



2023

Next Level of Tech Giants Negotiation

Maximum results against SAP Oracle, Microsoft, Salesforce, Alphabet, Meta & Co

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Tech Giants – Tough negotiation counterparts



*Even as professional negotiators, we're pushing our limits with Tech Giants. That is why we have taken new paths: We walk through the respective **ECOSYSTEM**.*



René Schumann
CEO
Negotiation Advisory Group

It is time to act! In addition to the general digital transformation, the Corona crisis is a major driver for the digitisation of companies. Companies generate and consume far more data than in the past, and the need for digital tools and software is greater than ever before in order to stay competitive. Tech Giants products (software licenses, cloud services, web servers, etc.) are an integral part of everyday work.

This dependence creates an enormous market power among the often monopolistic suppliers of the corresponding software/licenses, which is also mercilessly exploited: Currently big players like Microsoft, SAP and, more recently, Salesforce are demanding from their customers in the European market drastic price increases of 8 - 25% for their products!

Those who are now misplaced will find themselves in a trap from which they will not be able to free themselves over the next few years and for which they will, in the truest sense of the word, pay dearly! Once lost at eye level, there is hardly a way back.

With the right contract and volume frameworks, unnecessary costs can be avoided for companies. However, time is running, because customers often only have the opportunity to trade for a limited period of time!

NEGOTIATION ADVISORY GROUP

The **Negotiation Advisory Group** is the leading negotiation consultancy in Europe. We advise, mediate and train negotiators. Our experts have supported a large number of negotiation projects with all Tech Giants and achieved significant successes.



> 2,800

Completed
negotiation
projects



€ 19,3 Bn

Negotiated
volume
per year



> 1:10

The average
ROI for our
clients



4.180

Cloud- and on
premises products
negotiated

Key challenges in dealing with Tech Giants

WE HAVE TO ACT, BUT HOW?

Dealing and negotiating with the Tech Giants is anything but easy. Especially buyers who are not accustomed to the handling and methods often experience unpleasant surprises.

Firstly, there is often a cultural difference in the approach: Especially at Tech Giants from the US there is often a very high internal profit expectation, which must be met by the sales department, which makes it difficult to work in partnership, e. g. to achieve win-win situations in negotiations. Moreover, experience shows that there is often a great discrepancy between communication and the active action of the negotiating partner: While communication requires a partnership-based tone, the action is mercilessly transactional and selfish. Bad surprises await those who, due to the form of communication, feel in false security!

In addition, there is a high degree of complexity in contract design, such as online terms and conditions with a clause that allows Tech Giant to change these terms at will. This dynamic adaptation of the terms and conditions is particularly treacherous. It takes place at a speed and a level of detail that is hardly noticeable as a person who does not know the subject and who does not constantly keep up to date with a great deal of time.

Another sword of Damocles consists for customers in the possible execution of a license audit by the Tech Giant at any time. This serves to check whether the actual use of the licenses also corresponds to the contractually agreed use. The reason for this is often the deliberately confusing licensing structure of many Tech Giants: Licensing is often very extensive and there are a large number of products with different licensing options. When using a virtualized infrastructure, customers quickly fall into sub-licensing or into the trap of license violation, even

though they are unaware of it. In addition to covering the costs of the audit, there is also a risk of claims for damages on the part of the licensor.

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Finally, apart from the contractual/licensing risks, there are general negotiation problems such as lack of evaluation possibilities of contract content and associated prices as well as fundamental ignorance regarding negotiation possibilities with Tech Giants & Suppliers based on lack of experience. Lack of security in the contract & license design, especially with regard to compliance risk/constant adjustments & further developments of the license and contract rights, coupled with lack of knowledge about licensors and manufacturers, make dealing with Tech Giants extremely difficult!

Be sure to pay attention to:

01

Recognize specific ecosystems

02

Consider the time of the negotiation

03

Take complexity of contracts into account

04

Early planning of the negotiation

05

Structure management involvement

06

Create an inspiring storyline for Tech Giant

What is the best way to negotiate?

WHAT NEEDS TO BE DONE – A STRATEGY PLAN BEYOND THE USUAL PURCHASING LEVEL

It must be explicitly emphasized how much individual Tech Giants differ in their focal points and characteristics. There is no "one-size-fits-all" approach to negotiation in this environment, on the contrary. A negotiation strategy based on bare numbers, for example, can hit the nerve of one tech giant's cultural environment, while another tech giant is at best deaf.

Best-in-class negotiation results with Tech Giants are inconceivable without a basic understanding of the prevailing way of thinking and without a definite inside knowledge of the respective corporate ecosystem. It is essential to get involved in the prevailing ecosystem and the specific corporate culture and to get to know and understand them in detail, e. g. about the working environment.

Only when buyers understand how the specific Tech Giant "ticks" can concrete recommendations be developed that enable positive negotiation results.

In other words, when dealing with Tech Giants, it is fundamental to develop a strategic plan that has little to nothing to do with the levers commonly used in procurement. Standard procedures such as RfQs are simply useless in this context. A fundamental new structure is needed! This includes, above all, a clear location determination at the beginning, a detailed potential assessment, a determined target picture, clear management commitment, well-thought-out risk management and a clearly named negotiating team.



