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Three Reasons to Get a Second Opinion on
IT Lifecycle Management

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Senior IT executives carry the burden of making the final decisions on hardware and technology support options needed to run the applications that drive their corporate or law firm business functions. These are always high-stakes decisions because they carry significant financial and operational implications for the organization.

A growing body of knowledge is illustrating the importance of *caveat emptor* — let the buyer beware — when it comes to deciding what IT equipment your organization needs and, perhaps more importantly, when it is needed. In almost all cases, it is advisable to seek the independent counsel of a trusted advisor who sits on the same side of the desk that you do, free of any financial incentive to encourage you to spend more and to spend faster.

Many IT professionals are struggling with these issues. Colleagues in the analyst community advise that a significant majority of inquiries they receive on the subject are from IT professionals who are in some stage of evaluating potential new best practices and alternatives, as opposed to inquiries regarding renewals of maintenance contracts (only a small proportion). Most realize that a second opinion is needed to navigate the intricacies of developing an alternate strategy and are unclear about how or when to create that strategy.

OEM Guidance

Of course, different types of technology equipment are developed by various companies and are needed for specific purposes. Some of these equipment manufacturers — known as "Original Equipment Manufacturers" (OEMs) — specialize in just one area; others offer equipment across multiple functions, such as the following:

- Networking (e.g., Cisco, Brocade, Juniper, IBM, HP, etc.)

- Servers (e.g., Cisco, Dell, Fujitsu, IBM; HP, Oracle, etc.)

- Storage (e.g., Dell / EMC, Hitachi, NetApp, IBM, HP, Oracle, StorageTek, etc.)

These OEMs are very reputable companies that generally make excellent products capable of functioning effectively for a long time. In fact, the truth is they typically will last for much longer than the average organization's IT lifecycle refresh schedule.

Organizations' reluctance to deviate from OEM recommendations regarding equipment refresh is a reflection of the business realities when organizations work directly with OEMs for their IT infrastructure. For one thing, each OEM creates its own rules that govern its unique ecosystem of resellers that support its products, and these rules are naturally designed to favor the business interests of the OEM. As a result, resellers are not allowed to hold inventory and must work within specified pricing parameters set by the OEM, which limits the ability to flexibly meet the needs of many customers. Also, OEMs create business processes that essentially make sure they do not compete against themselves for any given transaction, which is why multiple bids from different resellers result in nearly identical pricing responses — the "three-bid approach" does not work for hardware.

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OEMs typically make great products, but their business models often lead to situations where IT executives find themselves making significant capital investments that might not have been necessary. It is only sensible to question OEM guidance before making a major financial decision in your IT equipment replacement lifecycle. Indeed, calling in a second set of eyes at this crucial juncture has saved organizations of all sizes millions of dollars in unnecessary expenditures or overpriced procurement contracts.

Organizations are beginning to recognize that using a third-party maintenance provider can be an optimal option for cost management of hardware maintenance and acquisition. According to a 2016 Gartner survey, as reported at a recent Gartner procurement summit, 71% of global organizations are using third party maintenance.[1] Acceptance of this strategy is increasing, and the timing is right to navigate and evaluate alternatives.

Obtaining a Second Opinion

Just as you might seek a second opinion from an independent expert when it comes to a possible medical procedure or a potential investment decision, it can be very useful to obtain a second opinion from an independent IT expert before signing on the dotted line with an OEM for equipment replacement. There are three primary reasons to get a second opinion on your IT lifecycle management decisions.

1. The "planned obsolescence" challenge. Most OEMs — whether their products are sold to businesses or consumers — face the challenge of how to encourage their customers to spend money more often (and more freely) when their existing equipment is still working. The solution many of them employ is to sell maintenance contracts to their customers at the time they purchase the equipment, charging ongoing fees for upgrades and support.

These maintenance contracts serve as a "planned obsolescence" tool for the OEMs. When the OEM is eager to turn over the existing equipment for new product, they announce an end date for the support of the existing equipment, effectively shifting the risk of a failure from the OEM to the customer. IT executives need to be cautious about managing risk, so they typically follow OEM guidance and sunset their still-functional equipment, upgrading to the latest and greatest products. As a result, many IT organizations are "forced" to refresh at a time when the existing equipment is still meeting requirements. If the IT team was able to obtain an unbiased second opinion, they might find there to be no meaningful risk to getting another

few years of life out of their perfectly stable equipment, conserving capital expenditures. OEMs are producing better quality and longer lasting IT hardware every single day, and an independent expert will help you to identify how to maximize value of your existing investments.

2. The locked-down reseller channel. OEMs in the technology industry have done an impressive job of achieving rapid sales growth by leveraging the power of Value Added Resellers (VARs) to market and support their products. VARs have benefitted from serving as these official distributors of technology equipment and are grateful of the way the OEMs "lock down" the sales channel and protect their margins.

This model does not always benefit the customer. Many IT executives are warned that they can only procure brand new equipment if they purchase from an OEM or a designated VAR, which keeps them bound to the OEM's dictated price points and the revolving door of planned obsolescence.

By seeking out a second opinion prior to a technology equipment refresh, IT executives may discover there are alternative strategies to this locked down channel. For example, there are independent distributors capable of providing brand new, unopened IT hardware at a fraction of the suggested retail price. This is possible because many OEM distributors sell overstocked gear to independent distributors (remember, OEMs preclude them from holding inventory). Working with qualified independent distributors allows for greater negotiation of discounted prices on equipment as these companies are not bound by the strict conditions placed on VARs.

