

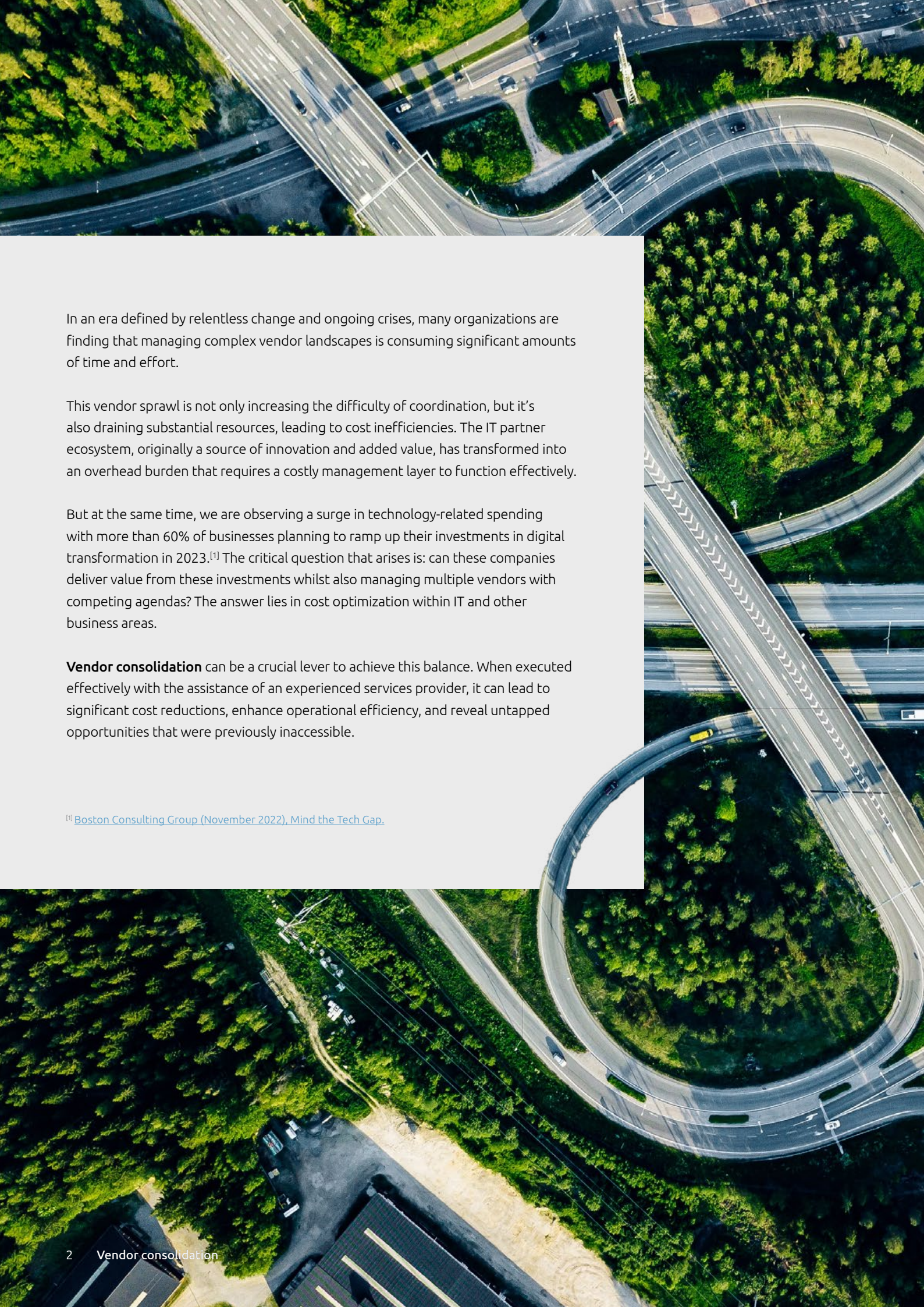


Capgemini

VENDOR

CONSOLIDATION

THE JOURNEY TOWARDS
EFFICIENCY AND GROWTH



In an era defined by relentless change and ongoing crises, many organizations are finding that managing complex vendor landscapes is consuming significant amounts of time and effort.

