LIVINGSTONE INSIGHT BRIEFING

VENDOR & ESTATE INTELLIGENCE · 2026

The Enterprise Software Reckoning

How organisations are losing commercial control of their technology investments

A briefing for Heads of Procurement, CIOs, CTOs and ITAM leaders.

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INTRODUCTION & SUMMARY

Why this briefing exists

Enterprise software spend is one of the largest controllable costs on the balance sheet. For most organisations, it is also one of the least well managed.

This briefing examines three areas where organisations are consistently losing commercial ground: the efficiency of their software estate, their position in vendor negotiations, and their ability to govern technology investments as the landscape grows more complex.

It is written for senior IT and procurement leaders who want a clearer picture of where the risks and opportunities actually sit, without vendor spin or inflated claims.

FINDING 01

The Efficiency Gap

Organisations are paying for more than they use, and most do not know by how much.

FINDING 02

The Negotiation Shift

The major vendors have changed how they approach renewals. Most buyer strategies have not kept pace.

FINDING 03

The Governance Problem

AI tools are entering estates outside normal procurement channels. The patterns are familiar.

TL;DR · READ THIS IF NOTHING ELSE

The vendor knows more about your environment than you do. That gap has a price, and it shows up at renewal. Around a third of cloud spend is wasted before a renewal even begins, and far more where nothing is optimised. Every Oracle audit is different, but in 95% of audits defended by Livingstone, clients pay no settlement fee. SAP defaults to an annual support uplift, and IBM can charge full capacity, 2 to 4 times actual use, where sub-capacity reporting lapses. Microsoft has changed where leverage sits, from automatic size-based discounts to a renewal that has to be won on every line. The organisations that consistently pay less are not the largest. They are the ones that know their position before the renewal conversation starts.

01

FINDING ONE

The Efficiency Gap

Organisations are paying for more than they use, and most do not know by how much. This section sets out where the waste sits and what a reconciled estate is worth at renewal.

Organisations are paying for more than they are using

> "I knew there were some poor contracts in the estate. I had no idea there were this many."
>
> A pattern Livingstone encounters consistently at the start of engagements

Software estates grow faster than the governance structures designed to manage them. Procurement decisions are made at different points in time, by different people, against different requirements. Without a consistent framework for tracking entitlements and usage, the estate drifts, and the commercial cost of that drift accumulates quietly.

The consequences show up most clearly at renewal. Organisations without a clear entitlement picture cannot identify shelfware to trade away, cannot challenge audit claims with confidence, and cannot show vendors that they understand their own position. Vendors know this. They price accordingly.

~35%

Average share of cloud spend wasted, from around 15% in a well-optimised estate to 55% where nothing is managed

Source: Gartner cloud optimisation survey

>£1m

A typical 10,000 seat estate can carry more than £1m in total contract value overspend simply by not preparing adequately for renewal

Livingstone engagement observation, 2026. Indicative of the scale seen across larger estates, not a benchmarked figure

What the gap looks like in practice. When Livingstone maps a client's estate at the start of an engagement, the findings rarely centre on one catastrophic contract. What surprises clients is the volume: licences renewed by default, products replaced but never formally retired, entitlements acquired through mergers and never reconciled. On the software side, the unused share is often comparable to the cloud figure above, and it sits unnoticed because no single owner is accountable for it.

The opportunity is not only in fixing what is broken. It is in building the baseline clarity that makes every future renewal more effective.

TL;DR · FINDING ONE

Estates drift. Vendors benefit. The organisations that consistently pay less keep a live, reconciled view of what they own, what they use and what they are entitled to, then use that knowledge as a commercial tool at renewal.

02

FINDING TWO

The Negotiation Shift

The major vendors have restructured how renewals are priced and won. This section sets out what changed at Microsoft, Oracle, SAP and IBM, and where a prepared buyer takes the ground back.

The major vendors have changed the rules. Most buyers have not noticed.

Enterprise software renewals have always been unequal conversations. Vendors keep dedicated commercial teams whose job is to know your environment, your renewal timeline and your position. Most organisations have no equivalent capability on the buyer side. What changed in the past 18 months is that several major vendors restructured their commercial models, altering where leverage sits and what an unprepared renewal actually costs.

Microsoft. Microsoft's Enterprise Agreement was a predictable instrument for two decades. Tier discounts were awarded by size, and programmatic pricing did much of the work automatically. That model has changed. Size no longer earns a discount on its own. Programmatic pricing has been pulled back, so account teams now carry more short term discretion to soften increases in the moment, while the structural expectation is that customers commit to higher spend to unlock the better tiers.

