

Contract Health Check



Client: Example Inc.

Vendor: Multisourcing Corp.

Contract: Outsourcing og drift af infrastruktur

Dato: 12/12 2018

Version: 1.0

The Quarterly Analytics Contract Health Check is a quick view assesment of an outsourcing contract based on a limited set of parameters that typically drives the outsourcing price in the marketplace.

The Contract



Contract basis	
Description	Outsourcing and infrastructure
Contract start (year/month)	12/03
Contract term – guaranteed (months)	48
Extension options (months total)	12

Pricing	
Yearly financial volume (DKK)	10.000.000
Agreed pricereduction over term (average DKK pr year)	None
RFP-process with more than one vendor prior to contract	No
Has the agreed price been reduced over the term?	No
Actual adjustment of total price over term	0
Transition costs in DKK	1.000.000

Terms and conditions	
Location of datacenter	Not specified
Special security requirements	None
Capacity flexibility	None
Penalties	<10%
Benchmarking	No benchmarking

Service categories		Specific operations	
IT Operations	No	Mainframe operations	No
Application Management	Yes	Midrange operations	Yes
Application Development	Yes	Distributed Network (LAN/WLAN)	Yes
Software licenses and SaaS	No	Workstation	Yes
Unit-prices in DKK		Servicedesk	Yes
SAS SAN Storage (price pr. Gb)	2,00	Database operation	Yes
SSD SAN Storage (price pr. Gb)	4,00	Application operation	No
Virtual Wintel server 1 vCPU / 4 GB RAM	2.000	Cloud services (Paas and SaaS)	No
Notes			

The Rating





RED


Concerns:

- Unite price is significantly over market price
- No price adjustment in contract period
- No RFP process before initial contract signing

Actions to take and the ratings explained

 RED: Further investigation of the contract is needed. The RED-rating means that there is a high probability (above 90%) that the contract is significantly above current market price.

 YELLOW: Not enough data. Watch contract carefully. There is no strong evidence for problems, but insufficient data to support a GREEN-rating. Focus on the contracts with a RED-rating before looking into this contract. Continuously watch the YELLOW contracts, as they will turn RED over time, if you do nothing about them. Examine contracts rated YELLOW you have the RED contracts under control.

 GREEN: Everything we have examined suggests that there are no problems. *This is not a guarantee* – there could be several problems in part of the contract – especially if the contract was entered significantly over market price. We recommend that you focus on contracts with RED and YELLOW rating before examining GREEN contracts.

Disclaimer and correct use

Quarterly Analytics' Contract Health Check is NOT a benchmark and is not intended for use in a negotiation with vendors. While a RED-rating is a strong indication that the contract is above market price, it is not a guarantee. Similarly, a green rating is not a guarantee that the price is aligned with market prices. For a complete comparison, with regard to market prices, a more elaborate analysis like a benchmark or a formal RFP-process would be required.

- Please note that Contract Health Check is only applicable for IT-operation contracts.
- *If you are a client side subscriber, use the QA health check tool as a part of your prioritization efforts in your organizations ongoing contract management work.*
- *If you are a vendor use the health check to identify contracts in your portfolio that is in need of a further examination.*