

Art of Procurement Podcast Transcript

Episode 152

[How to Identify Software Savings Without Relying on Price Reductions w/ Mohammed Faridy](#)

Philip:[00:02] Hi there, and welcome back to another episode of The Art of Procurement. I'm Philip Ideson, the host of the show. The topic of today's conversation is going to be how we can identify cost savings in the software space.

[00:14] I've talked software before. You might actually recall a conversation I had with Randy Roth of Seprio couple of months ago where Randy shared some of the differences in contracting between on-premise and SaaS solutions, and also how to negotiate with some of the giants of the software industry.

[00:29] But today we're actually going to focus on some actions, and specifically how to identify savings opportunities across your entire portfolio of software suppliers. When I say cost savings, I don't really mean getting a better rate but partnering with IT to identify where you're actually spending on software that you don't need to or perhaps another example would be paying maintenance where you shouldn't be. It's really what are some of the other ways that go beyond the rates to help us save some money.

[00:57] My guest to take us on this journey is Mohammed Faridy of OneView. I met Mohammed through a mutual acquaintance. Mohammed is actually an experienced technology sourcing consultant and a practitioner. Before we start, I mentioned last week that I had problems with our mic on three different shows that I recorded in the same day. This is the second of those shows. However, I did bring in a specialist audio engineer to work his magic on my voice tracks so I hope it doesn't detract from your enjoyment of the conversation today.

[01:28] So that being said, let me go into my first question. The first question I asked Mohammed was related to his background. I asked him how did an aircraft mechanic by training actually get into procurement.

Mohammed: [01:40] When I was young, when I was in high school, my father passed away so instead of going to university like my other classmates I actually dropped out my senior year and I started working full time. After a few years, my mom who really wanted me to get a higher education, to appease her, I signed up for a certification course in Chicago for aviation maintenance. In the US, it's called the airframe and power plant licence. And along with that you get a two-year college degree. I did that. I completed it. I am a licenced airframe and power plant mechanic. I also got married during that time.

[02:26] What I realized when I graduated was when we are young we make hasty choices. I didn't want to turn wrenches for a living. So, I made a few other life decisions. Some good. Some bad. But all leading me towards the final goal. I did retail for several years then decided that was not for me either. I started working on an IT helpdesk. We were in New Jersey at the time. I landed on an IT helpdesk for procurement.

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[02:58] My employer had an outsourced agreement with one of the big telcos in New Jersey, and it was a procurement helpdesk. Customers were calling. Clients were calling and asking, “Where is my laptop?”, “I ordered a monitor.”, “How do I plug in my mouse?” things like that. But while I was working there I got to know the server procurement team. I started doing work in the server procurement side. Then I started learning about networking, switches, and things like that, Cisco gear. And I was doing contract work. It's one of the things I've found in my career. It really is about getting to know people and networking with people.

[03:42] I was doing a contract for Merrill Lynch in New Jersey. I used to see a lady at the coffee shop. We would chat. She was a lawyer from Merrill Lynch. My contract ended January 2000. So Y2K, nobody's hiring. This lady called me out of the blue. She went to Salomon Smith Barney which then became Citibank. She said “Hey, I'm over here at Salomon Smith Barney and I'm temporarily managing the procurement department. I'm looking for somebody. Would you be interested in coming to work for me in New York City?” So, fantastic. So, I started to work for her. Again, basic purchasing, getting quotes, cutting POs. But I would ask her a lot of questions about contract language. I would ask, what is indemnity? What does liability mean?

[04:31] She saw I had an interest in it so we came up with an interesting arrangement. Her husband, who was an attorney in Long Island, he was having trouble always. He was losing files on his computer. So, I became his personal help desk seven days a week. He had my cell phone number. He would call me and he would ask me questions about how to fix his computer or find his files. And in return, this lady, Jane, she would let me sit in on her negotiations and just listen and take notes. Then we'd go for lunch or coffee afterwards and I would ask her questions.

