

ITPMG Insights

Vendor and Technology Analysis:

Find Significant new Savings within Already Stressed Budgets

Author: Gay Byrne

January 2009

Find significant new savings within already stressed budgets.

Hot Issue: IT Executives are faced with unprecedented challenges in 2009. Cost cutting is a mantra – but all the easy cuts have been made. New tools and new thinking are needed to glean significant savings from already stressed budgets.

Summary:

- Most IT Hardware Maintenance Contracts are Overkill
- 90% of hardware maintenance contracts are for services that are never used (*)
- Hardware maintenance is 30% of the overall IT operating budget. (**)
- For every 10% savings on maintenance, reduce 3% of total operating costs (***)

Advice

Include the “Failure Rate” of hardware in all planning and contracting decisions

- Match hardware maintenance contracts and methods to the service needs of the equipment.
- End institutionalized over-contracting for maintenance/warranty uplift.
- Deploy the most reliable devices available
- Plan refresh cycles empirically

The “Failure Rate” of hardware is a direct measurement of “Reliability”

IT managers and users have always benefited from selecting the most reliable hardware. However the hardware selection process has long lacked supporting data to be able to include reliability as a selection criterion. Data sources, where they exist, have been isolated and anecdotal. Even the largest users have been unable to break the cycle of automatic cost increases for hardware maintenance even when able to calculate ridiculous costs-per-repair. Users have been “held hostage” for so many years that over-contracting for maintenance services has become institutionalized. We estimate that at least 30% of all Service Level Agreements (SLAs) are overkill and that a tremendous opportunity for savings exists once reliability data is available to support proper evaluation.

Until recently, managers have limited their cost-control efforts to areas such as desktop support where the manufacturers are disinterested in providing service technicians and a flourishing group of independent offerings are available. Anything remotely associated with a “mission critical” system has been off limits.

Why? Because managers fear they will lose their job if a device breaks and the service response is anything less than stellar. The phrase “insurance value” is much more the case of being “job insurance” than equipment insurance. This is the marketing triumph of “Fear, Uncertainty, and Doubt” (FUD). In order for users to control their own destiny they have to have tools of their own.

Improving on an old idea

Dating back to the beginning of computing time (the mainframe era), the fearful bought from Big Blue despite enormous opportunities for cost savings by using competitive products. It wasn't until calculations were made in the 1970's comparing the reliability of products that users were able to gain control of reliability and cost. For about twenty years – reliability measurements focused vendors on providing superior products which have become the very stable enterprise devices in use today.

However, reliability measurements were never made outside the mainframe world, and by Y2K weren't being made at all even within the data center. As a result, vendors have had close to twenty years to make invalidated claims of reliability. These same vendors continue to raise service pricing even when their costs to deliver service have dropped substantially. Without a new effort to capture and calculate reliability data, users have been effectively helpless.

2009 is Changing Everything.

Economic conditions are causing managers to scratch for every savings opportunity they can find. Formerly mission critical sacred cows are now being scrutinized. Unless there is solid cost-justification or dramatic technical need, organizations are all trying to avoid new spend and are extending the useful life of depreciated assets wherever possible. Third party service companies are being invited to present proposals as never before.

Now there is the **science** of TekTrakker. TekTrakker is a database of hardware failure rates modeled after the simple but revolutionary impact of mainframe reliability measurements in the 1970s. Reliability is once again being measured. Users now have the opportunity to regain control of their decisions and break the monopoly of vendor control.

TekTrakker Methodology:

Users share their experience of hardware failures with TekTrakker by supplying data already being captured by electronic asset management, incident tracking, and service history databases. TekTrakker then merges the datasets anonymously with others. The resulting failure rate statistics are made available to the subscriber on the TekTrakker website in a format displaying both a **baseline** and a **benchmark** of product performance comparing the user to all others. Comparisons are easily made between manufacturers, architectures, and models at both the user level and the industry level. The resulting knowledge base is the link between hardware performance and rational service cost.

Insights:***Alignment***

Managers in all areas of hardware infrastructure can improve operations by selecting the most reliable products. The selection of products on the basis of reliability will push the industry to invest in reliability, to the benefit of all.

Cost Reduction

Reliability measurements can lead directly to reductions in cost for hardware through better negotiations and empirical scrutiny of the effectiveness of service options.

Organization

Preparing datasets for collaboration with TekTrakker is a minimal task needing no hardware, software, or special education. Anyone capable of emailing an excel spreadsheet can interact with TekTrakker. Data rejected by TekTrakker during validation is a road map of asset management and incident management problems useful in their own right.

Technology

TekTrakker tracks and reports on everything reported to it. There are no limitations on the scope of coverage. The organization and presentation of products will continue to reflect changes in the industry.

Actions

We have promotional programs in place which may reduce your service price for users able to collaborate with the TekTrakker database by sharing data by the end of Q1 (Mar 31, 2009)

To receive additional articles and materials, contact ITPMG at:

information@itpmg.com or

Call 843.377.8228