


# ServiceNow Street Pricing & Sales Tactics

*How to Get a  
Fair Deal with  
ServiceNow*



# Is Your ServiceNow Price Fair?

## THE BUYER'S DILEMMA

ServiceNow has established itself as one of the most ruthless modern technology providers when it comes to pricing its customers. The IT Service Management industry behemoth has countless tactics they use to drive up the cost to solution their product, leaving little remorse or flexibility for customers looking to reduce their ServiceNow spend. As a result, many customers are forced to accept multiple price increases and product premiums as a trade off to obtain ServiceNow's elite products, often times resulting in hefty fees that put strain on any IT budget.

As organizations struggle with the constant battle to quickly adopt technology while still creating cost efficiencies, ServiceNow's aggressive pricing tactics and punitive run rate increases throws a wrench into any cost reduction initiative. Though most buyers may feel pressed up against the wall when negotiating with ServiceNow, ClearEdge Partners can provide the help you need to gain back control of your IT economics.

[ClearEdge](#) is a specialty consulting firm, focused on helping its clients compete more effectively with their most strategic suppliers, like ServiceNow. This report will highlight high-level themes and useful information that you can use to better prepare for your negotiations and mitigate pricing-related risk.

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## ClearEdge Experience



\$60B+

*in deal spend consulted on*



30K+

*deals assisted & led*

# Pricing Statistics

*How Strong is ServiceNow's Pricing Power?*



1.7<sup>x</sup>

## Premium Over Closest Competitor

BMC's Helix ITSM product (previously known as Remedy) is the closest competitor to ServiceNow in the ITSM space. ServiceNow is priced at nearly double the cost of BMC Helix ITSM on a per license basis when compared to average unit price achieved by their respective customers. Despite the cost premium, ServiceNow still dominates the ITSM market.

## Renewal Certainty

Not many customers that acquire ServiceNow end up switching solutions. ServiceNow's customer renewal rate is 98%, illustrating how few buyers elect to move off the SaaS platform. Since it's likely that you will have ServiceNow for years to come, it's important that competitive pricing is achieved early in your relationship.



98%



83%

## Gross Margin Per License Sold

There are minimal internal costs for ServiceNow associated with licensing additional users. As a result, ServiceNow can achieve very high gross margins on the products sold. The amount of profit that is made on every license sale provides flexibility for ServiceNow to offer aggressive discounts while still maintaining positive net incomes.

# Pricing Statistics

## What are ServiceNow's Average Discount Ranges?

### General Discount Range

Like those of many other software vendors, ServiceNow's pricing strategy is focused on capturing as much value in a transaction as possible. So, depending on your leverage in a negotiation, you may get a completely different discount for the same size purchase as one of your peers.

Highlighted in the table below are the average discount ranges we observe for each of ServiceNow's main product sets, aggregated over hundreds of client deals in the past year. Eighty percent (80%) of observed deals fall within these discount ranges, but that does not mean they are considered "competitive market" rates. Understanding what deems a price "competitive" is dependent on the context and leverage in your deal. We've seen many clients achieve higher discounting than those listed in the table below with a well thought-out strategy and leverage plan to combat ServiceNow's tactics. If you skew towards the low range included in this table, [contact ClearEdge](#) to see if there is an opportunity to improve your current rates based on the context of your next ServiceNow deal.

Average Discount Ranges for Common Product Families\*

Product Family	Discount Low	Discount High
IT Service Management	40%	50%
IT Operations Management	35%	55%
IT Business Management	45%	60%
Software Asset Management	50%	70%
Governance, Risk, and Compliance (IRM)	60%	80%
Customer Service Management	40%	50%
HR Service Delivery	55%	70%

\*Discount ranges represent 80% of outcomes in 164 client deals observed in the last 365 days.

# Pricing & Sales Tactics

*What are ServiceNow's Pricing Tactics?*

## **DON'T BE FOOLED, BE PREPARED.**

Like many other B2B technology companies, ServiceNow commonly manipulates its product proposals to maximize costs for the customer. As experts in analyzing pricing and deconstructing proposals for risk, ClearEdge Partners can attest that ServiceNow uses some of the industry's most aggressive pricing tactics, posing risks to any buyer who is unable to identify the hidden traps within their deal.

This section dives into the top two tactics that ServiceNow consistently uses to victimize customers: [module bundling](#) and [product changes](#). By failing to mitigate these pricing tactics, any competitive price achieved in a deal may be overshadowed by future cost exposure.