[05:07] After a while, she thought I had an aptitude for negotiations. She actually recommended me to the SVP at Citibank for software contracts. I started working for this gentleman. Then he kind of took me under his wing, sent me to training, mentored me. He continues to mentor me. He's almost retired now. He's in Long Island. That's how I fell into procurement.

[5:38] It's amazing how much you learn from other areas of your profession. I mean I learn things in sales that I use today when I negotiate. I learned things about being a mechanic that helped me with contract management. There's certain skill set, these soft skills that I even tell the folks that work for me now. So, everything is a tool. You've got to put it in your tool belt because you'll need it at some point in your life.

Philip: [06:14] It's such a great example of the power of a mentor as well. That kind of finding those people in your life who you actually can build a relationship with. That's kind of a two-way street. I always think about what value am I providing for somebody who I may be fortunate enough to count on as a mentor. But those relationships are just so valuable.

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Mohammed: [06:38] Yeah. You have to nurture them. And also, I found in my career that you have to take some bold steps to create those relationships. If I hadn't said hello to Jane at a coffee shop at Merrill Lynch, I would never have gotten the job at Salomon Smith Barney, and then at Citibank.

[07:03] And even at Citibank, I mean the gentleman that I worked for is a really interesting story. Jane recommended me to him. He hired me because Jane had recommended me. But my first two weeks working for this gentleman - and I joke with him about it now, we're actually very good friends - but my first two weeks, he wouldn't talk to me. He wouldn't make eye contact. I would see him on the train when we would be riding in together. I'd say hello and he would just look away or he would grunt. He wasn't giving me any work to do.

[07:38] Two weeks in, I was beside myself. I don't know what I was going to do. My cubicle used to be outside. He had a big corner office. It was right outside his office. I knew he ate his lunch at his desk every day. He was very -- antisocial would be the right word for it. So, one day he walked out of his office. I walked in. I grabbed his half-eaten sandwich. I brought it back and put it on my desk. And then I waited for him to come back to his office. He came in, saw his sandwich was missing. He was standing in his doorway looking around. He caught me looking back at him so he walked over to me. He looked over and he said, "Is that my sandwich?" I said "Yeah, that's your sandwich." And he said, "What the actual devil is my sandwich doing on your desk?" So, I said "Well, Ted I've been working for you for two weeks. You won't give me work to do. You're not training me. You don't even say hello or make eye contact. So, I figured at this point you are either going to fire me or I'm going to quit. So, this was my last kick at the can to see if we can work together." He laughed so loud that other managers came out of their office because they never heard him laugh before. He grabbed his sandwich, told me to get my lunch, and meet him in his office. From that point on I became kind of his right-hand man. Other employees would say "Hey, how come you get to eat lunch with Ted?" I said "Well, sometimes have to put yourself out there. It's risky. Yeah. I stole his sandwich."

Philip: [09:18] So fast forward now. How are you spending your days? You said a few years ago, OneView, we spoke a little bit off mic but I thought that it would be useful just for the sake of the audience to get to know you a little bit more. If you can just explain a little bit about what is it that you do today.

Mohammed: [09:41] Sure. So, you know I was in the industry almost 20 years in various levels of procurement and contract management. Then one day almost eight years ago, I was a director at a company. I was dealing with some consultants that were brought in to help with contract negotiations, contract management, basic procurement stuff, and I said to myself you know "I can do this so much better." Most of the time I'm training these consultants because

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they actually don't know anything about procurement. The only reason I can't do it is because I've got staff and I've got other corporate responsibilities. I'd rather do this on my own.

[10:27] So, I started first the consulting firm. And we started doing consulting. So, me and a couple of my colleagues got together and we're guns for hire for organizations that are looking to bring somebody in to help with negotiations or some procurement function. While I was doing that, I realized, and it's something I've realized a long time ago, most organizations have a hard time managing their contracts. The reason for that is because the tools that are out there available to them, they are on two ends of the spectrum. Either you have something really complicated like an ERP system which is very hard to use so corporations buy them, employees don't use them.

