HOW TO BUY AND CONTRACT FOR NEW TECHS

A NEO POINT OF VIEW

For Global Sourcing Association, UK

Tuesday, March 21, 2023

Neo View of New Technologies

Human Interface

- Social Media
- Mobile Apps
- Smart Homes
- Haptics Wearables
- NLP
- AR/VR, Metaverse

Customer Experience

Enterprise Systems

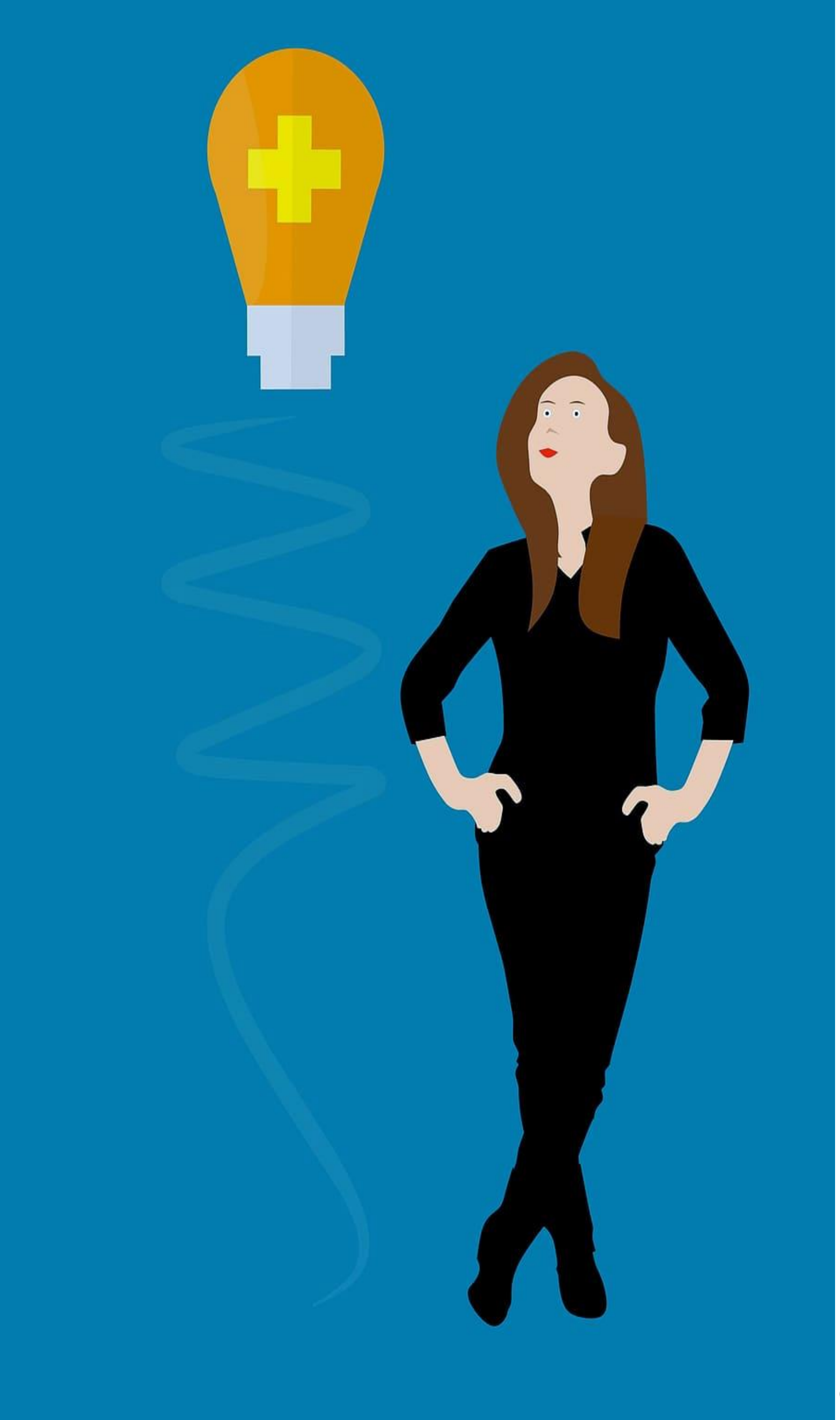
- Analytics BI
- RPA Automation
- AI/ML Robotics
- Big Data
- Blockchain NFTs
- Beacons
- IoT Platforms
- 3D Printing

ERP, SCM, CRM, HCM, …

Infrastructure & Security Architecture

- Public Nets. (4G, 5G ...)
- WiFi 6 Mesh
- BLE Beacons
- LPWANs
- Devices and Tags
- ZTA

Public/ Private/ Hybrid Cloud XaaS



How to buy and contract for new technologies?

