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# Negotiate SaaS Agreements That Are Built to Last

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# Negotiate SaaS Agreements That Are Built to Last

Leverage your unique position and find substantial cost savings.

Benjamin Franklin said, “**By failing to prepare, you are preparing to fail**”

# SaaS represents a big portion of IT budgets

**32%**

Average revenue growth rate for SaaS companies during 2021.[1]

**48%**

Businesses that plan on increasing SaaS spend.[2]

**$254 billion**

Forecasted SaaS market value in 2023.[3]

1 https://financesonline.com/2022-saas-industry-market-report/; 2 IDC – 2020 SaaSPath Report.;
3 https://www.statista.com/outlook/tmo/public-cloud/software-as-a-service/worldwide#revenue.

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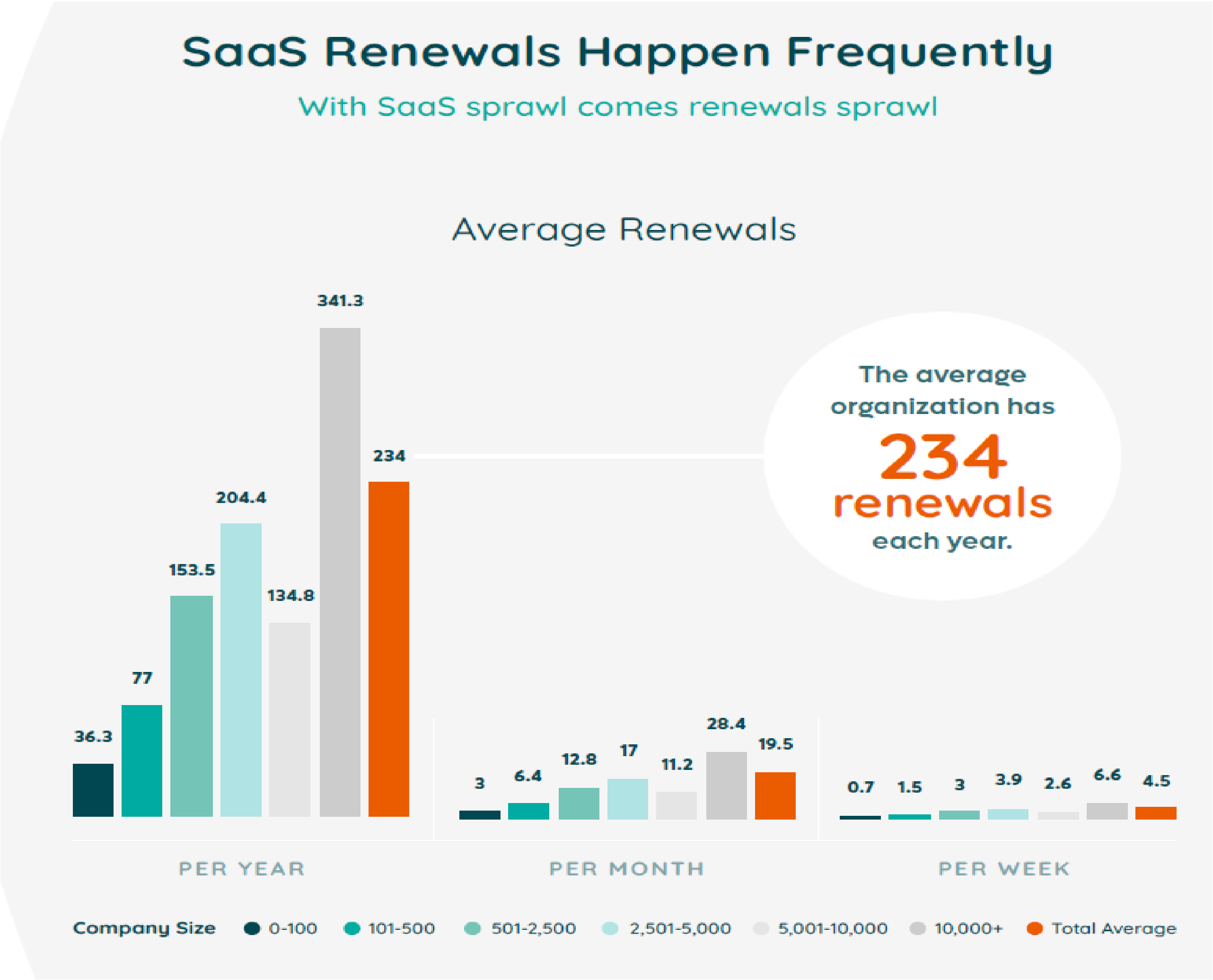
# SaaS Demands Your Attention NOW




1 Zylo – 2022 SaaS Trends for Procurement

# SaaS contracts present a new twist on old problems

**Without proper planning and vetting of a SaaS solution, you may run into these issues:**

1. **Internal stakeholder pressure for IT to take ownership of a business executed contract.**
2. **Unanticipated costs: storage, data, support.**
3. **Data integration challenges.**
4. **Limited support options.**

- High switching costs
- Unexpected costs
- Difficulty with implementation

- Low level of technology procurement experience
- High pressure to get the deal done
- No skin in the game

# SaaS vendors are prepared to call your bluff; they don't believe IT is the "software deal" center any longer

**Works full-time selling products within a relatively new subscription business model.** The vendor understands its product – and how to license it – much better than you do.

**Has been highly trained.** As a full-time salesperson, your vendor has been taught how to negotiate and close a sale.

**Possesses a large support team.** It's easy for vendors to show the immediate business benefits of SaaS, but avoid the long-term cost discussion.

Vendors have different approaches to help make their product indispensable to an organization – sometimes bypassing IT completely.

1. **Divide and Conquer.** Vendors will engage with different stakeholders within the organization, dividing the team.
2. **Land and Expand.** Will offer enticing, low-risk/low-cost options to start using the product.
3. **Free trial/try before you buy.** May contain auto sign-up terms.

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# SaaS T&Cs must address the unique issues associated with cloud-based solutions

**Price isn't the only thing that affects the bottom line. Negotiating the terms and conditions in an agreement must take into account:**

### Integrations

If you anticipate any integrations with third-party software or systems, make sure this is addressed up front. If not, this can result in significant spend for the organization.

### IT Security

An increasingly serious issue, ensure that your provider will keep your organization's data secure, according to industry and organizational IT security standards.

### Data Management and Privacy

Your contract should make it clear who owns any data in the system, and how it will be returned to you upon termination. Otherwise, you risk corrupting or losing essential data.

# Reduce overall IT spend by 11% or more with effective SaaS contract review

53% of the IT budget is spent on software (S/W, SaaS, PaaS, IaaS).*

Contract review and negotiation can save ~20% of the contract value.

Conservatively, it’s possible to save 11% of the overall IT budget through comprehensive software and SaaS contract review.

**20% of 53% = 11%**

Therefore, in a $10 million IT budget, systematic contract review can cut approximately $1,200,000.

*Flexera, **EY

# Beware: Shadow IT can have disastrous consequences when SaaS agreements are executed outside of a structured negotiation process

**CASE STUDY**

**Industry** *Gaming*

**Location** *United States*

## Challenge

A field service manager signed a 2-year $125,000/YR USD agreement with no corporate oversight. During a review of their existing contracts post-merger, ITAM & Procurement discovered they had been paying for this solution in year one of the agreement. Because the solution had been purchased by the business without any input from IT, implementation of the solution never occurred. The contract's terms and conditions and pricing had not been well-negotiated and put the business at a serious disadvantage at renewal time. IT re-negotiated with the supplier and had to settle for $60,000 to terminate the agreement early; the total spend was around $185,000 USD with no value received and no solution implemented to address the business needs.

## Solution

To find an appropriate solution, IT partnered with internal stakeholders across the organization to define actual business and technical requirements. Working together to focus on what the organization needed, the cross-functional team of stakeholders sourced the best solution.

## Results

IT negotiated a new agreement with a different vendor that met all of the organization's needs and executed an implementation plan.

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# PHASE 1

## Gather Requirements

Negotiate SaaS Agreements That Are Built to Last

# Phase 1: Gather Requirements Insight

*Info-Tech Insight*

**It is essential for IT to facilitate and be involved in the process early to make sure your organization doesn't lock into an agreement prematurely.**

*Info-Tech Insight*

**IT must be able to tie back proposals to technical and business requirements.**

*Info-Tech Insight*

**Don't let vendors and business stakeholders bypass IT.**

*Info-Tech Insight*

**Have your business use case written before you are in talks with any vendors.**

*Info-Tech Insight*

**When beginning a SaaS purchase, make sure you know if there has already been vendor contact.**

# Step 1.1: Build Negotiation Team

**PHASE 1**

- **1.1** **Build Negotiation Team**
- **1.2** Write Communication Plan
- **1.3** Document Business Use Case

**PHASE 2**

- **2.1** Review General T&Cs
- **2.2** Review SaaS-Specific T&Cs

**PHASE 3**

- **3** Negotiate

**This step will walk you through the following activities:**

- Build a RASCI chart.
- Elect a negotiation team.