[11:11] On the other end of the spectrum, they'll make it up. So, you know SharePoint in Excel seems to be the standard. We decided to develop a very simple cloud based contract management solution that eliminates the need for our clients to do any type of data entry. They just drag and drop their contracts in, they get parsed, the information is extracted. They can find them and set up their alerts.

Philip: [11:36] Right. Once you have those contracts loaded into OneView, what are the things that you need to do? You talked a little bit about consulting before. Does that help organizations actually review those contracts to determine if there's any savings opportunities, particularly with software agreements, I think. As you do that, what are some of the things you look for to determine whether there are actually any cost savings opportunities available in those agreements?

Mohammed:[12:08] Yeah. So, it's interesting when you have--. In general, the general statement is when you have your data organized, it's very interesting the things that you see in the data. It could be contracts. It could be IT. It could be your personal bank account. Once you actually can see the data in an organized fashion, then you start to see certain patterns. And software contracts are no different.

[12:38] I've found that one of the biggest challenges organizations have with finding cost savings in their software agreements is they don't know where their software agreements are. If they don't know where they are then they don't know what they say. Something as simple as terminating a software agreement is a huge cost savings opportunity. We've done a lot of work for organizations where we will go when and we have a process by which we try to determine cost savings.

[13:10] In that process, we'll find that their software that they're paying for year over year on annual maintenance for a subscription fee but we don't actually see it being deployed or used in the organization. When we asked the question "Well, why don't you just terminate the

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agreement?” The reality is they don't know if they can. They can't find their contract so they don't know what their termination rights are. They don't know if they have a termination for convenience. So rather than get caught in a compliance or spend the time finding the contract they just continue to pay year over year. And it's not tens of thousands or hundreds of thousands. As an industry, overall the software industry makes hundreds of millions of dollars every year in payments they receive for software that's not being used. I don't believe that that's an overstatement at all.

Philip: [14:06] Right. No, I think just from personal experience you can understand that. Even in our small business here I think that happens. So, extrapolate that hundreds of thousands of times over. It makes sense to me completely that that happens because you kind of lose oversight of exactly what you paid for. Especially, with SaaS where you're paying for a subscription model, maybe it's an annual retainer, or whatever it may be that those amounts may seem small on their own but they are big and you cannot lose track of it. I think that's sometimes what the software providers want. It's the reason why they have those kinds of agreements in place. So, you do kind of sign up and forget.

Mohammed: [14:48] Well, I'll give you – not an extreme example but a really good example of how software vendors use an un-premise licence and SaaS licences to hick at clients to overpay. We had a client we were doing some work for as part of a post-merger integration. Our client actually bought another company. And so, we were going in and reviewing the contracts and the software agreements that they were inheriting. We found an agreement for a piece of software that the company that was acquired - they had bought the software. It's on-premise licence so on premise being it was a server base software that you install on the servers and people use. It's a finance software. They had paid \$250,000 dollars for this software. They were paying \$50,000 a year in maintenance. They already paid three years. They did a seven-year deal. They had another four years of payments left. But when we went and we talked to the finance team and said “Okay. Are you still using this because we don't actually see it deployed on the servers? Where did you install it and who's using it?” The accounting team said “Well, the supplier actually came out with the SaaS version of the same software that works much better for us so we signed up for that subscription.

Philip: [16:19] Wow! And so, they were paying for both.

Mohammed: [16:21] And they were paying for both. And because the accounting team hadn't told the IT team, IT team didn't install it. The invoices would come in to accounts payable. There was a purchase order. Their company was based on a two-way match so invoice matches PO, pay the invoice. But nobody bothered to ask are you actually using this. It took quite a bit of work for my team to actually get our client out of that debt agreement when we did the assignment.

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Philip: [16:54] How does this apply? And may be in this actual case, how did they react to that? Is it like “Oh hands up. You’ve caught me.” which obviously isn’t very good from a relationship perspective because it shows that they know they’re taking advantage of you. Or did they hide behind complexity and different agreements in different teams and kind of put a bit of a blind eye to it?

