

How to Significantly Reduce IT Infrastructure and Operations (I&O) Costs

10 June 2009

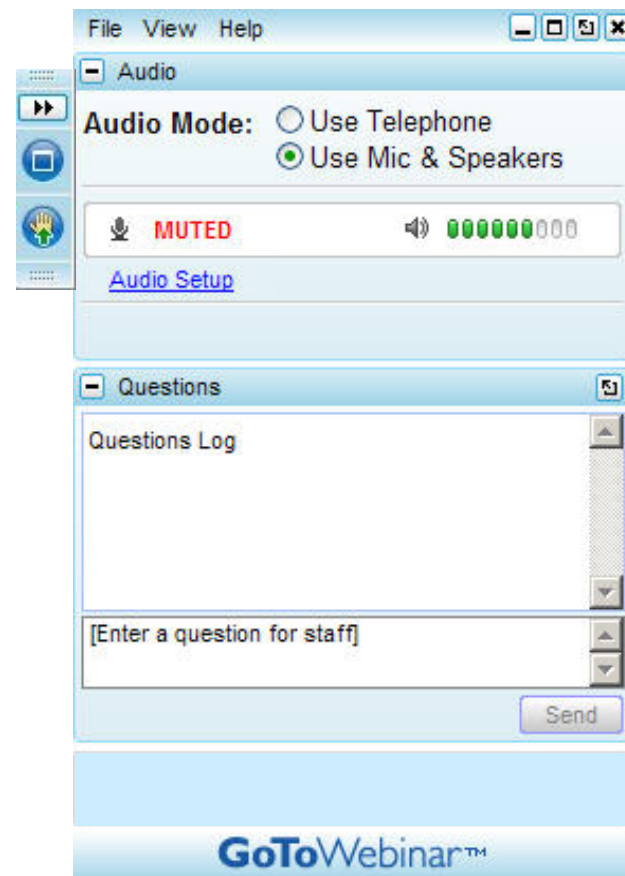
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How to Participate Today

Audio Announcement

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Participant Poll Question 1:

Compared to 2008, your 2009 I&O budget is:

- Within 5%
- 5% to 10% lower
- More than 10% lower
- 5% to 10% higher
- More than 10% higher

Please select the one option that best fits your situation

Responses are confidential

Participant Poll Question 2:

When do you expect that your I&O expenditures will return to pre-recession levels?

- 1Q or 2Q10
- 3Q or 4Q10
- Beyond 2010
- We weren't significantly affected by the recession
- Don't know / not sure.

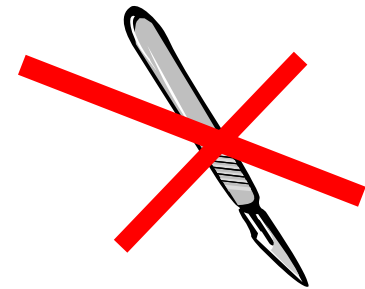
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2009/2010: Ten Key I&O Cost Containment Actions

1. Compare Your I&O Costs to Peers
2. Renegotiate Major Contracts
3. Defer Non-Critical Key Initiatives
4. Consolidate I&O
5. Virtualize I&O
6. Streamline IT Operations
7. Enhance IT Asset Management
8. Improve Capacity Planning
9. Stop Storage Cost Runaway
10. Optimize Multi-Sourcing

Tools:



1. Compare Your I&O Costs to Peers

Macro level: Overall I&O expenses

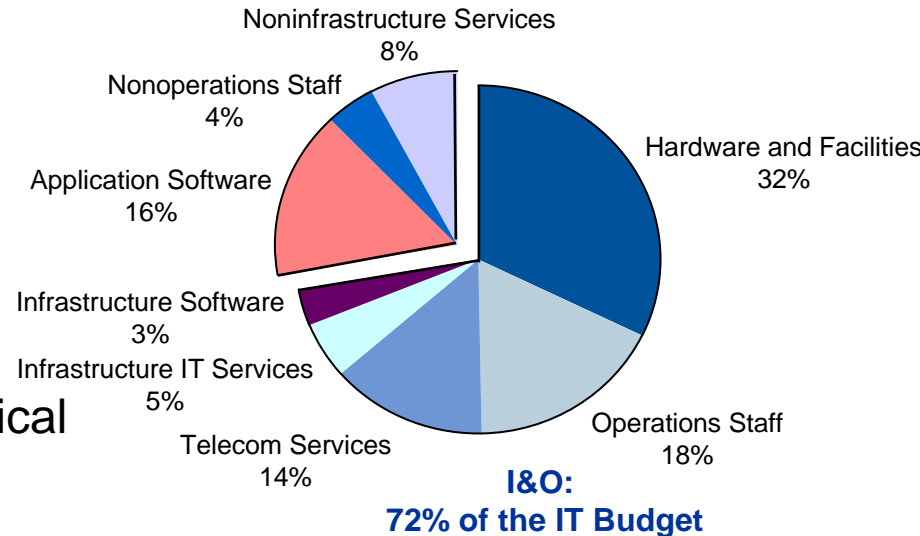
- 60% + IT budget
- 2.5% of Revenue
- \$8,100 / employee
- CAUTION: Statistics vary greatly by vertical

Micro-level (Example): Wintel Servers

- 8.9% of IT spend
- \$15,745 / server
- 32 servers / FTE
- CAUTION: Statistics vary widely by # of servers ...

