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SmartSpend™ Bulletin

6 Ways to Cut IT Costs Amid Global Economic Uncertainty with Zero Business Disruption

In the early days of the global health crisis, enterprise CIOs were under pressure to prioritize mission-critical projects while making material reductions to IT spend. Agility was paramount and IT (and IT procurement) rose to the occasion. Today, IT procurement must be prepared for the next disruptive event. With that comes a new playbook for how to identify tactics that deliver meaningful savings with minimal business disruption and that quickly impact the bottom line.

Today's IT buyers are **looking for ways to achieve material IT savings** that quickly impact the bottom line with minimal business disruption.

The global health crisis caused many enterprises to reevaluate and reprioritize IT spend, and to reassess IT agility. One lesson that came out of this experience is the important role IT procurement must play in helping the business respond to disruptive change.

Throughout the pandemic, digital transformation initiatives not only moved forward – in many cases, they were accelerated out of pure necessity. Initiatives that had previously operated on five-year timelines were accomplished in months. To do this, IT procurement had to find ways to get more mileage out of the technology budget without causing any additional disruption to the business.

What many discovered, however, was pervasive and extensive overspending within the enterprise IT ecosystem. Today, IT procurement practitioners are seeking ways to dismantle this agility roadblock so they can approach the next big disruption with more agility.

HOW TO ACHIEVE MATERIAL IT SAVINGS THAT QUICKLY IMPACT THE BOTTOM LINE AND IMPROVE IT AGILITY

Perform IT price benchmarking on all renewals and necessary net-new IT purchases. There is no "Kelley Blue Book" for IT. A vendor can charge two companies with similar requirements two very different prices and that's even more true if the vendor senses the customer has a tight deadline. Performing IT price benchmark analysis for renewals and new purchases above $50,000 will validate you're getting a fair deal from your vendor and ensure you pay a price that's at or better than market.

Optimize telecom carrier agreements. One of the easiest targets for fast, material savings is telecom. NPI finds more than two-thirds of companies overspend on telecom by an average of 30 percent. If you have 2,000+ wireless devices or spend $1.5M annually with a single telecom supplier (or $3M annually across several suppliers), there is usually savings to be had. One of the most painless actions you can take is to optimize your carrier agreements – it can yield telecom savings from 25 to 50 percent with zero disruption to operations. This includes the optimization of pricing/rates, discounts, credits and business terms as well as aligning provider/vendor plan and service selection with actual and forecasted usage. But know if you haven't optimized your carrier agreements in the last 18 months, there's a good chance you're paying too much. More detail can be found here.

Originally projected to grow modestly in 2020, Gartner now predicts **global IT spending to decline by 8 percent**.

If a software renewal is approaching (on-premise or SaaS), align software usage with best-fit license and subscription options. In normal business conditions, software usage requirements change. Usage validation and the deactivation of underutilized licenses are exercises that should be performed routinely. That's even more true today alongside new work-from-home requirements and changing business demand. If you have a renewal approaching, "rightsizing" your license and subscription choices to current usage requirements can save a lot – particularly for large software estates with vendors like Microsoft, Salesforce.com, ServiceNow and Adobe. It's also a good time to anticipate future-state IT requirements on the path to economic stabilization and normalization, and negotiate flexibility that allows you to minimize the expense to expand or reduce usage. Lastly, if a renewal isn't imminent, you can still identify underutilized licenses that can serve as headroom for reallocation during the remainder of your contract term.

Take advantage of better pricing in exchange for longer term commitments. IT vendors are under pressure to minimize revenue fallout in the wake of the COVID-19 pandemic while still being empathetic to the economic headwinds their customers are facing. Some are offering lower pricing or allowing customers to defer payments (e.g. pay quarterly) in exchange for committing to more spend in the future. This is a good opportunity for companies to balance their own needs to minimize IT spend while still pursuing mission-critical IT objectives – but requires careful evaluation.

Inspect mainframe software spend for savings opportunities. Most enterprises still rely on mainframe computing. And, for legacy vendors (e.g. IBM, CA, Software AG), mainframe is still highly profitable. One reason is customers' complacency in managing monthly costs. Monthly license charges tend to go on auto-pilot and notoriously lack granularity. Furthermore, as the internal mainframe expertise within enterprises ages out of the workforce, a growing number of customers are finding they lack the knowledge to adequately manage mainframe spend. As a result, many companies overpay significantly – typically 10 to 20+ percent and as much as 50 percent. Inspect your mainframe spend for accuracy (monthly license charge errors are common as is paying for unsupported products) and analyze costs at the line-item level to ensure licensing matches current usage needs. Most importantly, benchmark line-item pricing to ensure you're paying fair market value.

Explore third-party support options on major software estates. Third-party support options are becoming more mainstream as providers often offer support at levels that match or exceed those offered directly by the vendor. Options range from hybrid offerings that combine support from vendors and their certified partners to independent parties that compete directly with software publishers. The benefits are numerous with the most obvious being significant cost savings – often half the cost of standard vendor-direct support. Third-party support providers can also give enterprises the ability to maintain fully functional technology assets that may no longer be supported by vendors, as well as the ability to avoid unwanted upgrades.

[1] *https://www.gartner.com/en/newsroom/press-releases/2020-10-20-gartner-says-worldwide-it-spending-to-grow-4-percent-in-2021*

ABOUT NPI

NPI is an IT procurement advisory and intelligence company that helps businesses identify and eliminate overspending on IT purchases. We deliver transaction-level price benchmark analysis, license optimization advice and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. NPI also offers software license audit and telecom carrier agreement optimization services. For more information, visit www.npifinancial.com.

NPI Headquarters
3340 Peachtree Road NE
Suite 1280
Atlanta GA 30326

T 404-591-7500
F 404-591-7501
E info@npifinancial.com