



# Top 10 Extreme "Hardball" Negotiating Techniques For Problem Vendors



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**8 July 2009**

**Gartner Webinar**

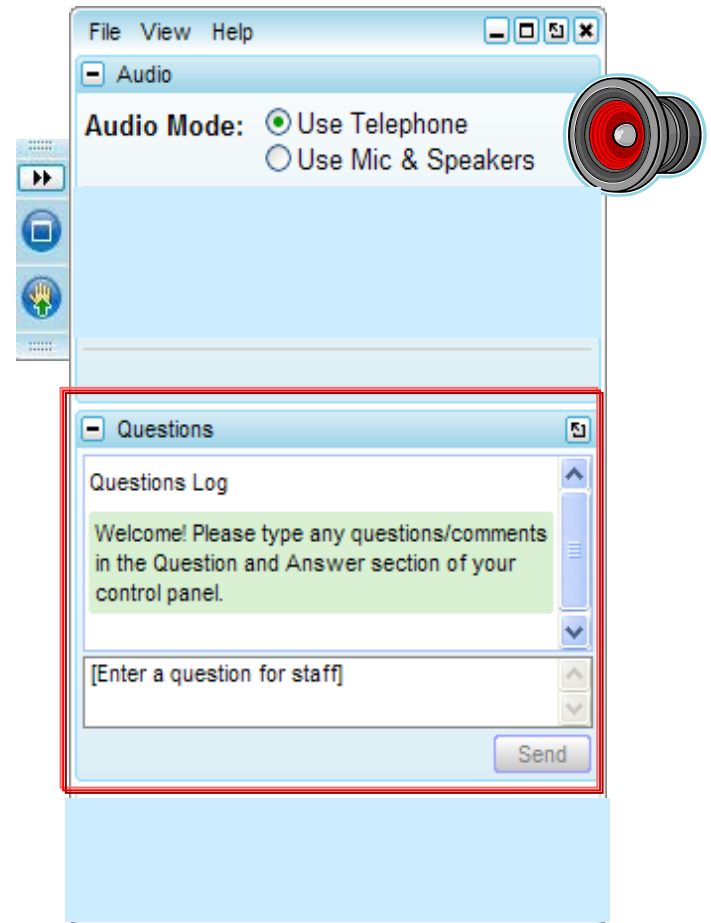
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# Welcome!

## Here's how to participate in today's webinar

- You can listen to the presentation using your computer's speaker system as the default (VoIP).
- Or dial the conference line by selecting Use Telephone in the webinar audio pane.
- Have a question for the presenter(s)? Type it into the Questions pane—we will answer as many as time permits.
- A recording of this presentation will be sent to you within 48 hours.
- If you would like a copy of today's presentation, contact your Gartner Account Executive or e-mail us at: [GartnerWebinars@gartner.com](mailto:GartnerWebinars@gartner.com).
- Please note you may be polled during the webinar; only aggregate answers will appear.