Higher costs than peers? → Potential cost-saving opportunities

Create a Cost Cutting Team



2. Renegotiate Major Contracts

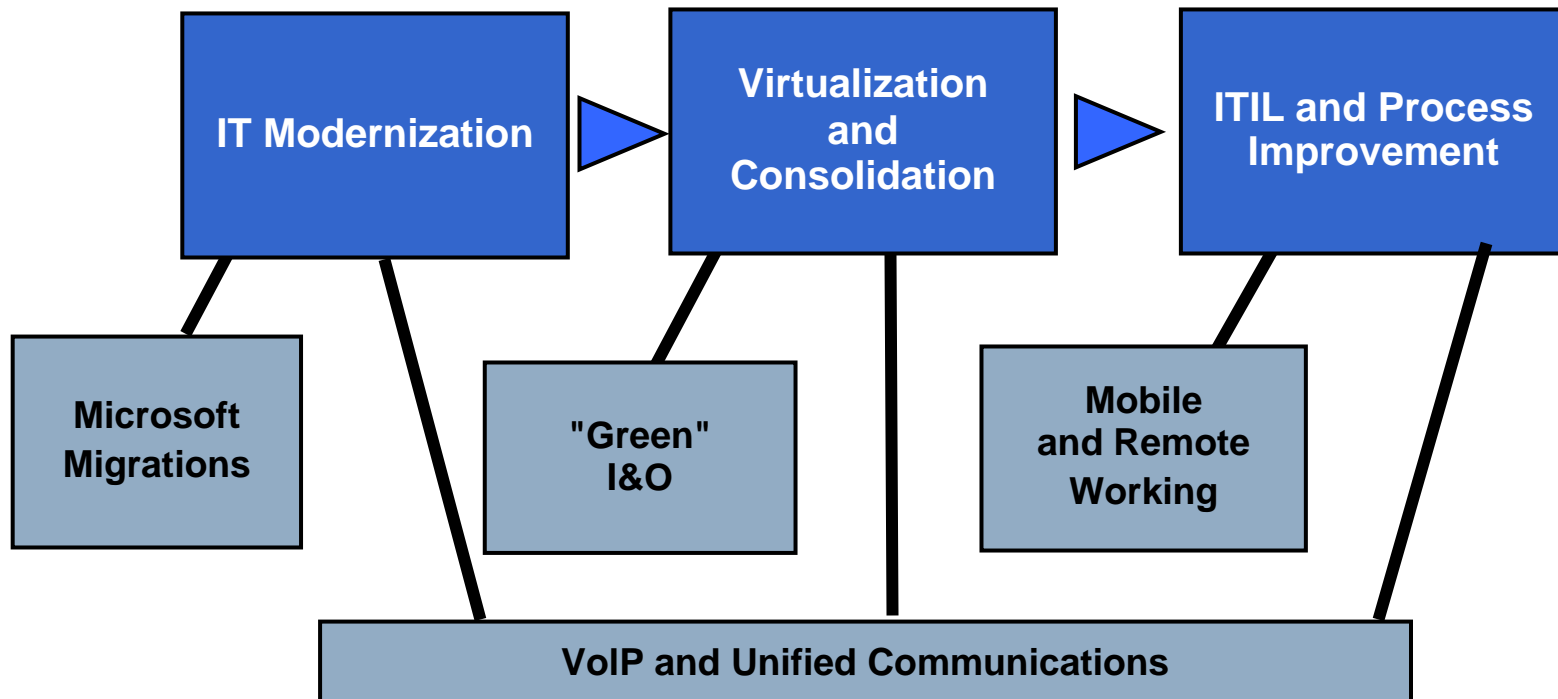
Focus first on network services contracts. Why?

