ITPMG

Getting Control of Hardware Maintenance Costs

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Agenda

- Current Environment
  - How vendors maintain control
- Creating Measurements
  - Which data to measure
  - How to use data
- Explore Contracting Strategies
- Leverage by Pooling Data

Current Environment

- Redundant Systems Blunt Sensitivity
  - Equipment still fails
  - Reliability more critical than ever
  - Reliability assumed but not validated
- Current Pricing Arbitrary
  - Unrelated to CE costs or parts cost
  - Increases also arbitrary
  - Labor quality decreasing
- Procurement Strategy
  - focused on discounts (begging)
  - NDAs prevent comparison

Some Broad Observations

- 85-95% of all maintenance contracts go to waste
  - Paying for services you will never need
- 30% or more of most contracts are overkill
  - Overbuying of maintenance SLAs
- ITPMG reports:
  - 35-40% of total IT spend is hardware
  - 50%-75% of IT hardware budget is maintenance
  - 12.5-22.5% total IT spend is hardware maintenance

Three Key Vendor Control Tactics

- Warranty & Pre-Paid Maintenance
- Bundled Pricing
- “FUD”

Warranty Is Not Free

- Much misconception
  - Common form of bundling
  - Pre-paid services contract
- True warranty periods are short
  - Disclosed in vendor financials
  - Labor almost always excluded
  - Parts warranties more generous

Bundled Contracts

- “Per Seat” and “4 Walls” plans
- Bundling benefits the vendor
  - Guise of simplicity
  - Obscures costs
  - Prevents analysis
  - Nurtures confusion about software vs. hardware maintenance

“FUD” Fear, Uncertainty and Doubt

- “We might not get to you”
  - Empty threat once prepared
- “You need a service plan to get microcode updates”
  - Usually not the case
  - Check vendor web site for fixes
- “A third party won’t have the parts”
  - Not true. A third party won’t offer the contract without access to parts

Maintenance as “Insurance”

- Hardware “Insurance”
  - Guarantee of uptime
    - Overpaying for service contract doesn’t improve the product.
  - Best cooperation of vendor
    - Overpaying may delight the vendor
- Job Insurance
  - Valuable only to the individual
  - Huge costs to the company
  - Good data supports better business decisions

Changing the Dynamic

- Begins with Measurement
  - Count what you have
    - Asset inventories must be accurate
  - Count maintenance events
    - All break-fix actions
  - Use existing electronic databases and procedures
    - 95% already in place
    - No additional investment

Why Measure Maintenance?

Direct measure of reliability

- Hardware failures are “binary”
- Other problems sorted out

- Hardware failures are costly
  - Downtime
  - Productivity loss
  - Data loss
  - Highly disruptive

Best Source of Data: Incident Tracking Systems

- Databases in place
- Processes in place
- Personnel in place (Help Desk)
- Millions have been invested
  - Improve the return on investment

Alternate Data Sources

- Incident systems best
  - Owned by user (independent)
  - Comprehensive
  - Not subject to fiddling
- Vendors
  - Know all details
  - Have a horse in the race
  - Write into all new contracts
  - Useful to validate own data

Hardware Definition

- Hardware item needs *physical attention*
  - Service a part
  - Swap a whole machine
  - Adjustment
- Ignore reboots, software fixes, general power failures, user errors, consumables, etc.

Simple Math

- Failures per month / quantity deployed
- Example: 100 Brand X servers
  - 10 Maintenance calls in May
    - 10% portfolio fails a month
    - Each unit fails roughly once every 10 months
    - Project 120 maintenance calls year

How Does This Impact Maintenance Costs ?:

- Ability to calculate service needs of the equipment (120 service calls per year)
- Ability to evaluate if the proposed service contract is reasonable 120 x $350 per call = $ 42,000
- Ability to consider alternative solutions
  - modified service plans
  - spares
  - third party providers
  - self maintenance
  - buy more reliable equipment

“We Already Do This”

- Great !
- Most Don’t
  - Not comprehensively
  - Haven’t had time
    - Reactive vs. proactive management
    - Fighting fires – possibly preventable
- Many Can’t
  - Not using incident systems properly (garbage in, garbage out)

Avoiding Garbage

- Requires discipline with incident reporting
  - Asset description
    - 1 model, 31 descriptions
  - Problem resolution description
    - Hard drive, HDA, disk drive….
- Free-form fields
  - Not validated
  - Typographical and spelling errors

Typical Incident Flow

- Problem Reported on Server
  - Asset Identification Needed
- Ticket Created
- Problem Categorized
- Break-Fix Vendor Contacted
- Repair Made
- Ticket Closed Out
  - Problem Description Needed

Making Data Actionable

Useless data: "Server broke"

Not Useful: Brand X Server broke

Barely Useful: Brand X Server
Model Radius100 repaired

Actionable: Brand X Server
Model Radius100
Power supply replaced

Armed with Details

- Compare types and frequencies of failures between installed products
- Determine specifically which spares should be stocked
- Bid and monitor break-fix contracts

Case Study — Blades

- 600 Blades Brand X – 27 months
- 600 Blades Brand Y – 56 months
  - Purchasing the better device
  - Saving money – lesser cost
  - Stocking key spares to improve uptime
  - Future break-fix contract changes

Contracting Strategies

- Stay in the drivers seat
  - Compare cost of whole product to maintenance contract
  - Where deployed in multiples, one whole spare covers many
  - Not all products are “mission critical” 100% of the time
  - Request plans that fit your need

Self Knowledge — Limited

- Takes Time and Quantity
  - 1 unit in test vs 100 units
- Cannot Compare Products You Do Not Have in Quantity
  - Stand on the shoulders of others
- You Remain an “Army of One”
  - Vendors will snore

Pool Data for Maximum Value

- Broadest Coverage
  - Compare products before you buy
  - Project services needs before contracting
- Benchmark Against Others
  - Compare your operations
- Statistical vs. anecdotal
  - Support for new strategies
- Requirements
  - Share Data to Get Data
  - Subscribe

Available Support Resource

- 50+ years as the “bad guys”
  - Manufacturers & Resellers
  - Equipment, Support, & Services
  - Leasing, Finance & Remarketing

- TekTrakker Database System
  - Database of hardware failure rates
  - Foundation for contracting decisions
    - Know how much maintenance a product needs
  - Database based on user data
    - See the untapped potential
    - See good, bad, and ugly data

To receive additional materials on Getting Control of Hardware Maintenance Costs, contact ITPMG at:

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