

*Fixed-price contracts are not fixed. They're engineered to shift risk to you and margin to the vendor — and they're working.*

## The Vendor Trap

*Cloud vendors have delivered this solution to hundreds of clients before they deliver it to you. That experience advantage is not neutral — it's commercial.*

*Vendors know where governance is weak, where process maturity is low, and where architecture choices create long-term dependency. They price against that knowledge.*

*The fixed-price contract appears to provide cost certainty while defining a narrow scope that creates a predictable stream of change requests — each priced at vendor-controlled rates, each expanding the contract value, none of which were in the original business case.*

### WHY THIS MATTERS NOW

Vendors want to sell big — global programs are their most lucrative deals. IT leadership careers are built on large programs. Consulting firms follow the revenue. None of them are accountable for capital efficacy. The CFO is. Cloud pricing by transaction is inherently complex, and without robust data architecture, costs escalate rapidly.

*Cloud vendors don't charge for what you use. They charge for what you don't control.*

## The Five Levers Vendors Use to Expand Your Bill

- 1. Transaction-based pricing.** Charges accrue per API call, data record processed, workflow triggered, or user action logged. Without architectural controls on data flows, transaction volume scales with usage — and usage scales with adoption, which the vendor is actively driving.
- 2. Change request engineering.** Initial contracts are scoped narrowly by design. Every process change, feature addition, or integration requirement becomes a billable change request at rates defined by the vendor, not the market.
- 3. Integration dependency.** Every system connected to a vendor's platform increases switching cost. Vendors actively encourage integrations — not because they improve your outcomes, but because they deepen lock-in.

- 4. Feature upsell cycles.** Vendors release new features on a cadence designed to create FOMO at the business unit level. Business leaders request features without visibility to the pricing implications.
- 5. Support tier escalation.** Basic contracts provide minimal support. Problems escalate to premium tiers at rates that weren't in the original evaluation.

## The Competence Gap Nobody Admits

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Most organizations believe they are sophisticated buyers. They have procurement teams, legal review, and vendor scorecards. They negotiate hard on the headline number and celebrate the discount. What they do not have — and what they consistently underestimate — is the asymmetry of what sits across the table from them.

Vendor commercial teams are not salespeople who also negotiate contracts. They are specialists whose entire professional existence is the optimization of one thing: extracting maximum value from the client relationship over its full lifetime. They do not sell products and services with commercial terms attached. The commercial terms are the product. The software is the vehicle that creates the contractual relationship that generates the returns. Implementation, change requests, support tiers, renewal cycles, consumption growth — these are not afterthoughts. They are the revenue model, engineered in advance, tested across hundreds of clients, and refined with every deal.

The organization that believes its procurement team is a match for this is not being confident. It is being naive in a way that compounds with every contract signed and every renewal missed. The vendor's investment in commercial capability — in pricing model design, in contract architecture, in account management strategy — dwarfs what any single client organization will ever build. It has to. It is their only source of revenue. For the client, vendor governance is one function among many. For the vendor, winning the long-term value of your contract is the entire game.

This asymmetry does not resolve itself through harder negotiation on the initial deal. It resolves through governance infrastructure built before the contract is signed — architecture review, consumption controls, exit planning, performance-linked payment terms — that rebalances the information and leverage advantage the vendor arrives with. The CFO who understands this is not being paranoid. They are being realistic about who has invested more in this particular game, and why.

*It is not that organizations are weak negotiators —*

*It is that they bring a general capability to a fight where the other side has made this their entire specialization.*

## CFO-Led Vendor Governance

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Vendor governance is not procurement's job. It's a capital discipline function — and it requires the CFO to own it. The governance model that breaks the trap: architecture review before contracts are signed; consumption guardrails written into contracts; vendor performance tied to business outcomes, not delivery milestones; regular repricing reviews; and exit planning as standard practice.

Understanding switching costs, data portability terms, and migration options before you need them is not pessimism — it's governance. The vendor who knows you have no credible exit option will price against it at every renegotiation.

## KEY TAKEAWAYS

- Fixed-price contracts are not fixed. They're engineered to shift risk to you and margin to the vendor through a predictable stream of change requests.
- Five vendor levers expand your bill: transaction pricing, change request engineering, integration dependency, feature upsell cycles, support tier escalation.
- Vendor governance is a capital discipline function — not procurement's job. The CFO must own it.
- Build exit infrastructure before you need it. The vendor who knows you have no credible exit option will price against it at every renegotiation.
- The long-term effects of poor vendor management compound into switching costs that grow with every integration added.

### PLATEAU STRATEGY

Capital Efficacy  
Series

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*Four continents. Multiple capital cycles. I've watched brilliant CFOs get blindsided — by vendors selling certainty, by organizations caught in politics, by leaders advancing careers ahead of the balance sheet.*

*We work alongside CFOs so they walk into every room ready for the conversation that defines whether they keep the seat.*

### GET IN TOUCH

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