- Up to 30% of enterprise I&O goes to networking/telecom
- These contracts are HUGE
- These contracts can usually be re-opened at any time with cause

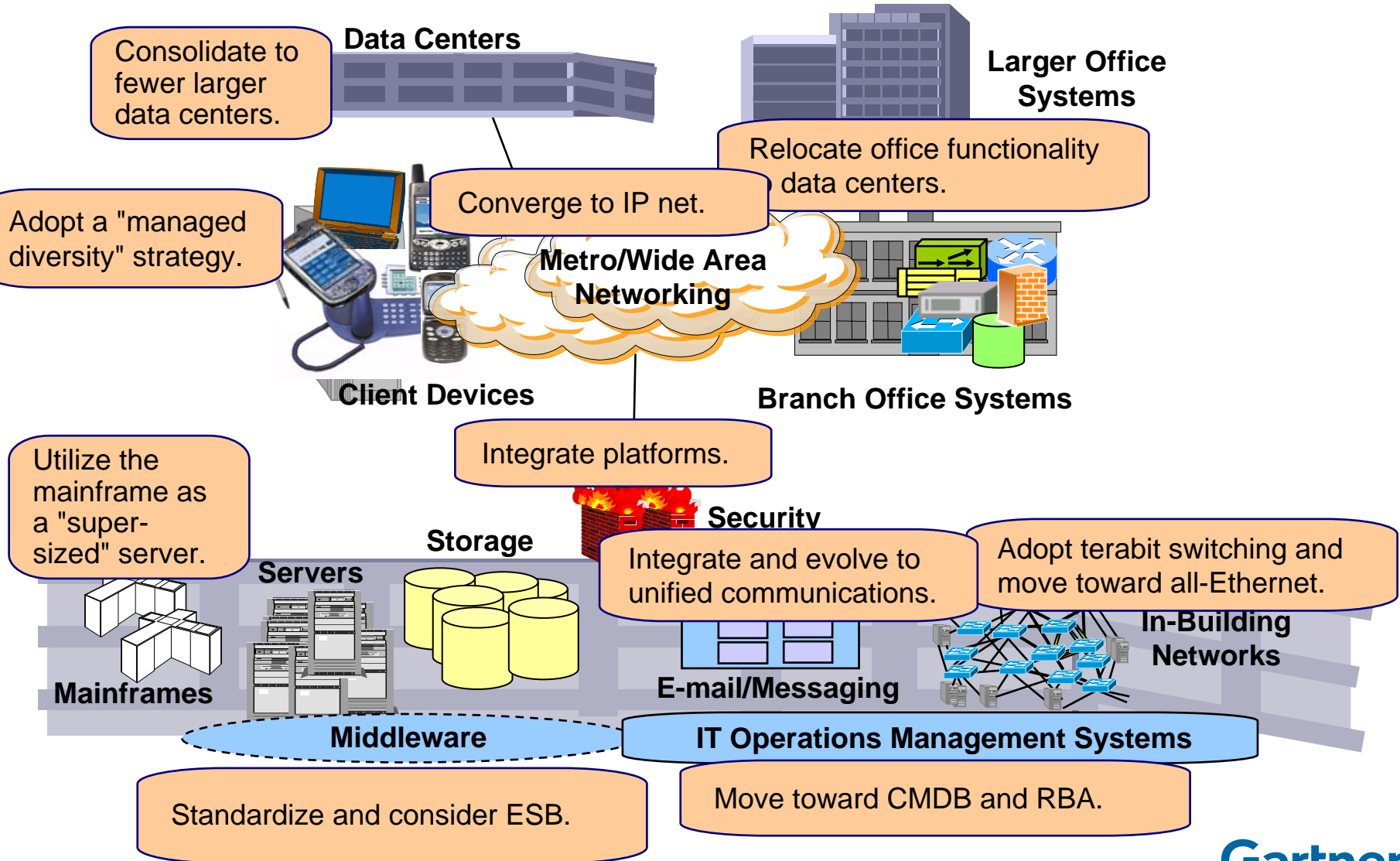
What can be done?

- Offer provider something – e.g., increase term or commitment
- Ensure competitive market rates – now and for contract length
- Consolidate network service providers; consider “Tier 2” NSPs
- Combine voice/data, local/intrastate/interstate/international, wireline/wireless
- Ask for “service credits” in 2009

3. Defer Non-Critical I&O Key Initiatives



4. Consolidate I&O: Leave No Stone Unturned



Participant Poll Question 3:

Where are you when it comes to data center and server consolidation?