**This step involves the following participants:**

- CIO
- Project owner
- Internal stakeholders

## Outcomes of this step

- Completed RASCI chart
- Negotiation team

# Ensure every stakeholder understands their role and responsibilities

## 1.1 RASCI Chart

### RASCI Chart

RASCI charts are effective to describe how accountability and responsibility for particular roles, projects, and project tasks are distributed amongst stakeholders. A RASCI diagram is a useful visualization that identifies redundancies, and ensures that every role, project, or task has an accountable party.

***RASCI is an acronym made up of four participatory roles:***

| | |
|---|---|
| Responsible | Stakeholders who undertake the activity. |
| Accountable | Stakeholders who are responsible for failure or take credit for success. |
| Supported | Stakeholders that provide support to the project team. |
| Consulted | Stakeholders whose opinions are sought. |
| Informed | Stakeholders who receive updates. |

**1.** Use the template provided on the following tab and add key stakeholders.
**2.** For each activity, assign each stakeholder a letter.
**3.** There must be an accountable party for each activity (every activity must have an "A").
**4.** For activities that do not apply to a particular stakeholder, leave the space blank.

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### RASCI Chart Worksheet

Customize the RASCI Chart by adding or subtracting rows. Populate roles and tasks with organization-specific content.

| | Budget Approval | Negotiate with Vendor | Vendor Point of Contact | Create Business Use Case | Review for Functional Requirements | Review for Non-Functional Requirements | Approve Finalized Contract | Report Status to Management |
|---|---|---|---|---|---|---|---|---|
| CIO | R | A | S | A | S | A | R | I |
| CEO | A | C | I | A | A | I | R | I |
| CFO | R | A | S | I | I | I | R | I |
| Legal | I | A | I | I | I | I | C | I |
| Business Stakeholders | R | C | S | R | R | C | C | R |
| Lead Negotiator | I | R | R | A | R | R | A | R |
| ITAM | I | C | S | S | S | R | I | I |
| IT Security | I | C | S | S | S | R | I | I |
| Applications & Networks | I | I | S | S | S | R | S | I |
| Finance & Accounting | I | I | S | S | C | I | S | I |
| Compliance & Risk Management | I | I | S | S | I | C | I | I |
| Procurement | I | R | A | R | C | I | C | I |

| Legend | |
|---|---|
| R | Responsible |
| A | Accountable |
| S | Supported |
| C | Consulted |
| I | Informed |

A critical step in building your negotiation team is completing a *RASCI Chart* (Responsible, Accountable, Supported, Consulted, and Informed).

**A RASCI chart is beneficial because it…**

- Allows stakeholders to clearly understand expectations.
- Reduces redundancy in tasks.
- Enables clear communication.
- Reduces time within approval processes.
- Allows stakeholders to focus more on value-add.

RASCI diagrams are an effective way to describe how accountability and responsibility for particular roles, projects, and project tasks are distributed amongst stakeholders involved in implementing your new solution – and the first step of that is negotiating your contract. A RASCI diagram is a useful visualization that identifies redundancies, and ensures that every role, project, or task has an accountable party.

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# Elect internal stakeholders to set clear expectations and establish process buy-in, first from within, then with vendors

**The contract assessment process should begin well before you are in contact with a vendor.**

Think about the process holistically. You want to start by looking inwards – at your organization – instead of outwards – at the vendor.

Start with building cross-functional stakeholder inclusion to build both the business and technical objectives; then, rationalize against the agreement/proposal.

From your internal stakeholders, build a negotiation team to work through the contract review and negotiation process together.

**Get in contact with the following stakeholders:**

- Procurement
- Legal
- Finance/Accounting
- IT Functions as applicable
  - Enterprise Architecture (EA)
  - IT Asset Management (ITAM)
  - IT Operations Management (ITOM)
  - Project Lead(s)
  - IT Security
- Business stakeholders from specific units

# Build a negotiation team and define roles early in the contract review process

Build your negotiation team before you begin talking to the vendor.
Having all stakeholders identified early is crucial.

### 1 Identify Lead Negotiator(s)

Roles:
- Does most of the talking.
- Vets the deal progress through senior management team.
- Manages preparation logistics.
- Delegates to the negotiation team.

Ideally, this will be a Single Point of Contact (SPOC) to the vendor, but keep this group as small as possible.

### 2 Identify Lead Strategist

Roles:
- Does most of the listening.
- Responsible for strategy adjustment.
- Ensures team resources are utilized to the maximum extent.

### 3 Include Applicable Stakeholders From…

- Procurement
- Legal
- Finance/Accounting
- IT Functions as applicable
  - Enterprise Architecture (EA)
  - IT Asset Management (ITAM)
  - IT Operations Management (ITOM)
  - Project Lead(s)
  - IT Security
- Business stakeholders

**INPUT**
- List of relevant stakeholders

**OUTPUT**
- Clearly identified project leads

**Participants**
- Project owner
- Internal stakeholders
- IT Procurement

# Manage the negotiation team effectively by mapping and resolving internal conflicts before negotiation begins

**Plot out conflicts**

- Identify the core stakeholder interests early and build around this core.
- Establish the “game plan” and account for personality conflicts.
- Negotiate and establish trade-offs internally.

**Choose team leads**

- Choose people with a proven track record of forming positive relationships across the organization.
- Ensure that all critical stakeholder functions are represented.

**Persuade with data**

- Share project data with the team and work to validate the source and validity of the data.
- Use data from third-party sources where available and applicable.
- Allow data to drive rational decision-making processes to effectively identify trade-offs and key decisions.

**Simulate the negotiation**

- Practice countering objections.
- Decide who will respond, as well as when not to respond.
- Leads to anticipating level of contribution.
- End with a shared strategy for implementing the negotiation.

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- Establishing goals is a two-fold process. First, establish your team goals. Then, establish your goals by function. For example, legal will have different goals than finance.
- If you are not able to pick your team, engage your stakeholders directly and include key decision makers to attend these meetings.
- For important deals, ensure a C-Suite executive is established as a sponsor that has power and political clout to pull the team together.
- Explain a worst case scenario to each team member to take back to their departments to illustrate what could happen if they do not cooperate.

# Step 1.2: Write Communication Plan

**PHASE 1**

- **1.1** Build Negotiation Team
- **1.2** **Write Communication Plan**
- **1.3** Document Business Use Case

**PHASE 2**

- **2.1** Review General T&Cs
- **2.2** Review SaaS-Specific T&Cs

**PHASE 3**

- **3** Negotiate

**This step will walk you through the following activities:**

- Write a communication plan.

**This step involves the following participants:**

- Negotiation team

## Outcomes of this step

- Write a communication plan.

# Build an effective communication plan to control contact with the vendor

Use this communication plan to guide communications between your vendor and your organization for the duration of your contract negotiations. This plan will outline how information will be distributed, as well as the following:

| What | When | Who | How |
|---|---|---|---|
| What information will be communicated – to include the level of detail and format. | When information will be distributed – the frequency of project communications, both formal and informal. | Who is responsible for communicating project information. | How any sensitive or confidential information is communicated and who must authorize this. |
| What resources the project allocates for communication. | An escalation process for resolving any communication-based conflicts or issues. | Communication requirements for all project stakeholders. | How changes in communication or the communication process are managed. |
| Any standard templates, formats, or documents the project must use for communicating. | The flow of project communications. | | Any constraints, internal or external, which affect project communications. |

**INPUT**

- Communication plan template

**OUTPUT**

- Completed communication plan

**Materials**

- Communication plan template

**Participants**

- Negotiation team

## PHASE 1

**1.1** Build Negotiation Team

**1.2** Write Communication Plan

**1.3** **Document Business Use Case**

## PHASE 2

**2.1** Review General T&Cs

**2.2** Review SaaS-Specific T&Cs

## PHASE 3

**3** Negotiate

**This step will walk you through the following activities:**

- Assemble a business use case.

