

# Driving Business Value Through Vendor Consolidation



What if you could power the future of your enterprise by re-evaluating how you bring technology into the organisation? Developing a more strategic approach to procurement and vendor management is not only possible, it is a necessity in today's business landscape.

Across enterprise organisations today, Sourcing, Procurement and Vendor Management (SPVM) professionals are balancing twin objectives. They must constantly assess **how to optimise IT operations and processes** in order to **free up funds for the business to invest in innovation**. As Gartner confirms: "The accelerating pace of the transformation to digital business is driving the need for a shift in sourcing, procurement and vendor management focus toward innovation and value enhancement. In addition, the procurement function must also address risk and still optimise costs (as it has always done)."<sup>1</sup>

SPVM professionals can address their expanding responsibilities and realise greater business value from IT operations by critically examining their current procurement processes and vendor portfolio. According to Gartner: "For SPVM leaders to become strong partners and effectively manage the risks, opportunities and challenges associated with such high volume and dynamic purchases of technology solutions across the business, they must change their operating model and adopt agile approaches to the way their organisations engage with the IT market."<sup>2</sup> If SPVM professionals ultimately deem their current approaches to procurement and vendor management suboptimal, they may consider IT vendor consolidation to reduce costs and improve efficiency — resources they can then re-allocate to more significant initiatives. But it is not as simple as reducing the number of IT vendors from which an enterprise buys products and services.

**IT vendor consolidation is a strategic decision that — if undertaken correctly, alongside the right partners — can drive greater business value and position the enterprise for future growth.**

Moreover, the strategic gains of vendor consolidation take on greater urgency in the context of the global COVID-19 pandemic. Not only will enterprise organisations be even more pressed to consolidate to optimise costs and operations, but they are also likely to have fewer IT vendors and solutions providers from which to select the right strategic partners for this journey.

Whether vendor consolidation is a strategic choice to advance the business or the unexpected outcome of a crisis or emergency, it will be top of mind for many enterprises and global companies for years to come. The following whitepaper is a guide for IT executives and SPVM professionals looking to improve the strategic business value of procurement and vendor management. It first explains how a large vendor portfolio and ineffective procurement processes challenge SPVM professionals. Next, it lays out the benefits and advantages of vendor consolidation, including its strategic value to the organisation. Finally, the paper concludes by identifying key questions an enterprise should ask of any partner with whom they might consolidate.



*The strategic gains of vendor consolidation take on greater urgency in the context of the global COVID-19 pandemic.*

### A large and unwieldy vendor portfolio can compromise the success of your digital transformation efforts.

#### Losing control with vendor sprawl.

Today, large enterprises possess highly sophisticated IT ecosystems. To a certain degree, this complexity is required to realise the business outcomes promised by digital transformation, such as new competitive advantages or improved customer service. However, a robust IT ecosystem can also be expensive to maintain, resource-intensive to manage and inefficient to operate:

**“Digital business and its plethora of component assets, technologies and delivery models are straining traditional ITAM practices.”<sup>3</sup>**

Additionally, many SPVM professionals suffer under the weight of too much choice. Gartner asserts: “The availability of technology service and solution options and vendors can lead to an unwieldy and inefficient vendor portfolio.”<sup>4</sup>

This portfolio can become even more expansive as end users increasingly wrest away control of IT purchases from SPVM professionals. According to Gartner: “Technology choices and purchases are not solely an IT department responsibility. In fact, IT departments are unable to manage the volume, diversity and demand. According to the business leaders in the 2018 Gartner Business Unit IT survey (n = 166), 36% of IT solutions/technology-related decisions are already happening outside IT.”<sup>5</sup>

When employees make IT purchases without the guidance or sanction of SPVM professionals, costs can increase, shadow IT can proliferate, security can be compromised, and productivity and collaboration can suffer. Now, faced with vendor sprawl, numerous SLAs and licensing contracts (some even entered into by unsuspecting end users), and myriad products and solutions from disparate third parties, SPVM teams are overwhelmed by the time and money it takes to execute their key functions. Essentially, they find themselves spending too much time managing day-to-day operations, without the bandwidth to focus on transforming for the future.

#### Struggling with legacy processes

Often, SPVM professionals are further challenged by outmoded procurement processes — a seemingly common hurdle for many organizations. Gartner notes: “Compared to other corporate functions, procurement receives minimal invest for robotic process automation, artificial intelligence and related technologies.”<sup>6</sup> Unfortunately, out-of-date and inefficient procurement operations can threaten the future of an organisation’s SPVM function. Without a more strategic approach to procurement, SPVM professionals and their teams may be challenged to defend their value to the business.