- Substantially (>75%) complete
- Partially (25 to 75%) complete
- Done some (5 to 25% complete)
- Planning stage
- No plans

Please select the option that best fits your situation

Responses are confidential

5. Virtualize I&O ...

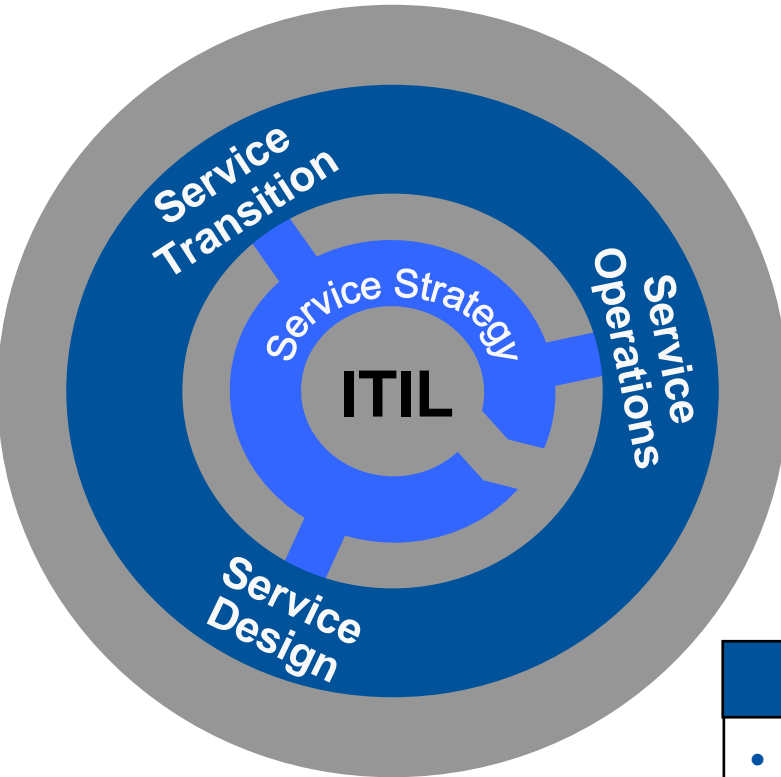
... And Achieve Real Savings!

Traditional	Year 1	Year 2	Year 3	Year 4
Power Costs	\$1,010,263	\$1,080,982	\$1,156,650	\$1,237,616
Capital Costs	\$0	\$152,880	\$316,462	\$491,494
Total	\$1,010,263	\$1,233,862	\$1,473,112	\$1,729,110
Virtualized	Year 1	Year 2	Year 3	Year 4
Floor Space Saved	-1530	-126	-114	-120
Capital Costs	\$492,069	\$337,976	\$361,635	\$386,949
Power Costs	\$181,908	\$194,642	\$208,267	\$222,845
Total	\$673,977	\$532,618	\$569,901	\$609,794
Savings	(\$336,287)	(\$701,244)	(\$903,211)	(\$1,119,316)

Do not forget Virtualisation Management **Savings = 64%!**

6. Streamline IT Operations

The ITIL Framework



Continuous Service Improvement

Potential Benefit	% savings	% savings	% savings
Customer Impact	Negative	None	Positive
Payback Period	>18 months	6 to 18 months	<6 months
Organizational Risk	Staff redundancies Re-engineering of processes & structures	Limited changes in roles, structures and processes	No staff reduction, nor changes in organization and processes
Technical Risk	Impacts I&O and applications	Moderate impact on few components	Little more than "moving boxes"
Investment Required	High	Moderate	Low

ITIL Benefits
<ul style="list-style-type: none"> • Detailed taxonomy • Emphasis on process • Process integration • Standardization • Focus on customer

ITIL Limitations
<ul style="list-style-type: none"> • Not an improvement methodology • Specifies "what" but not "how" or "who" • Does not cover all processes • Does not cover organization issues • Hype driving unrealistic expectations

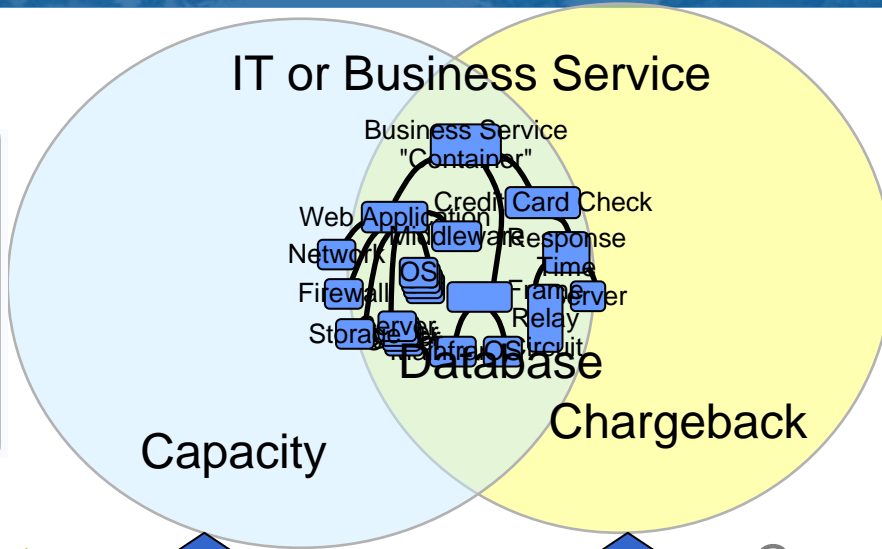
Framework to Capture Benefit & Assess Risk

