

PCS AND SOFTWARE  
 PORTABLE COMPUTERS

# Desktop Computing



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## Vendors target cost of ownership

Users feel no impact — yet

By Jaikumar Vijayan

It's not a price war, but a cost war. With hardware differentiation becoming increasingly difficult to achieve in the PC business, major vendors such as Compaq Computer Corp., IBM, Hewlett-Packard Co. and Dell Computer Corp. have begun to focus on issues they believe will substantially reduce the cost of owning a PC.

Their initiatives include greater emphasis on the following:

- Management of hardware and software (known as asset management) and inventory tracking.
- Software and hardware management tools that comply with the Desktop Management Interface (DMI) standard.
- Involvement in needs evaluation, procurement and installation of hardware.
- More software bundling, including installation software.
- Extended service, support and warranty options.

"A lot of companies are struggling with this whole cost-of-ownership issue. It is literally the main topic of conversation" for information systems organizations trying to justify PCs to management, said Michael Dell, chairman and chief executive officer of Dell Computer.

"Customers today are asking for much more involvement from the vendor," Dell said.

While vendors such as Dell are reluctant to quantify how much customers could save from such initiatives, they claim that the potential for cutting PC ownership costs is substantial.

Users welcomed some of the vendor initiatives such as desktop management software — but said it is far too early to evaluate the impact on ownership costs.

"Vendors may be doing some things aimed at reducing costs, but the effects are not seen yet," said Kaushal Tripathi, a consultant at Lockheed Martin in Philadelphia.

### Easier tracking

Asset management is one area that most major vendors say can offer short-term savings. More vendors are announcing desktop management applications that give users automated access to a wide spectrum of information — serial numbers, model numbers, processor types, network card details, monitor models — from networked PCs. This allows for easier — and much cheaper — inventory tracking, fault management, upgradability and support.

Desktop hardware cost of ownership		
Percentage of cost of ownership*	What the cost covers	What vendors are offering to help cut costs
Operations (56%) and Administration (14%)	Learning, programming data/systems management downtime, filling out forms, procurement, software installation audits	Asset/inventory software, DMI-compliant tools, more reliable hardware, procurement packages, extended on-line tutorials, warranties, electronic software distribution
Capital (15%)	Hardware/equipment purchase	More features/functionality at lower prices
Support (15%)	Application help desk/PC help desk, hardware	Diagnostics software, remote diagnostics, extended hardware/software support (including on-site support), installation software, help desk support

\*According to Gartner Group, Inc., Stamford, Conn.

According to a 1994 study by Gartner Group, Inc. in Stamford, Conn., management applications built on the DMI standard will help companies reduce the cost of ownership by 5% over five years.

But asset management is only the beginning, the vendors say. Many top-tier PC makers have already begun to change their business and manufacturing strategies and hope to pass the savings on to customers.

For example, the move to a build-to-order manufacturing model is beginning to allow for more customization and integration during manufacturing. Vendors such as IBM, Compaq, HP and Dell are combining the flexibility of that model with extended service and support to try to clinch comprehensive out-

sourcing contracts.

For a fixed price per seat, customers can outsource part or all of the PC procurement and maintenance process for the life of the machine, including software installation and integration, help desk services and hardware management.

IBM's NetWorkStation Management program is one such cradle-to-grave service. Vendors such as Dell have also begun to help large customers dispose of obsolete hardware.

One of the advantages of such outsourcing contracts is that customers can receive volume pricing and discounts, said Jim McDonnell, marketing manager of HP's Network Server division. "One of the advantages for customers is that they know what it's going to cost them going in," McDonnell said.

But Friedrich Schulz, a manager of information technology operations at Pfizer Consumer Health Care in New York, said that in mainframe outsourcing, for example, users seldom saw the kind of savings vendors claimed were there. "You go into a contract with a fixed charge, but midway if some [user requirement] changes, then costs go through the roof," he said.

"Vendors may be doing some things aimed at reducing costs, but the effects are not seen yet."

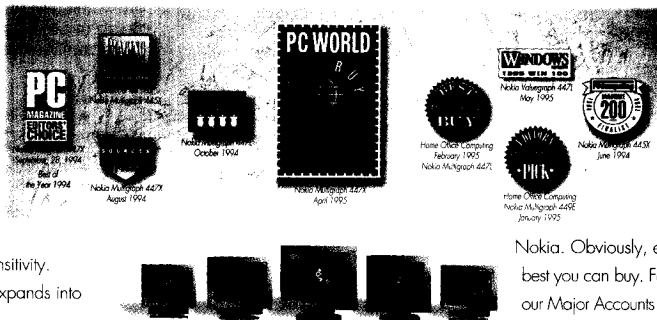
— Kaushal Tripathi, Lockheed Martin

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