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# **Strategies for MSE CIOs to Effectively Expand Technology Contracts**

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# Strategies for MSE CIOs to Effectively Expand Technology Contracts

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Over 50% of MSEs report unmet expectations from expanded subscription agreements due to unclear requirements, dependence on outsider recommendations and low value from original contracts. CIOs can improve their vendor management strategies by learning from both satisfied and dissatisfied peers.

## Overview

### Key Findings

- Midsize enterprises (MSEs) that were overly ambitious with scope, managing conflicting stakeholder objectives or simply unprepared overwhelmingly reported that expansion decisions failed to meet expectations.
- Satisfied MSEs expanded their vendor relationships based on internal factors like expanded needs, growth and new use cases over external factors like user recommendations, competitive pressure and third-party research.
- Satisfied MSEs reported that regular account manager interactions, marketplace benchmark data, project plans and customer conferences played crucial roles in expanding vendor relationships.

### Recommendations

CIOs leading IT in midsize enterprises should:

- Set specific and realistic expectations and commit to them when expanding tech hardware, software and managed services agreements.
- Prioritize internal factors over external factors when revisiting contracts, looking for negotiating opportunities to reduce, pause or stop unused features, or expand what's working well.

- Build on strong existing relationships by sharing your sourcing strategy and use cases with all relevant vendors to expand relationships that already demonstrate value.

## Data Insights

Midsized enterprises depend on vendors to overcome resource, technology and skills gaps. Over half experience buyer's remorse. According to the 2023 Gartner End User Buying Behavior Survey, 52% of MSE respondents report unmet expectations from their expanded technology subscription agreements. <sup>1</sup>

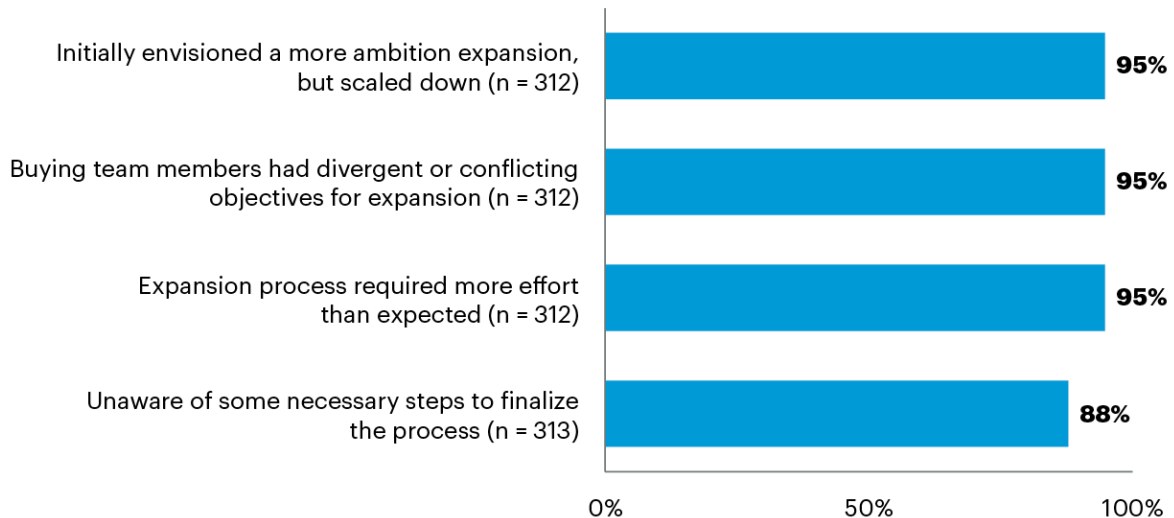
In 2023, Gartner surveyed 796 MSEs globally on their decisions to expand technology subscriptions. This report summarizes how different buying behaviors impact overall satisfaction when expanding tech hardware, software and managed services agreements. Here, "satisfied" denotes that the expectations of MSEs were met, while "dissatisfied" indicates that their expectations were not met.