7. Enhance IT Asset Management (ITAM)

- Review available ITAM data to ascertain cost optimization opportunities such as:
 - Extend life of certain assets
 - Defer upgrades
 - Combine contracts to obtain higher volume discounts
 - Eliminate/combine software licenses
 - Replace maintenance contracts with time & materials approach
- Assess ITAM processes to identify gaps in process, policy, tools and staffing affected by virtualization.
- Invest in Telecom Expense Management software and/or services.
- Are you among the 50% of Gartner clients that don't have an ITAM program? If so, then:
 - Procure basic ITAM tool
 - Populate tool with major assets
 - Staff IT Asset Manager position

8. Improve Capacity Planning

Capacity Model

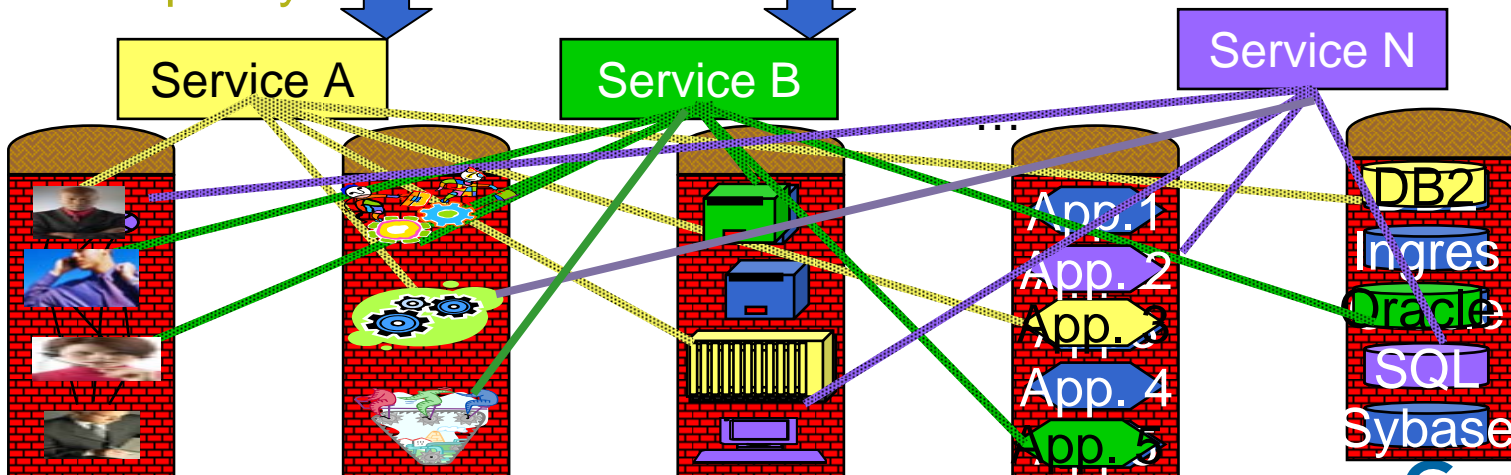


Chargeback Model

SBP	Service-Based Pricing
NFR	Negotiated Flat Rate
TA	Tiered Access,
MRU	Measured Resource Usage
DC	Direct Cost
LLA	Low-Level Allocation
HLA	High-Level Allocation

