

6 Keys

To Negotiating Better Contracts

With Software Vendors

Negotiating The Purchase Of New Specialized Software

In industries with stringent regulations and technical demands, such as energy, engineering, oil and gas, and manufacturing, specialized software solutions come at a premium.

While standard software development typically ranges from \$50,000 to \$250,000¹ per project, specialized software solutions are far more complex and often necessitate at least a six-figure investment from an organization.

Given this, it is imperative for enterprises to negotiate optimal terms with their software vendors to maximize the value of their investment and meet business objectives.

Open*iT*[®]

Meter. Analyze. Optimize.

1

Form a Team

Each member of the negotiation panel must specialize in distinct facets of the deal:

- ITAM and SAM experts who can access usage data.
- At least 1 superuser/subject matter expert.
- A business analyst to draw up software requirements.
- A FinOps specialist to align the contract with the organization's financial and business goals.



2

Understand why the product is needed

- Members must grasp its business value.
- Recognize the potential risks of its unavailability.
- Determine if the acquisition is project-specific or a long-term addition to the organizational software portfolio.

3

Understand the product architecture

- IT evaluates how the product integrates into the larger IT ecosystem.
- FinOps gauges the product's architecture, especially if the software is an IaaS or PaaS operating on hyperscalers (AWS, Google, or Azure).



4

Analyze the pricing model

- Assess the pricing model based on functions, features, and user expectations.
- Itemize the TCO
- Maintenance, implementation, and training costs should be separate
- Vendors must be upfront about these costs.
- Vendors should forecast any price hikes, preferably for the next five years.

5

Prepare the environment

- Prepare your ITAM and SAM systems for the new product during contract negotiations, ensuring its management and measurement.
- Define user entitlements and adjust policies as necessary.
- Communicate software availability, status, and related business rules like license harvesting and chargebacks.



6

Negotiate from a position of strength

- Grasp both your needs and your vendor's incentives.
- Assess vendor's deal enthusiasm and the competitive landscape.
- Leverage vendor's motivations to obtain offer favorable pricing and terms.

Empower Your Negotiating Team with Open iT!

Open iT offers organizations unparalleled insights into software license usage. By monitoring application usage details like location, time, and user, negotiation teams can create an accurate picture of license consumption. Key to this is simulating 'what if' scenarios, like adding a 5-minute filter to exclude unintentional usage or identify usage peaks. Such insights enable organizations to craft negotiations tailored to company needs, achieving optimal vendor terms and contracts.

With Open iT, your organization enjoys:

- Accurate assessment of current consumption and an option to add prediction - to support a strong understanding of what your company needs going forward.
- Seamless support for vendor negotiation and software procurement - with out of the box reporting and analysis - full integration with BI tools like PowerBI, Excel, Spotfire etc.
- Advanced What-If analysis for crafting favorable pricing and T&Cs.

Equip your negotiation team with crucial insights to maximize business value. Contact Open iT to learn more about what we can bring to your organization.

Talk with our Open iT Experts today!

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