

Optimizing Infrastructure and Service Management in Tough Economic Times

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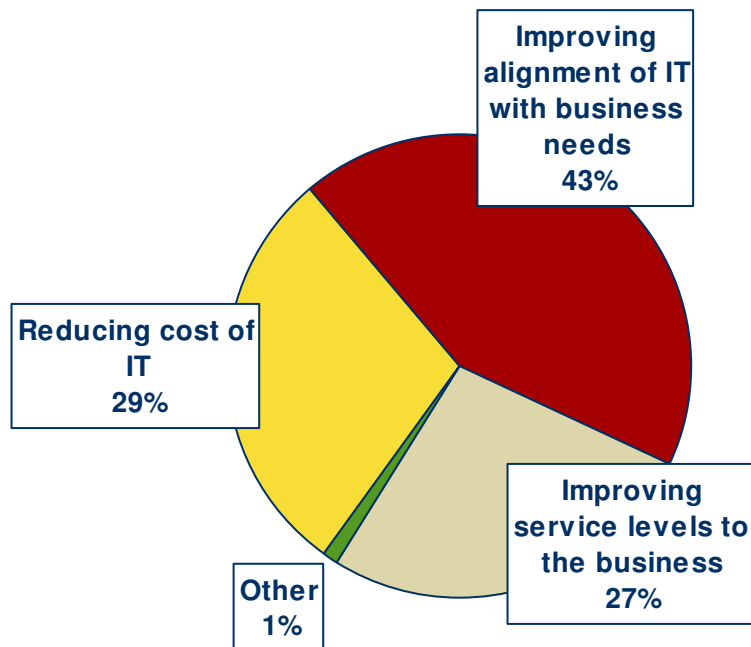
European Enterprise Infrastructure Services

Changing Business Priorities

- Focus on Cost Reduction

European Enterprises' IT Strategy for the Next 24 Months

Q: Which of the following statements best describes the general trend of your IT strategy for the next two years?



- **Dramatic increase in emphasis on cost cutting.** Decline in emphasis on spending to improve service levels.
- One in eight organizations reacted strongly to the crisis — **but the majority have not changed their strategy dramatically.**

Advice:

- Spend more time on "**funnel management**" (understanding individual customer spend strategies). When spend is under pressure at the customer end, "qualifying out" poorer prospects is more critical than ever.
- Focus is on **short-term business gains** and **conservative themes** such as **efficiency, cost, service quality** and **risk reduction**.
- IDC believes organizations will **consolidate spend on fewer suppliers** — so focus on expanding **share of wallet**.