**This step involves the following participants:**

- CIO
- Negotiation team

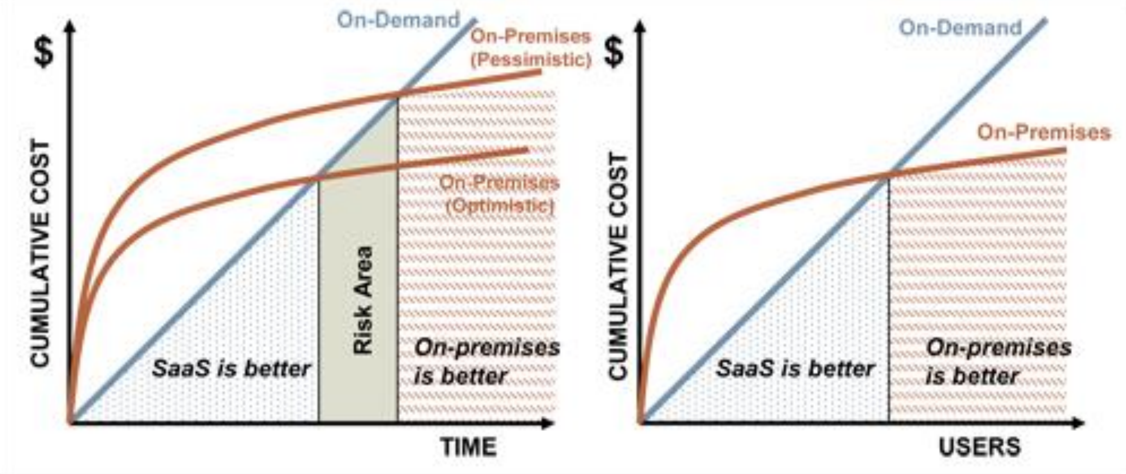
### Outcomes of this step

- Completed business use case.

# Calculate and understand the Total Cost of Ownership (TCO) before proceeding

A large user population or a long period of time are factors that can make the traditional on-premises model more economical than the SaaS model. Figure 1 illustrates how these two elements influence TCO.

**Figure 1. Influence of Time and Number of Users in the TCO**




Source: Info-Tech's *SaaS: What It Is and Why You Should Care*

It is crucial to understand that time and number of users affect TCO in different ways. While the impact of number of users on TCO is very predictable, the impact of time is not. This is because over time, unexpected events such as expensive hardware or software upgrade could suddenly increase the TCO of the on-premises model. This risk is largely mitigated under the SaaS model.

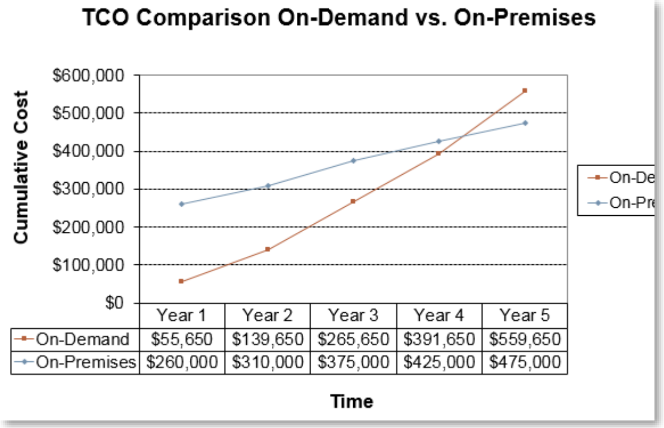
# Do the Math & Establish your SaaS TCO

SaaS TCO calculator

This Total Cost of Ownership (TCO) calculator provides enterprises with a framework for comparing the Software-as-a-Service (SaaS) delivery model with the traditional on-premises model.

| | Cumulative Costs | | | | |
|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| mand | $55,650 | $139,650 | $265,650 | $391,650 | $559,650 |
| emises | $260,000 | $310,000 | $375,000 | $425,000 | $475,000 |

| | On-Demand/Software-as-a-Service (SaaS) | | | | | | | Or | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | | | | | |
| Number of users | 50 | 100 | 150 | 150 | 200 | | | | | |
| Subscription fee per user per month | $70 | $70 | $70 | $70 | $70 | | | | | |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total ($) | % of Total Cost | Year 1 | Year 2 | Year 3 |
| dware/Infrastructure | | | | | | | | | | |
| Servers | $0 | $0 | $0 | $0 | $0 | $0 | 0.0% | $100,000 | $ - | $ - |
| Peripherals | $0 | $0 | $0 | $0 | $0 | $0 | 0.0% | $ - | $ - | $ - |
| Network | $0 | $0 | $0 | $0 | $0 | $0 | 0.0% | $ - | $ - | $ - |
| Other | $0 | $0 | $0 | $0 | $0 | $0 | 0.0% | $ - | $ - | $ - |
| ... | | | | | | | | $ - | $ - | $ - |
| Total Hardware/Infrastructure Costs | $0 | $0 | $0 | $0 | $0 | $0 | 0.0% | $100,000 | $ - | $ - |
| mmunication | | | | | | | | | | |
| Local Area Network | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% | $ - | $ - | $ - |
| Wide Area Network | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% | $ - | $ - | $ - |
| Remote Access | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% | $ - | $ - | $ - |
| ... | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% | $ - | $ - | $ - |
| Total Communication Costs | $ - | $ - | $ - | $ - | $ - | $ - | 0.0% | $ - | $ - | $ - |
| tware | | | | | | | | | | |
| License/Subscription Fees | $ 42,000 | $ 84,000 | $ 126,000 | $ 126,000 | $ 168,000 | $ - | 0.0% | $100,000 | $ - | $ - |
| ... | | | | | | | | $ - | $ - | $ - |
| Total Software Costs | $ 42,000 | $ 84,000 | $ 126,000 | $ 126,000 | $ 168,000 | $ - | 0.0% | $100,000 | $ - | $ - |
| lementation | | | | | | | | | | |
| Development/customization/integration | $ 9,750 | $ - | $ - | $ - | $ - | $ 9,750 | 1.7% | $ 5,000 | $ - | $ - |
| Training | $ 3,900 | $ - | $ - | $ - | $ - | $ 3,900 | 0.7% | $ 5,000 | $ - | $ - |




The *SaaS TCO Calculator* lists the various cost categories associated with the lifecycle of an enterprise application. Due to the highly subjective nature of a TCO calculation, this should not be taken as an exhaustive list. There are spaces within each section of the TCO spreadsheet to add other costs as required.

## INPUT

- Estimated costs for running SaaS vs. on premise

## OUTPUT

- Comparison of costs

## Materials

- SaaS TCO calculator

## Participants

- Relevant business stakeholders

# Establish and document your business use case up front to provide clear direction

**Documenting your technical and non-technical requirements is an essential first step.**

When buying SaaS, it is easy to lose sight of your business needs:

- Vendors may try to sell you “discounted” bundles.
- You may not be able to afford the package with the functionality that you really need.
- Vendors may try to sell you products you don’t need.
- Internal stakeholders might want to purchase something because it is seen as innovative or exciting – but that doesn’t mean it fulfills your business needs.
- The negotiation process is drawn out and complicated.

**Ask: What does the organization really need?**

Document this and communicate it to internal stakeholders.

# PHASE 2

## Redline Contract

# Phase 2: Redline the Contract Insight

*Info-Tech Insight*

**Focus on the terms and conditions, not just the price.** Too often, organizations focus on the overall price, neglecting to address core terms and conditions that can end up costing multiples of the initial licensing price over the life of the contract.

*Info-Tech Insight*

**Everything is negotiable,** but make sure you prioritize key concerns and back them up with a solid business case to bolster your negotiating position; no vendor will agree to all of your demands.

*Info-Tech Insight*

**Pay attention to the termination of the contract and the terms around it.** Many SaaS solutions come with auto-renew options. Make sure you understand when and why your contract with the vendor is going to end.

*Info-Tech Insight*

**Vendors view any and all ethical means as legitimate to control the sales process.**

*Info-Tech Insight*

**Set the stage for further negotiation** by having the price discounts negotiated and a solid implementation plan going into the trial if and when unexpected cost drivers emerge from the trial, such as the need for a higher number of end users or large data/storage consumption beyond initial estimates.

*Info-Tech Insight*

**Beware of a conflict between definitions and other T&Cs in the agreement – any contradiction could result in ambiguity.**

# Step 2.1: Review General T&Cs

**PHASE 1**

- **1.1** Build Negotiation Team
- **1.2** Write Communication Plan
- **1.3** Document Business Use Case

**PHASE 2**

- **2.1** **Review General T&Cs**
- **2.2** Review SaaS-Specific T&Cs

**PHASE 3**

- **3** Negotiate

**This step will walk you through the following activities:**

- Review general terms and conditions in your software contract.

