

Vendor consolidation: A strategic approach to *efficient operations*



The benefits that individual vendors bring are often overshadowed by the complexity that comes with operating and coordinating a large and complicated vendor ecosystem. This “vendor sprawl” can make coordination across teams difficult as they tap into different vendor capabilities to meet their needs.

This sometimes results in individual vendors performing the same tasks in a silo, which adds redundant capabilities, unnecessary expenses, and process misalignment across the entire enterprise. Further, the benefits of shared data and cross-functional visibility can be missed, making it more difficult to have the clarity needed to make broader strategic decisions that impact return on investment across the organization.

We are also observing a surge in technology-related spending, with nearly 75 percent of businesses planning to ramp up their investments in artificial intelligence and generative AI in 2025, according to the Capgemini Research Institute. There is also an increased focus on strategic cost reduction and efficiency. Fifty-six percent of global businesses are planning to prioritize cost reduction over revenue growth in 2025, and 50 percent plan to increase investments with a drive to improve efficiency and long-term competitiveness.

How can companies deliver value from these investments while also managing multiple vendors with competing agendas? The answer lies in cost optimization within IT and other business areas.

Vendor consolidation can be a crucial lever to achieve this balance. Executing this effectively with the assistance of an experienced services provider can lead to significant cost reductions, enhance operational efficiency, and reveal untapped opportunities that were previously inaccessible.

Unlocking efficiencies through consolidation

The overarching idea is simple: by reducing the number of service providers, companies can capitalize on volume discounts and slash administrative costs linked with handling multiple vendor relationships. A single point of contact for IT services removes communication complexities, enhancing service levels and freeing critical resources for other IT initiatives.

- **Maintaining consistency.** Consolidation of cybersecurity ensures that protocols maintain a consistent standard across the IT infrastructure, promoting a more cohesive, integrated approach to security management.
- **Ease of scale.** Engaging a smaller number of more versatile vendors increases compatibility across the entire IT environment. This makes it possible to scale operations – either up or down – with minimal issues, adapting to changing needs.
- **Streamlined procurement and invoicing.** Having fewer vendors reduces administrative workload through a streamlined procurement and invoicing process. This also enables more efficient tracking and monitoring of performance, adherence to compliance standards, and contract management.





Overcoming the challenges

While there are plenty of opportunities to be achieved through consolidation, the task of bringing together multiple IT services vendors can present challenges.

- **Employee resistance.** Employee resistance stands as one of the most significant hurdles to proactive change. For example, say there are employees who are accustomed to resolving issues through a particular vendor channel. Employees who are used to these routines may find it hard to adapt to changes in their well-established processes and might be hesitant to engage with a new vendor. To combat this, ensure that change management principles, upskilling, and other training are integrated throughout the transition process.
- **Contractual limitations.** Existing agreements with the current IT service vendors may impose restrictions on the ability to streamline services or transition to a new provider. These constraints could include early termination penalties or clauses that prohibit merging services with another vendor. Service-level agreements (SLAs) are another challenge, as each vendor may have its own SLA in place. A skilled partner can provide guidance to develop a roadmap for transition that keeps varying agreements in mind.
- **Vendor management.** Businesses often assign specific teams to manage each vendor's services. When vendors are consolidated, there could be a downsizing of these management resources. This can lead to difficulties when overseeing the services of the new vendor.
- **Service quality.** While vendor consolidation can lead to financial savings, businesses must avoid compromising service quality. It's crucial to examine the costs linked with each IT service and seek cost-effective solutions that meet business needs based on agreed measures.
- **Communication and collaboration.** Consolidating vendors often results in shifts in processes and procedures, which can create a climate of confusion and uncertainty among employees. Businesses should therefore maintain clear and transparent communication with their employees and stakeholders regarding the consolidation process. Additionally, providing comprehensive training can help with ensuring that everyone is well-versed in the new processes and procedures.

Businesses can face risks or roadblocks that impact the success of the transformation if these potential issues are not addressed. This is particularly true when there is not enough expertise to manage the process properly.

Turning less into more

The roadmap for successful vendor consolidation should consist of three key phases.

Planning. Take a step back to review the current situation. Conduct an assessment to identify data sources and agree on an approach. Customize the framework, gather data, perform quantitative segmentation and suitability assessments, and recommend clustering and consolidation approaches.

Design. Create solution architectures and draft a well-defined statement of work. Also, establish an SLA and KPI framework and a detailed transition plan. Completing commercial and legal documents is also essential during this stage.

Execution. Institutionalize best practices and implement tools that will assist in managing the transition. A well-crafted migration plan should include new metrics, cut-over dates, exit criteria, and other important elements. Migration to fewer vendors should be conducted in stages to avoid overwhelming operations.

Maintaining momentum

Vendor consolidation should continue even after the transition has been completed. It is beneficial to keep looking for potential consolidation opportunities to automate processes and increase operational efficiency to bring the company even closer to its ideal end state.

From experience to efficiency

It's crucial to have a competent partner guiding the company through the entire process, particularly when the organization lacks experience in vendor consolidation.

Capgemini's [ADMnext](#) vendor consolidation approach streamlines IT services setup to simplify vendor contract management, oversee the procurement processes, and minimize technology-related costs. We use advanced tools in the initial assessment phase to craft a tailored consolidation plan, analyzing contractors, services, applications, and infrastructures.

With vast business transition experience and a comprehensive suite of tools, we can transition clients to an ideal vendor landscape. Attaining these can take a lot of preparation, but we have the experience to help you minimize costs, drive efficiency, and achieve the future you want.



About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, generative AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2024 global revenues of €22.1 billion.

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