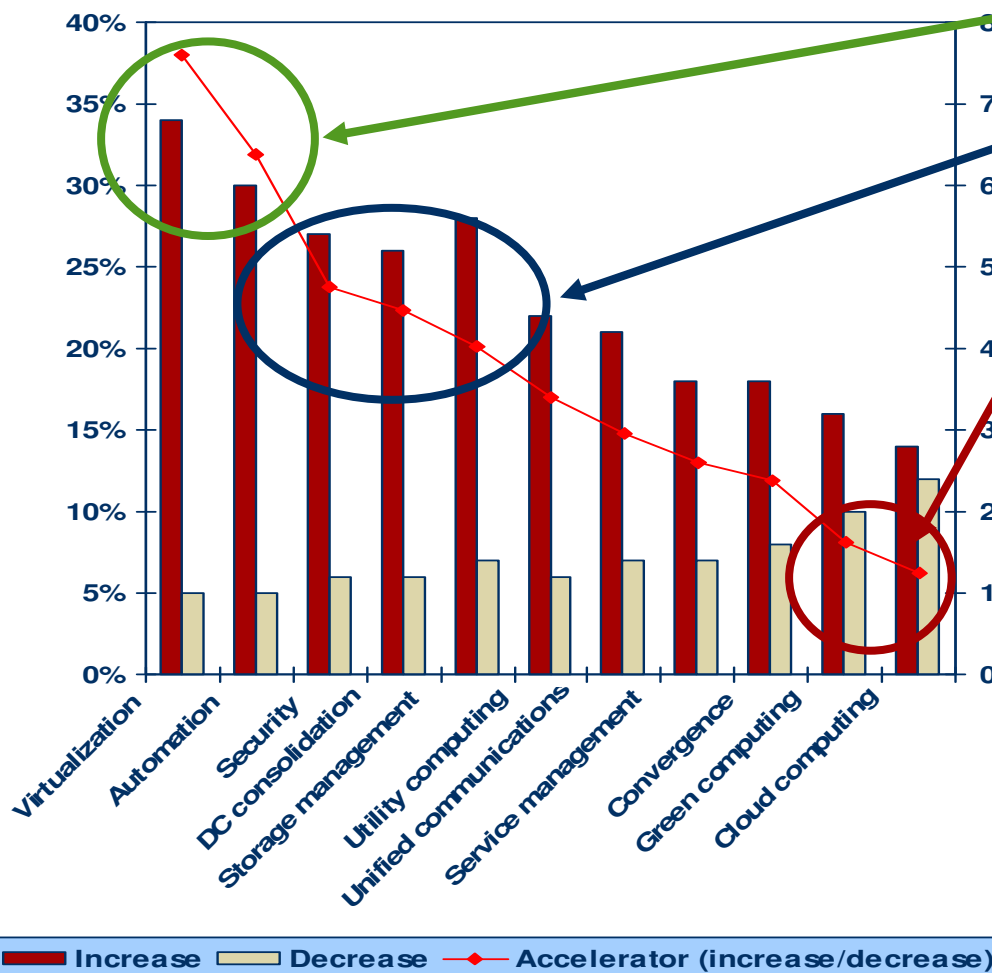
Note: n = 553

Source: IDC European Services Survey 2009

Back to Basics

- Focus on Infrastructure Investments

Q: How has the current economic environment influenced your plans for investing in the following types of initiatives?



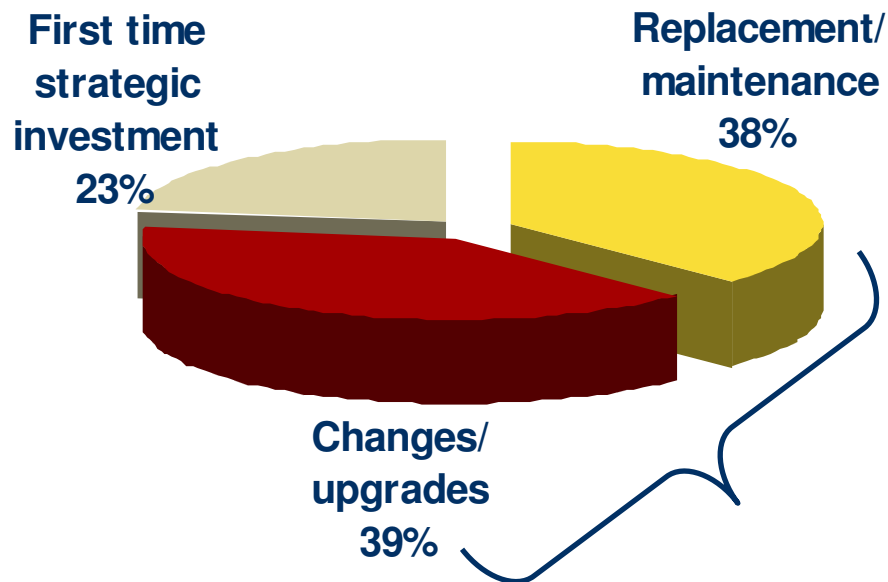
- **Virtualization and automation** will benefit the most from the downturn.
- **Back to basics:** new focus on security, storage management, and data centre consolidation.
- **New models** such as green and cloud computing "stall" in the face of this global crisis.
- Enterprises focus on **infrastructure investments** for **immediate savings** through efficiency.
- **Advice:**
 - Short term focus on what makes a different (cost cutting)
 - Don't lose sight of the long term – the ability to grow : cloud, green...

Note: n = 553

Source: IDC European Services Survey 2009

The Catch 22 Dilemma

Q. Could you please provide your total IT expenditure across these 3 objectives?



Operating Cost

- > **\$8** in maintenance for every \$1 spent on new infrastructure
- > **20-30 : 1** server-to-admin ratio

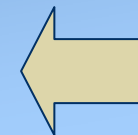
77% of Budgets are spent on running existing IT

Source: IDC Continuum Survey, 2008 (N =108)

Shifting Investment Economics Let's Do the Math

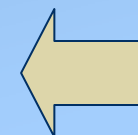
■ Pre-crash:

- Typical cost of capital: 5.50% to 7.50%
- Typical investment threshold: 12.00% to 15.00% or **2x**



