

**Spend Matters™**

# IT ADVISORY SERVICES REVIEW



Real experts.  
Real data.  
Real savings.

*In a world where everything is rapidly digitizing and moving to a services-based delivery model, there is perhaps no spend category more difficult for businesses to manage than IT services.*

The more operations move to the cloud and businesses rely on major IT services providers like Microsoft, SAP and Oracle to get work done, those in charge of IT sourcing, whether that be procurement, IT or a dedicated team in a center of excellence, are encountering a higher volume of IT services purchases, more complex offerings and pricing structures to negotiate, and more risk inherent in making the wrong choice. And with worldwide IT spend projected to exceed \$3.8 trillion in 2020, all of these issues are only expected to build on themselves.

Helping manage this situation is exactly what NPI, a consulting firm based in Atlanta, does for IT sourcing organizations.

Founded in 2003, NPI helps businesses identify and eliminate overspending on IT purchases, as well as provides vendor-specific intelligence on a range of topics, including risk reduction efforts, licensing program optimization and negotiation playbooks. Its services span subscription pricing intelligence to renewal process advisory and IT sourcing transformation consulting, and the firm counts businesses as varied as Morgan Stanley, the Social Security Administration, Denver Health and Norfolk Southern as clients.

This Spend Matters PRO Provider Introduction offers an overview of NPI, including quick facts on the provider. The brief also has an introduction to each of NPI's six business lines, and a selection checklist for companies that may consider the provider.

## NPI QUICK FACTS

**Founded:** 2003

**Headquarters:** Atlanta, Georgia

**Employees:** 350+, many of whom are subject matter experts on top enterprise IT vendors

**Customers:** 500+, including more than 80 Fortune 500 companies

**Industry concentration:** No concentration – has clients across all verticals

**Amount of spend analyzed as of 2019:** Over \$5 billion of IT spend (more than 1,600 vendors)

**Average savings:** 12% overall savings, 10–30% CapEx, 3–12% OpEx, 20%+ in telecom

**NPI: AN INTRODUCTION**

NPI's services portfolio centers around the larger goal of helping companies find and eliminate transactional overspending for IT and telecom purchases and renewals. The firm does this by benchmarking vendor- and transaction-specific pricing, advising on licensing/subscription decisions, and providing negotiation intelligence and playbooks.

**NPI Services Portfolio**

<b>IT PRICE BENCHMARK ANALYSIS</b> Subscription service provides transaction-specific price benchmark analysis and negotiation intel to help you get the best deal on individual IT purchases and renewals.	<b>EA RENEWAL OPTIMIZATION</b> Expert analysis, decision support and negotiation playbooks to help you buy the best-match offerings at the best price and terms from vendors such as Microsoft, Oracle and SAP.	<b>TELECOM CARRIER CONTRACT OPTIMIZATION</b> Analysis and advisory services to align telecom carrier agreements with decreasing market prices; optimize plans and usage; identify and eliminate stranded spend.
<b>LICENSE COMPLIANCE FOR LARGE SOFTWARE ESTATES</b> Internal license position assessments to proactively identify and eliminate compliance risk and validate usage for demand planning; & audit defense services to minimize or eliminate penalties.	<b>M&amp;A/DIVESTITURE IT ASSET RATIONALIZATION</b> Methodology, tools and services to negotiate with vendors to split large IT estates apart (or combine them), and meet pressing divestiture and merger deadlines.	<b>IT SOURCING TRANSFORMATION ADVISORY</b> Methodology, frameworks and decision support to help you define your vision for IT sourcing excellence, and define an implementation plan that encompasses people, tools and processes.

## ASSESSMENT OF NPI SERVICES

### SmartSpend for IT Buyers

NPI's SmartSpend for IT buyers is a subscription service for IT price benchmarking and negotiation intelligence. The service provides transaction-specific analysis and negotiation advice to help IT buyers optimize purchases and renewals.

Members gain access to custom analyses of their everyday purchases throughout the term of their annual subscription. When they receive vendor proposals and quotes, businesses can submit them for review by an NPI team, which will return a "fair market value" report specific to that transaction (i.e., basically a should-cost analysis developed for the buyer based on the submitted requirements) and personally walk members through the findings. The FMV report and advisory call in turn can lead to other discussions and services, including iterative quote analysis, license scenario cost modeling and iterative playbook tactic formation.