According to the 2018 Gartner Sourcing, Procurement and Vendor Management Survey:

**“Up-to-date, agile and flexible processes are top determinants for the success of IT procurement in organisations.”<sup>7</sup>**

#### Impeding innovation

Above all, inadequate resources and strategies to effectively manage procurement and a large vendor portfolio can jeopardise the business value of digital transformation. In fact, sound procurement and vendor management is so important to driving business value that they will likely become stronger organisational priorities. Gartner predicts that: “By 2023, 40% of midsize enterprises will have a center of excellence for IT procurement and vendor management.”<sup>8</sup> Enterprises are investing heavily in digital technology to transform the future of the business, but if day-to-day management of IT procurement and vendor portfolios do not operate efficiently, that investment may be wasted.

### A streamlined vendor portfolio optimizes your daily SPVM operations and primes your enterprise for growth.

Enterprises seeking to update their procurement processes and address the challenges of a large vendor portfolio should consider vendor consolidation. After all, establishing fewer, better relationships with key partners can lead to gains in costs and efficiency, not to mention enduring business outcomes.

#### **Simplification leads to efficiency.**

First of all, working with fewer vendors helps to *optimise the entire supply chain and drive efficiency* across procurement, delivery, deployment, asset management and service. It is time- and human resource-intensive to coordinate purchasing across numerous vendors and their disparate fulfillment operations. Additionally, an expansive vendor portfolio makes it harder to obtain a holistic view of the organisation's supply chain and procurement function, track IT lifecycles and surface key insights to improve the process for the future. In particular, working with fewer vendors makes it easier to invest in solutions to automate procurement, which can help the business become more agile:

// Investment in sourcing and procurement automation and data analytics is critical to achieving greater flexibility and better outcomes for the business.<sup>9</sup>

Additionally, with a smaller vendor portfolio, SPVM professionals can improve efficiencies by simplifying IT asset and software management. Fewer vendors also mean fewer SLAs, speeding up shipping, delivery and deployment.

#### **Cost benefits of loyalty**

Along with optimizing the enterprise's supply chain and procurement function, vendor consolidation *reduces costs* associated with internal IT support for vendor management and vendor relationships.

Gartner examined the outcome of a large company's decision to streamline its vendor portfolio and found that: "After gaining executive support and sponsorship, the company executed a plan of multiple subcategory sourcing events, **reducing its number of vendors** by nearly **25%** and netting an **annual savings of 20%** of its annual spend."<sup>10</sup>

Moreover, an enterprise may see savings when a smaller vendor portfolio leads to more optimised procurement processes: "...applications to streamline procurement processes are increasingly proven and cost-effective. By accelerating its own technological evolution, procurement can better meet business partners' demands while freeing staff to take on more high-value work."<sup>11</sup> When SPVM professionals can streamline procurement through vendor consolidation, they free up IT resources and funds for more complex tasks and high-priority projects.

A common misconception is that working with fewer vendors will comprise the enterprise's ability to negotiate SLAs and pricing against a vendor's competitors.

Gartner explains: "The reasons to have a multivendor, or multisourcing, strategy might be to reduce dependency in order to mitigate concentration risk and to maintain competitive tension between providers."<sup>12</sup> SPVM professionals fear that a smaller pool of options will lead to fewer opportunities to find savings. However, the reverse is true. In reality, consolidating with a vendor allows the enterprise to take advantage of scale or volume pricing.

## Part II: Why consolidate?

Additionally, according to Gartner's findings on the top three benefits of rationalising spend across vendors: "Leveraging spend across fewer vendors can lead to increased discounts."<sup>13</sup> When an enterprise demonstrates its loyalty to a vendor by choosing it above others, that vendor is more likely to extend preferential pricing to reward that loyalty and retain that customer.

A smaller vendor portfolio also makes it easier for SPVM professionals to monitor vendor performance and **gain visibility into SLAs and software licensing agreements**. With this more comprehensive view, SPVM professionals are in a stronger position to meet their objectives and execute effective IT governance. Moreover, increased visibility into the vendor portfolio helps SPVM professionals better manage IT risk and ensure IT compliance. As a result, the business is more secure and more likely to see returns on IT investments.

### A win for employee experience

The benefits of vendor consolidation can radiate outward from the SPVM function to end users across the enterprise. With a select number of approved vendors for IT purchases, employees clearly understand their options for customizing their corporate IT. In return, IT teams are more prepared to quickly deploy, refresh and support those options because their time and attention are no longer divided across an overwhelming number of products and services.

