



# Vendor Consolidation – Is Adoption Declining for Multi-Supplier Environment?

Prahlad Srinivasan

Transition and Transformation

# Table of Contents

- ❖ Introduction

  - (a) Engaging Multitude of Vendors, Service Integration

  - (b) Perceived Benefits

- ❖ Risks and Complexities of Engaging Multiple Vendors

- ❖ What is Vendor Consolidation

- ❖ Major Benefits

- ❖ Vendor Consolidation lifecycle - Sample

- ❖ Would Service Integration decline in coming days – My Views

# Assumptions and Considerations

- ❖ Contents of the slide pack are based on my review of multiple contents on this subject
- ❖ Intent of the session is to be an eye opener for selection based on advantages and need of the hour for businesses
- ❖ Use of word Vendor, Supplier are interchangeable
- ❖ Content is created considering a Tier 1 Vendor as example, having multiple (>50) application in landscape and has a combination of large and small vendors contracted for AM, AD and AO support

# Engaging Multitude of Vendors

Engaging Multitude of Vendors, technically called as Out-Tasking

SI – Multiple suppliers integrated together to provide a single business-facing IT organization.

It aims at seamlessly integrating interdependent services from various internal and external service providers into end-to-end services in order to meet business requirements

Objective of SIAM :- SIAM aims to bring the desired governance and control which will ensure organizational policies and standards are not ignored or inconsistently applied; and suppliers act in a cohesive and efficient manner

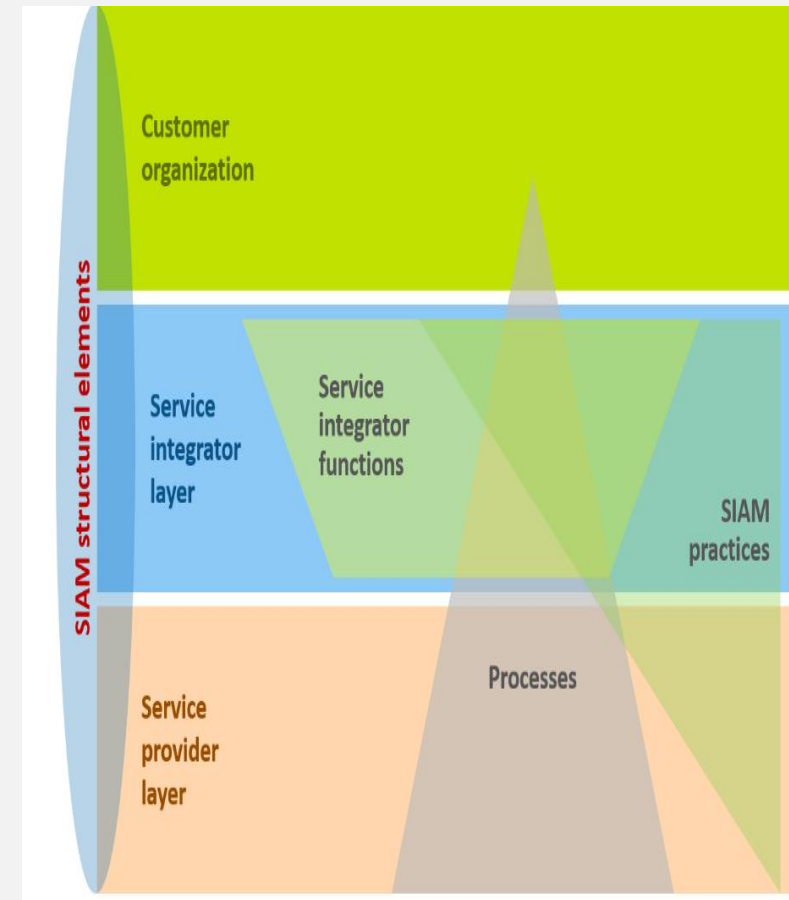
SIAM provides governance, management, integration, assurance, and coordination to ensure that the customer organization gets maximum value from its service providers.

This was introduced in **2005** within UK Public Sector.

It was perceived to solve the below Multi-Vendor problem

- 1) Unclear delineation (preciseness) of duties among vendors
- 2) Cooperation and coordination between vendor
- 3) Accountability and transparency of vendor processes and benchmarks for completion
- 4) Reducing Service based complexities
- 5) Multi-Vendor performance measurement
- 6) Quality of Service provided

## 3-Tier SI Architecture



# Major Risks of Engaging Multiple Vendors

## Business Challenges



### Higher Cost

- Multitude of vendors would increase cost that the price offered
- Managing these vendors needs experienced professionals



### Increased Risk

- Over-dependence on contractor skills
- Ramp-up's might be slow



### Slower pace of digital transformation

- Takes more time to adopt to business objectives

## Operational Challenges



### Collaboration

- Blame game
- Vendors don't collaborate well



### Non-Alignment of Objectives

- Relationship sustainability?