## Participant Poll Question 1:

**How many of your vendors do you feel are hard to negotiate with?**

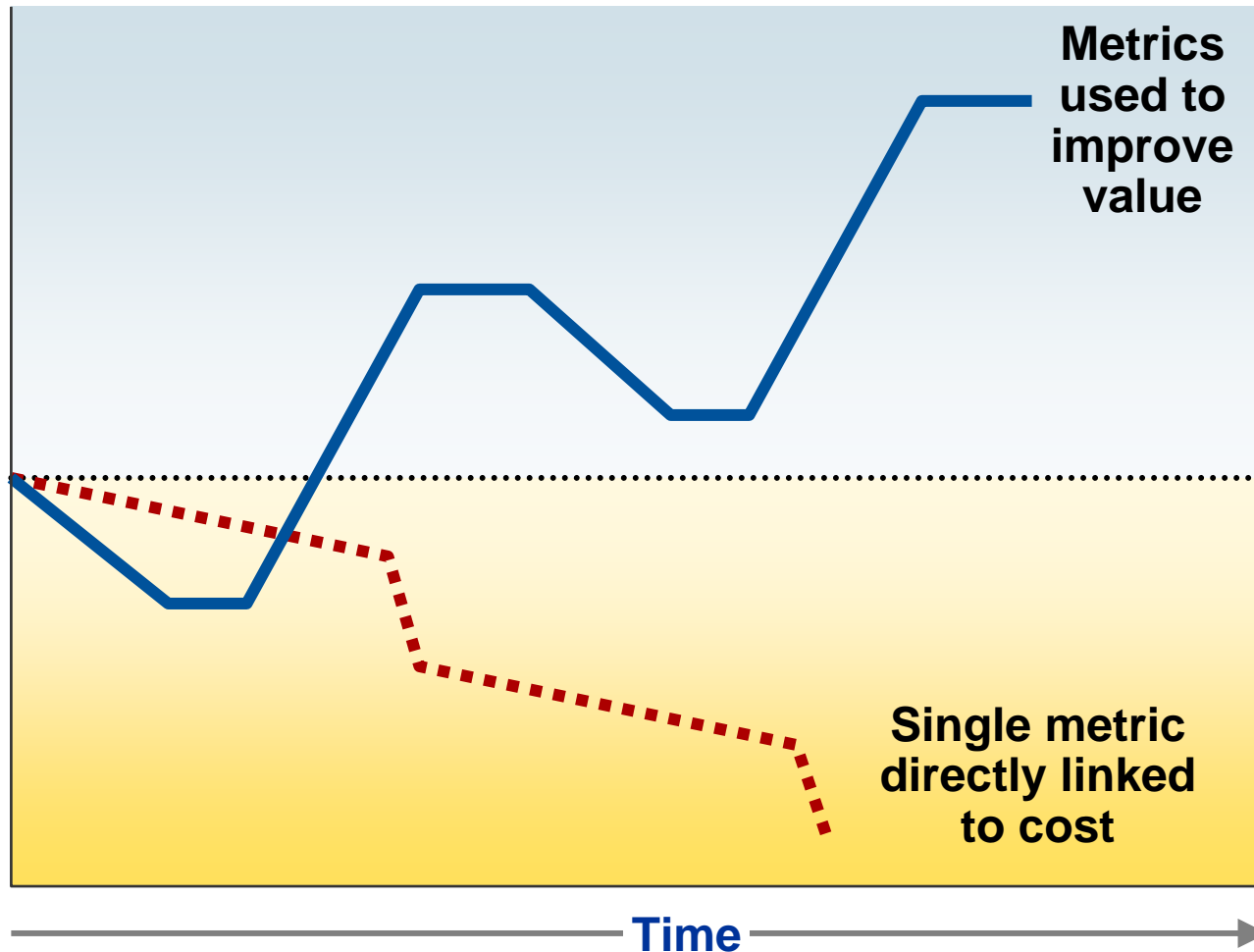
- 1. None**
- 2. Under 5%**
- 3. No more than 15%**
- 4. Between 15% and 33%**
- 5. More than a third**

**Please select the one option that best fits your situation**

**Responses are confidential**

# How to Ruin a Vendor Relationship

## Results



Vendor performance is multi-dimensional. Focus on one area damages others:

- Process
- Value
- Risk
- Quality
- Timeliness
- Alignment
- etcetera...

