

Issues and Key Success Factors for Sourcing Information Technology Spend

Information Technology spend comprises a wide range of hardware and services in most corporations. Desktop computers, notebook computers, peripheral hardware such as printers and keyboards, and important services such as 24/7 IT Helpdesk services are included in this major corporate spend category. In most companies, procurement is not directly involved in budgeting and supplier sourcing decisions for IT-related items. As a result, companies that form cross-functional teams that leverage the category expertise of their IT staff and the commercial skills of procurement team members have realized savings of 10-30% on IT expenditures while maintaining or improving quality and service levels.

Issues

The following trends generally impact IT spend more than other corporate spend categories:

- Commoditization - computer equipment pricing trends steadily downward and falls very rapidly during the lifecycle of a particular model
- Service & spares – hardware manufacturers and value-added resellers counter commoditization by offering complex tech support and spare parts with large contracts.
- Supplier concentration – the desktop/notebook/server market has consolidated to three major manufacturers, Dell, HP, and IBM (PC business sold to Lenovo).
- Outsourcing – overseas firms, especially Indian firms, are aggressively seeking to provide services such as helpdesk and basic software development from remote locations.

Typical IT spend categories



Keys to Sourcing Success

While IT spend presents unique challenges, savings are achievable. Here are several things to keep in mind when sourcing these categories:

- Rapid pricing reductions can be managed by negotiating a fixed discount to published pricing (e.g. best web pricing). Current models are used as representative parts for quoting purposes. The implied discount is then agreed upon and extended to all hardware purchases for the life of the agreement.
- Almost all suppliers offer service and spares. Carefully describe the level of service and spares that you require and include this in your Request for Quote along with hardware specs. Reinforce to suppliers throughout the quote process that these elements are considered just as important as hardware performance.
- Add suppliers to the mix by considering regionally focused "value-added resellers". If your hardware spend is less than \$5MM annually you will likely gain from being a key customer of these firms.
- Definitely focus on services and contract/temp labor. Margins are much higher on services than hardware. As a result, savings may sometimes reach 40% in this area.

About Transpac Access

Transpac Access is a U.S.-based services firm whose employees have eSourced over \$2 billion of materials and services, \$1 billion from Low Cost Countries such as China. Transpac Access uses a powerful and proven process for helping clients determine what to source and how to manage complex global eSourcing projects. Transpac is an SAP-endorsed provider of eSourcing Services on the SAP SRM platform.