This vendor sprawl is not only increasing the difficulty of coordination, but it's also draining substantial resources, leading to cost inefficiencies. The IT partner ecosystem, originally a source of innovation and added value, has transformed into an overhead burden that requires a costly management layer to function effectively.

But at the same time, we are observing a surge in technology-related spending with more than 60% of businesses planning to ramp up their investments in digital transformation in 2023.^[1] The critical question that arises is: can these companies deliver value from these investments whilst also managing multiple vendors with competing agendas? The answer lies in cost optimization within IT and other business areas.

Vendor consolidation can be a crucial lever to achieve this balance. When executed effectively with the assistance of an experienced services provider, it can lead to significant cost reductions, enhance operational efficiency, and reveal untapped opportunities that were previously inaccessible.

^[1] [Boston Consulting Group \(November 2022\), Mind the Tech Gap.](#)



UNLOCKING EFFICIENCIES THROUGH CONSOLIDATION

Recent reports suggest that 75% of organizations are pursuing vendor consolidation in 2022, up from 29% in 2020, emphasizing the growing significance of this strategy.^[2] By 2025, it is predicted that 70% of organizations will consolidate the number of vendors securing the lifecycle of cloud-native applications to a maximum of three vendors.^[3]

The overarching idea here is simple: by reducing the number of service providers, companies can capitalize on volume discounts and slash administrative costs linked with handling multiple vendor relationships. Moreover, a single point of contact for IT services removes communication complexities, enhancing service levels, and freeing critical resources for other IT initiatives.

For example, when it comes to cybersecurity, it was observed that the number of incidents significantly drops when fewer vendors are involved. The reason? Consolidation ensures that security protocols maintain a consistent standard across the IT infrastructure, thereby promoting a more cohesive, integrated approach to security management.

Moreover, engaging a smaller number of more versatile vendors makes everything run smoothly and increases compatibility across the entire IT environment. This makes it possible to scale operations—either up or down—with minimal issues, adapting to the business's changing needs.

And that's not all. Having fewer vendors leads to a streamlined procurement and invoicing process, thereby reducing the administrative workload. This also enables more efficient tracking and monitoring of vendor performance, adherence to compliance standards, and contract management.

Consolidation is a smart move that boosts operational efficiency. It has the potential to push the business model to the next level, making it a step worth considering in the journey towards better business performance.

^[2] [Gartner Inc., Gartner Survey Shows 75% of Organizations Are Pursuing Security Vendor Consolidation in 2022 \(September 13th, 2022\)](#)

^[3] [Cisco \(March 2023\), Stop the Sprawl: How Vendor Consolidation Can Reduce Security Risks in the Cloud.](#)

OVERCOMING THE CHALLENGES

While the perks of consolidation, like cost savings and increased efficiency, are appealing, businesses must stay aware of possible issues that might arise during the process. The task of bringing together multiple IT services vendors can present a number of challenges. If these are not dealt with right away, the benefits of the entire consolidation effort could be watered down, and the business might face even more risk than before. This is particularly true when there is not enough expertise to manage the process properly. So, what are the major hurdles throughout the process?

- Without doubt, **employee resistance** stands as the most significant hurdle in this scenario. Picture a company where the employees have become accustomed to resolving issues through a particular vendor channel. As you aim to reduce costs, this shift might not resonate with them - to them, it's a new process with new

people. Maybe they would now have to raise a ticket as opposed to picking up the phone to a familiar voice. Employees, who are often used to their routines, may find it hard to adapt to changes in their well-established processes and might be hesitant to engage with a new vendor.

- **Contractual limitations** pose another roadblock that an organization may encounter on its path to consolidation. Existing agreements with the current IT service vendors may impose restrictions on the ability to streamline services or transition to a new provider. These constraints could include early termination penalties or clauses that prohibit merging services with another vendor. **Service level agreements (SLAs)** are another challenge as each vendor may have their own ones in place.