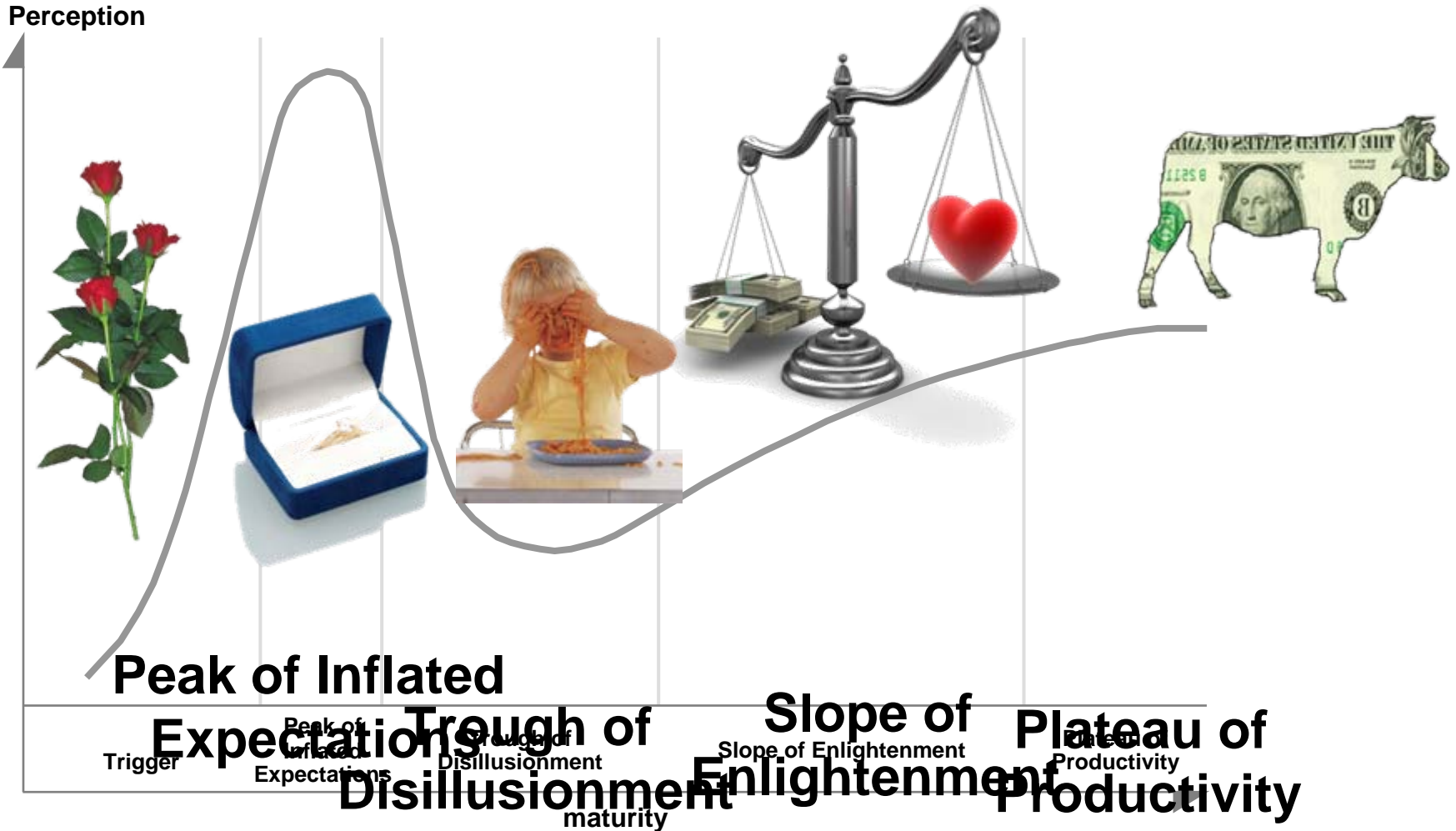
# Key Issues

- When to adopt a hardball negotiation strategy and what are the risks of playing win/lose?
- Five ways to conduct extreme "hardball" negotiations with difficult or intransigent vendors
- Five more extreme negotiating approaches and how to use them carefully

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# What did you expect from a relationship?

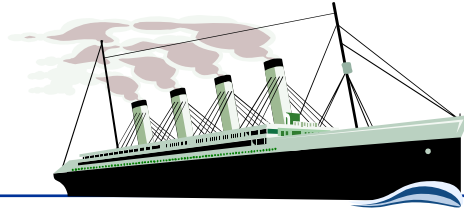


Plateau will be reached in:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- more than 10 years
- obsolete before plateau

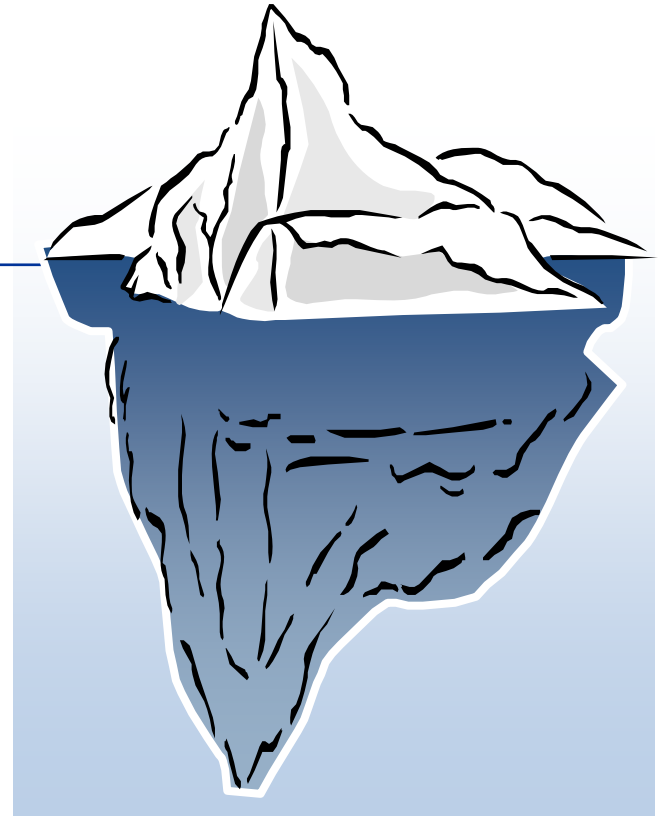
# Spending is not Cost

- Budgeted Spending



- Costs (TCO)  
some unbudgeted

*Costs sink businesses,  
not capital expenditure  
but cash flow...*



Findings From Inquiries: IT Spending Cuts Don't Always Reduce Cost

# Is there a Relationship Left to Wreck?

## Are you in denial?

- **Commercials**
  - Paying the price for unequal status but are you ready to walk out?
- **Delivery**
  - Can they "pull the plug" on you or can you make it on your own?
- **Technology**
  - Count your switching costs are you digging an even deeper hole?



