



## CASE STUDY

# NEGOTIATING THE OPTIMAL CONTRACT FOR CLOUD-BASED TECHNOLOGY

TRANSFORM

Business Alignment, Delivery & Cost Effectiveness are Maximized

### THE BUSINESS CHALLENGE

AGSI's client, the Chief Human Resources Officer of a national building products distributor, had just selected a new cloud-based Human Capital Management (HCM) solution to replace an aging legacy platform. AGSI's rigorous analysis during this process had revealed that the existing platform was in fact costing almost twice what the contract stipulated. With key performance requirements and anticipated costs identified for the new solution, our client requested help to **negotiate the implementation and service delivery**, as well as to **ensure that contract costs this time around would be exactly what was specified**.

### AGSI'S HIGH-LEVERAGE SOLUTION

Cloud-based services are now delivered, measured and charged for through drastically different methods than those of "big software" or even the cloud-based practices of just a few years ago. AGSI brought to the table an **immense functional knowledge of the operating fundamentals in this evolving solution**, particularly those that can quickly run up the price.

In this case, the key delivery cost metric was PEPM (per employee, per month), and the selected new provider initially offered a lower PEPM figure that our client might have been very satisfied with. However, our experience, along with the analytics from our forced ranking process during solution selection, **allowed us to identify a number of factors that would push that figure higher after implementation**. For example, the contracted ceilings and floors for number of employees would have caused unexpected costs as the organization grew or tried to reduce headcount; unnecessary testing environments would have inserted needless cost; and the seeming convenience of a single sign-on for all would have become extremely expensive if we hadn't known how to anticipate the most likely users. With this knowledge we were **able to negotiate the PEPM down even further**.

At the same time we **focused on negating any cash flow impact of the transition** to the new solution. For example, we **negotiated a wide range of concessions**: the implementation would be established as a fixed fee; this cost (beyond a binder fee) would not be applied until after "go live" and testing; and the implementation fee would be paid over the course of the following year.

### VALUE TO THE ENTERPRISE

Our client realized extraordinary value from AGSI's contract negotiation on its behalf. Their new solution will be **delivered at a PEPM that is 50% lower** than that of the previous platform, and every aspect of this cost is spelled out with clarity and transparency. The delay of the implementation fee payment inserted a greater incentive to get the solution up and running quickly. And the **transition's expected one-year hit to their budget was eliminated**, thanks to the lower monthly PEPM and the flattening of the implementation fee into monthly payments. In total, **our experience allowed us to pull out millions of dollars in costs**.

### IN BRIEF

#### CLIENT:

One of the largest Building Products Distributors in the U.S.

#### ENGAGEMENT:

Contract Negotiation for HCM Technology Solution

#### CHALLENGE:

Following the evaluation and selection of a new Human Capital Management technology solution, AGSI was asked to negotiate a contract that both improves service delivery and lowers costs

#### OUTCOME:

The transparent new contract ensures delivery against a targeted list of business requirements and provides for a total cost against key metrics that is not only 50% lower than that of the previous provider but also 40% lower than the new provider first offered