

Tips for Negotiating Identity and Access Management Contracts

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Enterprise security buyers often find themselves at a significant disadvantage when negotiating identity and access management (IAM) contracts. Chief information security officers (CISOs) and other stakeholders can improve their negotiating positions by following Gartner's simple tips on vendor relations and negotiations.

Key Findings

- IAM projects represent major strategic investments for many enterprises, and it is seldom feasible to switch providers solely to achieve cost savings.
- IAM negotiations and purchasing decisions are made more difficult because IAM embraces multiple markets, with different sales cycles and project lifetimes.
- IAM projects are usually long, complex and expensive, and it is difficult to realize and quantify savings in the short term.

Recommendations

- Look beyond the market leaders. Do not restrict yourself to the Leaders quadrant of the relevant Gartner Magic Quadrant. Vendors in other quadrants may offer the most cost-effective tools.
- Consider IAM suites and product bundling. Consider also the price performance advantages of a vendor that offers a suite of IAM products or offers IAM products as part of a larger software portfolio.
- Seek consolidated pricing, avoid paying extra license fees for unnecessary components and give preference to subscription pricing over one-off license fees. Don't pay for functionality that won't be used in the short term; negotiate pricing for future needs now.

ANALYSIS

Enterprise buyers of IAM products (see "Identity and Access Management Technologies Defined, 2008") are often at a disadvantage due to lack of experience. Vendors negotiate contracts daily, while enterprises and the individuals in the enterprises negotiate only once every two to three years at most. This is particularly problematic because IAM projects are usually major strategic investments. It is seldom feasible to switch to a different IAM vendor solely to achieve cost savings. (IAM differs from other types of security software in this regard.)

The negotiating process also is complicated by other factors: IAM embraces multiple markets with different sales cycles and project lifetimes, thus quantifying IAM savings in a single year is difficult. In this research, Gartner presents simple straightforward tips for shifting the balance of negotiating power and getting the best possible deal from IAM vendors. However, it's important to remember that, because IAM is a core infrastructure element and IAM projects are typically long, complex and expensive, changes to IAM strategies usually don't result in readily quantifiable short-term savings. For this reason, Gartner recommendations are designed to enable enterprises to realize the best outcomes in the medium and longer terms.

Gartner recommends the following practices when negotiating IAM contracts:

- **Consider the potential benefits of an IAM suite.** Gartner does not necessarily recommend the selection of a suite vendor for IAM. However, the use of a single vendor for multiple types of functionality — user provisioning (UP), role management for enterprises, Web access management (WAM), enterprise single sign-on and directory/repository services — can enable an enterprise to successfully align product licensing, business requirement and architectural frameworks. Multiple products from multiple vendors can be more expensive at smaller volumes and may require more integration effort. However, significant differentiations remain among best-of-breed IAM products and suite components. Often, what a vendors presents as a suite is nothing more than a portfolio of different products with different origins that may not have the desired level of integration or the expected common look and "feel."
- **Evaluate vendors that are not necessarily recognized market leaders.** Many enterprise decision makers mistakenly believe that only vendors identified as leaders in a Gartner Magic Quadrant should get serious consideration for selection. There are significant differentials in price and performance among vendors, particularly in enterprise-specific, real-world implementations. An incumbent IAM vendor may, for example, provide an IAM suite at a lower cost, even if it is not a market leader. Vendors in the Leaders quadrant typically offer more-complete solutions, but an enterprise may end up paying for "premium" functionality that it does not need and will never use. Smaller but still-capable vendors in the Niche Players, Challengers and Visionaries quadrants are frequently less-expensive and may provide "good enough" functionality for specific enterprise needs.
- **Negotiate identity federation "add-ons" when making WAM purchases.** Most WAM vendors offer identity federation functionality but often at an extra cost. The time to save money on this functionality is during initial WAM contract negotiations, when the buyer has additional leverage. This rule applies more generally as well. Core IAM products such as UP and WAM often have many add-on pieces that might be bundled with the base product if negotiated.
- **Take advantage of relationships with larger, incumbent strategic providers wherever possible.** Enterprises that have large-scale relationships with major vendors,

such as BMC Software, CA, IBM, Microsoft, Oracle and Sun Microsystems, may derive significant benefits by bundling IAM products into larger infrastructure contracts for software or services, increasing their total contract value and potentially their discount levels. The primary criteria in determining whether this type of bundling is appropriate is key alignment in infrastructure architecture (for example, server, database and security) and in application architecture (for example, context-oriented delivery architecture and software as a service), as well as technology road maps and timelines that enable bundling justification.