- **Vendor management** also poses a potential bottleneck, adding another layer of complexity. In a scenario involving multiple providers, businesses often assign specific teams to manage each vendor's services. When vendors are consolidated, there could be a downsizing of these management resources. This can lead to difficulties when overseeing the services of the newly combined vendor.





- **Maintaining service** quality is another key consideration. While vendor consolidation can lead to financial savings, businesses must avoid compromising service quality in the pursuit of lower costs. To navigate this challenge, it's crucial for them to closely examine the costs linked with each IT service. In partnership with the consolidated vendor or vendors, they should then build a cost-effective solution that clearly meets their needs based on agreed measures.
- **Unpicking complexity** is yet another challenge that a company attempting to reduce its number of vendors might need to deal with. This complexity ranges from managing employee resistance to certain changes, to weighing the pros and cons of breaking a contract to attain specific benefits. This can be especially difficult, as many companies are not even aware of the complexities in play.
- Lastly, the importance of **communication and collaboration** cannot be overstated. Consolidating vendors often results in shifts in processes and procedures, which can create a climate of confusion and uncertainty among employees. To address this issue, it's crucial for businesses to maintain clear and transparent communication with their employees and stakeholders regarding the consolidation process. Additionally, providing comprehensive training can help with ensuring that everyone is well-versed in the new processes and procedures.



TURNING LESS INTO MORE

The roadmap for a successful vendor consolidation should consist of these three key phases:

1. **PLANNING**

When embarking on a vendor consolidation journey, the initial step should always involve taking a step back to review the current situation. This involves conducting an assessment during which data sources are identified and an approach is agreed upon. It is at this stage that the framework is customized, data is gathered, quantitative segmentation and suitability assessments are performed, and clustering and consolidation recommendations are determined. This phase entails the creation of a solution architecture and the drafting of a well-defined statement of work.

2. **DESIGN**

The following phase entails the creation of a solution architecture and the drafting of a well-defined Statement of Work. It's also important to establish an SLA and KPI framework, as well as a detailed transition plan. Completing commercial and legal documents is also essential during this stage, as they will be crucial later on.

3. **EXECUTION**

When it is time for the transition, it is good to institutionalize best practices and implement tools that will assist in managing the transition. A well-crafted migration plan is useful here and should include new metrics, cut-over dates, exit criteria, and other important elements of the timeline. The migration to fewer vendors should be conducted in stages to avoid overwhelming operations.

While it may sound like this is the end, vendor consolidation should continue even after the transition has been completed. It is beneficial to keep streamlining and automating processes and looking for potential consolidation opportunities that can bring the company even closer to its ideal end state.

To ensure smooth sailing through all these stages, particularly when the organization lacks experience in vendor consolidation, it's crucial to have a competent partner guiding the company through the entire process and all of its phases.

