



Helping to reduce the Total Cost of Ownership of IT assets

In today's market conditions, organisations have been holding onto their existing PC clients (desktops and notebooks) longer for two reasons:

IT budgets are being squeezed and the systems in place have been doing an adequate job. But an institution can only stretch the replacement cycle so far and then it starts to cost itself money, in both hard money terms and opportunity cost.

What is total cost of ownership?

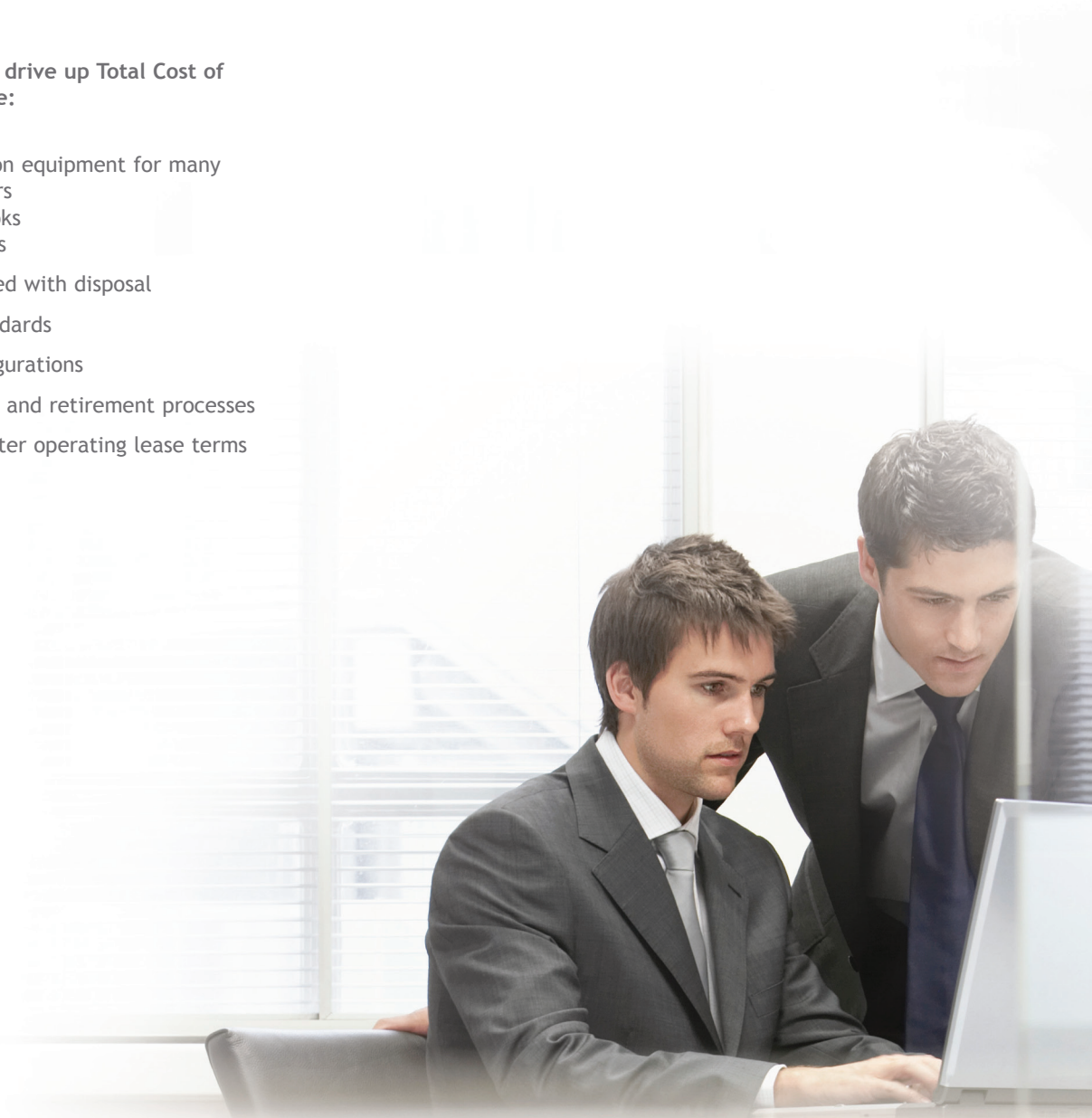
Total Cost of Ownership (TCO) is defined as the costs involved in the purchase, installation, management, support and use of the IT infrastructure within an organisation. The TCO attempts to quantify the financial impact of deploying information technology.

