



Top 10 Extreme "Hardball"



Negotiating Techniques For Problem Vendors

Stewart Buchanan

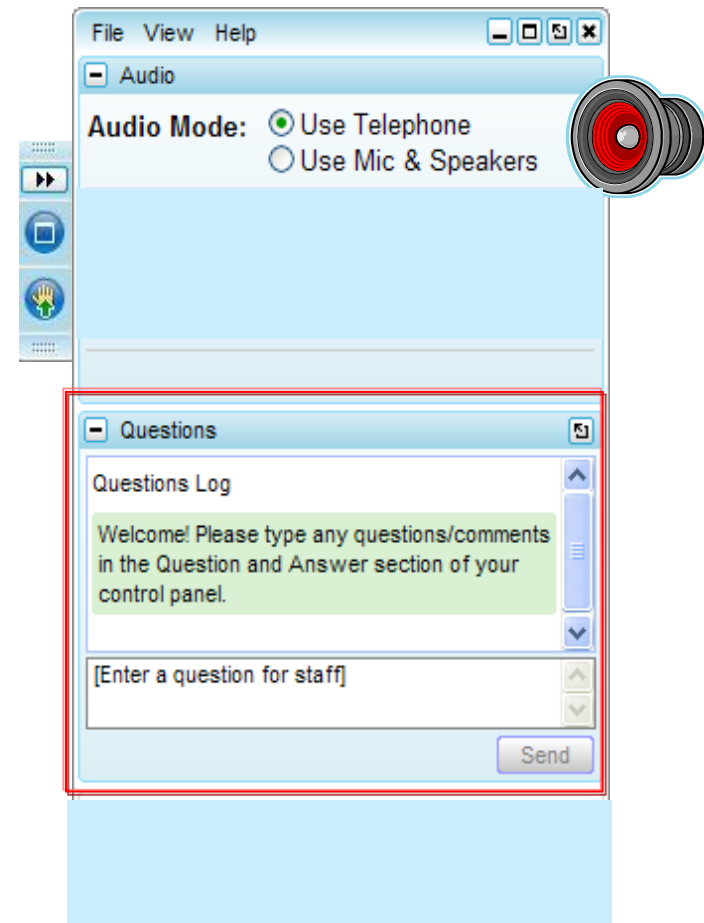
28 April 2010

Gartner Webinar

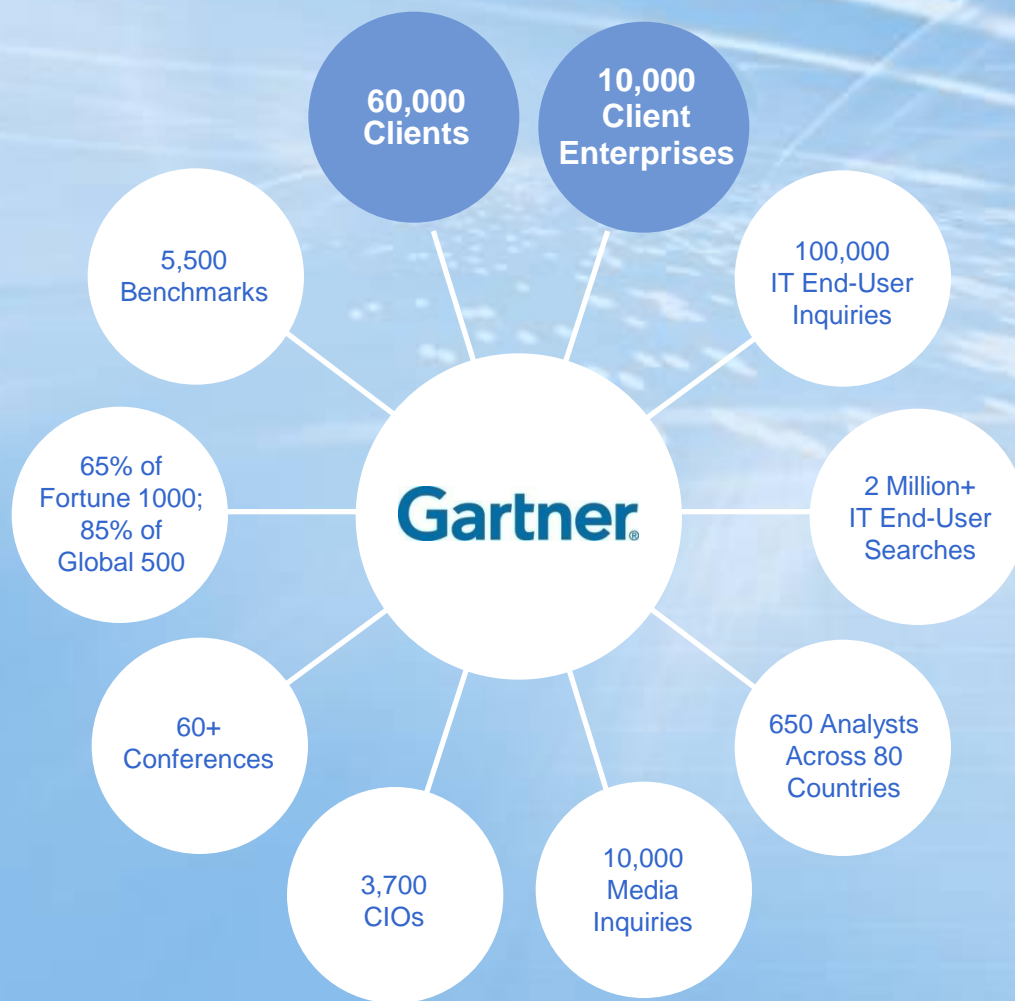
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Participant Poll Question 1:

