Optimizing Salesforce Negotiations for IT Organizations

This whitepaper underscores the importance of strategic planning and careful consideration in managing Salesforce costs, offering practical advice for IT leaders seeking to maximize their value from this vital SaaS platform.

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Introduction

Salesforce.com subscriptions represent a substantial investment for IT organizations across industries. Known for its comprehensive and versatile toolset, Salesforce offers capabilities that extend beyond customer relationship management (CRM) into partner management, collaboration, performance tracking, and data management. However, as organizations deepen their reliance on Salesforce, managing these costs becomes increasingly challenging. This difficulty often stems from issues like over-provisioning, high unit license costs, lack of transparency due to bundling, and suboptimal license asset management.

With Salesforce deployed across multiple departments, the complexities of managing costs and negotiating contracts can increase dramatically. Sales, Marketing, and IT departments may deploy various Salesforce products independently with different subscription termination dates, which can make it difficult for organizations to approach negotiations with a unified front. Given Salesforce's status as a leading SaaS solution provider, contract negotiations involve significant financial stakes. As such, these discussions require careful planning and strategic consideration to maximize the value of the organization's investment.

Drawing from Symphony's years of experience in Salesforce negotiations, this whitepaper provides critical insights and best practices to help IT leaders navigate the complexities of Salesforce licensing, optimize costs, and achieve favorable outcomes in contract negotiations.

The Cost of Salesforce: A Growing Challenge

Salesforce subscriptions are a major line item in many organizations' IT budgets, and the costs can escalate rapidly. Licensing structures are not always intuitive, and various factors contribute to these rising expenditures, including:

- **Over-Provisioning:** Organizations may purchase more licenses than they need, often as a result of bundling that is based on future demand, which may or may not materialize.
- **High Unit License Costs:** Salesforce's per-user pricing model can become expensive, especially when licenses are not rationalized regularly.
- **Complex Licensing Arrangements:** Salesforce offers a wide range of licenses and add-ons, which can lead to confusion and inefficiencies if not carefully managed.
- **Inadequate License Asset Management:** Poor oversight of license allocation can result in costly mistakes, such as failing to deprovision unused licenses or assigning the wrong license type to users.

These challenges are compounded by the decentralized deployment of Salesforce across departments. Each department may manage its own licenses, which can lead to a fragmented approach when it's time to renew the contract or negotiate new terms. This decentralized usage makes it harder to coordinate efforts, leverage organization-wide purchasing power, and achieve cost-effective outcomes.

Preparing for Negotiations: A Strategic Imperative

Given the significant financial implications, approaching Salesforce negotiations with a well-thought-out strategy is crucial. Not only is it unwise to wait until the contract expiration date to start discussions, but it is also detrimental to the renewal process. Below are key lessons learned from years of guiding companies through Salesforce contract negotiations:

1. Start Early

Timing is everything. The most successful Salesforce negotiations begin well before the contract's renewal notice arrives, or before you are forced to make a new purchase due to an expiring legacy solution that Salesforce will replace. Ideally, you should start preparing 6 – 12 months in advance for renewals and new purchases, depending on complexity. This early start allows you

to thoroughly evaluate your current Salesforce portfolio and your future requirements, analyze how licenses are being or will be used, and identify future business needs.

Early preparation gives your organization greater leverage in negotiations by providing ample time to gather data, benchmark pricing, and strategize. Rushing the process as the renewal date approaches often leads to less favorable pricing and terms.

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2. Right-Size and Rationalize Licenses

Over time, Salesforce license requirements within an organization can evolve, leading to a different mix of Salesforce products that will be needed. Organizational restructuring, staff turnover, and changing business needs can all affect the number and type of licenses required. Yet, many companies fail to reassess and rationalize their licenses before renewing contracts or making new purchases. This can result in paying for unused or unnecessary licenses.

One of the most common mistakes we encounter is ad hoc license purchases that don't align with long-term needs. For example, in one case, a client had purchased Salesforce licenses for users of a third-party platform, mistakenly assuming these users required additional Salesforce licenses. Properly assessing and rationalizing licenses can correct such oversights and prevent similar costly errors in the future.

Organizations should also address common issues like incorrect license assignments and lapses in de-provisioning. By right-sizing your licenses, you can ensure that you are only paying for what your organization truly needs.

3. Secure the Right Pricing Structure

A key component of any negotiation is securing the right pricing structure, which goes beyond discounts. This means specifying price increases, incremental license additions, and the pricing framework for new products so that preferential pricing is extended to you beyond the immediate transaction. With Salesforce, this requires a comprehensive understanding of your organization's past spending patterns and projected future requirements. Larger organizations with growing volumes should leverage their increased usage to negotiate more favorable pricing.

Engaging third-party consultants with experience in Salesforce negotiations can provide valuable insights, including access to benchmarks. These experts can help analyze your spend, identify inefficiencies, and forecast future needs. Armed with this information, you can adopt a collaborative, win-win approach to negotiations. Consider Salesforce as a strategic partner, and explore ways to offer preferential treatment (such as agreeing to multi-year commitments, technology roadmap exchanges) in exchange for discounts and better terms.

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4. Develop a Zero-Base Plan

When preparing for negotiations, it's easy to fall into the trap of assuming incremental growth. However, it's often more effective to start from scratch with a zero-base plan. This approach involves reassessing your license needs from the ground up, rather than simply adding on to what you already have. This is especially true when you are embarking on an entirely new relationship with Salesforce. In one instance, we worked with a client that was using their legacy Oracle CRM licensing model, which Salesforce would subsequently replace, and attempted to map it to

Salesforce. This did not generate the right results and a zero-based plan approach proved to be a much stronger reflection of what the client actually needed.

By developing a zero-base plan, you can more accurately determine how many licenses your organization actually needs. This exercise often reveals opportunities to cut costs, such as reducing unnecessary add-ons or trimming excess licenses. The goal is to create a lean, efficient license structure that aligns with your current business needs, rather than one that is bloated with inefficient bundles. When it comes to making commitments on licenses, think "just-in-time", not "just-in-case".

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5. Always Have a Plan B

While Salesforce is a dominant player in the SaaS market, it's important to remember that it is not your only option. Entering negotiations with a viable alternative—whether it's a competitor's product or a plan to scale back growth—can strengthen your bargaining position. Having a contingency plan shows Salesforce that you are serious about exploring other options if favorable terms are not offered.

Although a complete migration away from Salesforce may be challenging, considering partial alternatives can increase your leverage. For instance, using a competitor's solution for specific applications or throttling back on new Salesforce deployments can signal to Salesforce that their pricing needs to remain competitive.

Conclusion

Renewing a Salesforce contract or making a new Salesforce purchase is a complex and high-stakes process that requires thorough preparation and strategic thinking. By starting early, right-sizing your licenses, securing appropriate discounts, and developing a zero-base plan, you can maximize the value of your Salesforce investment. Additionally, having a contingency plan in place provides essential leverage in negotiations.

Organizations that take a proactive and structured approach to Salesforce negotiations can achieve significant cost savings while maintaining the flexibility and functionality that Salesforce provides. If your team is preparing for a Salesforce renewal or new purchase, consider seeking expert guidance to ensure that you navigate the process successfully and achieve the best possible outcome.

For more insights on optimizing Salesforce renewals or new purchases, or to discuss your organization's specific needs, feel free to contact us at info@symphonyconsult.com.

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