The pattern worth watching is the order of the conversation. Commodity spend is pushed up first, then innovation is offered at a negotiated rate that looks reasonable against that inflated baseline. For a prepared buyer, that sequence is the leverage: it is where true down rights, ramp clauses and price protection are won.

> "Every multi-year Microsoft agreement is a bet that your business won't change for three years. Microsoft is happy to take that bet, because you're the one holding the risk."
>
> Gareth Redshaw, Senior Director, Optimisation & Negotiation, Livingstone

THE NEGOTIATION SHIFT · MICROSOFT

Where the spend is being steered

The bigger shift is what the spend is being steered towards. The commercial priority is now moving E3 customers up to E5, because E5 grade data protection, DLP and governance are the foundation for running agentic AI safely. Microsoft made Copilot Cowork generally available in June 2026 and bills it on usage, not per seat. Authorising an agent to act across mail, files and spreadsheets needs the controls that sit in E5, with Agent 365 governing above it. That makes the E3 to E5 step the gateway to the next wave of AI spend, and the M365 E7 suite at around $99 per user a month the destination.

MICROSOFT EA	THREE YEARS AGO	2026
Tier discounts	Awarded by programme, based on size	Earned by committing to higher spend; negotiated on every deal
Discount mechanics	Programmatic and size based	Programmatic pricing pulled back; account teams hold more short term discretion
Where leverage sits	Relationship and account size	Order of the deal: commodity spend rises first, innovation priced against it
AI and agents	Not a factor	Central. E3 to E5 is the foundation for governing agentic AI, with Copilot Cowork billed on usage

Sources: Microsoft 365 announcements on Copilot Cowork general availability and the E7 suite, 2026. Pricing should be verified directly with Microsoft or an independent adviser; the commercial reading is Livingstone's own.

THE NEGOTIATION SHIFT · ORACLE

When the audit claim is an opening position

> "There is no typical audit outcome. It varies enormously from client to client. What we can say is that in 95% of the audits we defend, the client pays nothing."
>
> Ben Dove, Oracle Licensing Expert, Livingstone

Oracle's approach to licence compliance is well understood in the market. What is less well understood is how little the opening claim says about the final outcome. Every Oracle audit is different, but in 95% of audits defended by Livingstone, clients pay no settlement fee. The settlement is a function of preparation, not of the size of the claim.

95% Of audits defended by Livingstone close with no settlement fee. Not a negotiated discount on the claim, but no payment at all.

Source: Livingstone client engagement data, Oracle audit defence outcomes, 2026.

The drivers of overclaim are consistent: whole cluster VMware counting, option and feature over attribution, entitlement under recognition, and back support demands that rarely survive scrutiny. The sequence matters. Challenge the technical position first. Negotiate commercially second. Where an audit is defended with a complete picture of deployment and entitlement, the most common outcome is that nothing is paid at all.

Note: Oracle audit defence is specific to each organisation's agreements and should involve qualified licensing specialists and, where appropriate, legal counsel. Outcome rates reflect Livingstone engagements and are not a guarantee of any individual result.

SAP and IBM: two more renewals worth preparing for

SAP. SAP's default renewal posture is an annual support uplift on the prior contract. Accepted without challenge and compounded across a multi year term, that is a material rise in support cost with no matching rise in value. For reference, SAP enterprise support typically runs at around 22% of net licence value before any uplift, so the base is already significant.

The 2027 ECC maintenance horizon is real pressure. It is also, for organisations that have modelled their own roadmap, a source of leverage. SAP's teams are measured on cloud revenue and S/4HANA cloud transformation, not on on-premise S/4HANA migration, which is now heavily disincentivised and commercially unviable. A buyer holds a very different posture when their credible position includes the genuine alternatives: staying on-premise with third party support, a hard choice that means no further SAP innovation, or a properly benchmarked cloud transformation deal, whether that means an S/4HANA upgrade or staying on ECC, with independent guidance such as Livingstone's. Start 18 months out, not 90 days.

~22%

SAP enterprise support as a share of net licence value, before any annual uplift is applied

SAP standard support terms. Annual uplift percentages vary by year and contract and should be confirmed directly

2027

The ECC mainstream maintenance horizon. Pressure for the unprepared, leverage for those who have modelled their roadmap

SAP published maintenance timelines

IBM. IBM's pressure works differently, and most of the exposure sits in sub-capacity licensing. Where the License Metric Tool (ILMT) is missing, stale or only partly deployed, IBM is entitled to charge full capacity rather than the cores actually used, with backdated support that can exceed the licence itself.

4×

Where sub-capacity (ILMT) reporting lapses, IBM can charge full capacity, 2 to 4 times actual use

Audits rarely arrive by accident. Static or falling spend, a new account team, or declining to renew an enterprise agreement are common triggers. The defence is the discipline that works everywhere else: measure your own sub-capacity position, reconcile entitlements, and present a defended position before IBM's tooling sets the scope. A finding is also a commercial opening, and backdated exposure can often be folded into a forward agreement rather than paid at list.