Mohammed: [17:21] Well, there was a little bit of both because what had happened was the client hadn't just purchased this one piece of software for \$250,000. Their actual acquisition with that supplier was over a million dollars for a bunch of different things. This was kind of wrapped into it. I believe to this day, the supplier wrapped it into it because they were having side conversations with the accounting team. They knew they were going to get them into the SaaS version and this was just a bonus.

[17:50] So, at first, it was about the assignment. So, they said “Well, sorry. This contract, it was signed. It’s a seven-year agreement and there was no termination for convenience. Sorry. There was no partial termination for convenience.” So, the supplier said “Well, if you terminate the contract you terminate everything and then you’re going have to rebuy the stuff you are actually using or you continue to pay maintenance on it.”

[18:15] So, at first it was very complex and it's all kind of linked together. When we decoupled it then there was a shrugging of the shoulders to say “Well, we can’t help it if the client buys one thing and then buys something else that does the exact same thing. That's not our responsibility. Blah blah blah.” It was a tough situation. But there's always a way out of these tough situations. I tell my team all the time and we advise our clients as well, before you get into the conversation with the supplier regardless of what it's about, whether it's you're renewing something or you doing a new deal, do your homework. Get all of the facts and figure out what is your leverage.

[19:09] At the Harvard Negotiation Program, they teach you this concept of BATNA. All my guys know what that is, and that's the first thing we do. What are our alternatives? Let's put everything on the table and quantify it.

Philip: [19:27] Yeah. You know making it up as you go along.

Mohammed: [19:30] Sure. And in this particular case, we did our research and we found out that our client who is the acquirer of this new company, they had something as well that could replace the existing tool. And the subscription agreement, you could terminate because it was a SaaS subscription. You could terminate any time. I went back to the supplier and said “Listen. If you don't kill the maintenance on this unused product and give a refund, we'll continue to pay the maintenance but we're going to kill the subscription. And in a few years, you're going to get

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zero revenue out of this client versus what you're getting now." And suddenly the tune changed. They were more willing to have a discussion.

Philip: [20:14] When you're working at software agreements, do you find that typically the cost saving opportunities are more because of things that you're paying for that you haven't deployed or that you're paying maintenance where you shouldn't be. It's not going in there and trying to find the next 3%, 5%, 10% cost reduction. It's more of optimizing what you're actually using and not paying for things that you don't really use. Is where the money is around in the world of software?

Mohammed: [20:48] I believe so. I believe that's one of the main reasons why we found that software is where the opportunity for cost savings exists the most. The other reason is software itself, software licencing is very complicated. And software companies - and I can say this because I am now around software companies - so software companies do spend a lot of time thinking of ways to create licencing models. The bigger software companies will create licencing models that are so complicated that they are designed to extract more revenue out of a client. And most organizations don't have the in-house expertise in software procurement so they just rely on whatever the software supplier is telling them as gospel.

[21:50] In mainframe, this is exponentially higher than anywhere else. If we are talking to a client that has any type of mainframe licencing, but without even looking at what they're using or how much they're paying, I put my cards on the table and say I could probably find you a million to two million in cost savings. Usually, their eyes get wide and they are like "You don't even know what we're using." I don't have to. If you're using mainframe and you've outsourced it, then I know I can find you savings. And I always do.

Philip: [22:27] So what are some of the ways they use to bring complexity? If you're looking at a software agreement, and you're relatively untrained eye in software specifically, what are some of the things to look for? Maybe some of the red flags that suggest hey there is opportunity here.

Mohammed: [22:45] Sure. So, putting mainframe aside for a second because that's a whole other animal. Under distributed side, one of the things to look for in software licencing models is the core or CPU or server based licencing model. There are some big software suppliers out there. I won't mention their names but they like to licence their product by core. So, a server has a CPU, and on the CPU, the chip could be a single core or dual core. Now they have quadcore chips. And the suppliers are now asking customers to licence at the core level where the complexity comes in is if I have a machine with eight cores and I'm only using two of those to actually run the software that I've licenced, do I have to buy a licence for all eight cores or just two cores? Sometimes, you have to buy it for all eight. Sometimes you can do it for two.