# What if you play win/lose and lose?

- Never bet your business on a single result
  - Spread the risks
- Always have a realistic backup plan
  - Alternatives must be serious!
- Define realistic success criteria
  - Get real-world pricing benchmarks



# What are you negotiating for?

## What You Really Want

- Value for Money
- Predictability
- Ethics
- Facts
- Relationships
- Efficiency
- Mutual Benefit
- Revenue

## How to Make it Happen

- Understand requirements
- Set realistic expectations
- Don't ask vendors to lie
- Mean what you say
- Compromises carefully
- Know when you've won
- Broker lasting agreement

## Participant Poll Question 2:

**Which kinds of product vendors do you find are the hardest to negotiate with?**

- 1. All of them**
- 2. Small, specialist vendors with point products**
- 3. Large vendors with a large range of products**
- 4. Small to medium size software vendors**
- 5. Only the big software vendors**

**Please select the one option that best fits your situation**

**Responses are confidential**

# Key Issues

- When to adopt a hardball negotiation strategy and what are the risks of playing win/lose?
- Five ways to conduct extreme "hardball" negotiations with difficult or intransigent vendors
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# 1. Don't Play Hard To Get – Be Hard to Get



## Show the vendor how you feel...

It's not enough that you don't talk to the vendor anymore if other people still do.

