The client contacted WGroup—an expert in Outsourcing, IT and Business Operations—for guidance to facilitate their assessment of the renewed proposal based on client requirements, best practices, IT industry trends, and competitive pricing.

Opportunity
A leading Consumer Packaged Goods Company was nearing the end of a five-year term $60 million contact for IT Outsourcing. The client needed to determine their strategy and approach for the next generation deal.

The client had initiated discussions with the current service provider to elicit a proposal for renegotiation of the existing agreement agreement. The client was seeking expert guidance to facilitate their assessment of the renewed proposal based on client requirements, best practices, IT industry trends, and competitive pricing.

WGroup, an expert in outsourcing, IT and business operations consulting, was engaged to work side-by-side with the client to complete the assessment and facilitate the renegotiation process, including:

- Collect, prioritize, document and communicate client requirements
- Provide insight into current market offerings and trends
- Facilitate the assessment of cloud based technologies
- Evaluate the option to renew and extend the existing agreement
- Evaluate proposal pricing and provider capabilities
- Assess the relative benefits and risks of a competitive procurement process, including multi-provider models
- Recommend the sourcing strategy as aligned to IT and Business Strategy
- Facilitate leadership approval of the sourcing strategy

Approach
WGroup’s overall approach to developing and executing the sourcing strategy was to ensure it was aligned to the IT and overall business strategy of the client vs. a tactical, one-off exercise.

WGroup took a four-step approach to executing the engagement:
1. Project Organization
2. Baseline Assessments
3. Proposal Evaluation and Market Comparison
4. Negotiations and Contract Execution

Project Organization began immediately upon initiation of the project to validate a common understanding of the project scope, objectives, time frames and resource participation requirements commitments. The initial project plan, communication plan, and roles and responsibilities were defined, documented, and agreed upon. WGroup worked with the client to identify key information requirements and began gathering relevant materials to support the subsequent efforts.
WGroup leveraged its knowledge of the global service provider landscape including capabilities, pricing and service expectations to help ensure the renegotiation is a win-win solution for both client and provider.

WGroup provided a systematic, structured process to improve the client’s management of the negotiation process that was already underway.

Baseline Assessments included Financial Assessment, Contractual Assessment, and Service & Technology Assessment.

The Financial Assessment included working closely with the client’s financial team to produce a complete financial model representing the client’s baseline IT spend using client-provided financial data. The model supported comparison to market-based price projections and was used to support the evaluation of the proposed pricing. WGroup’s approach enabled a fact-based evaluation of the proposed pricing relative to available alternatives and to support internal financial review and approval processes.

While price is certainly important to any deal, WGroup believes it is in the client’s best interest to ensure the provider is making a fair margin. WGroup’s approach is to leverage its vast knowledge of the global service provider landscape including capabilities, pricing and service expectations to help ensure the renegotiation is a win-win solution for both client and provider.

Contractual Assessment involved an analysis of the current provider agreement for risk and governance issues to determine the viability of the existing agreement and assess the nature and extent of changes necessary to renew and extend the current agreement. WGroup worked with the client’s governance team, corporate counsel, and outside counsel to define strategies for incorporating numerous improvements into the re-negotiation of the agreement.

Service and Technology Assessment included a thorough review of the current SOWs, historical performance reports, incident and problem history, and other information relevant to evaluation of the current services and client requirements. WGroup facilitated the client’s identification and organization of desired changes to the current agreement – in terms of service improvements, service enhancements, and service transformation initiatives.

WGroup was then able to develop specific and actionable recommendations for moving forward with a revised proposal from the service provider that would incorporate the desired changes. WGroup then developed a negotiation plan and negotiated the agreement that met the ongoing requirements established by the client.

Insight & Advice
Navigating outsourcing renegotiation contracts can be challenging. WGroup developed a rigorous analysis of the contract, including both baseline and cost. This provided an improved understanding of the cost management mechanisms built into the original agreement. More broadly, WGroup helped the client with provider navigation throughout the process, leveraging its experience and knowledge in key areas such as pricing, service delivery and capabilities into every aspect of the engagement.

