ASG Consulting Services
IT Solutions That Meet Business Objectives

7

STRATEGIES FOR MANAGING YOUR SUPPORT CONTRACTS

And Reducing Your Maintenance Costs

INTRODUCTION

With maintenance support contracts, there's a fine line between fully protecting your business and overspending.

It's hard to find a balance, which is why most companies simply pay their renewals whenever vendors send them the invoices. They don't have time to think strategically about their infrastructure and business needs, and they can't risk leaving critical equipment unsupported. Over the course of a year, they repeat this mistake across various platforms, vendors, and products.

This doesn't have to be the case.

Here are seven proven strategies for managing your maintenance contracts that will help you better plan for your future infrastructure needs, reduce costs, and cut wasteful maintenance spending.

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GET AN ACCURATE INVENTORY

To manage your support contracts *proactively,* you need an accurate inventory. Make sure all your maintenance contracts are available in a comprehensive repository that you can see from a single dashboard. Depending on your needs, this might be a Microsoft Excel spreadsheet, a support contracts portal, or a Configuration Management Database (CMDB).

Once you have an accurate inventory, keep it up to date—perform true-ups on a regular basis. Create a schedule for updating your inventory with assets you've added or de-commissioned since your last review. Then compare that inventory against your current maintenance contracts.

Keeping an accurate inventory will help you avoid unnecessary renewals and prevent contracts from lapsing on critical equipment.

Advantages

With an accurate inventory, you can:

- **Reduce risk.** If you're managing your contracts haphazardly, you can easily miss a renewal or forget a critical asset. An unsupported failure exposes you to expensive, unplanned downtime.

- **Eliminate duplicates.** You might have duplicates if you have co-branded equipment and each vendor approached you separately to renew the same contract. You might also find duplicates if you have a mix of support contracts from Original Equipment Manufacturers (OEMs) and third-party providers.

- **Uncover errors.** If you have errors in your data—such as transposed serial numbers, missing documentation, or records that don't match the vendor's—you might experience a delay in the fulfillment of your support coverage.

- **Pay only for what you need.** With an accurate inventory, you won't waste your resources purchasing premium-level support for equipment that you've repurposed for non-critical applications or retired altogether.

Insider Tip
Consider asking your vendors for an *install base report*. That's a list of all the products and equipment you've purchased from them. It can provide you with a clean starting point for your inventory.

FACILITATE BETTER COMMUNICATION

For companies that struggle to share information between departments and individuals, maintenance renewals can be chaotic. For example, team members may duplicate efforts, and purchasing departments might automatically pay renewals without consulting their IT departments.

That's why it's important to have a process for renewing your maintenance contracts. Make sure all stakeholders and decision makers understand their roles and have ready access to the information they need to carry out their assigned responsibilities.

Improving communication and documentation procedures in your company can help reduce contract issues and unnecessary renewals.

Advantages

With better communication across your organization, you can:

- **Increase efficiency.** When everyone's on the same page, your team can invest more time and energy into other projects—like making the business run more smoothly and cost effectively.

- **Reduce wasted resources.** With a workable communication plan, you won't pay for unneeded support on equipment that you've repurposed or retired. And you're less likely to have senior-level or management personnel chasing down serial numbers, which can boost productivity and innovation.

Insider Tip
Allow access to anyone who needs to see your asset and inventory information. But only people who have direct management or support responsibilities for the equipment should be able to modify or update that information.

TIME YOUR RENEWALS STRATEGICALLY

Because of the usual asset acquisition and replacement process, your maintenance contracts probably have expiration dates scattered throughout the year. By setting up "co-terminus" or co-term contracts, you can select a single, *strategic* date for all your contracts to expire.

To secure larger discounts, align your contract expiration dates to your manufacturers' end-of- quarter or end-of-fiscal-year.

Advantages

By timing your renewals strategically, you can:

- **Simplify your maintenance procurement.** When you co-term your renewals, you only have one date to remember. That means you can explore renewal options well before your contracts expire and make better purchasing decisions.

- **Secure greater discounts.** To meet quarterly or annual sales goals, vendors are more willing to negotiate at the end of their quarters or fiscal years. (We've been able to save customers 50% off the cost of their maintenance contracts by moving the renewal date from the beginning of the quarter to the end of the fiscal year.)

- **Create operational efficiencies.** When all your contracts expire on one date, your IT, invoicing, and purchasing departments only need to review support levels, secure budget, and process purchase orders once per year.

Potential Savings
Up to a 50% discount.

Insider Tip
Don't schedule your renewals over the holiday season. Many vendors close their businesses during the last two months of the year. That means you won't have access to the people who can approve aggressive discounts.

