
The impact of inventory- as-a-service



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**50% OF RESPONDENTS
REPORTED JUST
AN HOUR OF
SYSTEM DOWNTIME
COULD COST THEIR
CUSTOMERS' BUSINESS
OVER £10,000**

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INTRODUCTION

Shaun Lynn, CEO Agilitas IT Solutions

Over the past 25 years Agilitas has continued to develop its IT services in line with market demands and technology advancements, through forging close relationships with customers and industry peers.

Continuing with this theme, Agilitas commissioned some research around inventory-as-a-service and compiled this report to share the findings. The central theme of this report explores the management of IT spares inventory and the challenges facing IT services providers today. To get a more detailed understanding of which direction the market is moving we engaged with a broad spectrum of the IT industry's leading figures and businesses. The areas explored included inventory management, stresses placed on service providers and the operational and financial implications of failures in the process.

The results of the research identified that inventory management is a growing problem for service providers, affecting operational efficiency and performance, customer satisfaction and revenue. 24/7 operations are now the standard, and, whilst the increasing digitisation of business and the move to cloud and mobile technology appears to mean less reliance on hardware for end users, it is actually increasing the reliance on IT infrastructure and adding more pressure to service providers. Hardware is the engine room. The research found more than 50% of respondents reported just an hour of system downtime could cost their customers' business over £10,000, yet over 40% are seeing over 4 hours of downtime when IT hardware fails. So, whilst they understand the risks, responding to demands of modern business is proving difficult. With providers further needing to expand their service offerings around new vendors, technologies and geographic coverage there are clear dilemmas being faced on how much CAPEX to invest on their spares infrastructure in order to deliver against contracted SLAs and an expanding technology portfolio. CISCO chief



executive Chuck Robbins recently commented on the matter, arguing that customers are “fundamentally more concerned about the operational costs of their IT infrastructure than the CAPEX” which historically hasn't been the case.

At Agilitas, we believe in an inventory-as-a-service solution. This approach removes the worry and pressure away from Inventory management by providing a fully managed SLA driven service at a fixed monthly cost. This takes away the CAPEX headaches and allows IT firms to be more responsive to the needs of their customers by utilising an OPEX model that is much more flexible to market demands. The ability to scale up or down a support infrastructure delivers resellers, MSPs, and systems integrators competitive advantage whilst being safe in the knowledge that all the hardware on support is located close to their customers' sites and can be accessed up to a 2hr SLA, 24x7x365.



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**40% ARE SEEING OVER 4
HOURS OF DOWNTIME
WHEN IT HARDWARE FAILS**

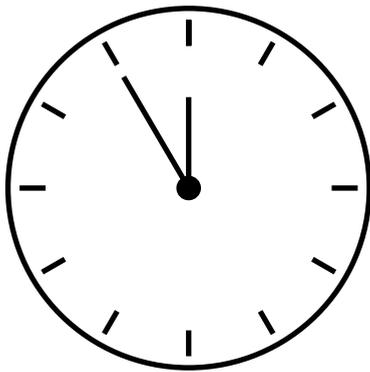
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Downtime

According to our research, 54% of service provider customers could lose from £10,000 to over £1m in just one hour of system downtime. In addition, less than 40% claim to be able to fix hardware issues in under an hour, meaning that any faults or issues will result in significant complications for the vast majority of end user customers. Analysis by security vendor Globalscape estimates that 90% of organisations have experienced downtime, and a third deal with these issues every month. As a result, businesses demanding a 'fix' type support contract has become the norm, adding more pressure on service providers to ensure they have the expertise and infrastructure to deliver.

New technology introductions in recent years, such as virtualisation, mobilisation, and cloud solutions, have ushered in a new way of utilising IT resources. Agile, high-availability, 'always-on' and 'on demand' services are expected by businesses as standard.

**“LESS THAN 40% CLAIM
TO BE ABLE TO FIX
HARDWARE ISSUES IN
UNDER AN HOUR”**



Cost

Keeping costs down and driving efficiency are two of the most vital qualities of any business. Logistics, management and keeping abreast of technology advancements can be a major drain on the profitability of a company, especially at a time when reliance on technology is so high.

Our research tells us that a quarter of providers are spending hundreds of thousands of pounds just to keep up with customer requirements for IT spare parts inventory. This investment starts becoming a challenge, even to a FTSE 100 company; however, at what point does this go from being a simple budgeted overhead to an increasing, unavoidable cost that threatens a company's growth plans?

Another cost consideration relates to the ability to develop and grow. Any CAPEX cost or resource associated with managing, storing and handling IT spares inventory can detract from a company's core business strategy.