**This step involves the following participants:**

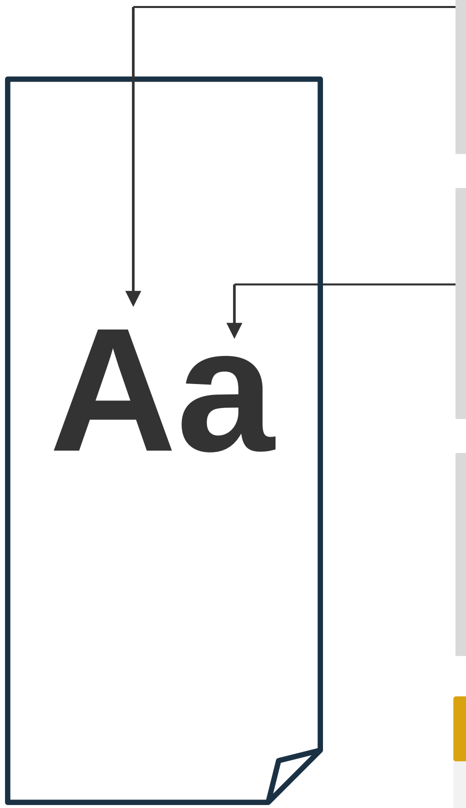
- Project owner

## Outcomes of this step

- General terms of contract redlined and ready for negotiation.

# Ensure the contract includes a robust and accurate defined terms section

**The defined terms section is a *critical* section of any contract that is often overlooked.**




Ensure that all capitalized terms in the agreement can be tied back to a formal definition of the term in the definitions section of the agreement.

Terms that are not capitalized will take on the generally accepted legal definition or be "negotiable" as to their meaning based on the context upon which they are referenced.

Defined terms will be capitalized within the agreement, meaning they take on the meaning of the term as it is explained in the definitions section of the contract.

*Info-Tech Isight*

Beware of a conflict between definitions and other T&Cs in the agreement – any contradiction could result in ambiguity.

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# Ensure the confidentiality agreement protects the buyer’s rights

Vendors often attempt to use over-restrictive confidentiality clauses to gain greater control over the sales process by limiting access to critical information (e.g. pricing) to the IT and procurement teams evaluating proposals. This prevents information flowing to their competitors and restricts information flow between external parties.

**Two formats for confidentiality**

- **Separate agreement such as a Non-Disclosure Agreement (NDA).**
- **Confidentiality clause embedded in the license agreement.**

# Follow these recommendations to improve the protection of your confidentiality agreement

1. Avoid signing agreements that prevent the reasonable sharing of information between the organization and external parties covered by the non-disclosure agreement (NDA) that work as trusted advisors to the company.
2. Include language that explicitly allows the company to discuss the agreement with the required external parties that agree to an NDA, such as: consultants, legal, accountants, etc.
3. Consider having your vendors sign an NDA during the RFI/RFP process to protect your organization's confidential information. (Scope, Duration, Liability)
4. Inform your vendors that you intend to benchmark and compare their proposals against market standards.

# Ensure that license terms and conditions can survive a Merger Acquisition & Divestiture (M&A)

**An M&A can create serious licensing problems, so be sure to include language that will protect your organization in each of these situations:**

| | |
|---|---|
| **If the vendor is acquired by a third party…** | Ensure that license terms and conditions survive an event where the vendor is acquired by a third party. This protects the organization from large enterprise vendors acquiring core/critical vendors and changing the terms after you are locked in and incurring high switching costs. |
| **If the client company acquires another company…** | Add language that allows the organization to expand license use rights to companies acquired during the license term; at a minimum, include these rights up to a certain dollar threshold or percentage of customer revenue. |
| **If there is a divestiture for a set period of time…** | Include language that provides a transition period for license use in the event of a divestiture for a set period of time for the new company. |

# Step 2.2: Review SaaS-Specific T&Cs

**PHASE 1**

- **1.1** Build Negotiation Team
- **1.2** Write Communication Plan
- **1.3** Document Business Use Case

**PHASE 2**

- **2.1** Review General T&Cs
- **2.2** **Review SaaS-Specific T&Cs**

**PHASE 3**

- **3** Negotiate

**This step will walk you through the following activities:**

- Review SaaS-specific terms and conditions in your contract.

**This step involves the following participants:**

- Project owner

## Outcomes of this step

- SaaS-specific terms of contract redlined and ready for negotiation.

# Follow these key recommendations when reviewing a proposed contract

**Lower Initial Cost**

Cloud solutions present a lower initial cost and lower cost switching options than on-premise software solutions; however, they contain hidden costs and risks. There are unique and novel terms and conditions which require special protections to be layered into the agreements vs. traditional license agreements.

**Higher Scalability**

Negotiating cloud T&Cs is more challenging as the cloud business model is predicated on a standardized offering and platform designed for high-volume scalability. The premise is to minimize customized T&Cs in order to streamline operating costs and increase profit margin.

**Due Diligence Required**

Most cloud agreements will start out heavily favoring the vendor; cloud vendors will not accept customer-provided license agreements. This requires due diligence on the part of the customer to ensure alignment between the user's needs and the vendor’s contract T&Cs.

**Know the Negotiables**

There are T&Cs that are negotiable; it is important to know where to push. Vendors and customers are working towards a middle ground in the establishment of industry-specific standards.

# Follow these key recommendations when reviewing a proposed contract

**Limitation of Liability**

Typical vendor financial liability applicable to data loss events and other business interruptions/risks is limited to 12 months of subscription fees which is likely little protection for most organizations. (Consider areas of coverage like IP, Data Breach, Confidentiality Breach – as carveouts)

**SLAs**

Service Level Agreements (SLAs) for uptime, incident response time, and other critical service factors are often missing or weak – or worse – are contained in a URL allowing the vendor to change the SLAs and penalties at will.

**Data Privacy**

The organization retains responsibility for data privacy obligations when migrating to a cloud provider; these are not transferable.

**Provider Backgrounds**

Cloud software providers come from different backgrounds – some are IT-centric and others are service-based and not IT savvy at all. This drives variability into the level of contracting maturity that these providers bring to the table, creating gaps in their contract language in terms of addressing key components.

# Use the *SaaS Terms and Conditions Evaluation Tool* to assess proposed contracts

Software as a Service (SaaS) is the most prevalent cloud delivery model (vs. Iaas, PaaS, XaaS) and is exemplified in SaaS platforms such as Salesforce.com and Microsoft's Office 365 platform.

SaaS subscription contracts raise unique challenges in opposition to traditional software license agreements and these issues need to be considered, analyzed, and ultimately negotiated with these unique considerations taken into account.

**General and Software Terms & Conditions Evaluation Toolkit**

Please see the previous tab for instructions.

**Provider:** **Proposal Date:**

**General Terms**

| Term | Comments | Proposed Contract Score | Clause Number | Priority to Negotiate | Negotiated Contract Score | Strong Vendor Bias<br>0 | Moderate Vendor Bias<br>1 |
|---|---|---|---|---|---|---|---|
| Definitions | Although this section may seem innocuous, this is a critical section of the contract. Ensure that defined terms are present in the contract and that they are used consistently throughout the document. | 1 | | low | 2 | Definition of a term severely limits a customer right or waives vendor responsibility that would otherwise be explained in the rest of the document. | Definition of a term vaguely limits a customer right or impacts a vendor responsibility that would otherwise be explained in the rest of the document. |
| Compliance with Laws | The contract should state that both parties will comply with all applicable laws and regulations. | 1 | | | 2 | Allocates responsibility for compliance with the law to the customer. Stays silent on their own contractual obligation. | Vendor in compliance with laws limited to a specific jurisdiction. Disclaimer that they will not knowingly violate the law. |
| Governing Laws | Defines the governing law for the applicability of the software license and any associated legal action. | 1 | | | 2 | Chooses the state or commonwealth in which the vendor resides and does business and/or a state that has adopted UCITA. | Chooses the state or commonwealth in which the vendor resides and does business but is not a state that has adopted UCITA. |
| Jurisdiction/Venue | Addresses the physical location of any legal action. | 1 | | | 2 | Obtains jurisdiction and venue in the vendor's preferred location. | Obtains jurisdiction and venue in the vendor's preferred location. |
| Vendor Financial Information | If the vendor is a publicly-traded company, their financial information will be readily accessible. However, if they are a private company, the customer will have to request this information. | 1 | | | 2 | Prevents disclosure of recent financial records. | Discloses partial financial records. |

Use the [*SaaS Terms and Conditions Evaluation Tool*] to assess a proposed contract from a SaaS vendor. This assessment will assist in the creation of RFPs and identify and prioritize the terms, conditions, and SLAs that are critical to your organization. Clients should aim for a "Fair Deal" set of clauses that will provide the required protection for the buyer and remain fair to the vendor/service vendor.