CONSOLIDATE YOUR CONTRACTS

If you're renewing your support contracts on a case-by-case basis, consider consolidating all your contracts into a single, master contract.

Vendors pay significantly more attention to $450,000 maintenance renewals, for example, than fifteen separate $30,000 renewals.

Advantages

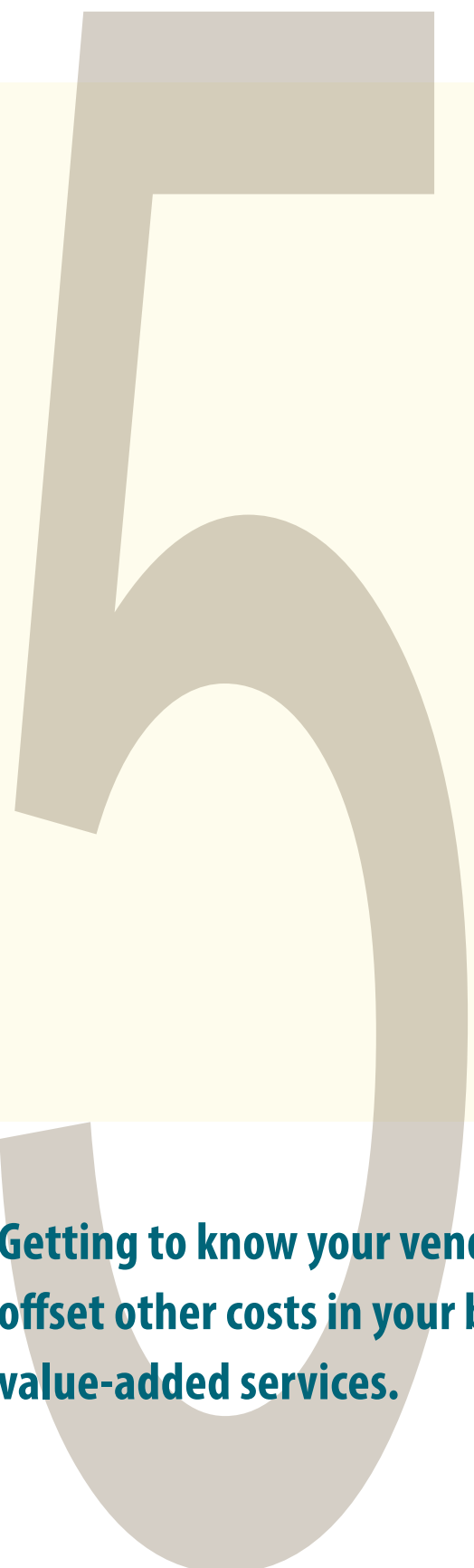**By consolidating your contracts, you can:**

- **Get more personalized attention.** With only one large contract, you'll receive better customer service. Vendors will be more willing to reach an agreement.

- **Negotiate larger discounts.** Consolidating your contracts substantially increases your purchasing power. If vendors fail to reach an agreement with you, they've lost a customer. That makes them more willing to offer sizable discounts.

- **Ask for perks.** When you consolidate, you might have more leverage to ask for extra features that wouldn't normally be available, like a dedicated Technical Account Manager (TAM), training credits, or a free upgrade to a higher service level.

Insider Tip
Not all manufacturers allow contract consolidation. Those that do may limit your options. Make sure you thoroughly review those limitations before you consolidate.

Potential Savings
As much as 40%.

KNOW YOUR VENDOR PROGRAMS

Many vendors offer a range of cost-saving programs, tool sets, and complimentary services. But just because they *offer* these value-added benefits doesn't mean they *promote* them.

Getting to know your vendor programs can help you find savings or offset other costs in your budget—such as technical training or value-added services.

Advantages

By familiarizing yourself with your vendor programs, you can:

- **Maximize the value of money already spent.** Some vendors offer their support customers access to tools or free technical classes. By taking advantage of these programs, you might be able to offset other costs in your budget.

- **Take advantage of potential discounts.** Many vendors offer discounts they don't advertise. If you buy a three-year support contract and pay the entire cost up front, request a prepayment discount.

Insider Tip

To find unadvertised programs, call your vendor and ask. Also, take this opportunity to develop a closer relationship with your vendor—you can leverage it when you need to resolve customer satisfaction issues.

LOWER YOUR SUPPORT LEVELS WHERE IT MAKES SENSE

If your company operates eight hours a day, five days a week, you probably don't need 24/7 support. Likewise, equipment used for non-critical applications or test environments doesn't need premium support. In both cases, you can save money by lowering your support levels to better align with your business operations and environment needs.