Each FMV report provides a high-level overview of the pending deal and detailed recommendations about how to approach the transaction. Sample contents include:

- Target cost reduction goal
- Deal assessment (type of spend, above/below/near FMV)
- Findings and recommendations (line item analysis, advice on how to approach each purchase element)
- Negotiation intelligence (e.g., prior NPI outcomes with the vendor) and playbook recommendations (e.g., aggressive vs. non-aggressive scenarios, options to introduce competition)

While other consulting firms do offer advisory on IT sourcing and benchmarking, NPI's approach is far more granular and available at a mass scale than what competitors currently offer (NPI has helped clients optimize purchases from over 1,600 vendors in the past three years). Rather than a one-size-fits-all method, NPI's research is customized to individual purchase scenarios, based on the experience of hundreds of SMEs, many of which have had experience selling into IT sourcing organizations for the vendors in question. The service does not officially provide market research pertaining to alternative firms or services that a business should consider (except as it relates to negotiation leverage, in which case NPI will name viable alternatives that are known to motivate the vendor at the negotiation table), but the pricing and negotiation-specific services are unique, and thus serve as a complement to initial market research efforts (e.g., identifying procurement software providers via Spend Matters SolutionMap).

### Enterprise License Agreement Optimization Consulting

NPI's practice to optimize **enterprise license agreements (ELAs)**

provides vendor-specific analysis, decision support and intel to help IT sourcing teams select the best-match offerings at the best price and terms from vendors. Typical projects revolve around vendors such as Oracle, SAP, IBM and Microsoft, the latter for which NPI offers a center of excellence.

NPI's staff roster is filled with alumni from commercial organizations at large software providers like Microsoft et al – and this gives them deep insights into the commercial structures and also the performance incentives in play to help shape an optimal negotiation strategy.

NPI engages clients in ELA optimization throughout contract lifecycles but especially around true-ups, renewals and large-scale new vendor purchases, as well as deal restructuring due to merger and divestiture activity (see below). The firm recommends that such exercises ideally begin six months in advance of the event, or with a minimum of two months' lead time, for the best results.

**NPI has helped clients optimize IT purchases from over 1600 vendors in past three years.**

The ELA optimization process follows a five-step process common to most sourcing scenarios:

1. Analyze current vendor usage, licensing and costs
2. Define candidate licensing scenarios
3. Benchmark and model costs, define targets
4. Define negotiation strategies and tactics
5. Provide expert support for negotiation to completion

The major differentiator here for NPI is the large team of in-house experts it calls upon to inform ELA optimization strategies. With the large vendors in question, sales teams have long-term strategies in place to get clients to sign up for new products and to push list prices and licensing metrics.

Since NPI's experts are often former members of those sales teams or the vendors' pricing desks, that helps the buy side gain competitive intelligence and prepare its own counter-strategy.

And this is no side business: NPI claims to have the largest Microsoft license optimization team in the IT procurement consulting industry. For any solution providers reading this who run on Microsoft Azure, it might also be worth a call to NPI to see what they can optimize at the platform and infrastructure layer.

### Telecom Expense Management

Much like its ELA optimization practice, NPI's telecom cost optimization services provide analysis and advisory that aligns telecom carrier agreements with fair market prices, as well as optimizes service plans. Example areas covered include mobile, wireline/network, cloud and web conferencing.

Since telecom expenses are often decentralized and poorly benchmarked, businesses typically struggle to take advantage of volume pricing and keep track of various program elements (e.g., available services, plans, usage requirements). NPI addresses these pain points through two approaches:

- **Carrier contract optimization.** Helps businesses determine the ideal pricing/rates, discounts, credits and business terms for telecom contracts. Also assesses whether carriers have complied with all of the cost-related terms of current agreements.
- **Subscription and service optimization.** Helps businesses select the optimal plans and services based on actual and forecasted usage, as well as prune zero-use lines and services.

NPI intentionally focuses on procurement-oriented, non-disruptive telecom cost reduction that requires no changes to critical network resources – most businesses want to steer away from the risk of telecom technology changes (which is another potential source of savings) until forced to tackle them for reasons such as security, reliability and system upgrades.

### Software License Audit Services

Beyond determining the right price and amount or level of service a business needs, NPI offers a risk management and mitigation capability through its software license audit services. Here the firm provides both internal license position assessments to proactively identify and eliminate compliance risk and audit defense services to minimize or eliminate penalties.