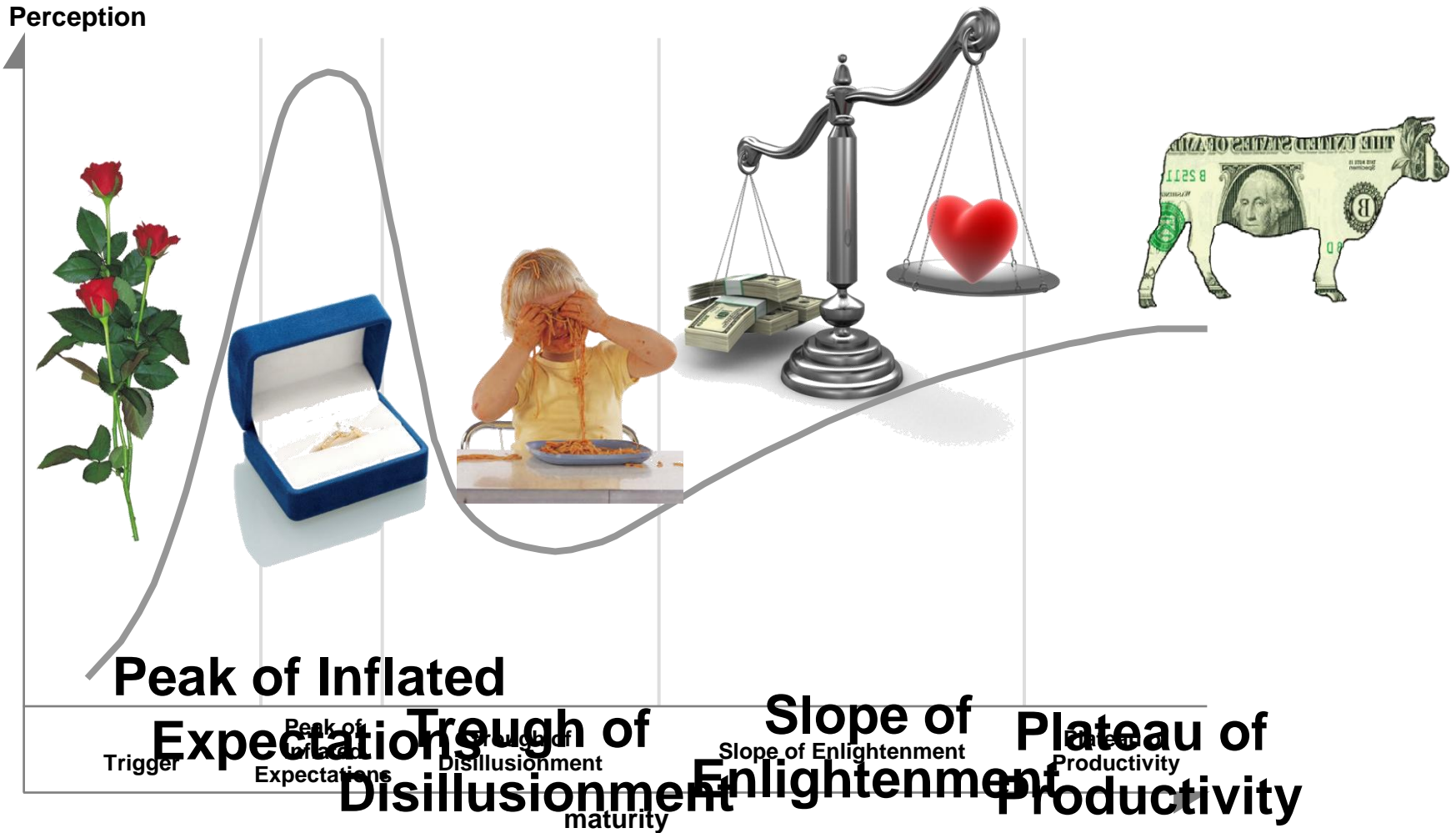
How many of your vendors do you feel are hard to negotiate with?