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# Include setup costs in the agreement to avoid surprises later

**Some vendors charge a one-time, separate fee for initial setup of the service**

a. Question fees that ostensibly charge for setup of a database and software install or data uploads. The software should already be installed and data upload is a requirement to operate the service and should be accounted for by the vendor.
b. Some fees that may be reasonable include services around initial system configuration, process flows and planning for data migration, data conversion, and workflow setup.
c. Recommend: Setup fees can often be negotiated down or done away with completely depending on various deal factors.

**Training fees**

a. Vendors may require that "certified" customer personnel are the only ones that can access support. This certification is generally a paid engagement with the vendor and may include a minimum number of trained customer personnel.
b. Recommend: Seek out options for online training and negotiate to have basic end-user and administrator training included in the cost of the monthly subscription fee.

# Anticipate these setup costs when calculating the price of a SaaS solution

**Customization fees**

The level of available customization varies greatly by provider. In many multi-tenant environments, customization is limited. Some services are architected to allow a wider breadth of customization. Fees for these services will vary by vendor.

Recommend:

1) Negotiate a discounted professional services hourly fee for the duration of the agreement;
2) Compare rates with equivalent service providers to provide a benchmark baseline.

**Integration fees**

What systems does the SaaS system need to integrate with? Are there available APIs or other integration tools available for real-time data transfer?

Recommend: Understand if additional fees are required to support the organization's data transfer model and real-time needs, as well as any applicable fees for additional API access. Scope and budget for additional integration costs and whether they are ongoing and variable in nature or a one-time fee.

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# Take a cautious approach to SaaS “free trials” or “pilot” offerings to preserve negotiation leverage

**The goal is to control and keep the pilot small such that a contract can be negotiated effectively if the solution is chosen. It is not practical to lock in pricing in advance of selecting the product.**

**Recommendations:**

1) Evaluate the offering prior to executing an agreement, if possible, and do not agree to the de facto license agreement.

2) Negotiate extension rights to trial licenses where a more extensive product evaluation may be required and justified by a pricey contract.

3) Do not allow a free trial to automatically roll into a paid subscription.

4) Ideally, pre-negotiate all T&Cs and pricing with the vendor such that if the pilot is successful, the deal can flow smoothly.

# Address license term and price protection in your contract

SaaS licenses are time-bound and non-perpetual in nature, leaving no residual use rights once the term has expired. If the customer has not negotiated renewal price protections, the vendor can and oftentimes will present the customer with unreasonable cost increases upon renewal.

The SaaS provider also has the leverage and right to turn off the service if it has expired and renewal payment has not been received within 30 days.

Negotiate price locks for the agreement term along with price escalation caps for the renewal terms tied to a set percentage increase and/or the lesser of a commercial index such as the CPI-U.

Negotiate the right to have disputed payments excluded from the service termination rights of the vendor.

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- Obtain a conversion credit to migrate the on-premise licenses to SaaS licenses. Do this for providers that offer both on-premise and SaaS solutions, and where there is legacy installed on-premise software.
- Seek to obtain a conversion credit to migrate the on-premise licenses to SaaS licenses.

# Beware the Auto-Renewal…

A typical contract term spans one to three years, with lower pricing offered for three-year terms.

Pricing per user may be even lower in agreements where the term is for multiple years and there is no rights to reduce license counts during the term. This is booked and subsequently recognized revenue by Wall Street.

**Ensure the term renewal is not automatic.**

Require your vendor to provide a mandatory six-month notification prior to the term expiration to ensure there is enough time available for negotiations or to replace the product.

While this should be tracked internally by the customer, the vendor notification provides an added layer of safety in the event that the internal process fails or a key employee leaves the company.

# Ensure the pricing metric is carefully defined in the contract

SaaS licensing can take a variety of forms in terms of the license metrics employed, including…

- Minutes consumed (e.g. web conferencing)
- Concurrent users
- Transaction-based pricing
- Per User Per Month

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- Perform the discovery exercise to ensure that the software solution deployment and use scenario matches with the applicable license metric.
- If the pricing metric is not carefully defined in the contract, it leaves room for dispute later on.

# Endeavor to eliminate storage fees

**Storage is a necessary part of a SaaS solution – which means vendors know they can charge for it.**

**Storage capacity is generally limited by SaaS providers in terms of what comes with the monthly subscription fee.**

- Allowance of pooled storage, whereby the per-user limits are combined to allow an overall enterprise capacity limit. (File, Data, Other storage types)
- For longer term and larger agreements, negotiate storage costs on a cost-plus-model basis, as storage is a commodity which is declining in price annually.
- Start negotiation to eliminate fees completely for storage as the premise of the SaaS commercial model is the elimination of infrastructure-related costs. If these fees cannot be completely eliminated, negotiate discounted pricing for additional capacity and also push the vendor to expand the capacity included in the monthly fee as well.

# Plan for your sandbox needs early and negotiate these environments up front

## Situation

- Vendors employ a highly variable practice in terms of charging additional fees for “sandbox” environments.
- There are also different tiers of sandbox environments from pure test and development environments to full production replica environments.
- Larger environments may require three or more sandboxes.

## Recommendations

- Plan for your sandbox needs early and negotiate these environments up front for no charge where possible.
- Leverage competing vendors that will offer this capability at no charge. Creatively propose only charging sandbox users vs. a charge for the whole environment.
- Lock in discounted rates for additional sandbox environments to accommodate environment changes.

Salesforce.com sandbox fees are a great example of this.

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Some providers charge a percentage of the overall subscription fee for sandboxes and these rates are highly negotiable.

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# Ensure maintenance and support are thoroughly addressed

Many SaaS providers are starting to reduce basic support services bundled with the subscription fee by eliminating certain types of support access (e.g. phone), and increasing response times to days vs. hours.

Clients are forced to purchase "premium" support to improve these service levels and premium support can cost between 15%–30+% of the subscription fee.

| | |
|---|---|
| 1 | Attempt to negotiate "premium" support features into the basic support included with the subscription fees. |
| 2 | Negotiate the ability to switch between support tiers at least once per calendar year, without penalty. |
| 3 | Negotiate that support services shall not be materially reduced or diminished upon contract renewal. |
| 4 | Clearly identify the support provider, especially where the SaaS company and hosting provider are separate companies. |
| 5 | Document escalation processes into the agreement to access the vendor's management and development teams. |
| 6 | Find out what happens if the software provider changes hosting service providers. |
| 7 | If deemed a risk, pre-negotiate a consulting agreement to ensure services remain uninterrupted and data is accessible, transferred, and kept secure. |

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# Identify your minimum uptime requirements and contract for an acceptable SLA level of uptime

**This can and should be a deal breaker if this is a critical application that requires a minimum service level. Other SLAs based on performance may be applicable as well as uptime.**

- Understand the required availability of the SaaS service to meet their business needs.
- Take into account downstream systems that do not apply to the software vendors' Service Level Agreement (SLA), such as their WAN, LAN, internet, or third party-hosting provider failures.

**Typical Monthly SLA**

**99.5% vs. 99.9%**

**3 hours vs. 45 minutes**

Identify your **minimum acceptable uptime requirements** and contract for an SLA level of uptime that surpasses this minimum threshold. There should be significant penalties in the form of cash back or service credits for all non-allowed downtime.

Negotiate additional critical performance SLA characteristics such as page refresh times or overall application response/latency rates.

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Pre-determine and document pre-notification time (e.g. 24 to 48 hours) prior to scheduled downtime occurring. Do not allow "emergency" downtime to be excluded from the SLA.

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# Ensure that the contract addresses how the SLA uptime guarantees are calculated

**Seconds or Minutes** ✓

**Hourly Average** ✗

! Exclusions to SLA provisions include scheduled downtime and the other items noted above.

Negotiate the right to terminate with a pro-rata refund if SLAs fall below a designated threshold more than two consecutive periods within a twelve-month period.

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Carefully negotiate what constitutes scheduled downtime and the notice the vendor must provide you in advance for the downtime to qualify as "scheduled." It is typical for "third-party" events such as hosting provider, WAN, LAN, or internet failure to be excluded from downtime calculations.

# Cover SLA and uptime guarantee liquidated damages in the contract

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SLA penalties must be meaningful and inflict pain on the vendor in order to motivate the desired change and to be effective.

Penalties are intended to correct deficient services and get the application running smoothly.

