Case Study

Buying standard software

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e.g. Microsoft, Salesforce, SAP

Executive summary

Two main negotiation drivers are proven to be successful when buying standard software from large software vendors: volumes and timing. A prerequisite is understanding the license models of the software vendors including relevant restrictions. When possible, competition should be introduced before committing to a product or vendor; otherwise buyer's power to negotiate lowers quickly.

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Challenges

#1   **Low substitution ratio:** the main software vendors relevant to this case study are usually not easily exchangeable for other vendors or products, especially once chosen and integrated into the IT-landscape. This reduces buying power.

#2   **Pricing models are quite complex** and require special attention and sufficient time for analysis.

#3   The **large software vendors** are predominantly **driven by 'money on the table'** and timing of their quarter, mid year and especially end-of-year-cycles. This is putting pressure on themselves as well as on their customers.

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Recommendations

#1   Our recommendation is to introduce competition before making a final product decision as this is a major card to play. After a decision is been made, buying power declines rapidly.

#2   If time and knowledge for price model analysis are not available in-house, it is recommended to hire external expertise.

#3   Make sure to know what cycles are relevant for the specific software vendors and when sales executives are committed by logging their lead internally in an "almost final" deal status. This will provide opportunities for reverse pressure.

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"I am delighted with the interim support Qando provided and the quality and professionalism of their work (and good humor)."

Niall Tallon
Director Procurement NPR | CRH

Our added value

Qando works with their clients to help them understand license models from large software vendors and their potential pitfalls.

Also, we leverage available budgets and volumes at the right moment in time to drive major price reductions.

About Qando

Our team

Qando is a procurement agency with great ambitions; we help our clients to achieve a better procurement performance and really excel in their procurement processes. We focus on IT-procurement and procurement technology. Our hands-on approach is key ("Can do" mentality).

Our dedicated consultants have helped dozens of companies and organizations to develop IT-procurement strategies, implement new technologies and deliver complex sourcing projects.

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Qando
Procurement Strategy & Solutions