3. The veiled no-support threat. A typical maintenance bundle from an OEM consists of a three-legged stool: 1) hardware failure replacement, 2) operating system / software updates, and 3) technical support. The subtle implication communicated to most IT executives is that the only way to

mitigate the risk of your systems crashing or suffering prolonged downtime is to sign an OEM maintenance contract, which ultimately becomes a planned obsolescence tool for equipment replacement.

It does not have to be this way. By obtaining a second opinion on your IT lifecycle management strategy, you may find there are strategies you can deploy that enable the organization to maintain existing equipment past the end of the support date while having the same level of support provided by the OEM. For example, hardware replacement and 24 X 7 technical support can be provided by qualified enterprise-level partners outside of the OEM network. OEM guidance will always overlook these options. To prevent customers from exploring these alternatives for ongoing support, many OEM representatives rely on the old standby emotions of fear, uncertainty and doubt ("FUD") to keep your organization in their approved ecosystem.

Conclusion

Selecting the optimal OEM partners for an organization is an important responsibility for any IT executive. And while OEMs are producing great products that function effectively for longer periods of time than ever before, the fact is that the OEM model is designed to favor the manufacturers and their distribution channel — not the customer.

The good news is that there are options available to IT executives with the courage to work independently of the OEM framework — and their preferred VAR channel — for procuring equipment and maintenance. Obtaining a second opinion on your IT lifecycle management decisions can help you evaluate alternative strategies, avoid common missteps and create an easy to utilize program—all while potentially saving your organization millions of dollars in Opex and Capex budget items.

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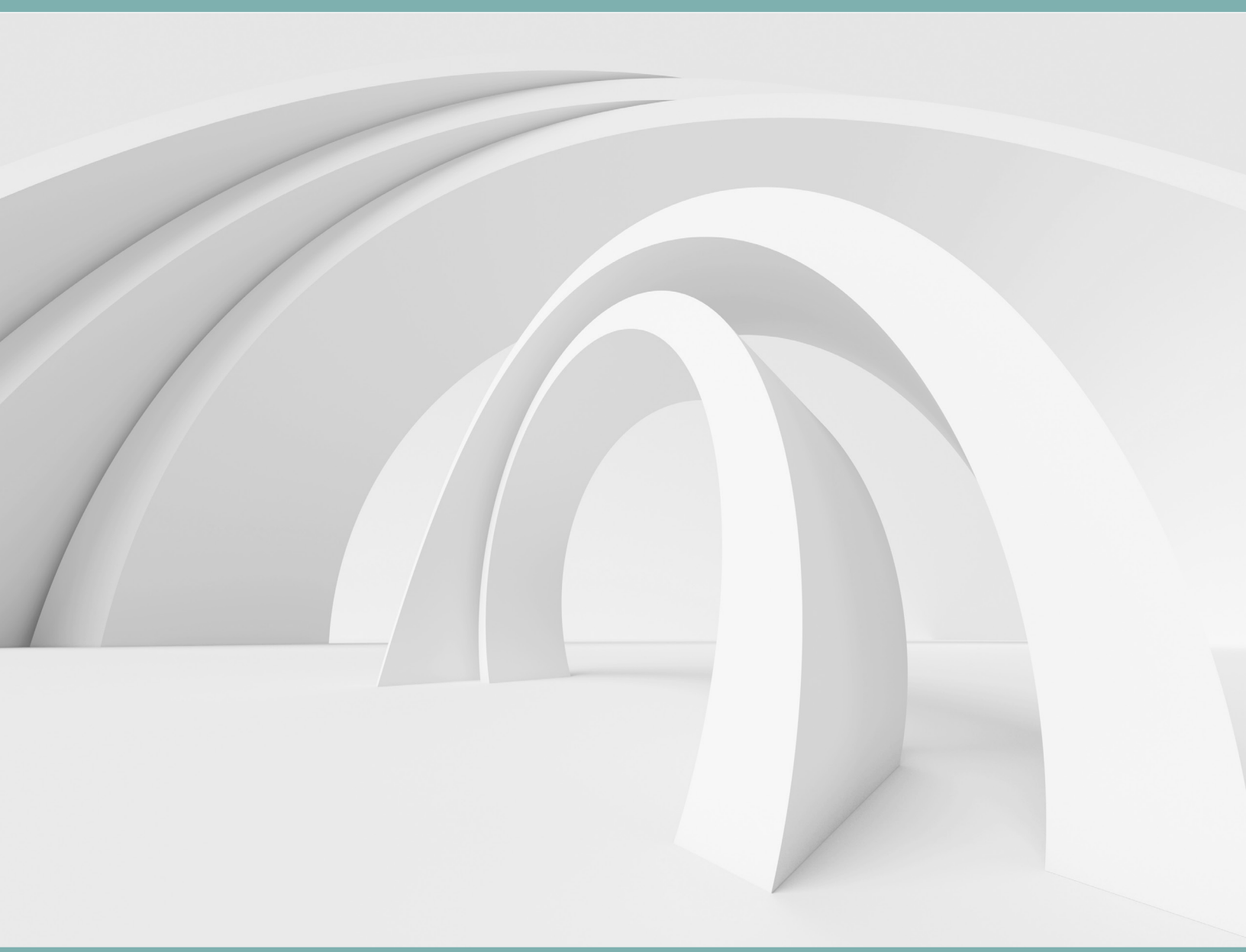
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[1] "How to Leverage Third-Party Hardware Maintenance Providers for Cost Optimization," Tenneson, Christine. Gartner IT Sourcing, Procurement, Vendor & Asset Management Summit, September 5-7, 2018.

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