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[23:57] The other complexity comes in when it's a developer licence versus a test licence versus a production licence. So, you may only need to licence two cores on a development licence but all eight for fraud. And then on top of that you add in virtualization. So, this is a big thing with a lot of organizations. It makes sense. Why have 10 physical machines when I can have two physical machines and have 50 virtual machines running off of those two physical machines? Well, a lot of clients, what they don't understand or what they calculate in is that some of these bigger software suppliers, they require you to licence every core on a machine whether physical or virtual. And that gets them into some serious compliance issues.

[24:52] We have a client who were licencing a product in a virtualized environment that it had to be licenced for every core physical or virtual. They didn't know that or chose to ignore it. They were licencing like crazy. The supplier came in and said "Your implementation that you have of a server farm of only eight servers, you have a 70-million-dollar software implementation. The CFO almost had a heart attack because the tech team just decided every machine gets the software.

Philip: [25:35] So this would be--. And I'm a little bit IT is probably the one category that I have less experienced. So, I'm trying to understand a little bit of this as well in my mind. Especially, any type of cost. Is this a product software that is enterprise wide? It's not necessarily determined by the number of users, it's just something as an organization you need to maybe run some backend.

Mohammed: [26:00] Correct. Like database.

Philip: [26:01] Yeah.

Mohammed: [26:01] A database is the best example. So, the big ones out there are Oracle, ERP, and SAP. I could probably throw a stone out my window and hit a company that has compliance issues work with Oracle and SAP or Microsoft. It's for that reason. The tech guys, they're responsible for making sure you know the IT is running well and everybody's happy but they don't necessarily get into the weeds of understanding how the product is actually licenced. And part of that has to do with they don't have access to the contracts. Nobody explained it to them.

Philip: [26:45] From a procurement perspective, is there something we can do to get visibility into that? Because I'm just imagining how as you say nobody -- the tech guys just want to make sure that the product works. From a procurement perspective where I think about volumes and demand management, that doesn't seem like there's a great deal of transparency into what is actually used which creates this perplexity which enables essentially the software providers to deploy as much as they possibly can of a particular software. And then come to procurement later and say "Hey, do you know that your guys are using here, here, here, and here and so

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here's the bill." And at that point you do have a great place to go because you're already using it. So, how can you bring some transparency to that so you can keep abreast of what is actually being used, where is it being used.

Mohammed: [27:34] Yeah. That's a great question. It's a challenge. One of the reasons it's a challenge as I said earlier it's because unfortunately a lot of organizations don't have the in-house expertise within their procurement department. IT procurement, particularly software procurement, is not like other categories of procurement. Every category has its nuance but IT you almost have to be an IT person wearing a procurement hat. And I say that cautiously because a lot of organizations choose to just give somebody in IT the role of the procurement person for their stuff which is not the right thing to do either because procurement professionals have very specific training. They learn how to do things in a certain way, the right way to do procurement. IT people don't know how to do that.

[28:32] The only way to bridge the gap -- there's two ways that I know of. Either you hire somebody and they cost money. Somebody who is an expert in software procurement and there's some good ones out there or you bring in third party consultant to help you do an analysis and do some level setting so that you can carry on with software procurement without necessarily having to have that in-house expertise. I've seen it done both ways.

Philip: [29:09] So when you come in to a client obviously, you're there to really get under the weeds to see where cost savings may exist but also to try and understand when there's potential cost savings, you know what they could look like so that you could start putting together a way on their priority list. Is there a process that you use to actually quantify the cost savings or is there perhaps a process that a listener could go through that would help them do the same?

Mohammed: [29:41] Yeah, absolutely. We do have a process. When we meet with our clients we give them the process upfront because I believe that if you can do it yourself, you should do it yourself. We only assist when and where the client wants us to assist depending on how much they want us to assist. Sometimes we'll serve in an advisory role. Sometimes we will roll up our sleeves and sit with them and do the work. But our process is a simple process.

