Vendor-lock causes hundreds of millions in foregone taxpayer savings each year

New paper from Garland Management Consulting finds anticompetitive software procurement costs government up to $750 million annually

The United States government has spent some $2 trillion on IT since 1994. It's the largest IT consumer in the world.

An estimated **$300 billion** of that has been commercial-off-the-shelf software (COTS) purchases—equaling about $10 to $15 billion annually.

BUT, the majority of COTS software contracts are given to **a small number of companies who "vendor-lock" their federal agency customers.**

What does "vendor-lock" mean?

"Vendor-lock" is a situation where switching providers is so difficult and expensive that **the customer is "locked." The original company can then extract premium prices with less efficient service.**

One U.S. government agency was **willing to spend $112 million more for Microsoft Office than switching to Google Workspace**, as switching costs were perceived as even higher.

Elsewhere, IBM allegedly **utilized a predatory audit to lock another government agency into a 5-year, $265 million contract** by inflating alleged noncompliance costs. **Vendor-lock costs taxpayers hundreds of millions each year.**

What can be done about vendor-lock?

Passing the SAMOSA Act is one step: it would mandate federal agencies assess their software contracts, improving the procurement processes for COTS software.

If the government improved price performance by only 5% each year, it could see savings of up to $750 million in taxpayer dollars annually.

Source: "Vendor-lock and the Lack of Competition in the Government's COTS Software Estate" by Michael Garland, Garland Management Consulting, January 2023. Sponsored by NetChoice.