For older, non-critical equipment, you may even be able to eliminate support contracts altogether by stocking up on the spare parts that typically fail—such as cards, drives, or switches. (When one of our customers needed to replace a switch, an IT team member bought a replacement on EBay for $2,000. He installed it himself. The client thereby avoided a $30,000 support contract.)

Having a complete understanding of your business, environment, and skill sets offers you more opportunities to save money.

Considerations

Before you try these strategies, consider these points:

- **You need an accurate inventory.** You can't strategically lower your support levels unless you know exactly what equipment you have and what role it plays in supporting your environment.

- **You need to know your in-house skill sets.** Is your team comfortable troubleshooting and replacing equipment components? Is the equipment considered a customer replaceable unit (CRU)? Are the replaceable components easily accessible? Answer these questions before you try self-support.

- **You need to understand how lower service levels might affect you.** 'Next day' support doesn't always mean that. If you call a vendor on a Wednesday before a long holiday weekend, you won't receive a response until Monday. Can your business survive the delay?

Potential Savings
If you can drop a maintenance contract altogether, you might recover up to 90% of the support expenses.

Insider Tip
If you bought multi-year support with your initial product purchase, your first renewal might be your best opportunity to lower your support levels and align them with your current needs.

CONSIDER THIRD-PARTY SUPPORT

OEMs charge a premium for their support services. But as long as they're developing software patches and upgrades for their products, OEM support is worth the expense. Those patches can help improve performance or reduce security risks.

Switching to third-party support will make you ineligible for OEM patches and upgrades. But for equipment that's more than five years old, OEMs have already moved on to new products. They're no longer developing patches and updates for older equipment, so you're really only receiving hardware support *anyway.*

As equipment ages, support costs increase. With third-party providers, you ultimately get the same services that the OEMs provide but at significantly reduced costs.

Advantages

Depending on your environment, third-party support can help you:

- **Find savings.** Buying third-party support is like choosing a generic over a brand-name product. The service is the same, but the costs are much lower. (We recently reduced a customer's support costs from $300,000 to $80,000 by moving their older equipment to a third-party provider.)

- **Gain greater flexibility.** Third-party providers do what OEMs won't, especially when it comes to billing. Do you need 4 ½ months of support? A two-week extension? Month-to-month billing? Unlike OEMs, third-party support providers offer far more flexible and customized options.

- **Get a more consistent customer experience.** With third-party providers, you have a single point of contact. That's especially helpful when you have a large, multi-vendor environment. That also means you have more consistent service level agreements (SLAs) and predictable processes for making support requests.

Potential Savings
As much as a 75% cost reduction.

Insider Tip
Make sure you've secured approval from all your stakeholders before you move to a third-party. Once you abandon OEM support, it's a long and expensive road back.

CONCLUSION

As you work through these strategies, you'll find a lot of variation between vendors regarding what they offer, who you contact, and how you initiate these processes. It takes a lot of patience, persistence, and tenacity.

But between the cost savings and efficiencies, the results make it well worthwhile. And it gets easier. The better you become at managing your maintenance contracts, the easier you can plan for your future infrastructure needs, identify cost savings, and eliminate wasteful spending.

If you'd like more help with your maintenance contracts, contact us for a free assessment. We can help you develop a go-to plan for managing your contracts that includes an inventory review to identify cost savings and an evaluation of your vendors, expiration dates, and support levels to make sure they align with your business needs.

Go to cs.virtual.com/free-maintenance-assessment to learn more.

"Support renewals used to consume a significant amount of energy and effort. After working with ASG, we're now able to reclaim that time to work on more important tasks. ASG has been a lifesaver for us."

— Director of IT
Award-winning Telematics Company

"ASG goes above and beyond the call of duty and has saved our company hundreds of thousands of dollars through due diligence and thorough attention to detail."

— Senior Director, Technical Systems
Global Marketing Company

About the Author

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As the Director of Enterprise Contracts at Advanced Systems Group (ASG), Billie regularly works with companies to simplify their support contract management processes. Throughout her 15-year career as an IT professional, Billie has raised the bar in preserving IT budgets, sorting out critical support and maintenance contract issues, and delivering unsurpassed client satisfaction.

About Advanced Systems Group

Since 1981, Advanced Systems Group (ASG) has provided comprehensive IT infrastructure solutions, delivered strategic and tactical consulting services, and helped clients achieve their IT transformation goals. Headquartered in Denver, Colorado, ASG has nine regional offices and serves locations across the United States. Learn more at **cs.virtual.com**.

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