



Global
Digest

IT Procurement

Background

CASME held IT Procurement RoundTable meetings in Asia, Australasia, the EMEA region, Latin America and North America. The following main topics were discussed:

- Procurement's role
- Market analysis
- Contracts
- Trends.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings held around the world.

Procurement's Role

- Procurement's engagement in IT purchasing projects is commonly determined according to spend thresholds.
- For projects with spend above the threshold, Procurement's role includes:
 - Leading the procurement process
 - Developing the procurement strategies and scopes of work for projects
 - Conducting requests for proposals (RFPs)
 - Performing risk assessments
 - Negotiating contracts with suppliers
 - Developing contracts with IT and Legal
 - Managing supplier relationships
 - Providing advice and support to IT.
- The approaches that are being applied by Procurement to increase its involvement in IT projects and the development of IT purchasing strategies include:
 - Establishing a centralised category management structure with category managers for each IT sub-category, and ensuring that they have the knowledge required for technical and strategic discussions with IT teams and stakeholders
 - Developing effective relationships and partnering with the global and local IT teams and stakeholders
 - Conducting regular meetings with IT to develop relationships, review and discuss short- and long-term project pipelines, remain up to date regarding contracts that are due for expiry or renewal, and ensure Procurement's engagement early in purchasing projects
 - Applying customer relationship management (CRM) methods to stakeholder relationship management
 - Aligning Procurement's strategies and objectives with those of IT, the stakeholders and the organisation
 - Proactively participating in business planning in order to become involved early in strategy development.
- Procurement demonstrates competence and value to obtain credibility from IT and the stakeholders by:
 - Remaining up to date with the fast-paced IT industry and supplying market intelligence, insights and benchmarking data to IT and the stakeholders
 - Identifying opportunities for improvement and recommending solutions to optimise the supply base
 - Providing support and guidance to the stakeholders regarding regulatory requirements
 - Sourcing innovative new suppliers and service providers
 - Co-ordinating and/or consolidating IT purchasing across the organisation to reduce fragmented buying, decrease tail spend, and increase volume leverage in negotiations with suppliers
 - Providing flexible sourcing solutions and expediting the negotiation and contracting processes to increase efficiency
 - Identifying and mitigating the risks of implementing cloud-based IT solutions.
- Procurement's role in identifying the requirements and specifications for purchasing IT products and services includes:
 - Collaborating with IT to define the specifications and objectives of projects and establish a list of functional requirements and performance metrics before approaching the market
 - Establishing a template of procurement requirements to assist IT to define the scope and specifications for projects
 - Ensuring that the stakeholders clearly define their requirements and specifications for inclusion in RFxs
 - Analysing and challenging the stakeholders' requirements to determine if they are necessary
 - Conducting requests for information (RFIs) to obtain details from suppliers and presenting the results to IT and/or the stakeholders
 - Maintaining effective communications with the business units to prevent different teams duplicating requests and providing inconsistent information to suppliers.

- The extent to which Procurement influences and is involved in outsourcing IT services includes:
 - Obtaining market intelligence regarding outsourced services
 - Conducting total cost of ownership (TCO) analysis to compare outsourced and in-house solutions
 - Collaborating with Finance and the key stakeholders to conduct in-depth analysis of the financial and strategic benefits and/or risks of outsourcing specific IT services
 - Identifying the value that can be achieved by outsourcing operational and transactional services or processes, and the risks and benefits of outsourcing to low-cost countries (LCCs)
 - Researching country-specific laws for outsourcing and providing the information to the relevant teams
 - Supporting the development of the business cases for outsourcing and assisting the budget holders with the decision-making process
 - Participating in RFPs for outsourced services to ensure clarity regarding the requirements and costs
 - Implementing robust contracts with clearly-defined scopes of work and service level agreements (SLAs)
 - Supporting the successful execution of outsourcing projects and assisting the transition with effective change management.

Market Analysis

- The sources Procurement is using to obtain information for analysing the supply market and benchmarking suppliers' prices and cost models to support purchasing decision-making include:
 - [Accenture](#)
 - [Forrester](#)
 - [Gartner](#)
 - [G2](#)
 - [IBISWorld](#)
 - [Infiniti Research](#)
 - [ProcurementIQ](#)
 - [SoftwareONE](#)
 - [The Hackett Group](#)
 - [The Smart Cube](#)
 - [UpperEdge](#).
- Procurement also obtains information from consultancy companies, IT teams, stakeholders, suppliers and RFxs, as well as procurement peers through networks such as CASME and LinkedIn, and WhatsApp groups of procurement professionals from different countries.
- IT suppliers are adapting their service offerings and terms of business to accommodate new delivery and licensing models by:
 - Transitioning from perpetual licences to subscription models to deliver 'anything as a service' (XaaS)
 - Providing different tiers of services and support through subscription-based models
 - Moving towards contract- and transaction-based models to improve service delivery
 - Defining the pricing models for specific products and services and updating these periodically
 - Implementing modular software options that are interconnected but involve additional costs
 - Focusing more on short-term revenue than the long-term benefits for their customers.
- Procurement is anticipating and managing the new delivery and licensing models by:
 - Identifying the benefits of XaaS, such as visibility of costs and consumption, and the flexibility to activate and deactivate services on demand according to business requirements to minimise costs
 - Analysing and comparing the efficiency, scalability, risks and TCO of different delivery and licensing models
 - Comparing the licensing models and pricing structures that are being offered by different suppliers and using the information to challenge individual suppliers during negotiations
 - Requiring the suppliers to provide cost breakdowns in order to determine their product and overhead costs and challenge their profit margins
 - Trialling new systems and software with short-term contracts before committing to long-term contracts
 - Avoiding dependence on specific suppliers and long-term commitments to licence agreements to maintain flexibility
 - Negotiating fixed prices and long-term contracts to prevent the suppliers from increasing their prices and changing the contractual conditions during the contract term; or the inclusion of pre-defined maximum annual price increases in contracts
 - Appointing dedicated procurement professionals to manage the relationships with strategic software providers such as Microsoft and [SAP](#).