[30:18] The first thing we ask the client is to provide us with a data dump of all of the software running in their environment. Clients can do this using -- They usually have asset management tools that help deploy the software like an Altiris or FlexNet. There's a bunch of them out there. So, we asked them to run the scan. Get a list of every piece of software that's running in the environment. And that list usually gives the name of the software manufacturer, the version, how many instances are running, where it's running. We asked for that data. We also asked them to provide us with their software or IT budget for the previous year, current year, and the following year. We asked them for their technology roadmap if they have one for the next three

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to five years. Then we set up an instance of OneView for them and we asked them to upload all of the contracts related to that software that they have running in their environment into OneView along with the associated POs and invoices for those contracts. Then we do some analysis. And this is the part where because a lot of organizations don't have the in-house expertise, this is where we can really provide assistance because not only do we have the IT procurement expertise, we have on our team IT expertise.

[31:41] So, the first thing we do is we do an analysis and we create what's called a function map. This is very helpful. By example we just did a presentation for one of our clients. We've completed the analysis and we had the CFO, the CIO, and the procurement director in the room while we were doing the presentation. The CFO's challenge was, you know he's basically signing the check for all of this expenditure. He doesn't understand what he's buying. So, in the function map we were able to show him. "Okay. Under the database function, you have six different databases deployed in your environment which is interesting because do you really need sequel SAP and Oracle plus three other databases running in your environment? Or under the asset management function, you have Altiris and FlexNet running in your environment. Two very expensive tools that do essentially the same thing. So, this starts to create opportunities for optimization. Right? Two expensive tools, maybe you can find a way to whittle it down to one if you don't already have that on your roadmap. And in this particular case they didn't. So, we asked the question. Are you planning on using both? It had caused them to think about that.

[33:06] Then, when we did the analysis of their technology budget. We start to see some very interesting things. Clients can do this themselves. You look at your technology budget. And we saw that there was a product they had bought last year - very expensive product. They paid about half a million dollars for it. But we did not see maintenance budgeted for that product in the current year or the next year. So that was a miss on their part. Conversely, we saw some products that were in the technology budget. It had been paid for last year. They had it in the budget for this year and next year but when we looked at the data dump, we didn't see the products deployed anywhere in the environment. So, this was a case of they were paying for something they weren't using. Right?

[33:56] And then finally, when we looked at the contracts they uploaded in to OneView, one of the first things that I noticed was this particular client based on the data dump had 150 unique vendors that they were using for different pieces of software but they only uploaded 30 contracts. There was a huge alarm bells went up. Right? So, that was step one is where are your contracts, and do you have contracts? And when we started to dig further into that, what we found was a lot of the software that was being deployed they weren't doing contracts with the suppliers. They were just going off of whatever agreement the supplier had on their website or they have these things called Quick Wrap agreements. When you install the software, you get that little notice saying you accept their condition.

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Philip: [34:47] Right.

Mohammed: [34:48] Well, if you read into those terms and conditions and this is where the cost savings opportunities came into play. There were things in those agreements that were causing them to pay more than they should. And something very simple like payment terms. I know we had talked earlier about payment terms. I mean industry standard payment terms, most suppliers are 30 to 45 days, net 30 to net 45. They were under payment terms that were net 10, net 15, net 20. And when you do the time value of money calculation, that's a lot of money going out your door that doesn't have to. Simply because they weren't actually negotiating their contracts.

[35:38] In doing this exercise, what we did was out of the 150 vendors we did an analysis just to show them on six suppliers. What we found was very interesting. One of the suppliers, we found they had been paying a subscription fee annually. Then back in 2013, somebody in the IT department decided to do a two-year renewal because this was standard software for them. They were going to use it for years and years. So, they did a two-year renewal and they were proud of the fact that they were able to get a 5% discount on a \$300,000 renewal which isn't much. But what was more interesting was that in 2015, they did another two-year renewal and their price went up by 10%.

[36:30] In another case, they had a supplier who was charging them 5% increases year over year but when we looked at their contract it actually had a cap of lesser of 3% or CPI on annual increase. They are paying about 2% more than they should have year over year.