WGroup facilitated the client’s understanding of Cloud and new technology options available through the contract. A realistic assessment on cloud-based alternatives and client readiness for migration to cloud-based technologies was provided.
WGroup also provided the client with significant experience from working on numerous renegotiations of IT outsourcing contracts with other clients across multiple industries, all service towers and numerous scenarios. This ensured all options and issues were carefully examined to support effective decision-making, enabled the facilitation of leadership understanding and approval, and that a strategy was built to maximize savings and meet their business objectives.

Results
The resulting IT outsourcing contract, based on a rigorous analysis, not only fully met the client requirements but incorporated best practices, IT industry trends, and competitive pricing. Working collaboratively with the client and the service provider, WGroup ensured the outsourcing IT contract aligned to the sourcing strategy, to the IT strategy and overall business strategy.

WGroup made specific and significant improvements to the contract to benefit the client including:

- Updated and clarified Statements of Work to address responsibility for desired improvements and enhancements to the existing services
- Increased leverage of self-support technologies
- Improved client access to service management platforms and related client service information
- Re-aligned pricing by service category with competitive market pricing and reduced cross-subsidization between services
- Realignd provider’s service management processes to support ITIL v3 framework
- Met corporate objectives by negotiating 16% cost reduction
- Added progressive discounts and retroactive rebates based on incremental revenue driven by project-based work or increased scope under terms of the agreement
- Required flexible terms relating to access to evolving technologies and the ability to use substitute service providers at client’s discretion
  - Client’s exploration of alternative providers for specialized expertise and competitive pricing (e.g., application support)
  - Evaluate and migrate to cloud-based service offerings as they mature
  - Evaluation and migration to more cost-effective platforms
- Drove client-favorable invoicing and payment terms and sharing of economic risk
- Streamlined pricing mechanisms designed to simplify validation and audit as well as drive responsible cost management behaviors by both the client and provider

Overall, the IT sourcing strategy and specific changes made to this IT outsourcing contract not only delivered significant cost reduction and measurable operational improvements but transformed the IT organization. The client was now able to better leverage new and evolving technologies, such as cloud-based service offerings, support the progression of the business and enable value creation.
**At-a-Glance**

WGroup customized its proven methodology and templates to the needs of this Consumer Products Client. Refer to chart below for sampling of specific engagement deliverables provided to the client. While methodology is critical, WGroup’s flexibility and tailoring of its approach, in-depth analysis, cultural awareness, knowledge of the Consumer Packaged Industry and collaboration with the service provider ultimately enabled the best outcome.

**IT Outsourcing Renegotiation – Engagement Components**

<table>
<thead>
<tr>
<th>Engagement Component</th>
<th>Sampling of Engagement Deliverables</th>
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<tbody>
<tr>
<td>Project Organization</td>
<td>Project plan, communication plan, roles and responsibilities definition, information requirements, protocols and all deliverables related to structuring, organizing and managing the initiative</td>
</tr>
<tr>
<td>Baseline Assessments</td>
<td>Deliverables related to financial assessment, contractual assessment, service assessment and technology assessment</td>
</tr>
<tr>
<td>Proposal Evaluation and Market Comparison</td>
<td>Reports, history analysis, evaluations against requirements, actionable recommendations and revised proposal</td>
</tr>
<tr>
<td>Negotiations and Contract Execution</td>
<td>Includes negotiation plan and supporting deliverables</td>
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**About WGroup**

Founded in 1995, WGroup is a boutique management consulting firm that provides Strategy, Management and Execution Services to optimize business performance, minimize cost and create value. Our consultants have years of experience, both as industry executives and trusted advisors, to help clients think through complicated and pressing challenges to drive their business forward.

For more information on WGroup, visit [http://thinkwgroup.com](http://thinkwgroup.com)

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