**NPI's audit management experts guide businesses through every step of the audit process.**



NPI categorizes its audit defense services into three groups:

- **Proactive license position assessment.** The business in partnership with NPI conducts a “self-audit” for specific software estates to identify over/under usage, define a remediation plan for right-sizing and establish a baseline to define requirements for an upcoming renewal. Again, for any software providers who compete against large ERP incumbents, you may want to send your clients to a firm like NPI so that the “audit card” doesn’t get played in a way that prevents fair competition.
- **Audit management and defense (from day 1).** Mitigation of audit risks from the onset of a software license audit. NPI’s vendor-specific license and audit management experts guide businesses through every step of the process. This includes screening data and reports for veracity, advising on how and when to communicate with the vendor’s audit team, advising defenses against fault findings and, if a purchase is necessary, providing price benchmark analysis and negotiation intel to achieve an optimal outcome.
- **Audit defense (mid-stream).** If a business is in the middle of an audit and realizes that it needs help, either in the face of a massive invoice or inaccurate findings, NPI can jump in mid-stream to validate and challenge the accuracy of audit findings, defend the business’ position and negotiate an optimal settlement. While not as comprehensive as the two above options, the potential savings can still be considerable: NPI joined a Microsoft SLA midstream to settle a \$44 million invoice down to \$1.2 million based on disputed findings and negotiation support.

### **Divestiture and Merger IT Asset Rationalization**

When businesses merge, get acquired or are spun out, IT estates need to be combined or split apart. NPI provides services, methodologies and tools to negotiate with vendors in support of these efforts while meeting transaction deadlines.

For divestitures, NPI provides a purpose-built shared repository for information and documents associated with the project. It then populates the repository with specific information related to each vendor, including asset quantities, vendor contacts, internal stakeholders and other relevant foundational data. Throughout the project, NPI serves as a central coordinator between the involved parties, from legal to vendors, managing negotiations, agreement assessments and optimization opportunities.

In mergers, NPI uses many of the same services it offers for ELA optimization practice. During due diligence, NPI also can help compare licensing and cost-related terms of each entity’s agreements, conduct benchmark analyses and estimate opportunities for savings or anticipated costs.

### **IT Sourcing Transformation Consulting**

Finally, given all of the above, some businesses will decide that they need to improve their own internal IT sourcing competencies. NPI assists here through an IT sourcing transformation offering, helping take IT sourcing from an ad hoc activity to a dedicated, strategic CoE.

Much like other transformation projects, NPI begins by conducting a current state assessment of the IT sourcing function. The assessment is then mapped to NPI’s own IT sourcing maturity model, which the firm uses to define a desired future state and build a roadmap. Potential results include:

- Clear roles and responsibilities established for all participants in the IT sourcing lifecycle
- IT asset management procedures integrated into the IT sourcing lifecycle
- Guidance on strategic supplier relationships governance and management
- Improved alignment between IT and procurement functions and improved spend/supplier influence in the IT category that helps both IT and procurement departments serve the budget owners in the business who use both IT and procurement as internal partners

## NPI CLIENT PROFILE

Consider NPI if you meet any of the following qualifications:

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- Fortune 500 and large middle-market companies seeking out price benchmark analysis and negotiation support for IT sourcing
- IT is a major and growing spend category that requires cost optimization (especially when internal IT sourcing resources are limited)
- Businesses undergoing software license audits or preparing for one as an inevitability
- Two companies are merging or a subsidiary is being spun off and support for an IT asset rationalization project is needed
- A business wants to form an IT sourcing center of excellence but doesn't know where to start or what the final form should look like ■

### ABOUT SPEND MATTERS

Spend Matters is the world's best and largest information source for procurement and supply chain professionals, enabling CPOs, consultants and technology solution providers to make smart decisions regarding all things procurement. Spend Matters is a genuinely independent, neutral source for the latest analysis and insight into the procurement industry through unbiased reviews, research briefings and editorial content. We provide:

- Best practice advice on processes and technology
- Insightful and in-depth procurement technology reviews and analysis
- Concrete and actionable recommendations for the procurement professional
- Definitive and honest expert opinions – not just facts or thinly veiled advertising material
- Deep, curated content aligned to your information needs to efficiently keep up with the industry
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