[36:48] So just on those seven suppliers we were able to find approximately \$100,000 in potential cost savings and cost avoidance just for this year. So, the next four months. Now you multiply that by 150 vendors and you can start to see where the opportunities are.

Philip: [37:07] In a process like that, where do you draw the line in terms of the deep dive into contracts? Is it the typical procurement 80/20 pareto. Or is there a different way that you look at things in terms of where the opportunities may be?

Mohammed: [37:25] Well, it's a combination of things. We try to look at everything holistically. We look at their IT budget. We definitely look at who are the players you are spending the most with. But then we layer in the technology roadmap and try to see – Well, okay. Who are the suppliers that you are going to continue to do business with? You may be spending a lot of money with one supplier but if they're not on your roadmap after two years, we're not going to focus as much on them as we will on some of the longer-term ones. If you have somebody who is a long-term supplier, maybe we do multi-year renewals, maybe we'll bring them in and renegotiate. The other thing that we do as we look at – Well, your supplier that you are buying X from. What else do they do? What other products do they have? And that's where that function

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map comes into play. Well, if I have a supplier that is only supplying one product but they have products that also can assist in other functions, then maybe it's a conversation worth having with the IT team to say, "Could this supplier also provide products with these other functions?" And then we can use economies of scale to bring the overall price down.

Philip: [38:36] Yeah. In a more strategic conversation with that supplier rather just being tactical around one particular specific engagement or agreement.

Mohammed: [38:45] Yeah. And having that conversation with IT, for all the procurement folks that are listening, when you have that conversation at that level with IT, you will win the respect of the IT department because then they will look at you as somebody who knows what they're doing.

Philip: [39:04] Yeah. You are helping them think about, again, more holistically. You are looking at things not on an individual deal perspective, but what's their entire technology stack and how can we optimize the value of the dollar.

Mohammed: [39:21] Yeah.

Philip: [39:21] You mentioned earlier about negotiate with the suppliers. I think that's pretty natural. We do that at the end of an engagement, also at the end of the contract. But what about if the renewal day isn't coming up yet? You've identified an opportunity but there's still like 2, 3, 4 years which originally was a seven-year deal. There's still years outstanding on an engagement. How do you bring that supplier to have a conversation around their price when on the face of it you don't really have - there is no leverage to do so?

Mohammed: [39:57] Yeah. It really comes back to the BATNA exercise. That's the best alternative to a negotiated agreement. You have to layer in all the pieces of information. So, when we do our process, it's a very in-depth process. At the end of it, we know what all of the software that's running in the environment. We know what it does by function. We know historically what's been paid for it and what they're going to continue paying for it. We know where it is on the technology roadmap. We know what the contract says. When we put all of that information into the pot and stir it around, we can create leverage in certain areas. Function is one of the biggest ones.

[40:47] I have a supplier and if I look at it holistically as you know what we're paying too much or these terms are not the right terms for our client – Okay. Well, let's look at everything else. Is there something else out there that can replace them? Are they on the long-term roadmap? Can we go and negotiate a longer- term deal? And this is one word that often often gets missed. A lot of strategic software agreements have SLAs. They have service level agreements. The question I ask is: Are they being enforced? Is the supplier actually meeting your service levels?

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And if not, what does your contract say about your recourse for not meeting service levels? Most clients will not act on those SLA penalties. We will. So, that's an area where we'll go back. It's funny because a lot of times, the suppliers are taken aback. What? You want to talk about SLA? Yeah. Because it's in the contract. Just because nobody's talked to you about it in three years doesn't mean it doesn't exist. Why don't you come in and let's talk about exactly what you do for us?