This streamlined environment facilitates more convenient and consistent corporate IT experiences for employees and, presumably, increased efficiency, productivity and collaboration. Furthermore, enterprises can realise real business value from building this kind of modern employee IT experience: **84%** of IT decision-makers believe "their organisations have linked solutions, tools and devices that enable the **ability to work from anywhere** and any device to **attract and retain talent**."<sup>14</sup> In essence, when a workforce feels empowered and supported by the enterprise's IT team, employees are more likely to stay there — and fewer vendors to negotiate can make this outcome more likely. Above all, vendor consolidation elevates the relationship between the enterprise and key vendors and increases the business value of IT solutions.

### Building meaningful partnerships

The decision for an enterprise to consolidate with a vendor increases the value of that customer relationship to the vendor and incentivises the vendor to deliver better service at a better price. Using the COVID-19 pandemic as an example, an enterprise that has consolidated with a preferred vendor might receive preferential treatment on pricing, supply, support or emergency assistance in challenging times.

In addition, when an enterprise selects a vendor to be a preferred partner, that vendor can take on more SPVM functions for the enterprise, including procurement and vendor management. This arrangement can lighten the burden of third-party vendor relationships for the enterprise's internal teams, freeing those employees to focus on more important initiatives.

Finally, and perhaps most importantly, developing robust relationships with a few vendors can make those relationships more strategic. An enterprise and partner willing to go the distance together can concentrate on developing IT solutions today that promote long-term growth tomorrow. Among the top three benefits of rationalising spend across vendors identified by Gartner: "Strategic commitments to vendors can strengthen relationships, performance and business outcomes."<sup>15</sup> Over time, the partnership becomes more valuable to both the enterprise and the vendor, ensuring a mutually beneficial relationship that drives both day-to-day efficiency and enduring business value.



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### The right choice is a vendor with deep expertise across the IT ecosystem who will prioritise your SPVM and business needs like their own.

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When an enterprise decides to consolidate with a vendor, they should be entering into a fulfilling partnership that creates value for the organisation in many ways: by saving time and extending the capabilities of internal IT teams, mitigating risk and strengthening decision-making. Moreover, the right partner should be able to demonstrate consistent and ongoing cost savings to the organisation through both day-to-day actions and strategic initiatives.

As daily SPVM operations become more optimised, the enterprise will have more funds and resources to invest in projects that power the business. Therefore, the decision to move forward with key vendors is an important one. In particular, an enterprise and its SPVM professionals should ask certain questions of a partner to ultimately determine the best fit.

#### Key questions to ask:

##### *Can this partner help us determine our strategic goals for vendor consolidation and provide a roadmap to get us there?*

A good partner should be willing and able to thoughtfully develop a holistic view of the enterprise and its business goals, with the expertise to align IT solutions accordingly. As Gartner states: "Leading teams will be able to demonstrate value beyond financial metrics to rapidly address business-critical priorities."<sup>16</sup> Moreover, a good partner can also identify new opportunities to apply IT solutions to business outcomes (even if the business is not yet thinking about such approaches). Finally, it can be smart to begin the search with vendors who already have existing relationships in other parts of the IT ecosystem. After all, they are one step ahead when it comes to understanding the enterprise and its vision for the future.

##### *How can this partner help us customise, standardize and streamline our IT buying process?*

The right partner should be able to offer a consolidated, highly customisable e-commerce platform that directs end users to choose pre-approved IT products and services. This solution helps rein in errant spending, ameliorates the problem of shadow IT, and automates and expedites approvals routing, data exchange between procurement and billing, and workflows.

##### *Does this partner have the expertise we need and/or the capabilities to deliver end-to-end solutions?*

Vendor consolidation is about maximising strategic relationships with fewer vendors, so it makes sense to consider partners with the expertise and capabilities to take on numerous and complex IT initiatives (even those beyond the SPVM function). The right partner should possess a breadth of services and offerings as well as deep relationships with major hardware and software companies. They should have the integration capabilities to bring together, execute and manage solutions comprised of technologies from multiple providers and OEMs. Likewise, a partner's ability to test and iterate solutions for continuous improvement can be a strong differentiator. Finally, global enterprises will want to make sure their partner has a large enough network, bolstered by expert relationship management, to support the business in its different markets across the world.

##### *Can we outsource key procurement and sourcing functions to this partner?*

A strong partner should be able to act as an extension of the internal SPVM team or take on the enterprise's SPVM responsibilities, including obtaining quotes, choosing vendors, negotiating SLAs and licensing, and handling renewals. Some enterprises may want a partner who can oversee the entire lifecycle of IT assets and software or manage its entire supply chain, including warehousing, delivery and support.



## Part III: What makes a good strategic partner?

### *How will this partner function or behave toward us in times of crisis?*

The right partner should be able to help the organization mitigate risk in its SPVM function, and the COVID-19 pandemic reveals and affirms the need for enterprises to enter into secure relationships with vendors. An emergency is the worst time to find out a vendor is financially unstable or has major weaknesses in their own supply chain.<sup>17</sup> Cultivating trusted and transparent relationships with a few, well-positioned partners can be an advantage in a crisis (within the organisation or across the global marketplace). Additionally, vetting a potential partner's company purpose or values could indicate what intangibles they might prioritize in unexpected or high-stress circumstances.