Current and Future IT Service Capacity

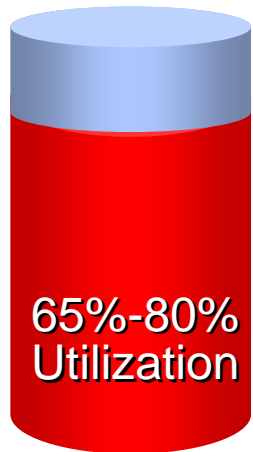
Current and Future IT Service Costs



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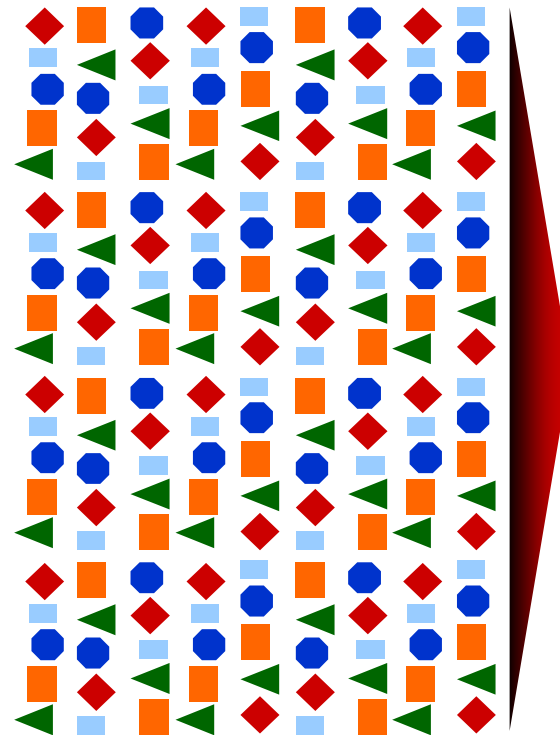
9. Stop Storage Cost Runaway

By 2012, users will install 6.5 times the amount of terabytes that they installed in 2008



Thin Provisioning

- Improved storage asset utilization
- Reduced cost per usable GB
- Reduced environmental costs
- Reduced storage HW and SW costs
- Reduced provisioning complexity and time