- 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

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

Key Issues

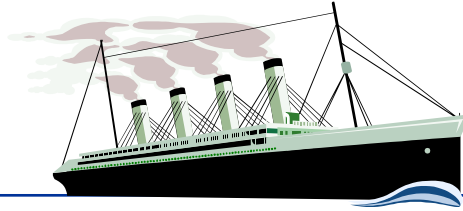
- When to adopt a hardball negotiation strategy and what are the risks of playing win/lose?
- Five ways to conduct extreme "hardball" negotiations with difficult or intransigent vendors
- Five more extreme negotiating approaches and how to use them carefully

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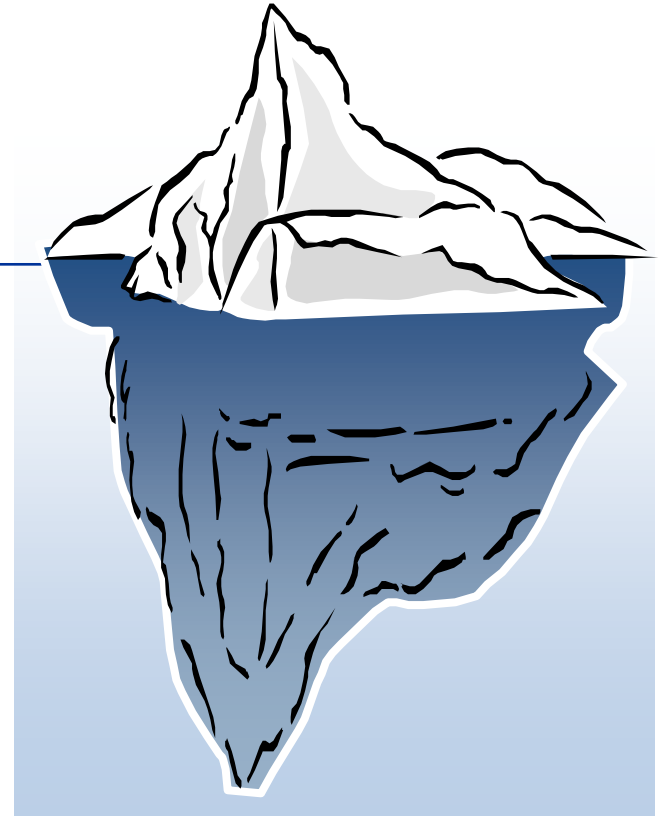
Spending is not Cost