- Senior Executives
- Business Managers
- IT Line Managers
- Technicians

## 2. Commoditize Pricing

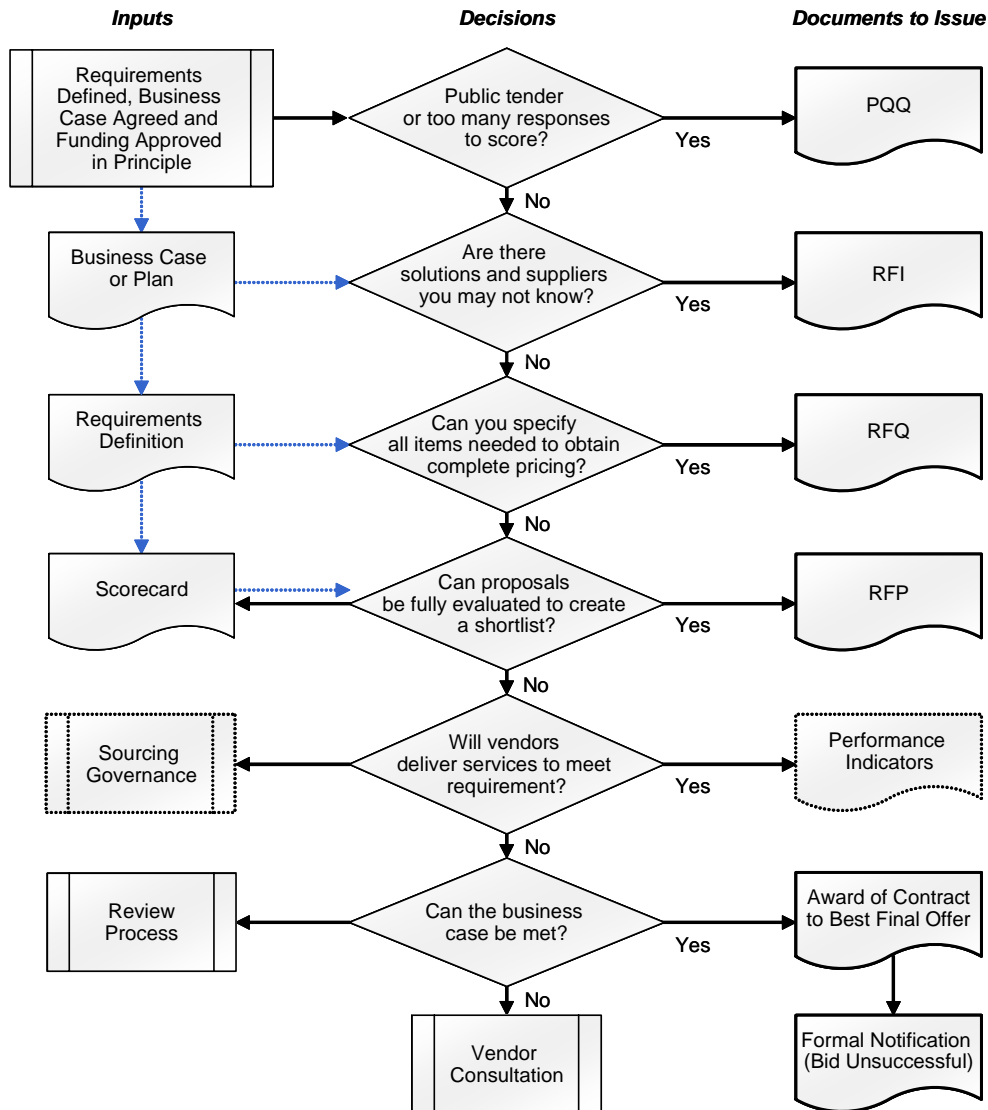


# 3. Cancel Contracts

**Lay siege to Vendor Revenues...**



# 4. Reset the Rules for RFPs



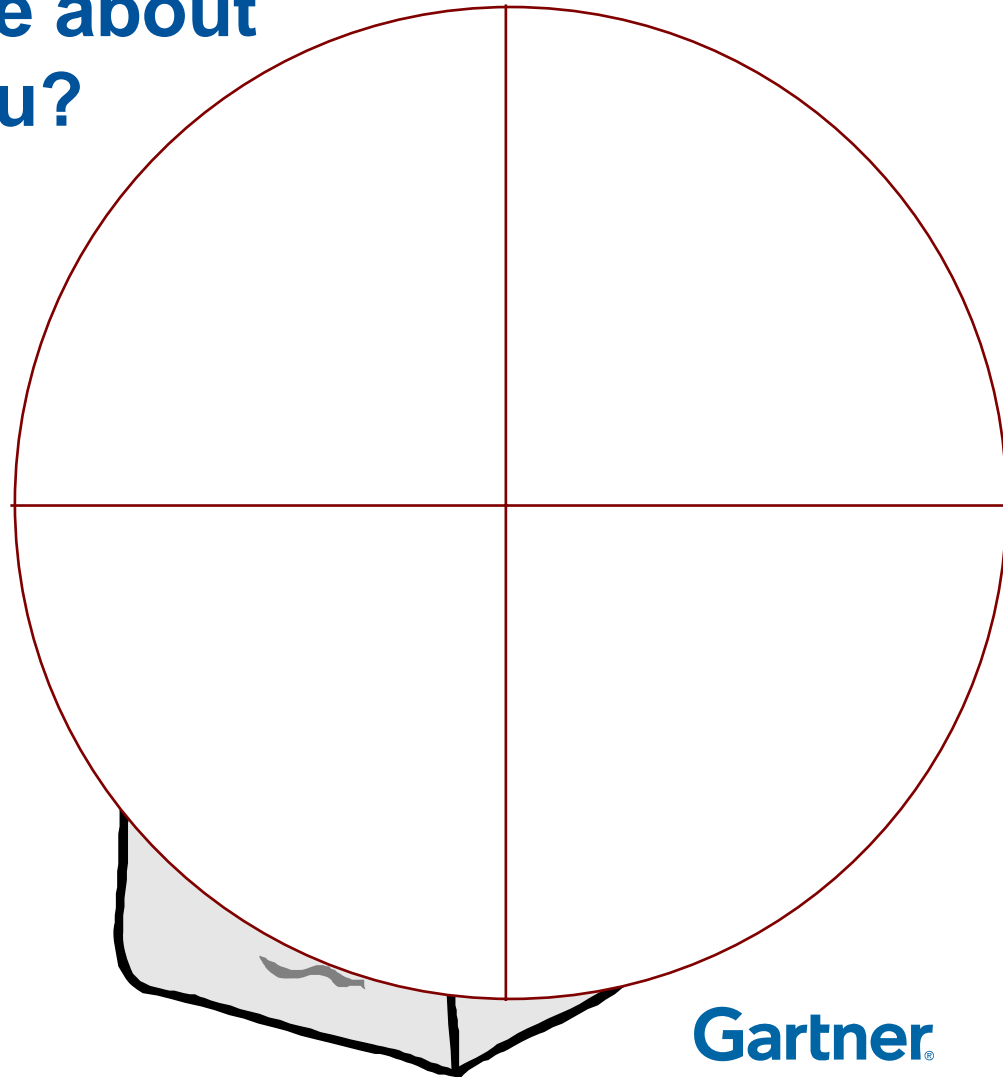
- Follow a process
- Adapt the process
- Keep asking until you get the right answer
- Never settle for second best

[Toolkit Sample Template RFP Process and Checklists](#)

## 5. Give nothing away for free

### Do Vendors know more about your business than you?

- Eliminate their intelligence networks!
- Everything your organization says and does in a negotiation has a value...