**“40% OF IT PROVIDERS
FIND MEETING SERVICE
LEVEL AGREEMENTS THE
GREATEST CHALLENGE”**

Performance

As with any business service, high performance is expected. Our research examined challenges to delivering spare and replacement hardware to end users, revealing 40% of IT providers find meeting service level agreements the greatest challenge, and 25% sourcing parts.

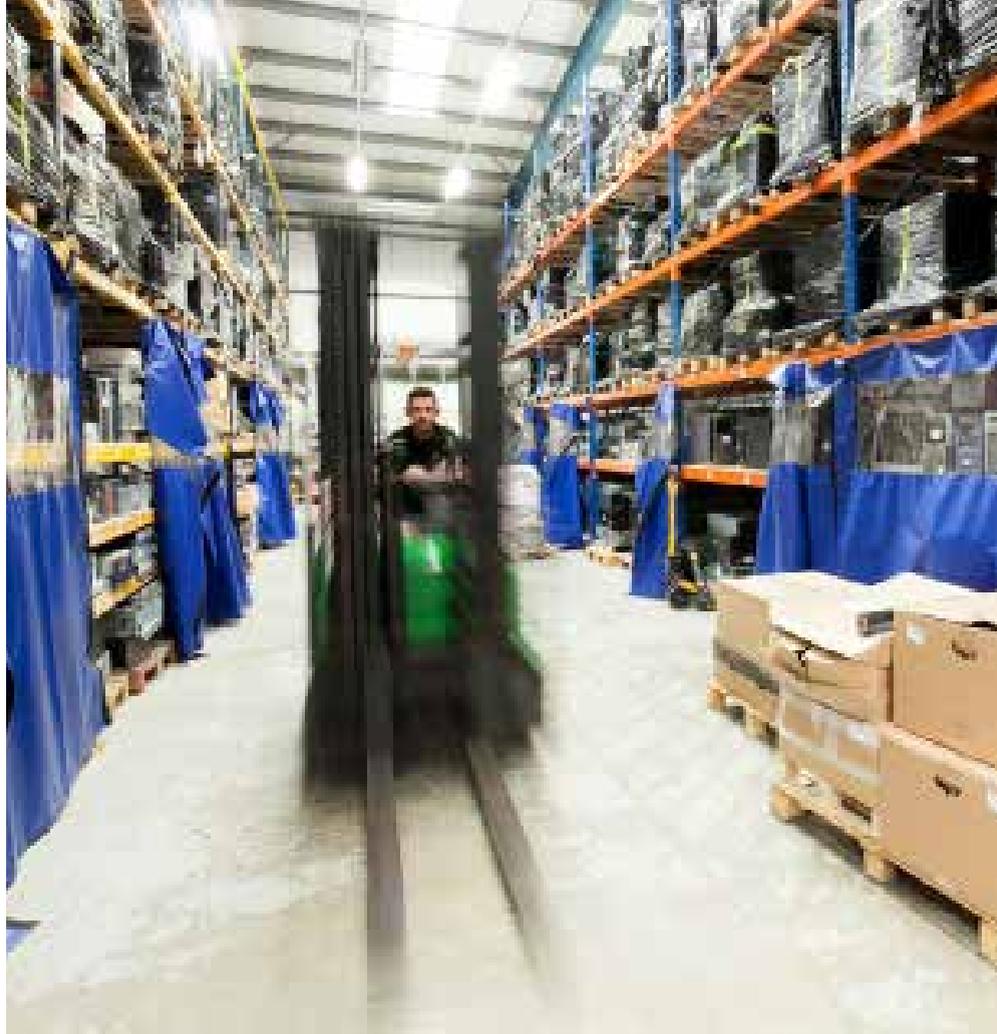
Meeting service level agreements, and having the right parts available is the basis of a successful IT spares inventory. Organisations need to work hard to put in place effective processes, systems and clear reporting to understand where issues could arise; parts must be in the right place to be delivered within agreed timeframes. Failure to do so will result in missed SLAs and customers losing thousands of pounds each minute their systems are down.

Performance is especially critical when businesses need to scale. It is becoming increasingly common that a 4hr SLA support contract is no longer acceptable across an 'always-on' mobile IT operation, as businesses are demanding service providers enhance their offering to a 2hr SLA. The infrastructure that needs to be put in place to provide a 2 hour SLA 24x7x365 is significant, and even more so as operations grow. This is where leading inventory-as-a-service partners are pivotal in enhancing any SLA, as they have the expertise to not only provide the IT spares inventory but also the value-add services around remote support, technical training and repair capability. For OEMs, ensuring the right support is in place can even determine a product's success or failure. The logistics and management behind a product are all invisible to the customer most of the time, but when required, performance needs to be meeting 99% SLAs regardless the technology or vendor.