- Budgeted Spending



- Costs (TCO)
some unbudgeted

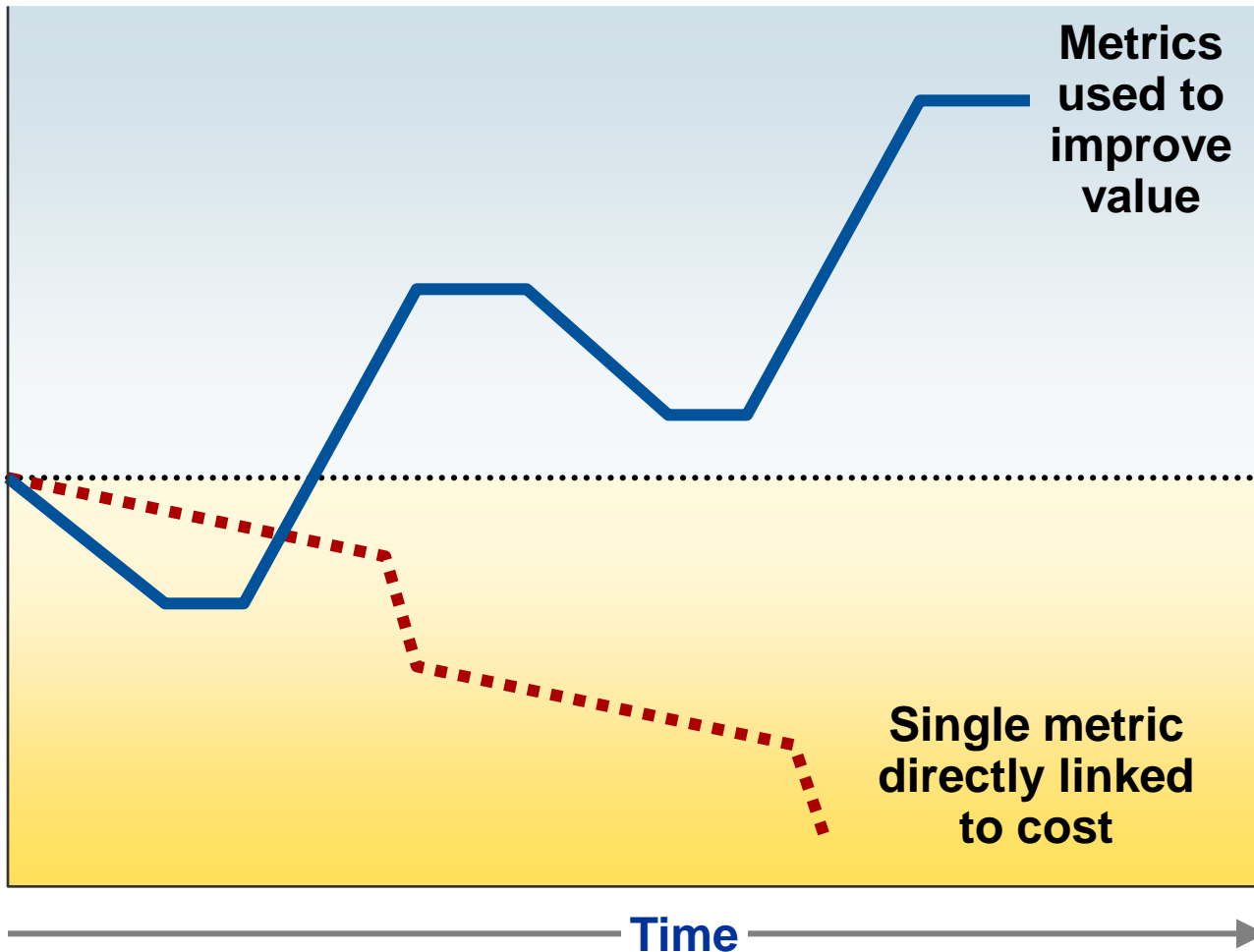
*Costs sink businesses,
not capital expenditure
but cash flow...*



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

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...