Note: SAP and IBM commercial terms, ECC and RISE timelines and ILMT requirements are product specific and should be verified directly with the vendor or an independent adviser.

03

FINDING THREE

The Governance Problem

AI tools and agents are entering estates outside procurement. This section covers where the spend hides and the discipline that brings it back under control.

The Governance Problem

AI and agents are entering estates outside procurement

> "In April and May, I started hearing from companies: we are 3× over our entire 2026 token budget and it's only April."
>
> J.R. Storment, Executive Director, FinOps Foundation. Reported by TechCrunch, June 2026

This is not an AI story. It is a procurement story.

A significant number of organisations are building AI spend outside their normal procurement and governance frameworks. The shift from standalone chat tools to agents, from Microsoft Copilot to IBM watsonx, multiplies both the spend and the number of places it hides. These decisions bypass IT and procurement, and spend accumulates faster than governance can track it. The move to usage based billing for agentic tools such as Copilot Cowork sharpens the point: cost now tracks activity, not seats, so an unmanaged rollout is an unmanaged bill.

The parallel with the arrival of cloud a decade ago is not a stretch. Shadow IT took years to bring under control, and the cost of that uncontrolled period was substantial. The same pattern is emerging with AI tooling. A Zscaler report published in June 2026 noted a 93% year on year rise in sensitive data transfers to AI tools, a finding with particular weight for organisations operating under GDPR and sector specific data obligations.

93%

Year on year rise in sensitive data transfers to AI tools

Source: Zscaler ThreatLabz, June 2026

The governance gap is a procurement problem

The questions that apply to any enterprise software investment apply equally to AI tooling: Who approved this? What outcome was it meant to produce? How is usage being tracked? What does the contract actually commit us to?

What Livingstone observes is that the organisations managing AI spend best are not those with the most restrictive policies. They are those that apply their existing ITAM and procurement disciplines to AI tooling: the same baseline tracking, the same entitlement management, the same governance they already use for the rest of the estate. The tools are new. The discipline is not.

TL;DR · FINDING THREE

AI governance is a procurement problem, not a technology problem. The organisations getting ahead of it treat AI tooling as part of the estate, subject to the same commercial discipline as everything else they buy.

WHAT GOOD LOOKS LIKE

What separates organisations with genuine commercial control

Baseline clarity

A live, reconciled view of what they own, what they may use and what they actually use. Not a point in time exercise but an ongoing discipline. The foundation for every other commercial decision.

Commercial preparation

Renewals treated as commercial events, not administrative ones. Preparation starts well ahead of the contract date. The vendor's objectives are understood, and used.

Governance that matches the estate

As the estate grows across cloud, SaaS and AI tooling, governance keeps pace. ITAM disciplines extend into new areas rather than treating each category as a separate problem.

> “The gap between what prepared buyers pay and what unprepared buyers pay is not marginal. On the available evidence, it is substantial.”
>
> Livingstone

HOW LIVINGSTONE CAN HELP

Software Asset & Investment Management

A clear, maintained picture of the estate: entitlements, usage, exposure and commercial opportunity. The foundation that makes everything else possible.

Vendor negotiation & contract optimisation

Working alongside procurement on renewals with Microsoft, Oracle, SAP, IBM and other major vendors. Technical depth and commercial experience to build a real position.

AI governance & estate management

Existing ITAM and procurement disciplines applied to AI tooling: the visibility and governance that let AI investment be managed rather than accumulated.

If any of the patterns in this briefing feel familiar, we would welcome a conversation.

Gartner Magic Quadrant recognised · $3bn savings at a 38% average

Speak to an expert

livingstone-tech.com

SOURCES & NOTES

Sources cited in this briefing

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Zscaler ThreatLabz, AI Security Report (June 2026)
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TechCrunch, reporting FinOps Foundation on AI budget overruns (June 2026)
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Livingstone client engagement data; independent SAP and IBM advisers, 2026
Oracle audit outcomes are Livingstone engagement data; vendor patterns from buyer side advisory practice

Statistics from external sources are attributed throughout. Livingstone's own observations are identified as such in the text and should not be read as statistically representative research. Dollar figures are converted to sterling at approximately £1 = $1.27 (June 2026); apply current rates to any figures used for internal planning.

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Need our help?

Contact us to have a no obligation chat about how we could help you with your next mega vendor contract renewal.

Info@livingstone-tech.com

livingstone-tech.com

Gartner Magic Quadrant recognised · $3bn client savings delivered · 38% average saving