### Set Specific and Realistic Expectations and Commit to Them

While seemingly obvious, it is important to understand the consequences of unclear requirements. Midsized enterprises that began with ambitious plans, conflicting stakeholder objectives or unpreparedness overwhelmingly reported that expansion decisions failed to meet expectations (see Figure 1). Dissatisfied clients cited misalignment with stakeholders' strategic objectives as a critical factor when expanding vendor relationships. <sup>2</sup>

**Figure 1: Dissatisfied MSEs Lack Clarity in Navigating the Purchase Process See Preview****Dissatisfied MSEs Lack Clarity in Navigating the Purchase Process**

Level of agreement with various parameters of the purchase process — top 3 box (somewhat/moderately/strongly agree)



n varies; all B2B buyers from mid-size enterprises who renewed technology subscription contracts with expansion and believe that the expansion decision failed to meet expectations, excluding 'not sure'

Q. To what extent do you agree or disagree with the following statements regarding the purchase process?

Source: 2023 Gartner End User Buying Behavior Survey

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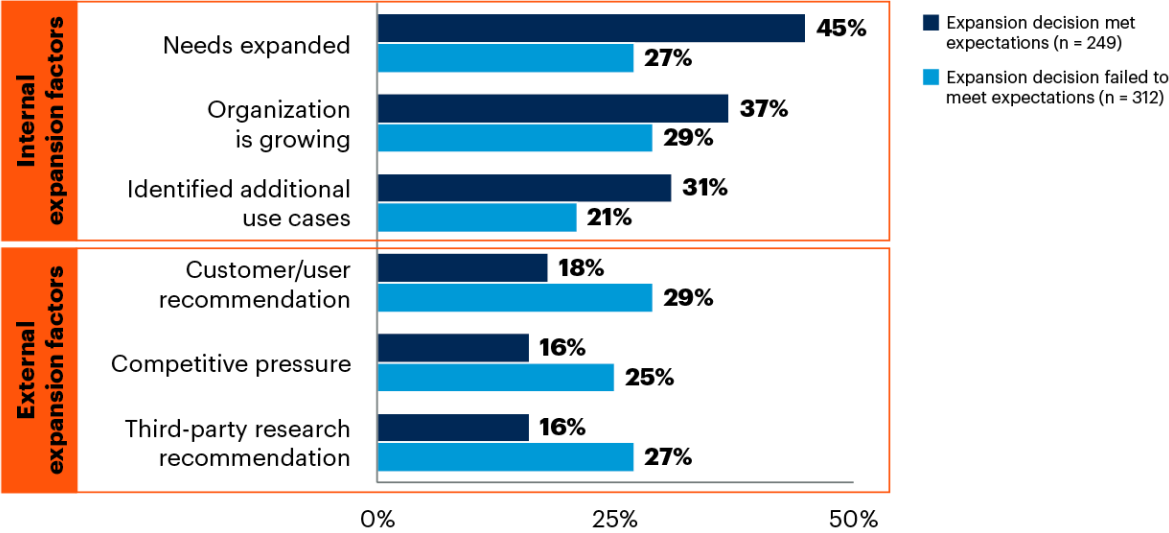
## Prioritize Internal Factors Over External Factors

Satisfied MSEs rely on internal factors to drive expansion decisions (see Figure 2).

Expanded needs, organizational changes and new use cases are more likely to lead to meeting buyer expectations. In contrast, those relying on external factors, such as user recommendations or competitive pressure, are less likely to meet expectations. MSEs should also align their vendor relationships to specific business goals and objectives. <sup>2</sup>

Figure 2: Satisfied MSEs Focus on Internal Factors for Expansion Purchases See Preview

Satisfied MSEs Focus on Internal Factors for Expansion Purchases  
Factors that triggered the expansion decision — sum of top 3 ranks



n varies; all B2B buyers from mid-size enterprises who renewed technology subscription contracts with expansion, excluding 'not sure'

Q. Which of the following are the top 3 factors that triggered the decision to expand the technology subscription agreement?