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

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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

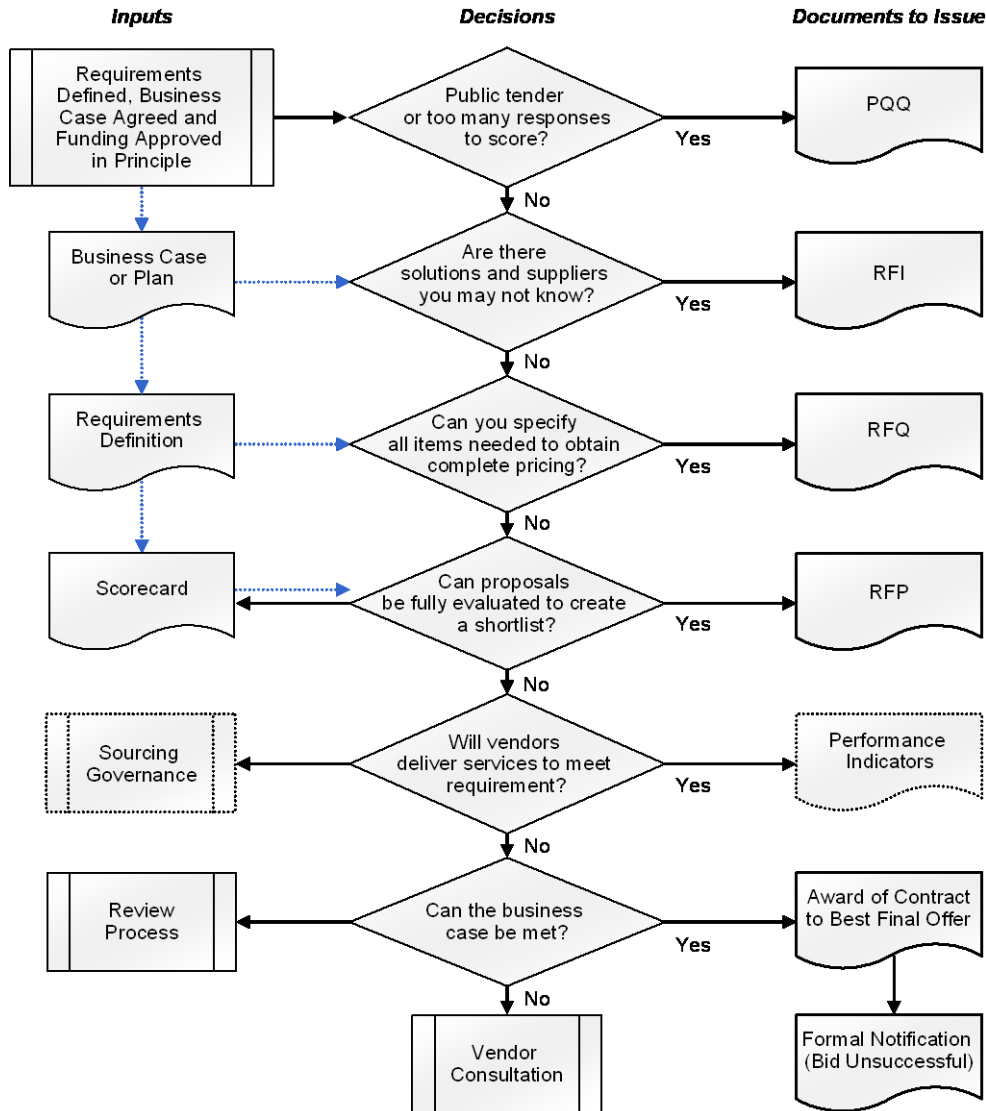


3. Cancel Contracts

Lay siege to Vendor Revenues...