Four recommendations in eight minutes!

1. Contract for ambiguity and uncertainty

Conventional sourcing

- Define, document and adhere to boundaries of cost, quality and schedule with your vendors
- A defined route to a known destination

Sourcing of New Techs

- It is the art of the possible – transform with unknown requirements, and uncontained boundaries
- A journey that explores new destinations

Recommended

- Engage in Agile sourcing – let the Lego-blocks build themselves
- Contract for ranges rather than absolute numbers
- Buy a rate-plan instead of a committed volume

2. Choose wisely between Hyperscalers vs Managed Services Providers

Specifically for cloud, we need to weigh the pros and cons of contracting directly with hyperscalers like AWS, Azure, GCP; vs contracting with managed services providers / resellers

Cloud Hyperscalers

- Hyperscalers let buyers have complete control over their infrastructure and data on the cloud
- Buyers can tie their pricing to prevailing publicly quoted prices
- Alliance partners in Cloud marketplaces provide significant capability beyond Cloud
- Hyperscalers usually do not provide implementation and management services, and if provided, its usually cost-prohibitive

Managed Services Providers (MSP)

- Managed providers would let you outsource the task of controlling costs and targeted efficiency improvements to the provider
- Managed deals have a stronger business case when dealing with multiple Cloud hyperscalers – necessary if you have expensive on-prem licenses to be migrated to cloud
- Letting MSPs manage third-party services usually comes in cheaper than procuring via Cloud marketplaces

3. Keep a tab on the commitments you make

The new technology landscape is changing rapidly so we are never sure if the deal that sounds so good right now would remain viable for its term

- Most new technologies have significant economies of scale
- Scale economy industries typically end up in an oligopoly like the operating system, or the public cloud industry
- This means the providers of today may no longer exist 5 years from now

Recommended

- Do not engage in a contract term longer than 3 years without an exit option
- Do not trade-in the flexibility to pay-per-use in return for minor discounts
- Do not commit volumes beyond half of what you actually expect to consume

Cloud, Industrial IoT, etc. were never designed for a take-or-pay pricing model

4. CPI is not for the Things!

- In conventional sourcing, Consumer Price Index (CPI) linked increases have become a hot topic that are applied when sourcing skill based services tied to FTEs.
- In contrast, services that are not tied to FTEs (e.g. License, storage, etc.) tend to have reducing incremental costs
- SaaS products typically pay themselves off within 3 years of their launch, successful ones within a year
- Renewal costs are much lower for the SaaS provider as most capital expenses have already been recovered

Insist on continuous productivity and price improvements in new technology renewals

THANK YOU!

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Recent Publication:
IIoT for Management Consultants

Praveen Gupta, Senior Director, NEOGROUP, Inc.

Praveen specializes in corporate strategy, and business transformation through global sourcing of IT and business processes. He has over 20 years of consulting experience across financial services, healthcare, high-tech and manufacturing industry segments, and has consulted with CIOs of Fortune 500 clients in the US and Europe, for global sourcing of IT and BPO services, including IT portfolio assessment, RFP design and sourcing, vendor assessments, negotiations, contracting, transition management and governance while working in countries like India, USA, UK, China, Singapore and Vietnam.

In the past, Praveen has worked with consulting firms like Price Waterhouse Coopers, Atos, Cognizant and Infosys.

Praveen is also an avid technologist, passionate about leveraging open source, IIoT and mobile technologies for transforming businesses.

Areas of Specialization

- Corporate Strategy
- Global Sourcing
- IT, Digital and Cloud Strategy
- Captive Center Setup
- Post-Merger IT Org Integration
- Service Provider Health Assessment
- Transition and Governance
- Operations Improvement

Educational Credentials

- Post-Graduate Diploma in Management (PGDM) IIM Bangalore
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Publications

- Book titled “IIoT for Management Consultants” 2021 ISBN 979-8477541935