Most vendors will not offer refunds, as they detest the possibility of providing booked revenue back to the customer; credits are the norm.

Penalties of less than 10% of the monthly fee are generally ineffective to motivate the proper vendor response.

Ideally the penalty will correspond between the length of the outage and a similar length of service credit time.

Most SLA penalties have an upper limit, frequently capped at 50% of the monthly service fee.

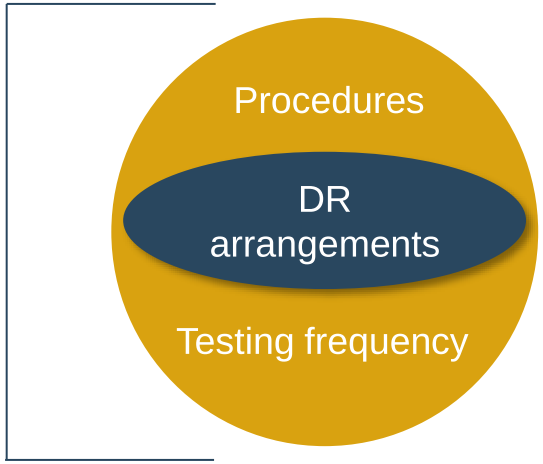
Ensure downtime calculations start when the downtime occurs, and not within a buffer of time such as 5 or 15 minutes of the downtime event occurring.

Recommend that the vendor is required to automatically calculate SLA credits by the provider, as they know when the system is up or down. Many providers place the onus on the customer to request credits and document the downtime events.

Request the ability to monitor SLA status via an online portal (e.g. Salesforce).

# Ensure you understand the vendor's disaster recovery (DR) testing procedures and frequency of DR testing

**What you need to know**




1) **Be sure to ask: What are the provider's arrangements for DR? RTO? RPO?**

2) **Ensure you understand the provider's DR testing procedures and frequency of DR testing.**

3) **Obligate the provider to conduct DR testing at a specified frequency and provide you with the test results.**

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Verify and document that there is no additional cost to have services provided via a DR site if the primary location is not operational.

# Be aware of suspension of service as it can provide your vendor with considerable leverage

**Many SaaS contracts allow for the suspension of service if payment is past due by 30 days; this may or may not include disputed payments.**

**This provides your vendor with considerable leverage over the customer in the event of a legitimate dispute.**

## Temporary

- Negotiate language that excludes good faith disputes from the suspension of service provision.
- Also, negotiate a notification of late payment to ensure that an administrative error does not trigger a suspension of service.

## Termination

- Negotiate a termination provision – ideally one that allows for a termination at any given month without a financial penalty. At a minimum, negotiate a capped fee, such as two months' fees if the agreement is terminated during the first year.
- Negotiate in language that allows either party to terminate the agreement with 60 days' notice; extend to 180 days' notice for mission-critical systems.

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Pay attention to the termination of the contract and the terms around it. Many SaaS solutions come with auto-renew options. Make sure you understand when and why your contract with the vendor is going to end.

# PHASE 3

## Negotiate Contract

Negotiate SaaS Agreements That Are Built to Last

# Phase 3: Negotiate the Contract Insight

*Info-Tech Insight*

**Create a negotiation strategy around approaching your critical T&Cs** as modified to meet your business needs. Not every negotiation tactic will work in every situation, so understand when, why, and how to use specific tactics to create a win-win situation for your organization and for the vendor.

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**Do not just focus on price.** Smart negotiators will focus on a mix of pricing, product, agreement duration, product terms, and T&Cs that are unique to SaaS contracts.

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**Review sample contract language**, terms, and conditions – either from the vendor or what you can find that is publicly available.

*Info-Tech Insight*

**Always behave courteously**, and remain calm. Emotions have a huge impact on the negotiation process. Remember that you are representing an organization, and your vendor is representing theirs. This is business; it's not personal.

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**Build your negotiation timeline** based on your vendor's fiscal year – check this before contacting your vendor. Make sure you leave enough time to execute on your holistic plan.

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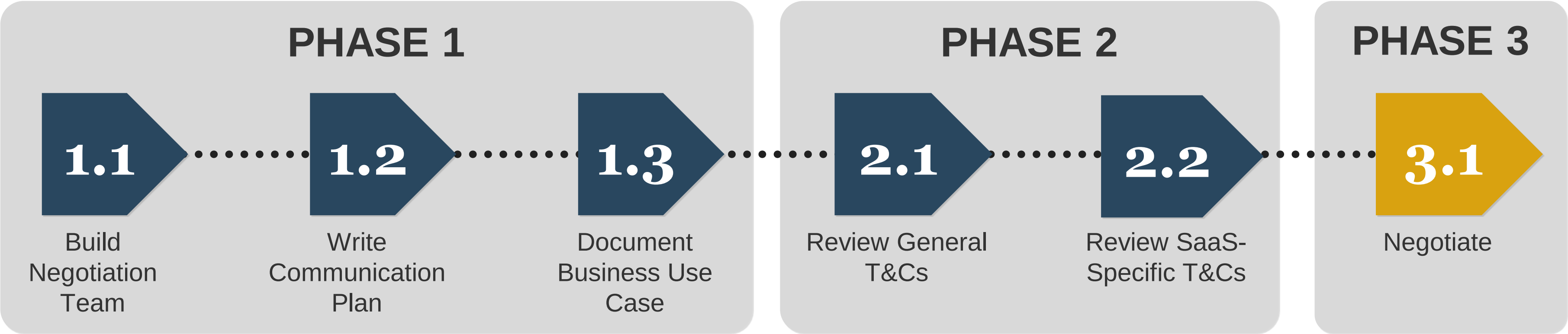
**Consider the annual nature** of a SaaS agreement vs. perpetual licenses – as long as this solution is required, you will be paying for it.

# Step 3.1: Negotiate




**This step will walk you through the following activities:**

- Assign roles to your negotiation team.
- Create and send a controlled communications letter.
- Plot the date for negotiations or SaaS purchase.
- Evaluate different negotiation tactics.

**This step involves the following participants:**

- Project owner
- Negotiation team

## Outcomes of this step

- Prepare the organization for negotiation with vendor.
- Create a thorough negotiation plan to begin negotiations with vendor.

# Prepare to negotiate internally before involving your vendor

## Prepare

- Gather and analyze your internal data.
- Know your ideal future state.
- *See Phase 1.*

## Set goals

- Set realistic and achievable goals for negotiations.
- Establish what is acceptable and unacceptable.

## Understand your vendor

- Know what motivates your vendor – what are its goals? What are its interests? This will give you important leverage.

## Decide **when** to negotiate

- Ideally, you'll be negotiating around your vendor's fiscal year end (FYE) or end or quarter.
- Start early, long before your renewal. This gives you more time and less pressure.

## Decide **what** to negotiate

- Decide where you will spend your time and effort.
- What can you make concessions on?

## Get **everything** in writing

- Have all concessions laid out in a formal document, and make sure they are in the signed agreement.
- Remember that verbal commitments have no legal status.

# Understand who has more leverage: you or your vendor

Vendor Leverage

Software and technology assets, once purchased, will generally stay in production for an extended period of time, i.e. several years or more. When organizations focus only on obtaining the highest discount on the price of the software, poor contract T&Cs can have a negative effect on the overall TCO of the software asset and increase the overall costs of ownership.

Once the agreement is signed, the vendor attains a much greater degree of leverage over the customer and the customer is dependent on the vendor for maintenance, support, and upgrades.

**Pre-Contract**

**1st Contract Signed**

**Post-Contract**

When transacting for a SaaS service, the typical process is for the software vendor to provide its standard license agreement as the basis of negotiation. The vendor will have its own professional negotiators and support staff available to protect its interests.

Customer leverage is at its maximum level prior to the first deal being signed with any vendor; thus, it is at this point where the customer also requires a similar level of negotiating expertise.

Client Leverage

# Negotiate for best-practice payment terms

**Pay for Performance**

**Invoice**

Ensure that the contract reads that payment terms start upon receipt of the invoice and not the invoice date.

**Extended Payment Terms**

Negotiate for an extended payment term of Net 45/60/90.

**Early Payment for Discount**

Negotiate for an additional discount in exchange for accelerated payment terms, such as 1%, Net 10. This means the customer receives a 1% discount on the invoice amount if the invoice is paid within 10 days of receipt.

**Acceptance Test or Additional Term Length at No Cost**

Delays payment or final payment installment until the procured solution has been installed, configured, and successfully running in a production environment.

# Perform deep research on all potential vendors as part of the due diligence process

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Review sample contract language, terms, and conditions – either from the vendor or what you can find that is publicly available.