4. Reset the Rules for RFPs



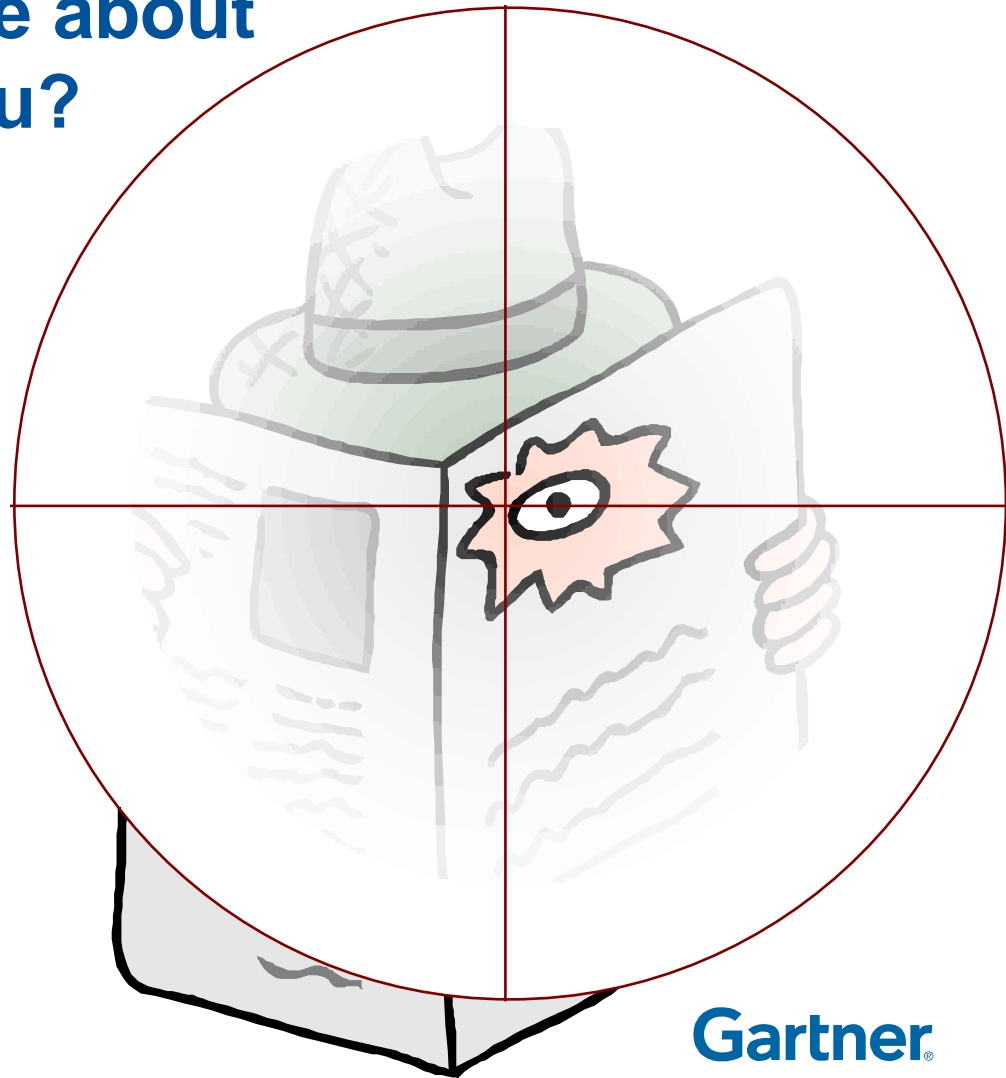
- Follow a process
- Adapt the process
- Keep asking until you get the right answer
- Never settle for second best

[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

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Key Issues

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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