[42:06] There was a there was a supplier. We were doing work for a client. The client had a support agreement with the supplier. It's a long-term agreement. And again, it was one of these things where we were just looking for areas for cost savings. I started looking at the arrangement and basically what the supplier was doing was - it was for networking equipment - the supplier had a support arrangement where they set up a helpdesk. Our client would call the supplier whenever one of these switches would go bad. But when I dug into it, what I found was what the supplier was doing was they would take a call from the customer, they would log the call, open a ticket and immediately send it to the vendor. In this case it was Hitachi - to solve the call. So, I brought the supplier in and I asked them. I said, "Explain to me or give me an example of a situation where our client called you for support and you resolved it without it going to Hitachi." They couldn't think of one. So, I said "Well, I think we should renegotiate the support plan that we have. If all you're doing is taking notes for us, maybe we want that, but we're not going to pay you gold support for opening a ticket." And so that's just an example of how you can actually find ways to renegotiate with your suppliers even though you may not be coming up for some kind of a renewal event.

Philip: [43:40] Yes. It's not as black and white as it may seem. Once you start doing some digging and looking for areas which would allow you to at least reopen the conversation.

Mohammed: [43:51] Yeah. It's not easy and it does require work. I wouldn't want anybody to think that it's easy to find savings because there is so much opportunity for savings in software agreements. It's not easy but the rewards are much greater because there is a lot more opportunity.

Philip:[44:13] Mohammed, another... It's coming up on time to wrap up today's conversation. Just one final question. You are obviously working with a lot of clients. You see a lot of different situations. I'm sure a lot are very similar situations when you see a client for the first time. I just wonder if you could share with the listeners what's a common mistake that you often see clients or prospects make. Because that would really give, I think an action item for folks who are listening who may have responsibility for software spend to go and work out their own critical eyes to see or perhaps something that they may be doing.

Mohammed: [44:52] Yeah. The number one problem that I see, that we see with our clients when we go in is there's no centralized repository for their contracts combined with managing

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renewals on a Microsoft Excel spreadsheet. It's a recipe for disaster. I've not seen it work well ever. The problems that it causes are -- I mean it's incredible how many organizations go down this rat hole. The way we were dealing with a client here in Canada it's one of the bigger hospitals. We were in a discussion with their VP of medical services. In Canada and I think it's the same in the US, doctors are actually independent contractors. They are not employees of the hospitals. So, they all have contracts with the hospital. Because VP of medical services was responsible for the 400 plus doctors working in the hospital was managing their contract on a spreadsheet. And Hugh was constantly falling behind on renewing contract.

[46:06] So now, you think about it, you've got medical practitioners in a hospital working on patients who don't have a valid contract and all of the insurance, and liabilities, and indemnities that come with it. If there is one thing that I would point to, it would be the contracts all over the place and then try to manage their renewals on a spreadsheet is probably the biggest issue that I see in organisations. And with software. just it's exponentially greater.

Philip: [46:34] Yeah. It's kind of understanding where you stand so you can actually do something about it. And if you don't then you kind of running around like you're putting out fires without any kind of strategic bigger picture perspective.

Mohammed: [46:47] Right. When you do that, then you're regarded by the rest of the organization as somebody that just runs around puts on fires.

Philip: [46:55] Right. Exactly. So, I have one very last question. I said this is the easy one. Our listeners are interested in just learning a little bit more about OneView and actually just contacting you to continue the conversation. What would be a good place for them to go and find out a little bit more and to connect directly with you?

Mohammed: [47:16] They can visit us at our website www.oneviewnow.com. There's a wealth of information. We do a lot of small training videos. We've written some articles on this topic. They're all on there. From that website, they can contact us or they can e-mail us at info@oneviewnow.com. We'd love to talk to people even if it's not to help them but just to learn what they are doing to get over some of these issues because it's a learning process for us as well.

Philip: [47:53] Yes. It's the power of the ecosystem, this procurement community of helping each other I think come up with new interest in successful efficient ways of solving perhaps age-old problems. That really help us motivate the world and the professional impact that we can have. And that's why we're all here as well.

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[48:13] I really appreciate you spending the time with me. I will include the contact details. I will include the OneView website on the show notes for today's episode. That is going to be at artofprocurement.com/oneview. That's artofprocurement.com/oneview.

[48:32] One last time thank you very much for joining me.

Mohammed: **[48:34]** Thank you very much for having me. It was my pleasure.

Philip: **[48:37]** Thank you.

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