There are many factors that drive up Total Cost of Ownership. The key ones are:

- Shortened economic lives on equipment for many Enterprise/Global customers
 - 18-24 months for notebooks
 - 24-30 months for desktops
- High cost and risk associated with disposal
- Lack of consistency of standards
- Multiple vendors and configurations
- Procurement, management and retirement processes
- Lower residual values/shorter operating lease terms

Financing with Dell Financial Services can help reduce the risk of technological obsolescence and provide flexibility in adding or reducing IT capacity. We can provide a single lease that covers hardware, software & services from Dell and other vendors.

A major advantage for organisations that lease their IT equipment is that it helps drive a regular refresh programme, and removes any disposal issues and responsibility at end of life. In turn, this can assist in reducing the Total Cost of Ownership of your IT infrastructure.





What is the impact of Total Cost of Ownership on your organisation?

A popular perception is that keeping IT equipment after the typical three year depreciation period is free. Many Gartner reports published find that not to be the case. In fact when they tallied numbers they discovered that the annual cost of ownership for a PC kept for three years is very similar to one kept for four, five or even six years.

The costs merely shifted from those of direct (visible) costs, to indirect (hidden) costs. So, in the end, the decision comes down to one of 'Who Pays?'

- The enterprise in currency, or
- the user in lost productivity

Hard costs are usually easier to quantify and appear in the budgets. According to the Gartner Cost Model, TCO for IT is broken down in the following way:

- Capital 14%
- Admin & support 31%
- End user operations 55%

Indirect/Hidden costs are difficult to quantify, but include:

- Break/fix of equipment after warranty expiration (Dell equipment typically has three years next business day warranty)
- Cascading equipment
- Extra time working on equipment to reduce downtime, slower machines and experiments on how it can be upgraded to suit new software within the business
- Disposal of the equipment at its end of life to adhere to the WEEE Directive (Waste Electric Electronic Equipment Directive) Because of all these issues, organisations should pay close attention to their internal processes relating to how they acquire, fund, manage, and dispose of IT assets. To help reduce the TCO it is widely recognised that replacing client and server products on a regular basis is the best practice. Typically this is every two to three years for portables and three to four years for desktops.

Thus, every year an organisation should budget sufficient capital to replace anywhere from 25% to 50% of its IT assets.

“ Successful leasing programs for it equipment, when well administered, will reduce enterprises' equipment and capital acquisition expenses by up to 12 percent ”

Gartner Group.

How can Dell Financial Services help reduce your Total Cost of Ownership?

Dell Financial Services understand that only 14% of the cost of owning IT is the purchase cost, and that due to the ever-changing nature of IT equipment and today's on demand environment, you require a flexible funding programme that allows you to acquire, manage and dispose of your equipment in a cost effective way. We offer technology leasing and asset recovery programs designed to help you reach this goal. We understand the importance of TCO when an organisation is determining its IT strategy within agreed budgets and having to meet the demands of the IT infrastructure.

Dell Financial Services can help you:

Maximise your IT budget - Leasing, rather than purchase, gives direct financial benefits by lowering acquisition and disposal costs.

Make your budget work harder - We effectively assume the investment risk of the asset, allowing you to maximise the Return on Invested Capital (ROIC).

Avoid obsolescence - Systematically change or replace your IT equipment. Leasing with Dell Financial Services helps discipline your technology lifecycle migration every two to three years, leading to standardised equipment and reduced supports costs.