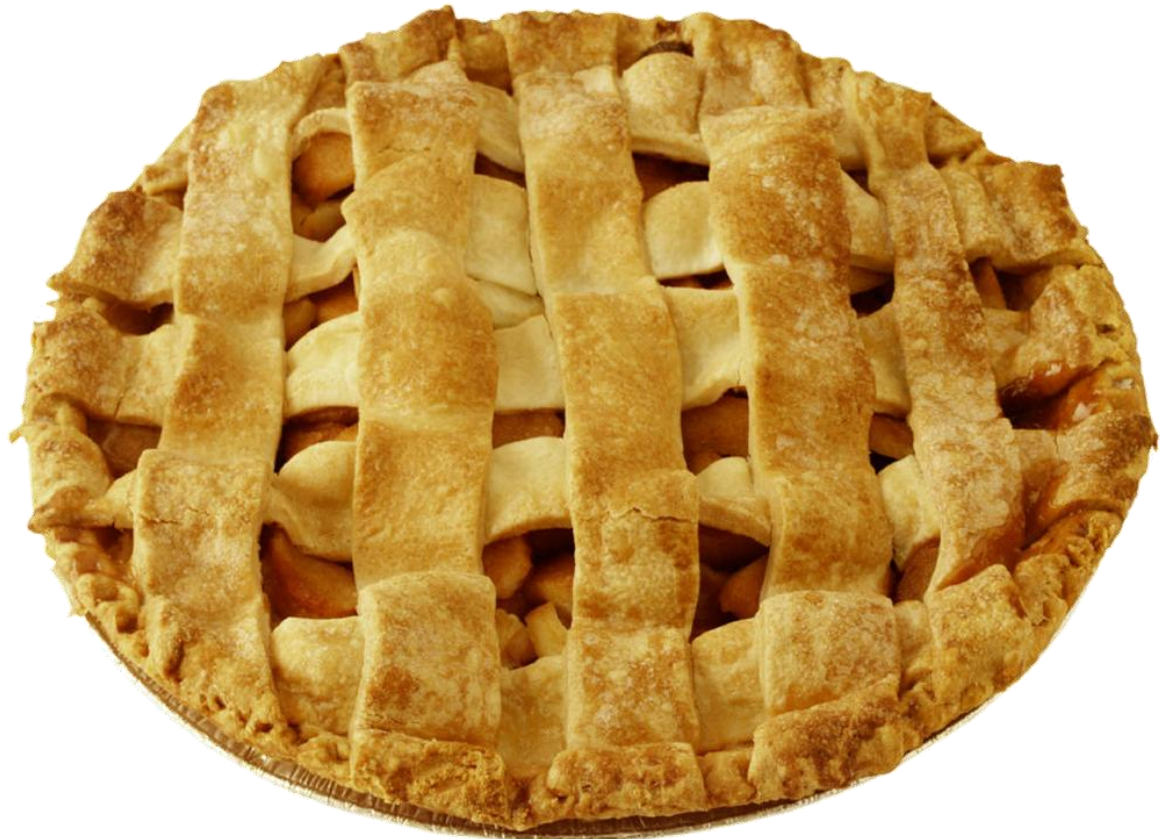
"Good Cop, Bad Cop"

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



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

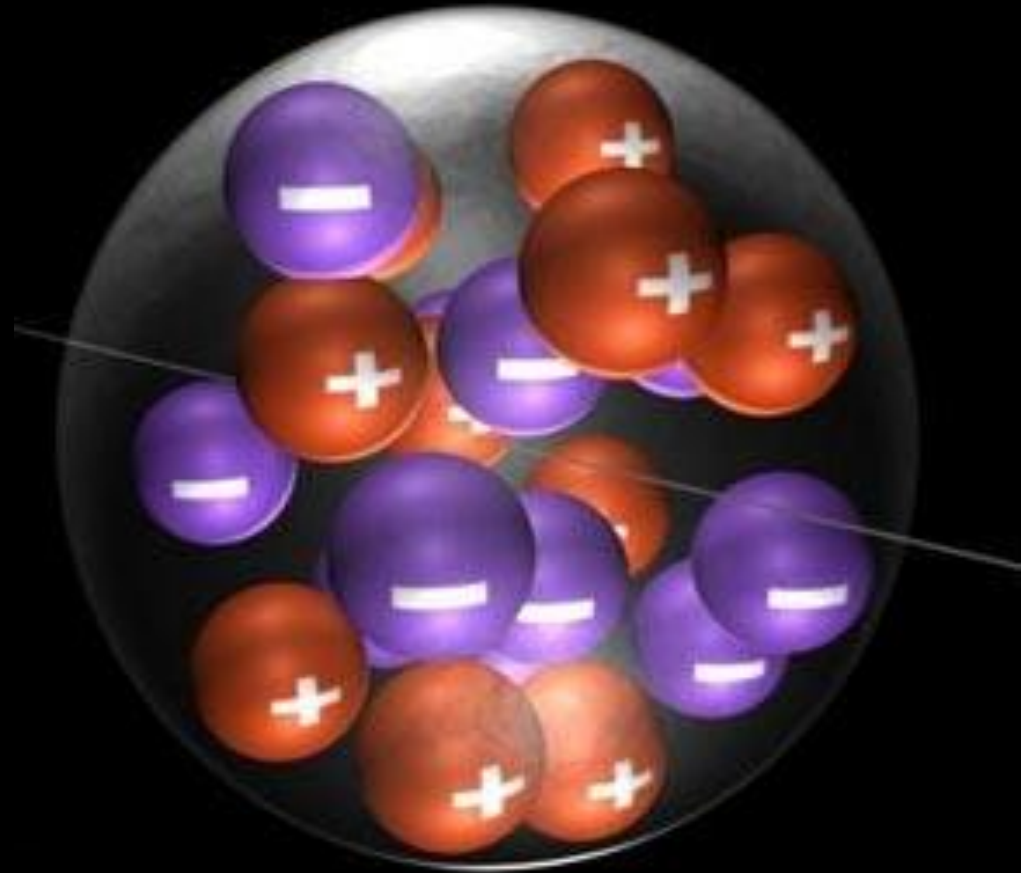
8. Use Services to Compete with Products