### Lack of Monitoring

- In-adequate SLA, KPI's
- Integration metrics not measurable

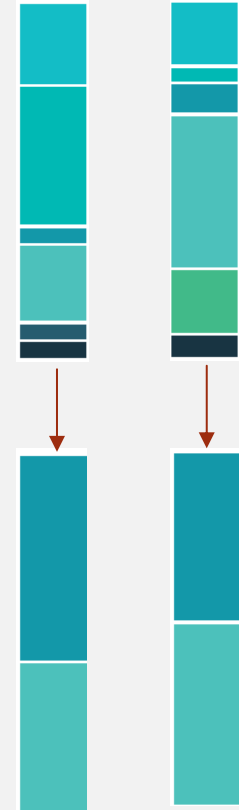
# What is Vendor Consolidation

Vendor consolidation is the process of reducing the number of suppliers that a business works with, usually to achieve cost savings, efficiency, and quality improvements.

Vendor consolidation is the process of amalgamating a company's suppliers so that the company can shortlist them based on a thoughtful analysis that aligns with their specific requirements, packaging needs, prices, and other relevant attributes

“consolidation is the process of reducing the number of suppliers you use for a given product or service”

Fragmented Application or Business service support



Consolidated Application or Business service support

# Major Benefits of Vendor Consolidation

Undoubtably the biggest benefits is regaining control of IT Spend and being 'One-Stop Shop'

#	Benefit	Description
1	Greater Purchasing Power, enhanced negotiation power (via cost and time savings)	Working with large no.of vendors increases spend, when no.of vendors reduce, you would have high buying power
2	Improved IT Vendor Management / Reduces Administrative burden	Reduced no.of vendor means better and efficient management of vendors, VMO can concentrate more on improvements
3	Increased Quality Control, Compliance / Greater standardization of Process, tools and best practice	With fewer contact points, quality control improves
4	Reduction in Process complexity, Improved Accountability	Process complexity reduces with less no.of process hops
5	Stronger Supplier and Client Relationship / increased synergy	Few suppliers to manage, relationship naturally becomes stronger
6	Fewer Contact points / handoff's	Reduced no.of vendor means reduced contact and communication points
7	Security	Blind spots elimination, top-notch & un-compromised compliance

## Risks of Vendor Consolidation

#	Risks	Description	Risk Manageable
1	Vendor Selection could be complex	Strict adherence to vendor selection criteria's, might make the process tedious due to reduced no.of qualified suppliers	Yes
2	Limited flexibility & Customization	Sometimes absence of tailored solutions as per business need	Yes, can be mitigated
3	Selected vendor should be multi-service provider	Vendor should be an Super SI, competency across latest IT Offerings and solutions	Yes
4	Reliance of SPOF	Consolidation might create SPOF, during disruptions this can cause major impact	Yes, DR and BC should be effective, drills every year
5	Transition from MVE to SVE	MVE → SVE might be complex from data consolidation, system integration perspective	Yes

It is very important to carefully consider these risks and benefits to determine whether benefits outweigh the potential risks or drawbacks.



# Typical Life-cycle of Vendor Consolidation

**2 – 3 weeks**



Discussion and Planning.

**3 – 4 Weeks**



Assessment, Reporting and  
Review

**3 – 6 Months**



Design and Transition

**3 Months**



Consolidated State – Test  
period.



Consolidated state - Final

\* - All timelines are approximate, might differ case to case basis.

## Is if decline of Service Integration ? – My Opinion & Market Reflection

- ❖ Vendor Consolidation is a Complex activity with tedious process of selecting a right vendor with correct capability – But this is a one-time activity and need not be repeated until contract renewal  
**Meanwhile**
- ❖ Service Integration might be a challenge month on month
- ❖ Taking an example of Production industry or Manufacturing industry, IT is a cost centre. If this IT can bring cost savings and better flexibility on finances – would be beneficial to the organization  
**Meanwhile**
- ❖ Experiencing and quantifying ROI, VOI is complex as customer need to invest effort and FTE to managing multiple suppliers.
- ❖ Managing Metrics and Risks are less-complex  
**Meanwhile**
- ❖ Defining and measuring Integration metrics is complex and data would be complex to source
- ❖ Organizational Change Management is key to success.

**Thank You**