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“OVER A FIFTH AREN'T SURE HOW MUCH STORING THE PARTS COSTS THEM EACH YEAR”





**“NEARLY 20% OF PROVIDERS
STRUGGLED TO GET PARTS
TO CUSTOMERS ON TIME”**



Management

Currently, the majority of service providers support customers using a hybrid solution of in-house and partners when it comes to IT spares inventory. While hybrid solutions offer flexibility or affordability to customers, they really suffer when there's a problem. The responsibility for solving any issue can, and does, get passed between partner, vendor and customer, which only serves to add time and cost to fixing the problem whilst endangering the customer relationship.

The amount of space, time and resources needed to manage everything in-house is not something to be underestimated. Depending on the size and variety of technology, both new and legacy, service companies may find that managing everything themselves is a difficult and costly way of doing things. Successfully managing any IT spares inventory requires sophisticated management systems and software, a comprehensive knowledge of multi-vendor part numbers and system configuration, alongside a responsive logistics network to ensure customer SLAs are adhered to.

With these considerations in mind, it's surprising that the research found that a quarter currently have a complete in-house operation. Of these companies, it's also rather telling that over a fifth aren't sure how much storing the parts costs them each year. This is actually having a knock on effect on the business, as one in seven say this is preventing them from investing in other areas of their company.



Logistics

Efficient and reliable logistics is the linchpin for every successfully deployed inventory as a service. Everything relies on getting spare parts quickly and securely from either a central storage hub or forward stocking location to where they are needed. Our research found that nearly 20% of providers struggled to get parts to customers on time.

No matter how many resources are at a company's disposal, or how many spare parts are being held by the IT department or inventory as a service provider, if a piece that is needed is hundreds of miles away and there isn't an efficient way to transport it, problems will occur. With the increasingly international nature of businesses, a geographic spread of storage locations is important.

The costs associated with logistics can also create obstacles for providers. Earlier this year the Road Haulage Association announced the cost of operating a vehicle had risen by 2% since 2014, with the overall cost of logistics believed to cost on average 8% of revenue according to international think-tank BVL. Operational costs, including driver salaries, vehicle rental prices and fuel, have been steadily increasing and will always continue to do so. 40% of the respondents to our survey said that the rise in logistics costs has had a negative impact on their business.





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**25% OF IT PROVIDERS WE
SURVEYED ADMITTED
THEY STRUGGLE TO
KEEP UP TO DATE
WITH TECHNOLOGY
ADVANCEMENTS**

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Maintenance

Efficiency improvement is a key driver of any investment in technology but as a result of the rapid evolution of business systems, companies are spending huge budgets on upgrading technology just to keep their heads above the surface. 25% of IT providers we surveyed admitted they struggle to keep up to date with technology advancements.

Modern users have developed very specialised requirements for their IT resources to address the unique challenges of each of their particular business roles. This, in turn, requires more varied IT requirements and places a huge importance of using new hardware, and replacing regularly to reduce risk of downtime.

With the high costs associated with purchasing new technology, cash conscious companies are instead maintaining their current systems. While this can often be a more affordable option, the advances in technology means that legacy systems are becoming more and more commonplace.

Multi-Vendor/Multi-Technology (MVMT)

The number of different IT suppliers, and OEMS a modern company uses has increased due to the different systems that are essential to compete in a global, connected world. This MVMT approach to modern business sometimes leads to confusion over who is supposed to maintain and manage these systems.

While there are many advantages for using different IT solutions across multiple IT suppliers and vendors, this creates larger and more complex ecosystems. Managing these large ecosystems can be time consuming, especially when the root of the issue is not immediately apparent. Communicating between multiple suppliers, and then arranging for IT spare parts or engineers to be on-site in a timely manner is one of the most difficult challenges facing providers today.

With a third of providers relying on warranties and service contracts with OEMS to update and maintain IT systems, and a growing expansion of the average customer's IT ecosystem, meeting SLAs can only become more costly and complex to manage. This is where service providers need to be aligned to inventory-as-a-service partners who not only understand supply chain management but live and breathe it day-in, day-out.

CONCLUSION

The need to explore a high performance, efficient and cost-effective inventory-as-a-service-solution is now greater than ever, not only for end user companies but their IT service providers. Reducing downtime and providing more flexible commercial support models should be key factors for service providers when recommending solutions for their customers.

Inventory-as-a-service's ability to distribute IT spare parts quickly from multiple distribution locations means that service providers won't need to worry about getting a required part from A-to-B again. The service goes much further than just delivery of parts, however. The advantage of offering full technical support when things go wrong, remote support for simpler problems, training and upskilling of engineers and regularly upgraded hardware will reduce the effects of downtime for the end user.

Inventory-as-a-service is a smarter, better way of providing IT spares inventory to today's IT operation and should be at the top of every IT systems provider's agenda.



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