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CASE STUDY

Insurance Group Cuts IBM Spend by 31% Through Renegotiation

IBM Optimisation & Negotiation Service

31% reduction in annual IBM spend

Executive Summary

A pan-European insurance group facing a major IBM Passport Advantage renewal engaged Livingstone to challenge an entitlement structure that had not been substantively reviewed in over a decade. A restructured Bill of Materials and a coordinated negotiation strategy delivered a 31% reduction in annual spend.

The Challenge

A pan-European insurance group had renewed its IBM agreement on broadly unchanged terms for over ten years, accumulating entitlements for products that were no longer in active use across its claims, policy administration and middleware platforms.

Procurement suspected significant over licensing but had no reliable way to map current consumption against the existing Passport Advantage entitlement set without specialist IBM metric expertise. With the renewal deadline approaching, the client needed a credible alternative position to avoid simply rolling the existing agreement forward by default.

FAST FACTS

CLIENT
Pan-European Insurance Group

SIZE
22,000 employees

SECTOR
Insurance

LOCATION
Europe

SERVICE
IBM Optimisation & Negotiation

SAVINGS
31% reduction (approx €9.4M)

The Solution

Livingstone mapped actual consumption across the IBM estate against entitlement records, applying PVU and sub-capacity rules correctly for the first time to identify a materially smaller required footprint.

A restructured Bill of Materials consolidated overlapping middleware entitlements and removed products with no active deployment, while building a defensible BATNA to support the negotiation. Livingstone led the commercial negotiation directly with IBM on the client's behalf, sequencing concessions and using the validated BATNA to maintain leverage through to contract execution.

The Outcome

The restructured agreement reduced the client's annual IBM spend by 31%, approximately €9.4M, while improving sub-capacity flexibility for future cloud migration of the claims platform, an outcome the client's previous renewal cycles had never achieved.

Key Success Factors

- Accurate PVU and sub-capacity consumption mapping, correcting a decade of entitlement drift
- A credible alternative Bill of Materials that gave the client genuine negotiating leverage
- Direct, Livingstone led negotiation that kept commercial control with the client throughout

Conclusion

> The engagement reset the baseline for the client's IBM relationship, replacing a decade of default renewals with a right sized agreement and a repeatable process for future cycles.

Want to uncover hidden value in your software estate?

Get in touch with Livingstone to see how our independent advisory services can help you achieve similar results.

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