- **Align contract termination dates for multiple contracts with one vendor.** Enterprises that have multiple contracts with a single vendor should negotiate aggressively to align the termination dates of the contracts. This practice will enhance the enterprise's negotiating position by increasing the total value of the contract under negotiation. Any increase in the value of a deal inevitably increases pressure on the incumbent vendor to renew the deal.
- **Don't allow a vendor take contract renewal for granted.** Enterprises always should be prepared to consider other options, especially for point products in their IAM architectures. The time to begin negotiating renewals is at least six months before contract expiration, because this provides adequate time for competitive bidding and migration planning. Although there are significant enterprise costs associated with migrating from one vendor to another, there are also costs for incumbent vendors that must replace nonrenewing customers. It is always much less expensive for a vendor to re-sign a customer than to find a new one. Moreover, competing vendors are usually happy to offer significant discounts — typically 25% to 75% — to gain a new account.
- **Negotiate global contracts wherever practical.** Enterprises with significant numbers of business units or subsidiaries should, if it's reasonable to do so based on expected use, negotiate global contracts that encompass other subsidiaries to raise contract volume and lower pricing.
- **Purchase only products that will be deployed in six to 12 months.** Buying only products that will be deployed in the short term (in six to 12 months) is a negotiating best practice. For example, if it is appropriate to address self-service password reset in the first phase of a UP project, then the enterprise should purchase only the password management product or component upfront, rather than the full UP solution. However, once a deal is signed and the base product deployed, any incentive for the vendor to offer discounts for add-ons is drastically reduced, so negotiators should demand pricing options for anticipated future needs upfront. (Add-on agreements should be coterminous with the primary contract to deliver maximum negotiating leverage.)
- **Do not pay internal-user prices for external users.** Many vendors bundle external-user licenses at low or no charge when selling an enterprise internal-user licenses. If an IAM initiative is focused on the enterprise's extranet, then negotiators should seek external-user pricing based on the maximum number of concurrent sessions, rather than on the maximum external-user population. For extremely large implementations, for example, with millions of users, the enterprise should seek server- or platform-based pricing.
- **Negotiate an appropriate balance between premium support and costs.** When negotiating, seek to reduce the cost of premium support or upgrade to the next level of support for a minimal increase in price.

- **Limit rate increases in advance.** To protect against aggressive renewal-rate increases, negotiate a limit — 5% to 10% — in advance.
- **Ensure that maintained contracts include no-cost migration to new product versions of similar functionality.** This practice will protect against a vendor's discontinuing a perpetually licensed product and forcing users to buy a new license for a product that provides essentially the same functionality.
- **Shift to subscription-based licensing with equal annual payments, rather than high upfront license component costs.** Using this option where possible spreads the cost of systems more evenly, reducing the budget burden in the first year of the project. The total long-term cost may be higher with subscription-based pricing, but changes in markets, pricing and products frequently reduce or eliminate this disadvantage.
- **Where appropriate, offer to be a vendor's reference customer.** Vendors frequently seek testimonials, case studies and end users willing to share their experiences and may be willing to offer discounts in return for a commitment to be available for reference calls with the media, industry analysts and other enterprises. Larger enterprises and those with recognizable brands are most desirable to vendors, gaining the most advantageous bargaining positions.
- **Review the last-quarter guidance of publicly traded vendors.** If a vendor is a public company, then reviewing its last-quarter guidance and media reports will enable a better understanding of the vendor's market performance and position, as well as the salesperson's motivations.
- **Request the details of vendors' current and planned managed identity service offerings.** If a vendor intends to offer a managed service option in the future, then this approach may align with the enterprise's plans. Making the option a factor in a support contract will provide added flexibility.
- **Negotiate for performance-based payments.** Wherever possible, negotiate contracts that provide for partial payments when key project milestones are achieved, and seek nonperformance clauses that can be invoked in specific time frames. This helps force vendors to make good on their claims and gives them a genuine stake in the success of the enterprise's project.
- **Look for guidance from Gartner before signing new contracts or contract renewals.** Have Gartner review RFPs during preparation, and review vendors' RFP responses before signing any contract.

RECOMMENDED READING

"Identity and Access Management Technologies Defined, 2008"

"Magic Quadrant for Enterprise Single Sign-On, 2007"

"Magic Quadrant for User Provisioning, 2H07"

"Magic Quadrant for Web Access Management, 2H07"

This research is part of a set of related research pieces. See "Roundup of Identity and Access Management Research, 3Q09: Core IAM and IAM Governance" for an overview.

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