**Market research**

- Understand your vendor. What motivates it (i.e. business model migration to the cloud)?
- What other products does it offer?

**Earnings reports**

- Know its financial situation.
- This is especially important if you are considering a long-term partnership.
- Know fiscal year ends and quarters and plan accordingly.

**Vendor strategy and product roadmaps**

- What's coming down the road?
- How is this going to affect your investment with it?

**Benchmarking using previous deals and research**

- What can you expect to pay? Have you or anyone else at your organization dealt with this vendor before?

**Identification of concessions you are willing to make**

- These might be different for every vendor.
- Don't just look at price here.

# Counter these common vendor excuses and control the cadence of the negotiation

**Common Vendor Excuses**

- Vendor is “not authorized” to meet the T&C modification requests.
  - Immediately escalate to a higher level of sales management that possess decision rights within the vendor’s organization.
- “Customer demands are not feasible within company policy.”
  - If there is a significant gap as to what is said verbally vs. what is in writing, that's a red flag for potential financial risk.
- Vendor states it has not made these changes for other customers.
  - Make the vendor put it in writing such as the vendor's internal written policy stating the "ask" is not possible or that it has not done this for another customer.

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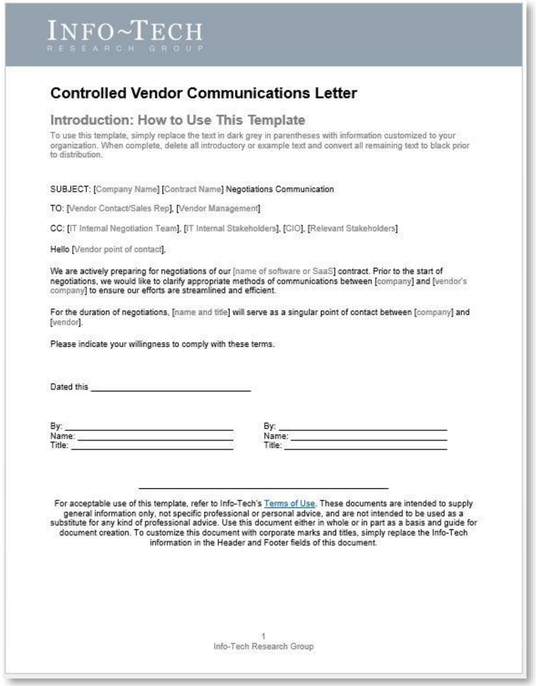
***“Where there is mystery there is margin…”***

# Create and send a *Controlled Vendor Communications Letter* to the vendor to create a communication vacuum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**Controlled Vendor Communications Letter**

**Introduction: How to Use This Template**

To use this template, simply replace the text in dark grey in parentheses with information customized to your organization. When complete, delete all introductory or example text and convert all remaining text to black prior to distribution.

SUBJECT: [Company Name] [Contract Name] Negotiations Communication

TO: [Vendor Contact/Sales Rep], [Vendor Management]

CC: [IT Internal Negotiation Team], [IT Internal Stakeholders], [CIO], [Relevant Stakeholders]

Hello [Vendor point of contact],

We are actively preparing for negotiations of our [name of software or SaaS] contract. Prior to the start of negotiations, we would like to clarify appropriate methods of communications between [company] and [vendor's company] to ensure our efforts are streamlined and efficient.

For the duration of negotiations, [name and title] will serve as a singular point of contact between [company] and [vendor].

Please indicate your willingness to comply with these terms.

Dated this ______________________

By: ______________________
Name: ______________________
Title: ______________________

By: ______________________
Name: ______________________
Title: ______________________

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Create a communication vacuum: isolate your vendor and shut down all communication channels from your organization to the vendor with only a Single Point of Contact (SPOC) as the available communication point.

This serves to push the vendor to recognize the designated decision-maker, i.e. you.

Have both internal stakeholders and your vendor sign off on an agreement that designates an SPOC.

Use Info-Tech's *Controlled Vendor Communications Letter*.

***"Sunlight is the best disenfectant…" – Louis Brandeis***

# Assign roles to negotiations team members with a focus on individual strengths and interests

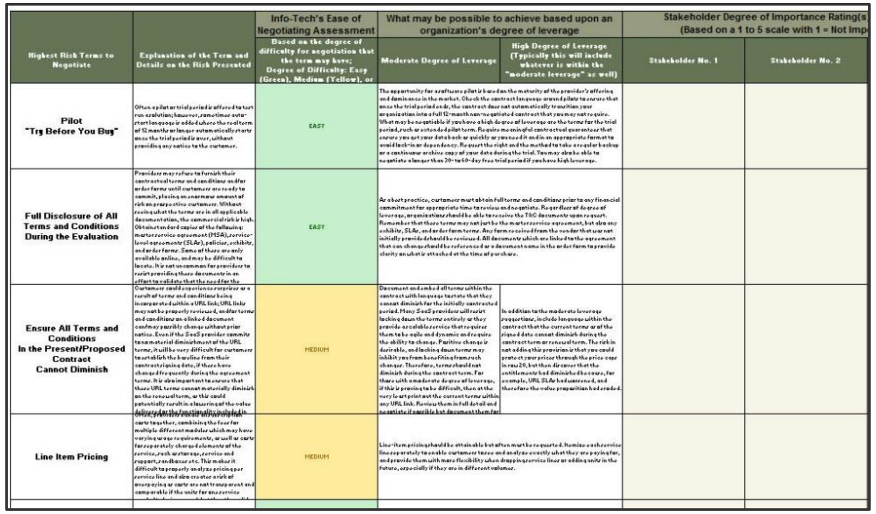
Who is the single point of contact (SPOC) or team of vendor communicators?

**Control lines of communication:**

| | |
|---|---|
| 1 | Establish who on the team can communicate with the vendor during negotiations and in what manner. |
| 2 | Keep your "experts" from sharing too much information. |
| 3 | Ensure experts are available when you need them. |
| 4 | Create indirect/subtle signals for "in person" meetings to dissuade a line of dialogue. |
| 5 | Use the same technique to signal the need for the team to caucus on critical issues. |
| 6 | Utilize text/IM technology to communicate without disrupting the flow of negotiations. |
| 7 | Utilize document-sharing technology. |

# Prioritize key SaaS terms and conditions prior to negotiation

This tool will help you prioritize your negotiation of key terms. When negotiating a contract, it's essential to decide which terms are non-negotiable and which ones have some flexibility. SaaS contracts usually involve many different stakeholders, which can make it difficult to effectively prioritize which terms need to be negotiated.




| Highest Risk Terms to Negotiate | Current Status and Next Steps | | | | Revised Contract Term(s) | | Fin |
|---|---|---|---|---|---|---|---|
| | Is the Term Included in Contract No. 1 (A)? (No = 0 and Yes = 1) | Does the Term in Contract No. 1 (A) Need Further Negotiation? (No = 0 and Yes = 1) | Is the Term Included in Contract No. 2 (B)? (No = 0 and Yes = 1) | Does the Term in Contract No. 2 (B) Need Further Negotiation? (No = 0 and Yes = 1) | Were You Able to Revise the Term in Contract No. 1 (A)? (No = 0 and Yes = 1) | Were You Able to Revise the Term in Contract No. 2 (B)? (No = 0 and Yes = 1) | Fin |
| Pilot "Try Before You Buy" | 1 | 1 | 1 | 1 | 1 | 1 | |
| Full Disclosure of All Terms and Conditions During the Evaluation | 1 | 1 | 1 | 1 | 1 | 1 | |
| Ensure all Terms and Conditions in the Present/Proposed Contract Cannot Diminish | 1 | 1 | 1 | 1 | 1 | 1 | |
| Line Item Pricing | 1 | 1 | 1 | 1 | 1 | 1 | |
| Upfront Payments | 1 | 1 | 1 | 1 | 1 | 1 | |
| Variable Pricing | 1 | 1 | 1 | 1 | 1 | 0 | |
| Payment Holiday | 1 | 1 | 1 | 1 | 1 | 0 | |
| Price Holds for Additional Future Functionality Required | 1 | 1 | 1 | 1 | 1 | 0 | |
| Improved Unit Pricing | 1 | 1 | 1 | 1 | 1 | 0 | |

This *SaaS Contract Negotiation Terms Prioritization Checklist* has stakeholders rank key high-risk terms. The tool aggregates rankings from all stakeholders, creating a prioritized list before entering negotiations.