10 Don'ts when dealing with Tech Giants

The negotiation process with Tech Giants is fraught with potential pitfalls. The 10 Don'ts listed here can help you avoid classic mistakes when dealing with Tech Giants. We have listed in addition to each Don't Tips from NAG negotiation experts that you should consider. Trust us: It's worth it!

1. Pure focus on the price and not on the exact contract design and the small print

Neglecting contractual works is an unforgivable mistake. Tech Giants use complex contract designs that are constantly and dynamically changing. In addition, there are often hidden amendment management clauses in the general terms and conditions and in the small print.

Advice NAG: *Already in the first conversation with Tech Giant insist on a framework agreement including terms and conditions. Already at this stage involve your own legal department for examination.*

2. No board commitment

Tech Giants are incredibly gifted at "infiltrating" the respective board, e. g. via back-channeling. And if they do not do it themselves, they will seek help from their partners.

Advice NAG: *Promote a clear and written commitment from your board right from the start. In addition, coordinate a language regulation for the board in the event of a contact.*

3. Non-questioning of presented "legalities"

Often enough, we find that the contractual and commercial "rules of the game", such as minimum sales or price caps demanded by the Tech Giant, are simply accepted. However, these are by no means rules that must be complied with.

Advice NAG: *Question the supposed laws that the Tech Giant has put in place.*



4. Prioritize technical design too much over commercial clarification

Compared to the technical design of the agreement, commercial issues are often overlooked. Regularly, discussions on commercial cornerstones with the Tech Giant are far too late, which leads to significantly poorer negotiation results.

Advice NAG: *Early involvement of the chief negotiator in the commercial process. Achieving that the Tech Giant incorporates potential sales into its sales planning, maximizing sales dependency (both in terms of content and timing). Enjoy the bargaining power you have won!*

5. Ignoring the Ecosystems of the Tech Giants

Lack of sensitivity to culture and the prevailing mentality of a Tech Giant is definitely a key to failure in negotiation. Consideration for the culture of origin and the willingness to adapt are essential for a successful negotiation.

Advice NAG: *Großen Wert auf rechtzeitiges und ausreichendes Screening und Aufbau eines Kontaktnetzwerks legen. Strategieplan (z.B. Schwerpunkt auf Storyline oder eines Commercials) der Herkunftskultur und der Mentalität des Tech Giants anpassen.*

6. Reliance on classic benchmarking

Benchmarking is very difficult in negotiating with Tech Giants. Not only because of risk, benchmarking against false scenarios, but in particular because of the prevailing dynamic and complex world of contracts and supplements. Benchmarking against historical values and other industries is therefore useless.

Advice NAG: *Establishing a benchmark within the same fiscal year, region, industry and company size is essential.*

7. Preparing for a single scenario – no plan B

Of course, due to the monopoly position of the Tech Giants, it is often not possible to find an alternative provider. However, this does not mean that there is basically no Plan B. Often it can even be found at the same Tech Giant. Most offer different contracts with which one can identify alternatives, e. g. the SAP Single Metric contract.

Advice NAG: *Build alternatives at an early stage at the respective Tech Giant via partner sales and/or other contract constructs. Creating alternative contacts in the HQ (LinkedIn or existing networks are a great help here!)*

8. Bad timing towards to the Tech Giant

It is important to keep an eye on the Tech Giant's calendar when planning your negotiation process. While some companies renew their license agreements at the end of the calendar year, Tech Giants' fiscal year ends at different dates, such as Microsoft's end of June. Tech Giants often carry out short-term measures such as promotions to increase sales one to two months before the end of the calendar year.

Advice NAG: *In general, negotiate towards the end of the financial year (or at least the end of the quarter) of the respective Tech Giant. Written announcement before the start of the quarter that a closing will be completed in the quarter. Firm inclusion in the sales pipeline of the Tech Giant creates a strong bargaining lever!*

9. Being intimidated by price and turnover expectation of the Tech Giant

Tech Giants know their position of power and how to build pressure in a negotiation. Therefore, in such situations, there is often a strong temptation to gamble on security and to move away from one's own commercial goals in order not to jeopardize an agreement. But this only gives the Tech Giant complete control over the negotiation and leaves chances of its own positive negotiation results frivolous.

Advice NAG: *Never rush away from your own demands. Not to be intimidated by the appearance and pricing of the Tech Giant*

10. No fixed, well-established negotiating team

A classic distribution of roles in a large team is counter-productive in such situations. Team negotiations with Tech Giants are challenging because the need for coordination is high. What, when and to what extent can be included in the discussion needs to be carefully considered and coordinated.

Advice NAG: *Deployment of a small dedicated team of negotiators. Recommendation for negotiation: two commercial negotiators and one person with technical expertise. Establishment of a member that is "invisible" in the negotiation itself, who keeps contacts in the respective ecosystem of the Tech Giant via back-channeling.*



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