## Participant Poll Question 3:

**Which of these approaches works best for you?**

- 1. Complaining that others, including competitors, pay less**
- 2. Making vendors work hard to win your business**
- 3. Direct competition, from competing products**
- 4. Indirect competition, from business alternatives**
- 5. Paying a specialist agency to negotiate and buy for you**

**Please select the one option that best fits your situation**

**Responses are confidential**

# Key Issues

- When to adopt a hardball negotiation strategy and what are the risks of playing win/lose?
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## 6. Keep Options Open for Reducing Budget

**Review strategic decisions until vendors comply**

**Keep on going  
around the loop!**



# 7. Switch Roles in Your Negotiating Team

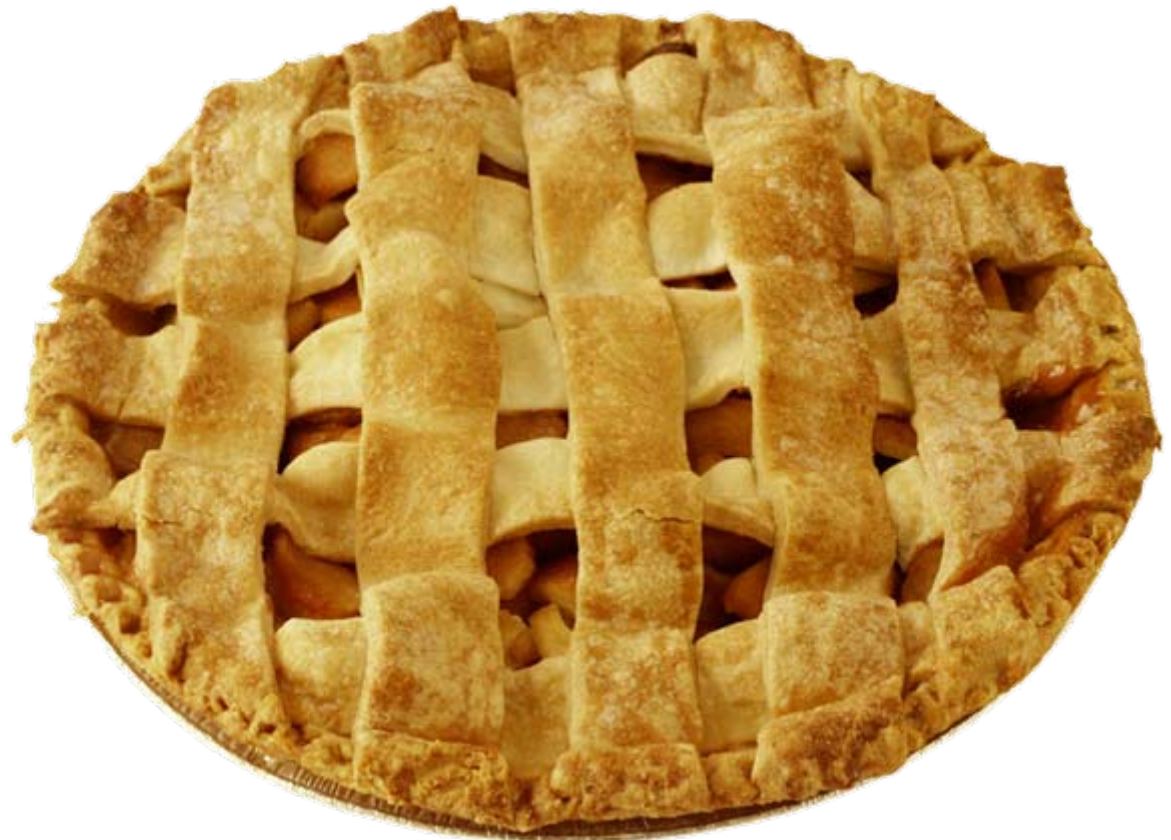
## "Good Cop, Bad Cop"

Why does IT Procurement always have to play the "bad guy"?



