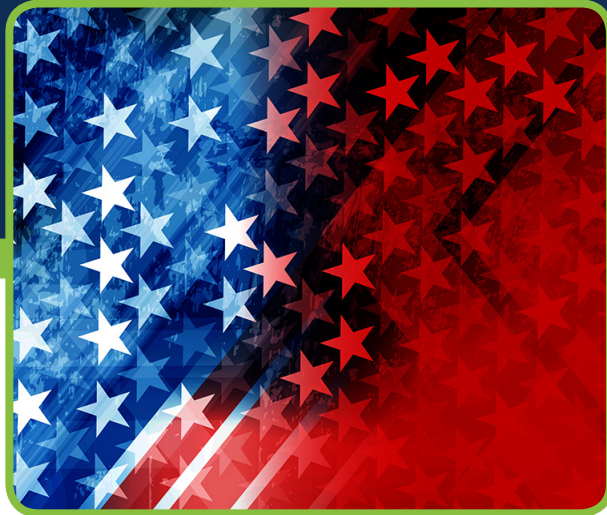




NPI Helps State IT Agency Cut Large Software Renewal Costs in Half



As the IT department for an entire state, this government agency takes IT cost control seriously. With a large software renewal looming, along with plans for a data center migration, the agency needed confidence that their license fees were fair, more transparency in vendor fees for individual products and greater flexibility in contract terms. With NPI’s help, they got more than they bargained for and saved \$7M+ on their renewal.

Case Study: State Government Agency

The Challenge:

- Inability to easily cross-charge other agencies for licenses and maintenance
- Required short-term “duplicate” licenses to accommodate parallel testing for large-scale data center migration
- Wanted to get rid of unused licenses and associated fees

- Saved \$7M on large software renewal, approximately 50 percent of initial contract value
- Reduced per user maintenance costs by 82 percent
- Negotiated credits for data center transition licenses, effectively allowing them to recoup these costs post-migration

Large Software Renewal Hides Misguided Spend

When you’re the IT department for an entire state government, fiscal responsibility is both critical and challenging. For one centralized IT organization servicing numerous state and local government agencies, the role goes beyond providing and procuring IT services. The organization is also highly accountable for how public funds are spent on IT and telecom.

It’s a responsibility that was underscored during a \$14M renewal with a well-known software vendor with a broad range of enterprise-scale integration and application development solutions. A long-time customer, the agency needed the vendor to make it easier to cross-charge other state agencies for licenses and maintenance costs. The organization brought NPI in to analyze past spend, get transparency on costs and offer advice in executing the renewal agreement. NPI realized that in its original agreement with the agency, the vendor had agreed to provide line item pricing to make this easier but had failed to do so on a regular basis.

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Real data.
Real savings.



With NPI's assistance, the agency was able to cut its renewal spend from an initial proposal of \$14M to \$7M.

NPI Uncovers Pricing Inaccuracies and Negotiation Leverage

NPI conducted a historical review of the agency's spend with an eye on annual maintenance fee increases. The team discovered these increases were not only well above fair market value, but also higher than the not-to-exceed terms specified in the organization's initial agreement.

NPI also factored in the agency's plan to migrate to a new data center and the cost implications under its current agreement with the vendor. Terms within the vendor's renewal agreement didn't allow the agency to simultaneously run the software at the old and new data center sites per testing requirements. Instead, the vendor wanted the agency to pay transition fees.

NPI Slashes Renewal Costs, Improves Terms Flexibility

Armed with NPI's cost benchmarking analysis and negotiation intel, the agency's IT sourcing team was able to negotiate an 82 percent reduction in per user maintenance costs. They also eliminated unused/underutilized licenses from their agreement and received credit for these expenditures. As for the data center migration, the team negotiated the right to transition licenses without additional fees. With NPI's assistance, the agency was able to cut its renewal spend in half – from an initial proposal of \$14M to \$7M.

NPI continues to partner with the agency with an eye to the future – specifically the restructuring of a large agreement with Microsoft. NPI's license optimization expertise and vendor-specific negotiation intel continue to play an important role in the organization's commitment to IT cost control.

About NPI

NPI is an IT sourcing consulting company that helps enterprises identify and eliminate overspending on IT purchases, accelerate purchasing cycles and align internal buying teams. We deliver transaction-level price benchmark analysis, license and service optimization advice, and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. For more information, visit www.npifinancial.com.



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