

General & Administrative Cost Reduction Project Case Study

Key Figures

Expenditure: \$15.1 mm

Savings Achieved: \$3.0 mm

Percent Savings (20%)

Reducing Computer Hardware Costs

Objectives:

- √ Review the consumption and usage factors that drive PC purchases
- √ Standardize PC purchases across the organization and establish consumption controls
- √ Optimize the type of PCs purchased based on pricing and performance requirements
- √ Establish a preferred vendor for computer and other hardware supplies

Situation Overview:

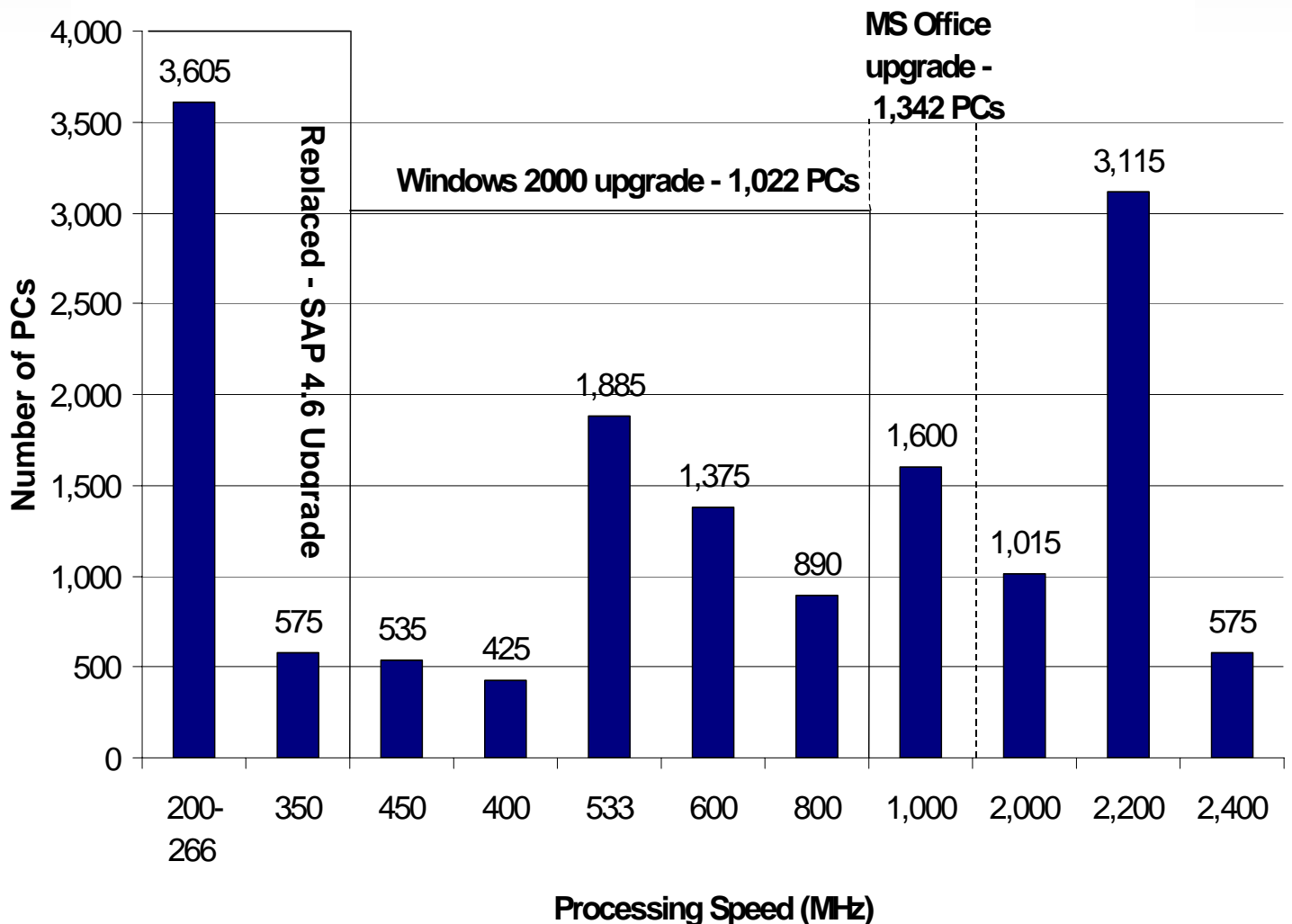
- √ Annual spending on PCs was \$15.1 mm and growing by an average of 35% each year
- √ PC purchases were conducted by business unit members with little involvement or direction from IT
- √ The technical specifications on PC purchases varied greatly because there were loose standards and defined specifications
- √ Many PCs were purchased with performance capabilities that were not necessary for the software and applications being utilized
- √ PCs were purchased through several hardware vendors and resellers and there were significant price variances on similar hardware products
- √ The highly fragmented base of PCs required a significant amount of resources from IT for support, trouble-shooting, and PC imaging/setup



SSA Capital

- ◆ The Price and number of required PCs vary significantly when there is a lack of standardized configurations
- ◆ SSA Capital analyzed the number of PCs purchased by processing speed, and worked with the internal IT department to establish a standard configuration based on software requirements and future upgrades

Figure 1: PC Purchases by Processor Speed



General Strategy:

- √ Collect and document all PCs purchased in the past three years and categorize them by technical specifications
- √ Work with IT and business unit members to understand procurement process and demand factors for PC purchases
- √ Work with internal IT department to develop standard configurations that are cost effective and meet the requirements of the end-user community
- √ Evaluate Original Manufacturers to consolidate purchases and eliminate mark-up costs from regional suppliers and resellers
- √ Execute an RFP / Bidding process to establish a preferred vendor for computer hardware supplies
- √ Establish internal consumption controls and processes to eliminate unnecessary PC purchases

Results:

- √ **Achieved \$3.0 mm of savings** through centralizing PC purchases under a formal agreement with a direct PC manufacturer
- √ Established standardized PC technical requirements with the IT department
- √ Manufacturer conducted some initial imaging/setups based on standardized PCs, reducing IT resource requirements.
- √ Centralized PC purchases with purchasing and included on-going involvement from the IT department
- √ Established value add programs offered by the selected supplier including an employee purchase program for home computers and laptops