[Use Sales Psychology To Develop Best Practices in Vendor Relationship Management](#)

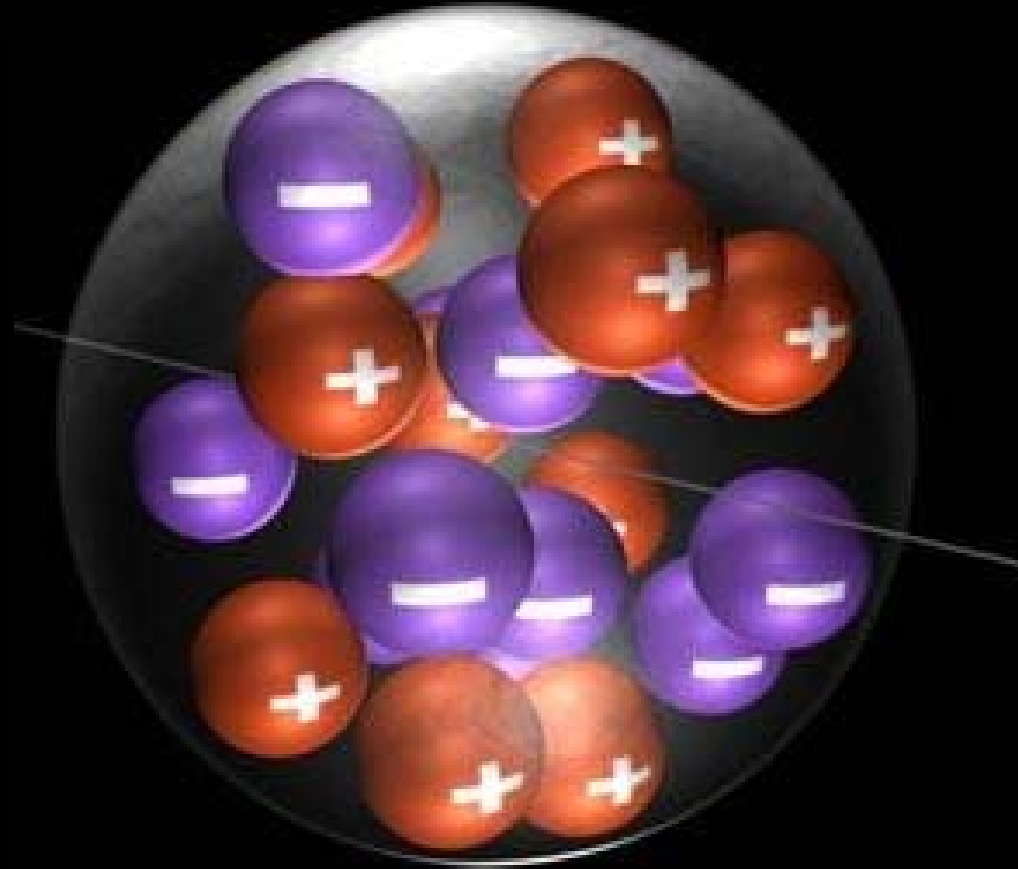
# 8. Use Services to Compete with Products



IT Procurement Best Practice: Leverage Services to Buy Products More Competitively

# 9. Play negative factors for a positive result

- Score vendors
- Undermine value propositions
- Use Under-performance
- Offer win-backs



# 10. Delay Purchase Until Compliance

- **Time is a lever**
- **Make the vendor wait**



# Recommendations

- ✓ Everything is negotiable, at a price.
- ✓ Prepare negotiating positions and plan what you can afford to concede. Never make decisions during a negotiation.
- ✓ Maintain stakeholder and budget holder support by not compromising on the business case or requirements.
- ✓ Keep a diary of the promises made during sales visits and negotiations. Use it to check contracts and manage vendors.
- ✓ Walking away is the loser's option. Keep going around the process until you make it work for all parties.



■ ■ ■ ■ **Gartner Cost  
Optimization**

# A Framework for Cost Optimization



*Execution of various types of cost optimization will involve different parts of the organization and varying levels of control by IT alone.*

# Gartner can take the cost out of IT in four ways

The screenshot shows a Gartner website page with a blue header. The main title is 'IT and The Economy' with a subtitle 'Cost Optimization'. A featured video section shows Kurt Potter, Research Director, discussing the 'Four Levels of Cost Optimization' framework. Below this, there are several article teasers under 'Cost Optimization Spotlight' and 'Actions You Can Take Now'. The 'Actions You Can Take Now' section lists four key actions: 1. Get the best pricing and terms, 2. Identify opportunities to reduce IT costs, 3. Implement cost-saving technologies, and 4. Restructure, improve processes, innovate. A sidebar on the right contains sections for 'Join the Dialogue', 'Stay Connected', 'Stay Up To Date', and 'Set up Email Alerts'.

**IT and The Economy**  
Cost Optimization

**FEATURED VIDEO**  
**Four Levels of Cost Optimization**  
Kurt Potter, Research Director

Research Director Kurt Potter discusses the use of Gartner's Four Levels of Cost Optimization framework as a planning and communication structure.

**Cost Optimization Spotlight**

**Method to the Madness: Applying a Methodological Approach to Cost Optimization**  
Cost optimization typically proceeds without methodological guidance. Our research develops a methodologically sound set of guidelines, frameworks, and intervention strategies to redefine and recharge the critical art of cost optimization.