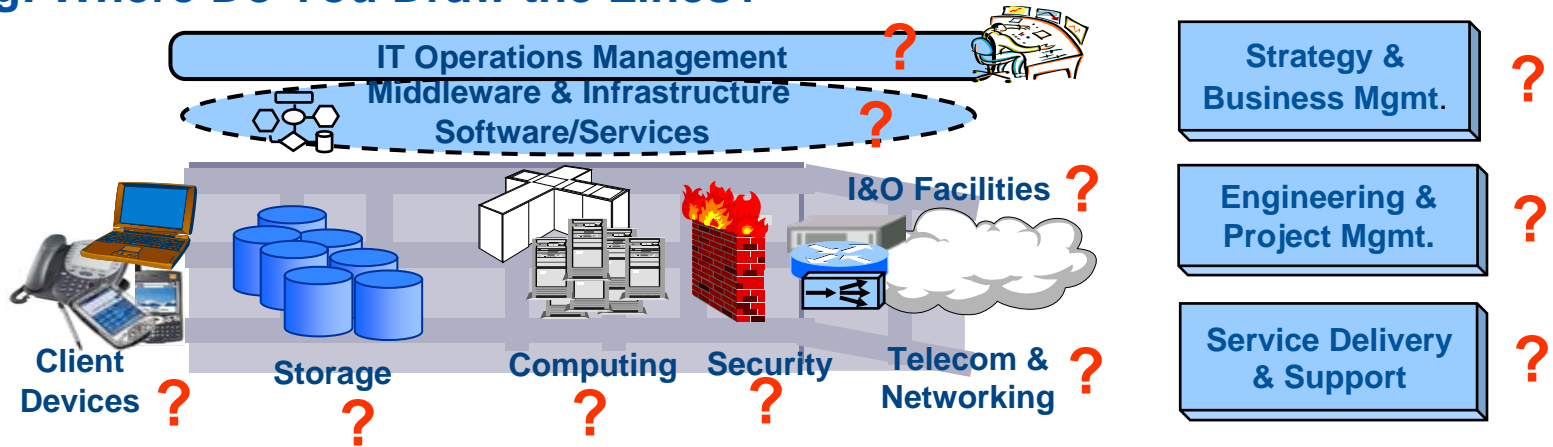
• **Compression data reduction**

• **Deduplication**

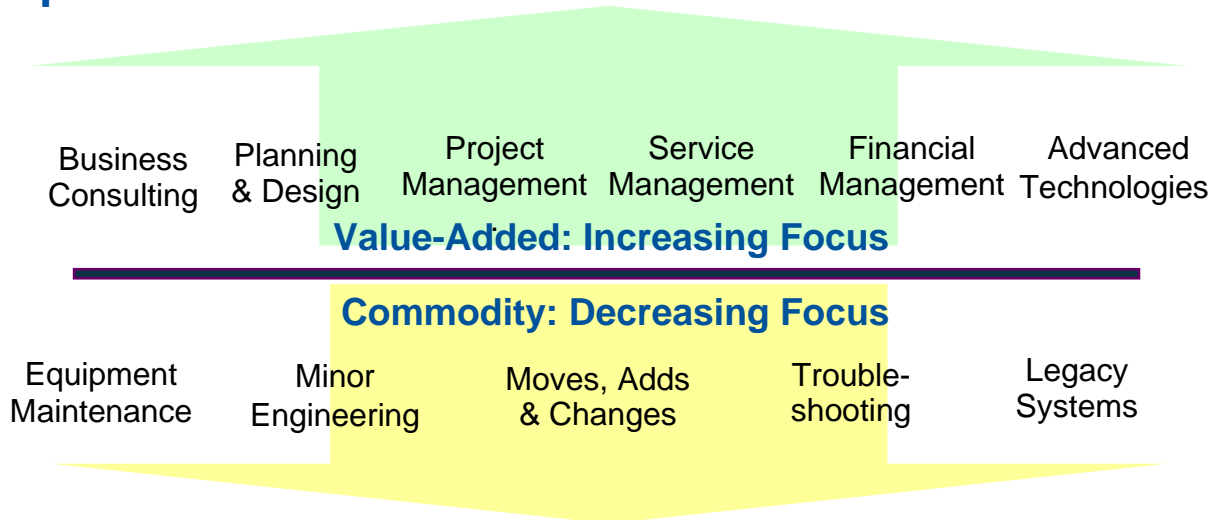
• **Single-instance storage (SIS)**

10. Optimize Multi-Sourcing

Sourcing: Where Do You Draw the Lines?



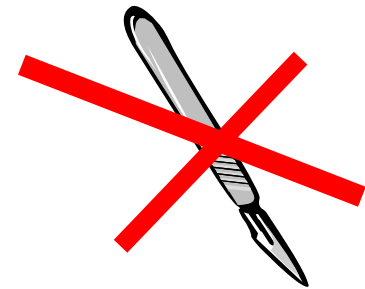
Let Go, Get Help and Focus



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Tools:



5-15% I&O savings shorter-term; another 20%+ longer-term

Participant Poll Question 4:

Of the cost savings recommended, which of the following do you feel you have substantially completed (75%+ completion level):

- **Renegotiated major vendor contracts**
- **Deferred non-critical Key Initiatives**
- **Optimized the data center**
- **Streamlined IT operations**
- **Optimized multi-sourcing**

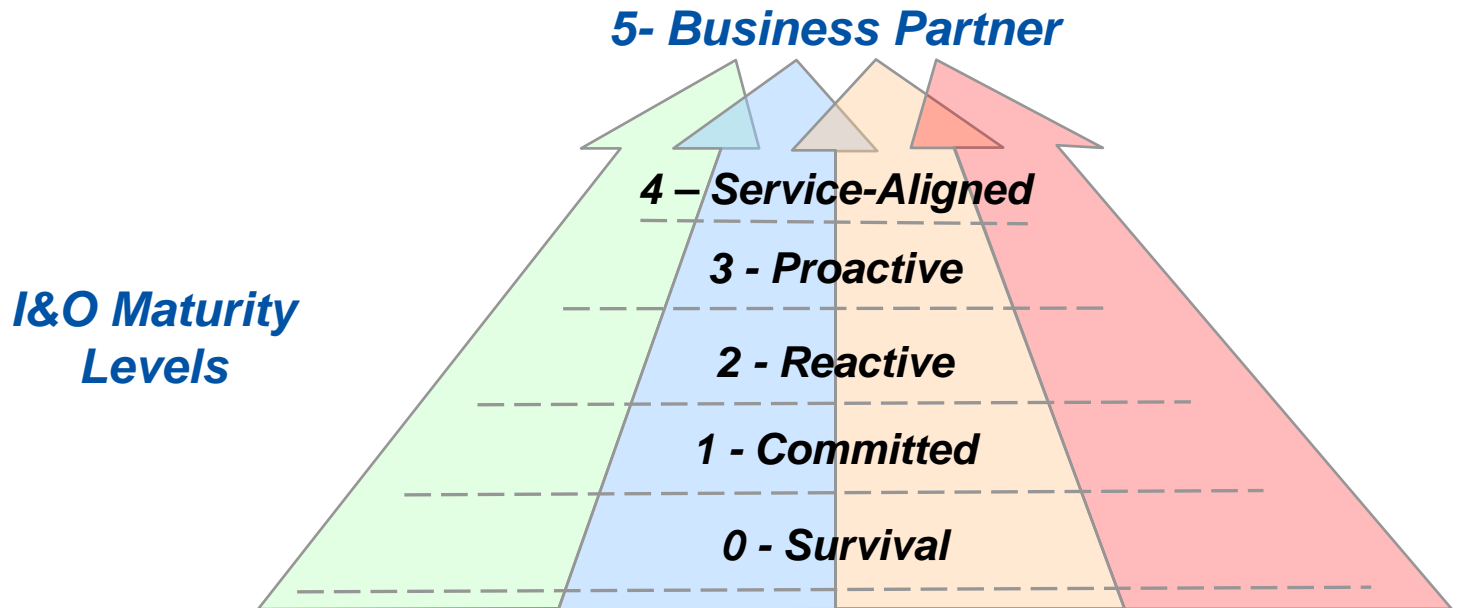
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I&O Strategic Planning: NOW



Use Gartner's Maturity Model to Systematically Improve I&O



I&O Mgmt. Dimensions	People	Process	Technology	Business
I&O Mgmt. Attributes	<ul style="list-style-type: none"> • Organization • Roles • Culture • Skills • Training • Metrics 	<ul style="list-style-type: none"> • Focus • Standards • Integration • Metrics 	<ul style="list-style-type: none"> • Standards • Efficiency • Agility • Service quality • Tools 	<ul style="list-style-type: none"> • Planning • Financial mgmt. • Metrics • Governance • Sourcing • Project mgmt.

