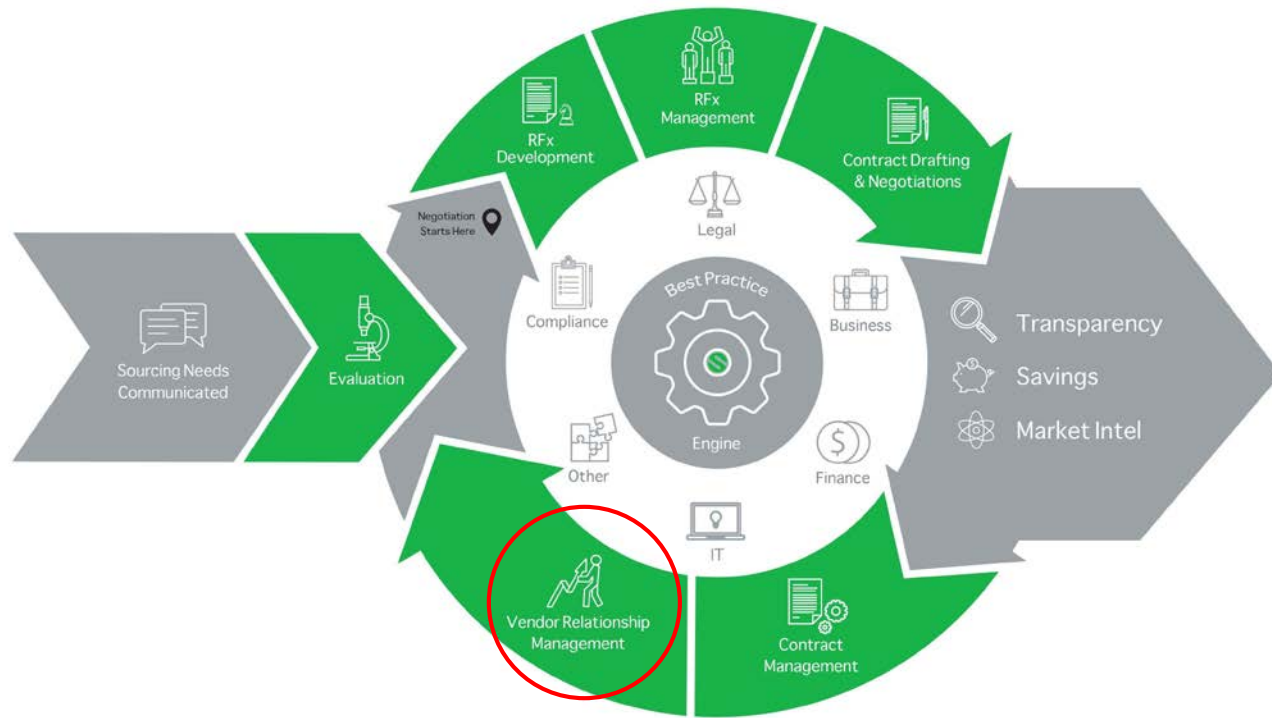
Contract management is the ongoing monitoring of the agreement that's been signed to ensure that the obligations and dates agreed to are met.

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Vendor Relationship Management

Overview



Vendor Relationship Management is the daily management of the relationships of your company's most critical vendors; following their SLAs, KPIs and other criteria to assess their overall performance.



Top 5 Takeaways

Lessons Learned

1. Work as a team in the best interests of your company
2. Sole point of contact to control information flow (normally the negotiator)
3. Lower company Liability
4. Lower company Expenses
5. Use professional negotiators to get there



THANKS

“A million dollars saved can be five million dollars earned.” - Roth