**Cost Optimization Fundamentals**

**Cost Cutting in IT: When to Use Zero-Based Budgeting**  
Ken McGee

**It's Time to Prepare for a Return to Business Growth**  
Ken McGee | Mark Raskino

**Key Issues for Cost Optimization, 2009**  
Kurt Potter

**Proceeding from Bewilderment: Why Your IT Vendor is in Financial Difficulty**  
Debra Logan

**CEO Concerns 2009: Dealing With the Downturn**  
Jorge Lopez | Mark Raskino

**Actions You Can Take Now**

- 1 Get the best pricing and terms**  
Gartner ensures you get the best value from your IT purchases. Gartner analysts and consultants review thousands of vendor contracts and proposals each year.  
[Read More](#)
- 2 Identify opportunities to reduce IT costs**  
Leveraging proprietary data, Gartner shows you exactly where your spend is high relative to best-in-class peers.  
[Read More](#)
- 3 Implement cost-saving technologies**  
Gartner ensures your success in implementing priority technology initiatives in conjunction with the business.  
[Read More](#)
- 4 Restructure, improve processes, innovate**  
Partner with Gartner to advance your technology initiatives to the next level.  
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**Webinars**

**How to Modernize IT While on a Budget**  
13 May 2009

**Join the Dialogue**

**Stay Connected**

Gartner analyst Lydia Leong: "Enterprise class" cloud [http://blogs.gartner.com/lydia\\_leong/](#) [View Blog](#)

Gartner: Crg's must monitor IT service providers' actions to increase their flexibility and avoid bankruptcy [http://blogs.gartner.com/](#) [View Blog](#)

Calling all BI Experts: Help Gartner build the next generation of BI events [http://events.gartner.com/](#) [View Blog](#)

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**Stay Up To Date**

**Outsourcing & IT Services Summit**  
15-16 June 2009  
London - UK

**IT Infrastructure, Operations & Management Summit**  
23-25 June 2009  
Orlando, FL

[Events Calendar](#)

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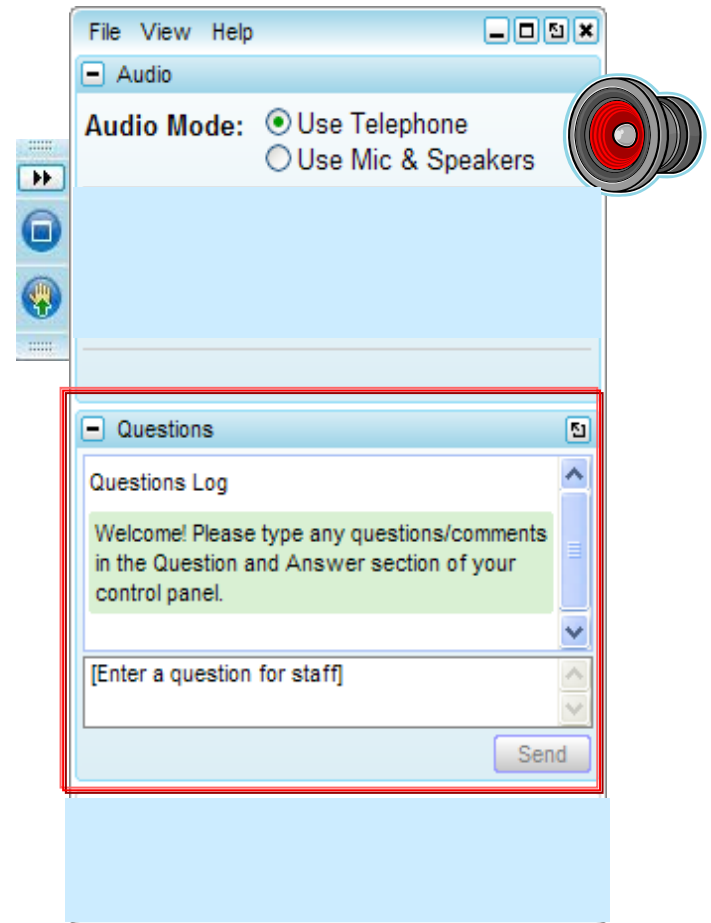
[Optimize IT Investments](#) [Add](#)

- Get the best pricing and terms for your IT purchases
- Identify major cost-saving opportunities
- Implement cost-saving technologies
- Implement cost-saving process improvement

# Thanks for participating!

## Do you have any questions?

- If you haven't done so already, please type your questions into the Questions pane.
- We will answer as many of your questions as time permits.



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