Summary

- Depending on where you are now, fully implementing these ten cost-cutting suggestions can save you 5-15% near-term, 20%+ longer-term.
- To get started, compare your costs to peers and establish a cost-cutting team.
- Suggestions vary in their “investment intensity”
 - Low (other than time of IT professionals): renegotiating major contracts, deferring non-critical Key Initiatives, streamlining IT operations, optimizing multi-sourcing
 - Moderate: Virtualization, enhancing IT asset management, improving capacity planning
 - High: (Some) I&O consolidation projects (e.g., data centers)
- Use this “lull” to develop strong I&O strategic plans
- Utilize Gartner’s maturity model to systematically and continually improve I&O.

Recommended Research

Compare Your Costs to Peers

IT Key Metrics Data 2009: Executive Summary G00163635

Create Cost Cutting Team

Cost Cutting in IT G00154890

Defer Non-Critical I&O Key Initiatives

IT Infrastructure and Operations Key Initiatives: Overview G00163106

Renegotiate Major I&O Contracts

Toolkit: Use Best Terms and Conditions in Cellular Negotiations to Save Millions of Dollars G0015849

Consolidate I&O

Toolkit: Best Practices to Consolidate IT Infrastructure G00149463

Virtualize I&O

Energy Savings via Virtualization: Green IT on a Budget G00161153

Streamline IT Operations

IT Infrastructure and Operations Leaders Key Initiative: ITIL and Process Improvement G00163629

Enhance IT Asset Management

Toolkit Decision Framework: Best Practices for Beginning an IT Asset Management Program G00148230

Capacity Planning

Toolkit: Planning Your Performance Management and Capacity Planning Implementation G00165301

Optimize Multi-Sourcing

Best Practices: Saving Costs Through Outsourcing and IT Services G00164664

Use Gartner's Maturity Model to Systematically Improve I&O

Introducing the Gartner IT Infrastructure and Operations Maturity Model G00147962

I&O Strategic Planning NOW

Executive Summary: IT Strategy: A CIO Success Kit G00166021

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 - Exclusive access to Gartner’s benchmarking data
 - Interactive, web-based research product that brings everything Gartner has to offer to help you be successful in your role.

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Gartner Reduces IT Cost in Four Distinct Ways



FEATURED VIDEO

Four Levels of Cost Optimization

Kurt Potter, Research Director

Research Director Kurt Potter discusses the use of Gartner's Four Levels of Cost Optimization framework as a planning and communication structure.

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1. Get the *best pricing* and terms for your IT purchases

- Gartner ensures you get the best value from your IT purchases. Gartner analysts and consultants review thousands of vendor contracts and proposals each year. That expertise helps you:
 - Receive the best pricing and terms for products and services
 - Buy only what works and what you need, from functionality to service level
 - Avoid hidden costs and risks

2. Identify major *cost-saving opportunities*

- Leveraging our proprietary data, Gartner shows you exactly where your spend is high relative to best-in-class peers. We also quantify the financial benefit and help you prioritize initiatives appropriately.
 - Our IT Key Metrics Data (ITKMD) provides a comprehensive and granular database that helps you identify where you have the biggest opportunities.
 - Our benchmarking services are leveraged by more than 5,000 organizations every year. They compare your spend to the ITKMD, distilling implications and actionable recommendations for your unique situation.

3. Implement *cost-saving technologies*

- Gartner ensures your success in implementing priority technology initiatives. Working with 10,000 organizations around the globe, Gartner analysts and consultants know which technologies truly deliver savings, in what time periods and with what risks. Our definitive expertise includes:
 - Virtualization
 - Application rationalization

4. Implement *cost-saving process improvement*

- Gartner is your vital partner in achieving hard-dollar savings from process improvement. In the last year alone, we answered thousands of critical client questions, authored hundreds of groundbreaking documents and engaged directly with clients to deliver cost savings. Our definitive expertise includes:
 - Project prioritization or portfolio management
 - Offshoring or outsourcing
 - Asset management
 - Workforce optimization

Cost Optimization Fundamentals

Key Issues for Cost Optimization, 2009

Kurt Potter

Preserving Your Investments When Your IT Vendor is in Financial Difficulty

Debra Logan

Visit gartner.com/economy now to see exactly how Gartner takes cost out of IT

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