

COSTS



Take back the control

- 5 pieces of good advice on how to avoid
the "hardware service trap"



**NORDIC
COMPUTER**
- Passion for IT

Expensive service agreements kill your IT budget

You probably already know it. As a CIO, you have a growing demand on your suppliers regarding high quality and flexibility. But in addition, the price must also be on point. These are the exact parameters used by the management to measure you and your IT department

- The IT environment must run smoothly
- Problems must be fixed immediately
- Your IT budget must not be exceeded

Three items which ensure optimal operation, enabling the employees to solve their assignments and ensuring a healthy and stable financial situation in the company.

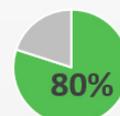
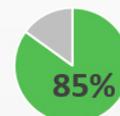
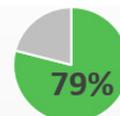
My name is Thomas Vestergaard. I have been in the IT business for more than 25 years and my primary focus has been on operations management, SW development, programme and project management and business development. I have 13 years' experience from the telecommunications industry holding management positions at Telenor and Vodafone.

At Nordic Computer I am responsible for the development of our infrastructure solutions and hardware service business as well as advising our customers on these areas. In addition, it is my responsibility to ensure Best Practice processes in our IT service and support department. During the 25 years we have been working with IT consultancy and service we often see that hardware service is among the most cost-intensive items in the CIO's budget and many IT departments often find it difficult to maintain an overview of which services they are actually paying for.

The truth about IT investments and service

When companies invest in new IT equipment, it normally comes with a three year service agreement from the manufacturer - but when the service agreement subsequently expires and must be re-signed, the price will increase significantly. The established market research institute, Forrester has conducted a survey among IT decision-makers. The result shows that even though IT budgets are under constant pressure, many companies do not utilise the potential for cost reductions. As can be seen from the illustration, many are under the influence of the manufacturers.

- 79% typically invest every 3-5 years
 - But the actual service life is 7-10 years
- 85% would keep their equipment
- 80% are unaware of OEM service alternatives



PTThe manufacturers do not mention the advantages of expanding the hardware service life and of looking into alternatives in the form of a third party service supplier.

That means that 79% go with the flow and with the recommendations of the industry of replacing their hardware approximately every 3 – 5 years, even though the actual service life is 7-10 years.

85% of the IT decision-makers who were asked, say that they would keep their equipment if the manufacturers would continue to maintain it.

Furthermore, 80% are unaware of manufacturer service alternatives and will therefore buy service contracts from their manufacturers even though they see it as limited value, are unhappy about the increased costs, fees and lack of flexibility

Hardware service: **5** pieces of good advice for taking back the control
At Nordic Computer we have more than 25 years' experience as an independent, 3rd party hardware service partner, and on the Scandinavian market we can act as your sub-contractor

We have helped many companies optimise their IT budgets – and even if there is not a perfect solution we would like to give you a few pieces of advice and our view on how you, as CIO, can take control of your IT budget and avoid what we call the “hardware service trap”.

1. Get an overview of your service agreements

A server room or a data centre usually consists of equipment from several producers. You can have e.g. storage from HP, servers from Lenovo, network equipment from CISCO as well as other equipment. This, most likely, implies that there are at least three service agreements, which need to be managed.

Get an overview of how many manufacturers you have signed a service agreement with, how old the service agreements are and if you actually pay for service beyond your actual need.

If the service agreements are close to three years or more, you should consider alternatives to the manufacturer service as the price is likely to increase.

An independent service partner has an extensive set of skills and is able to service all common brands and offer a combined service agreement instead of more – which means you only need to contact one service partner.

In addition, you will also be able to mix your SLA's so they match your needs exactly.



The below illustration shows an IT environment and how hardware service can be set up.

Rack cabinet



2. Skip “the holy cows” and save money

Close relations with a supplier has many advantages. Urgent problems are solved quicker. Delivery time can be reduced when you push the right buttons. But often, the close relationship with a supplier equals increased expenses in the long run. The choice of an expensive supplier must be justified, clarifying exactly what you are paying for the excellent service. The typical line of reasoning is that this particular supplier is the only one who can deliver or has the knowledge on this particular product.

But as mentioned, the manufacturer will normally inflate the price considerably when the service expires after three years and needs to be re-signed. As a result, there may be significant gains from choosing alternatives to OEM service – where you will have the same or perhaps even a higher level of service, the same level of competency – while reducing your costs at the same time.

If you want to find gains you will have to challenge the holy cows. The costs can be considerable.

3. Stock up on critical components

A storage system, a server or a networking switch, which crashes or breaks can cause a lot of downtime for the employees who will be unable to do their jobs for one or several days.



If you have employees in the company with the necessary skills, we recommend having a basic stock of the most vital components which you can replace yourselves.

A quick repair will also mean happy and content employees. But remember to counterbalance the expenses in relation to the service agreement you have with your supplier.

The purchase and finance departments are usually not pleased with stock. But when it comes to IT, you should consider the benefits.

If your IT is not working, the employees are unproductive and the company loses money.

4. Listen to your employees and put your cards on the table

A good dialogue with your IT employees makes it both easier and more pleasant to work with supplier management.

So talk to your employees and tell them openly about your point of view. Otherwise, the temptation is too big for them to make their own supplier agreements, irrespective of agreed procedures.

Many of your employees have a hands on experience regarding the problems every day, which means they are likely to have a lot of input for how you can optimise the running of the IT together.

5. Make demands on your suppliers

As I wrote initially, you and your IT department will be judged on a smooth running of your IT, quick mending of problems and a razor-sharp budget control.

This is why you have to make demands on your supplier. And why shouldn't you do that? You are paying for it!

So, always make sure to choose a flexible supplier with a stock of spare parts in that is logistically located, which matches your installation, enabling quick repairs.

Always request that your supplier can guarantee that his employees have the necessary product knowledge distributed among them, so they can service the required products.

In this way, you ensure that your equipment is being serviced by skilled people.

Furthermore, it is a good idea to set up regular status meetings with your supplier where you discuss compliance and performance of the SLA's and, aligning all expectations.



To sum up: Typical advantages with an independent 3rd party service partner

- Budget safety
- Covers equipment beyond “End of Service”
- Mix & Match SLA’s
- One service agreement regardless of the number of manufacturers with Single Point of Contact
- Multi brand expertise

I hope the above has given you some ideas and inspiration on how to optimise your IT budget, and if you need a sub-contractor in Scandinavia to handle your service and maintenance please feel free to contact me.

Best regards



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