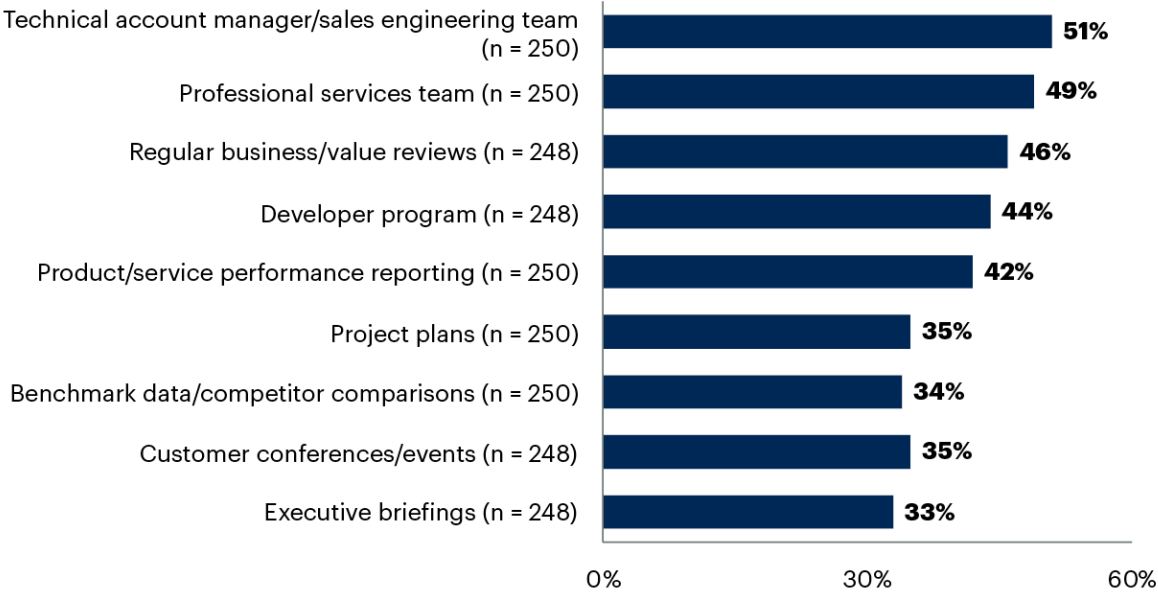
Source: 2023 Gartner End User Buying Behavior Survey  
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Build on Strong Existing Relationships

MSEs satisfied with vendor agreements highlighted several key engagement factors, such as account manager and professional services interactions, as well as regular business value reviews (see Figure 3). Clients should work with vendors to measure value and build pricing transparency. Consistent delivery of business value establishes a long-term relationship that goes beyond transactional ROI. <sup>2</sup>

Figure 3: Satisfied MSEs Assess All the Elements of Value From Subscriptions See Preview

**Satisfied MSEs Assess All the Elements of Value From Subscriptions**  
Helping buyers achieve value from original subscription agreements — multiple responses allowed



n varies; all B2B buyers from mid-size enterprises who renewed technology subscription contracts with expansion and believe that the expansion decision met expectations, excluding 'not sure'

Q. Which of following provider teams, programs, services, events and content helped your organization to achieve value from original subscription agreements?

Source: 2023 Gartner End User Buying Behavior Survey  
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## Evidence

<sup>1</sup> **2023 Gartner End User Buying Behavior Survey.** This survey seeks to understand the behavior of B2B buyers on how they approach decisions to renew or expand technology subscription agreements. The survey was conducted online from February through March 2023 among 1,503 respondents from organizations with annual revenue of at least \$50 million or equivalent from Western Europe (41%), North America (33%) and Asia/Pacific (25%). Industries surveyed include education providers, energy, financial services, government, health payer, healthcare, technology, telecom, insurance, manufacturing, natural resources, retail, transportation and utilities. Qualified respondents are involved in vendor evaluation/selection or review of at least one of the following products or services (subscription agreement) within the past two years: software as a service, platform as a service, infrastructure as a service, network as a service, hardware as a service, managed IT services or business process as a service. Also, respondents have been personally involved in a renewal and/or expansion decision at their organization in the past two years. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

<sup>2</sup> In over 450 midsize client interactions during the past years – (a) over 78% of clients stated that most of the day-to-day infrastructure services (service desk, end-user, networking, data center, security) were not strategic to the business and therefore outsourced these services to vendors who focused on midmarket companies and that these outsourced services were almost always directly aligned with stakeholder objectives, (b) almost 50% described having suboptimal experiences with vendors when outsourcing cloud based and other infrastructure managed services, stating that part of the problem was how they acquired these services, (c) over 230 clients who said that they were successful included having a contract structure that allowed them to easily work with their vendor's relationship management team, required regular continuous improvement conferences, and used marketplace benchmark data to drive provider behavior as three of the top five key components to engagement satisfaction, (d) over 85% who used at least three of the following key factors stated that they expanded the vendor relationship – 1) used business outcome measures, 2) best practice pricing models, 3) contract structures with sufficient money at risk – with earn-back opportunities – for not meeting expectations, 4) spoke with references prior to hiring the vendor and 5) had reasonable term and termination and data protection contract language, and (e) more than 230 clients stated that they were seeking to expand their vendor relationships due to new use cases with a significant part of the new use cases due to company growth.

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