FROM EXPERIENCE TO EFFICIENCY

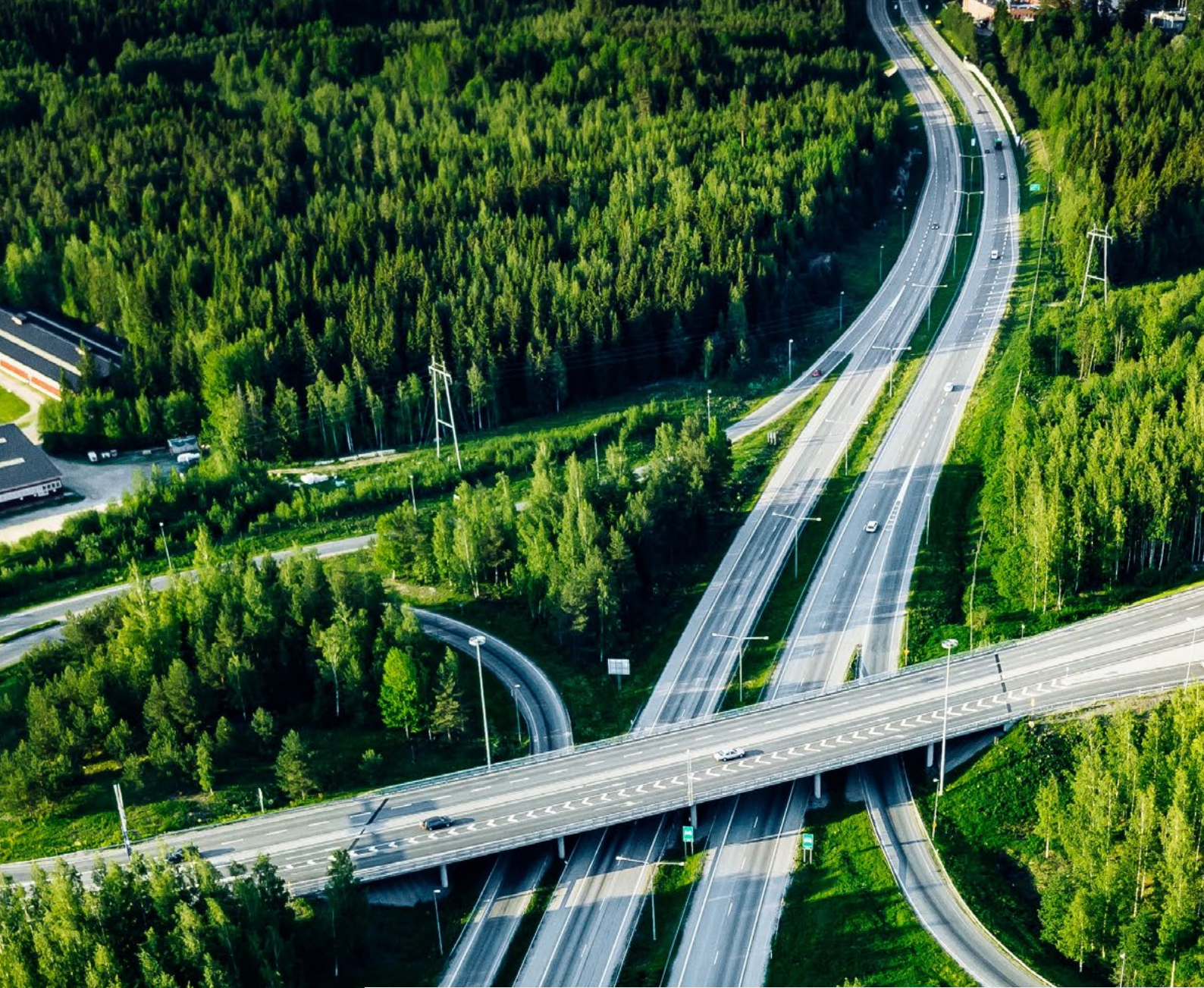
Leveraging years of experience, Capgemini's ADMnext Vendor Consolidation approach streamlines IT services setup for clients. This approach simplifies vendor contract management, oversees the procurement processes, and minimizes technology-related costs. We use advanced tools in the initial assessment phase to craft a tailored consolidation plan, analyzing contractors, services, applications, and infrastructures. With vast business transition experience and a comprehensive suite of tools, we can smoothly transition clients to an ideal vendor landscape, achieving cost reductions between 20-50%, depending on the client's maturity.

In a seven-month project

Capgemini has consolidated a global chemical giant's IT landscape of 50 applications across 17 providers. Utilizing proven methods, we closed SLA gaps and extended our support beyond the original scope. This approach resulted in over 2,400 enhancements, about 30,000 resolved tickets, and significant cost savings within 18 months, all while achieving consistently high user ratings and zero SLA breaches. This process also allowed us to automate ticket handling, leading to additional savings.

[Read more](#)





THE RIGHT PARTNER

Attaining such benefits can take a lot of preparation, but as an experienced partner who has the right toolset and a unique expertise in vendor consolidation, we can help you minimize costs, drive efficiency, and achieve the future you want. Contact us today to see how we can help you reap the benefits of consolidating your vendors.



About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided every day by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 360,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering, and platforms. The Group reported 2022 global revenues of €22 billion.

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