### *What kind of preferential treatment will our organisation receive in exchange for consolidating with this partner?*

The decision to consolidate with a specific vendor is about maximising the value of that relationship. The right partner should be able to clearly articulate the incentives it can offer the enterprise for its ongoing business and loyalty. These advantages could take various forms, including preferential pricing, supply, and/or service and support.

### **Conclusion**

Despite the overwhelming benefits of vendor consolidation, enterprise organisations and their SPVM professionals may still have some misgivings about consolidating (which, understandably, the global pandemic might intensify). They may fear becoming too reliant on certain vendors or want to avoid the risk of a single point of failure. They may also believe that diversity of thought can only come from relationships with many vendors.

While those are valid concerns, they are also misconceptions. Vendor consolidation is not about shrinking the enterprise's IT ecosystem so that the organisation becomes dependent on a single vendor or two. Rather, it is about opening up the organization to the transformative opportunities that can result from carefully and strategically managing procurement, the supply chain and the vendor portfolio.

It is unrealistic to expect that an enterprise could ever consolidate down to a single vendor. There is simply no one partner who can do it all. But some partners are stronger than others. Those who possess the right expertise, capabilities and values to support the enterprise through ongoing, iterative, best-in-class IT solutions and experiences will help SPVM professionals solve challenges today and drive business value for the future.

## About Insight

Insight Enterprises Inc. empowers organisations of all sizes with Insight Intelligent Technology Solutions™ and services to maximise the business value of IT. As a Fortune 500-ranked global provider of Digital Innovation, Cloud + Data Center Transformation, Connected Workforce, and Supply Chain Optimisation solutions and services, we help clients successfully manage their IT today while transforming for tomorrow.

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<sup>1</sup> Gartner, "2020 Predicts: The Emergence of IT Sourcing and Procurement as a Digital Transformation Catalyst," Authors Kaitlynn Sommers, Luke Ellery, Yanni Karalis, and William Maurer, December 16, 2019.

<sup>2</sup> Ibid.

<sup>3</sup> Gartner, "Sourcing, Procurement and Vendor Management Leaders Primer for 2020," Authors Luke Ellery and Ryan Stefani, January 24, 2020.

<sup>4</sup> Gartner, "Drive Cost Optimization and Efficiencies With IT Vendor Portfolio Rationalization," Author Matt Corsi, July 26, 2019.

<sup>5</sup> Gartner, "2020 Predicts: The Emergence of IT Sourcing and Procurement as a Digital Transformation Catalyst," Authors Kaitlynn Sommers, Luke Ellery, Yanni Karalis, and William Maurer, December 16, 2019.

<sup>6</sup> Gartner, "Procurement Function Management Primer for 2020," Author Jonathan Keeney, January 22, 2020.

<sup>7</sup> Gartner, "2020 Predicts: The Emergence of IT Sourcing and Procurement as a Digital Transformation Catalyst," Authors Kaitlynn Sommers, Luke Ellery, Yanni Karalis, and William Maurer, December 16, 2019.

<sup>8</sup> Gartner, "Predicts 2020: The Emergence of IT Sourcing and Procurement as a Digital Transformation Catalyst," Authors Kaitlynn Sommers, Luke Ellery, Yanni Karalis, and William Maurer, December 16, 2019.

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<sup>10</sup> Gartner, "Drive Cost Optimization and Efficiencies With IT Vendor Portfolio Rationalization," Author Matt Corsi, July 26, 2019.

<sup>11</sup> Gartner, "Procurement Function Management Primer for 2020," Author Jonathan Keeney, January 22, 2020.

<sup>12</sup> Gartner, "Drive Cost Optimization and Efficiencies With IT Vendor Portfolio Rationalization," Author Matt Corsi, July 26, 2019.

<sup>13</sup> Ibid.

<sup>14</sup> Insight. (2010). The 2019 Intelligent Technology Index.

<sup>15</sup> Gartner, "Drive Cost Optimization and Efficiencies With IT Vendor Portfolio Rationalization," Author Matt Corsi, July 26, 2019.

<sup>16</sup> Gartner, "Sourcing, Procurement and Vendor Management Leaders Primer for 2020," Authors Luke Ellery and Ryan Stefani, January 24, 2020.

<sup>17</sup> Roughly 20% of electronics manufacturers expect a supply chain delay of 6-8 weeks as a result of the global COVID-19 outbreak. (Statista. "Coronavirus: Impact on the Tech Industry Worldwide.")