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.

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Gartner Outsourcing & Vendor Management Summit
Sept 14 - 16 • Orlando, FL, USA • gartner.com/us/outsourcing

Gartner Outsourcing & IT Services Summit
Sept 20 - 21 • London, UK • europe.gartner.com/outsourcing

Gartner Sourcing Summit
May 30 – June 1 • Tokyo, Japan • gartner.com/it/summits/jss

Gartner Outsourcing Summit
June 8 – 9 • Sao Paulo, Brazil • gartner.com/br/outsourcing

Gartner analysts will present their latest research, conduct one-on-one meetings, moderate user roundtable discussions, lead workshops, answer questions, and mingle at networking events.

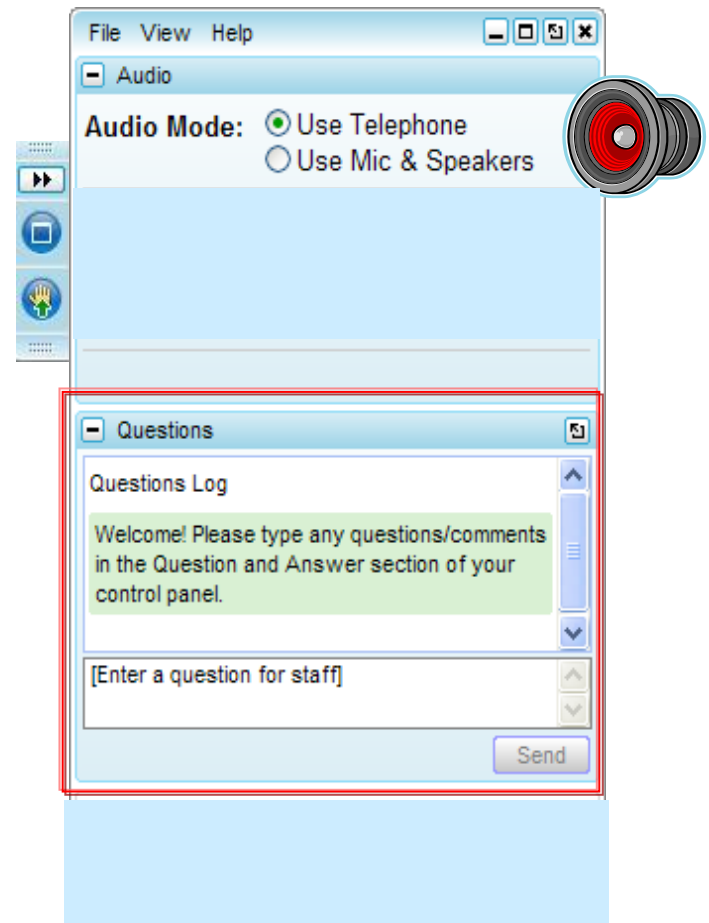
Covering your hottest topics: Multisourcing, Business Process Outsourcing,

Vendor Management, Global Sourcing, Alternative Delivery and Acquisition Models (ADAM), Sourcing Strategy and Governance, Negotiation strategies, Vendor selection and contracting, Flexible contracts and relationships.

Thanks for participating!

Do you have any questions?

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- We will answer as many of your questions as time permits.



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