# ServiceNow Pricing Tactic: Module Bundling

## What is this tactic?

- ServiceNow bundles their product modules into suites to obscure price transparency
- Each individual module provides specific functionalities that customers use
- Customers must purchase additional full suites if extra licenses are needed for any of the included modules

## Why should I care?

- Most customers continue to expand with ServiceNow over time, and require additional licensing
- Bundling reduces your ability to validate costs for individual modules, requiring customers to buy full suites for additional licensing, regardless of how much functionality is needed
- Most often, customers need to expand in specific modules for specific users, but when all modules in a suite need to be purchased for each user added, costs can quickly escalate

## What to do about it.

There is just one ServiceNow suite - IT Operations Management - that offers its modules on an individual basis; with other products you must buy and license all the modules in the bundle. We advise clients to message that they only need a portion of the modules included in a suite to get better discounting. Achieving the best discounting up front is key to minimizing future costs.

# ServiceNow Pricing Tactic: Product Changes

## What is this tactic?

- ServiceNow frequently changes their product sets and module functionality, providing the opportunity to also change price
- Aside from your product functionality changing, the discount you worked so hard to achieve could be undone by one of ServiceNow's product changes or updates
- ServiceNow uses product changes to enforce premiums on clients to achieve the same level of functionality they were previously receiving

## Why should I care?

- If you don't take precaution to lock in your price, any product changes could force unforeseen cost increases
- To retain the pricing you achieved in prior negotiations, you need specific price locks on current module functionality

## What to do about it.

Implement price protections for all functionality currently owned. This will protect against ServiceNow re-branding the same solution into new products, forcing customers to make new purchases for the same functionality. Ensure that enough price holds are included to cover all modules and products currently accessed by your business.

# Sales Incentives

*What Will Motivate ServiceNow to Propose a Better Deal?*

## Play the 'Quid Pro Quo' Game

The commonality between all successful deals ClearEdge has observed is that in each case, the customer addressed the sales rep's main motivations. Due to compensation structures and quota initiatives, certain deal scenarios hold more weight than others. ClearEdge has consolidated a list of the top three ServiceNow incentives:

### #1 Net New Revenue

- To promote growth year over year, ServiceNow compensates their sales reps based on net new sales
- Deals with higher net new growth commitments receive higher discounting on average
- ClearEdge has observed better discounting in deals with heavy front-loaded growth
- This indicates an incentive for ServiceNow sales reps to sell net new product closer to year 1 of an agreement, a popular compensation model with SaaS vendors
- To take advantage of this, use license growth as a tool to reprice current and new licenses to competitive levels

### #2 Licensing Model - Unrestricted User

- Recently, ClearEdge has observed ServiceNow pushing its "Unrestricted User" pricing model, which is their Enterprise License Agreement deal option
- ClearEdge has seen the best discounting with this pricing model, but it requires customers to license their whole organization
- ServiceNow reps will aggressively discount this model to the point where it's at the same cost level as other options with less licensing included because the sales commission is higher
- Customers that pit this deal structure against other options tend to have an easier time "moving the needle"

### #3 Product Weighting

- New products and module releases are aggressively promoted by ServiceNow reps
- Incentives on products change annually, based on the company's vision of what should be pushed to market
- The ServiceNow rep will be motivated to sell you a deal option that includes newly released products due to the additional commission benefit, allowing the rep to be flexible in their discounting
- Customers can reprice their current licenses by leveraging net new purchases of newly released products or upgrades to new release families
- In 2021, ServiceNow will be motivated to push products that feature updates in their "Quebec" and "Rome" releases

# Wrap Up: Don't Buy Premium Products at Premium Rates

To increase your chances of achieving higher discounting and reducing costs, leverage sales rep incentives to facilitate movement on the bottom line. If you fall outside of the average discount ranges, review some of our other resources listed below or reach out to ClearEdge for a tailored [ServiceNow Assessment](#) to help plan your strategy and mitigate risk.



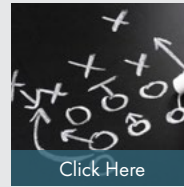
## Additional Resources



[Click Here](#)

### Buying the Right Amount?

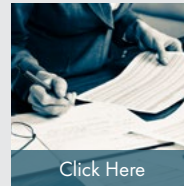
Price is only one component of a successful negotiation. Over-buying or under-buying can ruin an otherwise competitive deal.



[Click Here](#)

### Have a Negotiation Plan?

Negotiating with ServiceNow requires more than a price benchmark. The most competitive deals follow a strict plan to maximize leverage.



[Click Here](#)

### Considered Contractual Risk?

Achieving competitive contractual terms is key in mitigating future risk. Understand which terms need to be identified and improved in your ServiceNow contract.



## About ClearEdge Partners

Founded by senior sales executives from large IT suppliers and informed by current market analytics, ClearEdge enables CIOs and their teams to make more competitive IT investments. By combining rigorous inspection and IT financial expertise, we identify risk and opportunity, align internal teams and maintain leverage throughout the life-cycle of supplier relationships. As a result, our clients maximize the value of their investments by unlocking millions of dollars from legacy spending and re-directing funding toward IT modernization, digital and cloud transformation with confidence and speed.

ClearEdge Partners, Inc. | 254 2nd Avenue, Suite 140, Needham, MA 02494 | 617.527.2022 | [clearedgepartners.com](#)