- Procurement is sourcing small, specialist providers of IT products and services and assessing their viability as potential suppliers by:
 - Collaborating with the internal innovation team, which validates the ideas presented by start-up companies to provide them with opportunities and security in their relationships with the organisation
 - Storing sales emails from IT suppliers and service providers in a designated folder for future reference
 - Contacting IT resellers, networking with procurement peers in other companies and meeting with the IT teams and stakeholders, to obtain recommendations for start-up companies and innovative suppliers
 - Organising forums to meet with small businesses and discuss opportunities for collaboration
 - Assisting small businesses to understand and participate in the RFP process; and supporting small and/or start-up companies that are already included in the supply base to develop their businesses
 - Offering small-scale contracts to start-up companies and small businesses initially to assess their viability, and offering them larger contracts after successful performance reviews
 - Conducting financial and viability analysis of the specialist providers' businesses.

Contracts

- The application of outcome-based contracts in the IT category tends to be limited to specific projects with clearly-defined scopes and outcomes based on the objectives of projects.
- The challenges of negotiating outcome-based contracts with IT suppliers and service providers include the:
 - Suppliers not being solely responsible for the outcomes due to the involvement of internal IT teams
 - Difficulties in defining the expected results, benefits and the success criteria for negotiating outcome-based contracts
 - Tendency of the suppliers to include contingency costs in their pricing, especially when the success criteria is not clearly defined
 - Potential for overpayments due to suppliers claiming that the outcomes of projects exceed expectations.
- Good practices when negotiating outcome-based contracts with IT suppliers and service providers include:
 - Quantifying the value and benefits of the outcomes with input and approval from the stakeholders
 - Being transparent with the suppliers regarding the budgets available and the organisation's priorities for each project, such as speed to market and high-quality products and services
 - Stipulating in contracts the targeted outcomes, delivery timescales, roles and responsibilities, testing requirements, acceptance and success criteria, and change management processes
 - Establishing a culture of trust and collaborative partnership between the organisation and the suppliers
 - Focusing on the value and benefits to the organisation rather than the suppliers' costs and profit margins
 - Establishing a robust control and governance process to minimise changes in the scope of projects and the associated cost increases.
- The approaches that are being applied by Procurement for developing contracts in the IT category include:
 - Establishing comprehensive contract templates and a clause library for different IT products and services that assist Procurement with obtaining leverage in negotiations with suppliers
 - Achieving alignment with the suppliers regarding the key clauses in the organisation's contract template before agreeing to use the templates provided by the suppliers
 - Conducting red-lining or requesting amendments to the suppliers' master contracts rather than listing the key terms and conditions (T&Cs) in statements of work (SOWs) to avoid contract management issues
 - Meeting regularly with the internal legal team to improve their familiarity with IT procurement requirements and contracts, and to expedite future contracting processes.
- Global contracts for IT services may include master services agreements (MSAs) with standard T&Cs that address the legal and compliance requirements, as well as the pricing models and payment terms.
- Contracts should address potential price increases, which may be capped at 3%, and include a price indexation clause to ensure that the company receives cost reductions when suppliers reduce their prices.
- However, suppliers of IT products or services that significantly impact the company's operations may be major global corporations that require acceptance of their contractual T&Cs and payment models as a condition of supply, and there is limited or no opportunity for negotiation.
- Contracts for IT products and/or services should include clauses regarding:
 - Confidentiality and non-disclosure agreements (NDAs)
 - Clearly-defined requirements regarding cyber security and data privacy
 - Data ownership, storage and processing
 - The scope of work, the deliverables and the related performance metrics
 - Penalties for unsuccessful product implementation
 - Service providers' business continuity plans and back-up for key personnel

- Termination for cause or convenience
- Force majeure with the right to exit the contract if necessary
- Exit and transition strategies and costs, as well as the related support and data and knowledge transfer requirements.
- Good practices for switching IT products and services include developing separate internal exit and transition plans in addition to those defined within contracts, that define the end-to-end transition process and the change management required, including data migration, onboarding new suppliers and training for employees.