# Consider the vendor’s fiscal period calendar and use it to your advantage

Knowing your vendor's fiscal year end can strengthen your negotiating position. Vendors are typically more flexible and willing to provide discounts around their fiscal year end, as they are pushing to meet quotas, document revenue, and complete more deals. Pay attention to your vendor's fiscal year end to better understand its motivations and leverage your negotiating position.

| Company | Country | Estimated revenue (USD) | Sensitivity to pre-fiscal year end deals | Fiscal year end | Q1 | Q2 |
|---|---|---|---|---|---|---|
| Adobe Systems | United States | 4, 400, 000, 000 | LOW | 30-Nov | Dec, Jan, Feb | Mar, Apr, |
| Autodesk | United States | 2, 512, 000, 000 | LOW | 31-Jan | Feb, Mar, Apr | May, Jun |
| BMC Software | United States | 2, 200, 000, 000 | HIGH | 31-Mar | Apr, May, Jun | Jul, Aug, |
| CA Technologies | United States | 4, 700, 000, 000 | HIGH | 31-Mar | May, Jun, Jul | Aug, Sep |
| Cisco | United States | 49, 161, 000, 000 | HIGH | 31-Jul | Aug, Sep, Oct | Nov, Dec |
| Citrix | United States | 2, 100, 000, 000 | LOW | 31-Dec | Jan, Feb, Mar | Apr, May |
| Dassault Systemes | France | 2, 028 000, 000 | MED | 31-Dec | Jan, Feb, Mar | Apr, May |
| Dell | United States | 59, 000, 000, 000 | LOW | 31-Jan | Feb, Mar, Apr | May, Jun |
| Corel | Canada | 265, 000, 000 | LOW | 30-Nov | Dec, Jan, Feb | Mar, Apr, |
| EMC | United States | 16, 500, 000, 000 | MED | 31-Dec | Jan, Feb, Mar | Apr, May |
| IBM | United States | 100, 000, 000, 000 | HIGH | 31-Dec | Jan, Feb, Mar | Apr, May |
| HP Software | United States | 4, 000, 000, 000 | HIGH | 31-Oct | Jan, Feb, Mar | Apr, May |
| Infor | United States | 2, 900, 000, 000 | MED | 31-May | Jun, Jul, Aug | Sep, Oct |
| Lenovo | China | 46, 296, 000, 000 | HIGH | 31-Mar | Apr, May, Jun | Jul, Aug, |
| Micro Focus / Attachmate | UK | 413, 989, 000 | MED | 30-Apr | May, Jun, Jul | Aug, Sep |
| Microsoft | United States | 72, 900, 000, 000 | MED | 30-Jun | Jul, Aug, Sep | Oct, Nov, |
| Oracle | United States | 37, 100, 000, 000 | MED | 31-May | Jun, Jul, Aug | Sep, Oct |
| Red Hat | United States | 1, 330, 000, 000 | MED | 28-Feb | Mar, Apr, May | Jun, Jul, |
| Salesforce | United States | 6, 667, 000, 000 | HIGH | 31-Jan | Feb, Mar, Apr | May, Jun |
| SAP | Germany | 20, 900, 000, 000 | MED | 31-Dec | Jan, Feb, Mar | Apr, May |
| SAS Institute | United States | 3, 160, 000, 000 | LOW | 31-Dec | Jan, Feb, Mar | Apr, May |
| Software AG | Germany | 450, 000, 000 | HIGH | 31-Dec | Jan, Feb, Mar | Apr, May |
| Symantec | United States | 6, 800, 000, 000 | LOW | 31-Mar | Apr, May, Jun | Jul, Aug, |
| VMware | United States | 4, 600, 000, 000 | MED | 31-Dec | Jan, Feb, Mar | Apr, May |

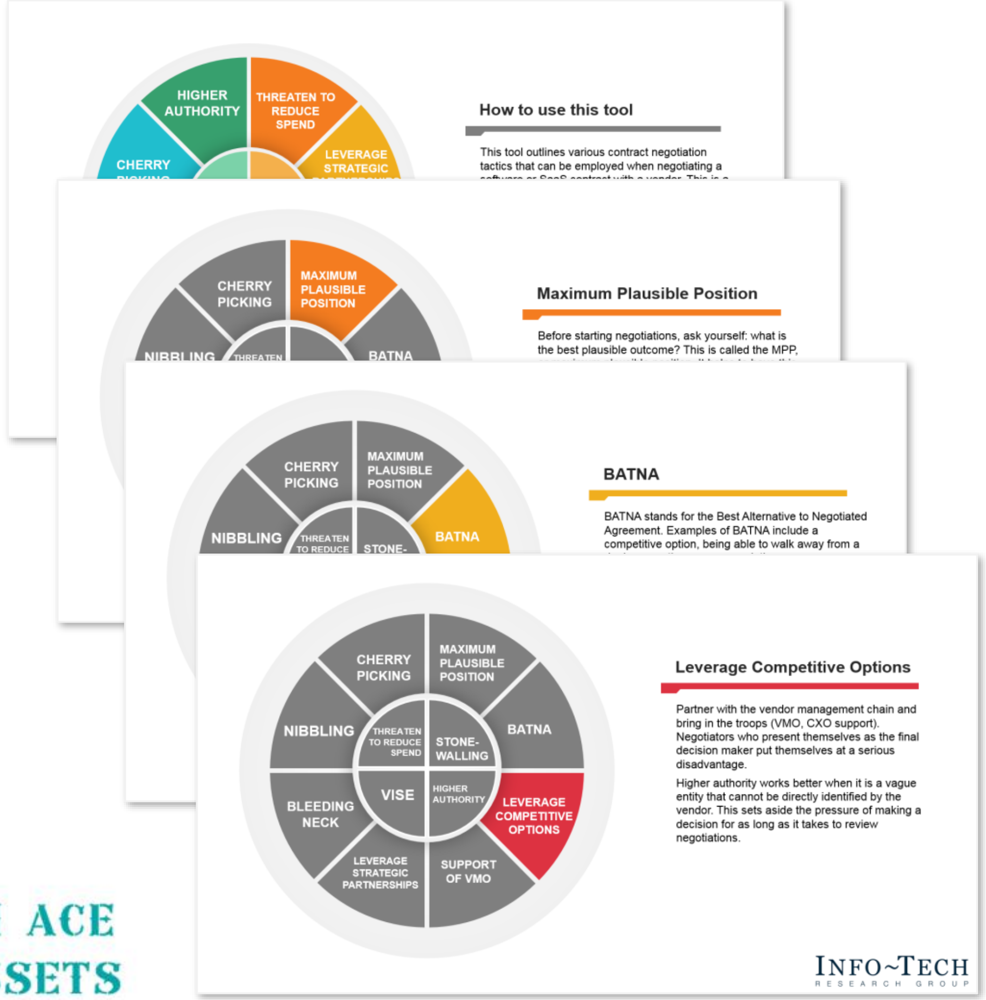
Use the *Key Vendor Fiscal Year End Calendar* to…

- Check the fiscal year end of your vendors.
- Make sure you time purchases, renewals, and negotiations around your vendor’s FYE, or, at the very least, the end of quarter.
- Sales reps will have pressure on them, and they will pressure you. Get started when you have more time and less pressure.

**Info-Tech Insight**

Build your negotiation timeline based on your vendor’s fiscal year – check this before contacting your vendor. Make sure you leave enough time to execute on your holistic plan.

# Consider specialized negotiation tactics




There are a host of different negotiation strategies – and which one to use depends entirely on specific circumstances.

Read our *Contract Negotiation Tactics Playbook* to figure out what strategies will work for you.

*Info-Tech Insight*

Not every negotiation tactic will work in every situation. It's essential to have a firm grip on available tactics – and to understand when they are appropriate to use.

# Always adhere to these three cardinal rules for negotiation

Enter into negotiations on your own terms.

Verbal agreements aren't legally binding. Get everything written down.

Getting angry or emotional can compromise your leverage. Remember, this is business; it's not personal.

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Unlike many other negotiation tactics, these ones are always applicable – and will serve you well – no matter the situation.

Source: [Cardone, 2013]

# Maintain a position of strength with these negotiation guidelines

**In any negotiation context, these recommendations are valid. They will help you maintain a strong leveraging position.**

- **NEVER** reveal your budget.
- **NEVER** concede that the vendor’s offer is reasonable.
- **NEVER** reveal your schedule, until it benefits you to do so.
- **NEVER** reveal that the vendor is the only “viable” option.
- **NEVER** eliminate alternative options until the deal is done.
- **NEVER** fail to incorporate agreed-upon details into the agreement.
- **NEVER** agree to a valuation or ROI provided by the vendor.
- **NEVER** reveal that they are the only “viable” option.

# Thank You.


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