Software licence management

- Procurement is improving the management of software licences and minimising organisations' exposure to overpayment and non-compliance by:
 - Monitoring licence utilisation rates to avoid overpayments
 - Implementing software asset management systems
 - Identifying which software is being used across the organisation and the corresponding licences
 - Reviewing licensing agreements during the contract renewal process
 - Obtaining the flexibility to increase or decrease the number of licences according to demand, and to transfer licence entitlements to preferred software and/or modules by the same supplier
 - Consolidating and rationalising software licences, providers and resellers by type
 - Collaborating with the IT asset management team and Legal to manage licence consumption versus entitlement, forecast future demand, minimise unused licences, recertify user access periodically, and revoke and redeploy licences that are not used for a defined period of time
 - Emphasising the impact and cost of over-consumption and non-compliance to the stakeholders, identifying the root causes and developing remediation plans
 - Documenting evidence and data to demonstrate compliance to the software providers
 - Using asset management and optimisation tools, such as [Flexera](#), [ServiceNow](#) and [Zylo](#), and integrating systems and processes between Procurement and the IT asset management team
 - Engaging third-party operational support services when necessary, such as [Capgemini](#) and [IBM](#)
 - Using resellers to assist with purchasing software, negotiating with the software companies, and managing software licences.

Trends

- Procurement is monitoring the development of XaaS delivery models and analysing the potential value of these when reviewing and updating IT procurement strategies by conducting:
 - Market research to identify the XaaS solutions that are being offered
 - RFxs to obtain information and benchmarking data from XaaS providers
 - Risk assessments to check the validity of XaaS providers' delivery models, and to identify the potential risks and the challenges of controlling and maintaining cyber security and data privacy
 - Risk-benefit analysis to determine if implementing XaaS models is necessary.
- Strategic considerations for implementing XaaS models and negotiating contracts include:
 - Ensuring that the latest XaaS applications are compatible with the organisation's systems and processes
 - Integrating XaaS applications with internal systems to increase efficiency and generate insights from data
 - Decommissioning legacy systems in order to implement new applications or services
 - Developing a contract template that can be adapted for different XaaS models
 - Negotiating the inclusion of long-term price caps in XaaS contracts
 - Monitoring the utilisation rates for the XaaS models/applications that have been implemented
 - Starting negotiations 12 to 18 months before XaaS licences expire to retain negotiation leverage
 - Applying different approaches to contracting according to whether XaaS providers are tier-one or tier-two suppliers, with longer contract terms for tier-one than for tier-two suppliers.
- The trends and changes that are expected to impact IT procurement in the next two to three years include companies:
 - Continuing to implement digital transformation strategies and integrate smart technology across their businesses
 - Increasingly adopting cloud services and XaaS delivery models
 - Switching from on-site data centres to cloud-based data storage solutions
 - Paying annual subscriptions instead of perpetual software licences
 - Outsourcing and/or offshoring IT services to LCCs
 - Placing greater emphasis on increasing sustainability and diversity in the supply chain.

- Procurement is addressing the need to introduce new IT solutions to future-proof the business while reconciling competing internal requirements by:
 - Conducting market research and obtaining market intelligence to remain up to date with trends and changes in the market, the new IT products and services that are becoming available and may fulfil the company's requirements, as well as the related risks and costs
 - Identifying IT suppliers that provide innovative solutions that can be integrated with the company's systems
 - Presenting innovative solutions to the stakeholders and demonstrating the benefits of these for their business functions
 - Calculating the TCO of new IT solutions
 - Managing the ongoing transition from traditional software licences, hardware and data centres to cloud-based XaaS models
 - Aligning the multi-year procurement category strategy and objectives with those of IT, the stakeholders and the business
 - Transitioning from centralised category management to a combination of global, regional and local management, to align with regional and local requirements and market conditions
 - Improving risk management, cyber security and data privacy, with additional security testing for IT systems and software, as well as offensive and defensive training for employees
 - Requiring suppliers to perform proof of concept (POC) demonstrations before companies invest in new IT solutions
 - Validating the uptimes and disaster recovery capabilities of cloud services providers
 - Using automated solutions to perform operational activities and artificial intelligence (AI) applications to enhance data analysis
 - Increasing the use of the online marketplaces provided by large software companies
 - Implementing policies and processes to increase sustainability and supplier diversity in the IT category.

Resource Centre Links

The following are links to the full meeting reports for each region:

- [Asia](#)
- [Australasia](#)
- [EMEA](#)
- [Latin America](#)
- [North America](#)

Important

This report is a summary of the facilitated discussions held between the CASME members who attended the meetings. CASME is not a consultancy and does not provide advice. The accuracy or validity of any recommendations or references, particularly to legislation and regulations, contained in the report should be verified by the reader prior to being acted upon. Any third-party organisations named in this report are not recommendations but are examples of companies mentioned during the meeting that may be considered when sourcing the relevant products or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed also provide similar products or services.

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