■ Post-crash: Rates are normalizing; behavior isn't:

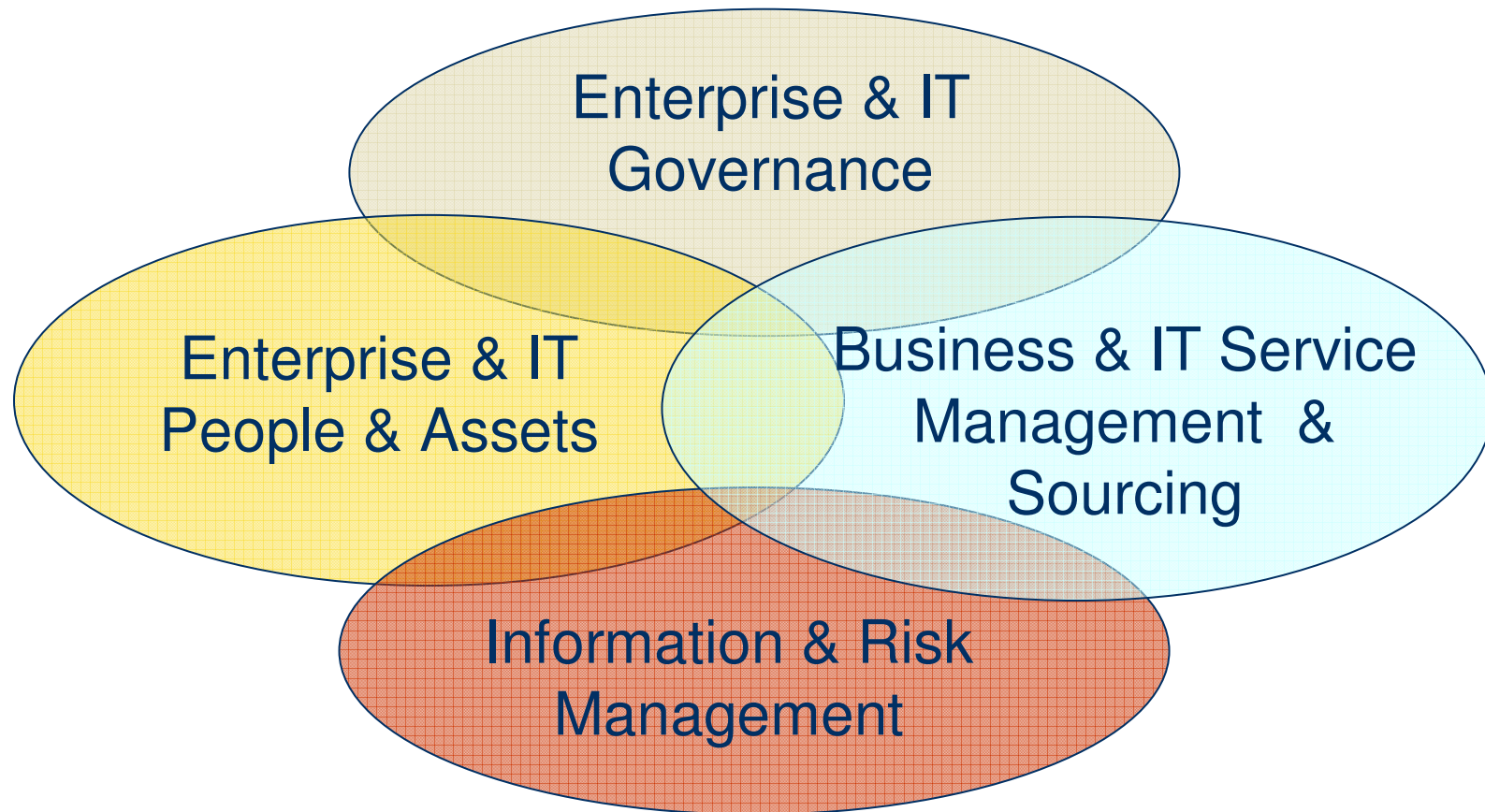
- Previous cost of capital: 5.50% to 7.50%
- New cost of capital: 6.50% to 8.50%
- CAUTION PREMIUM 200 basis points
- New investment thresholds: 15.00% to 20.00% or **2x**



**Although Capital Markets Are Stabilizing,
Investment Screens Remain Very Tight**

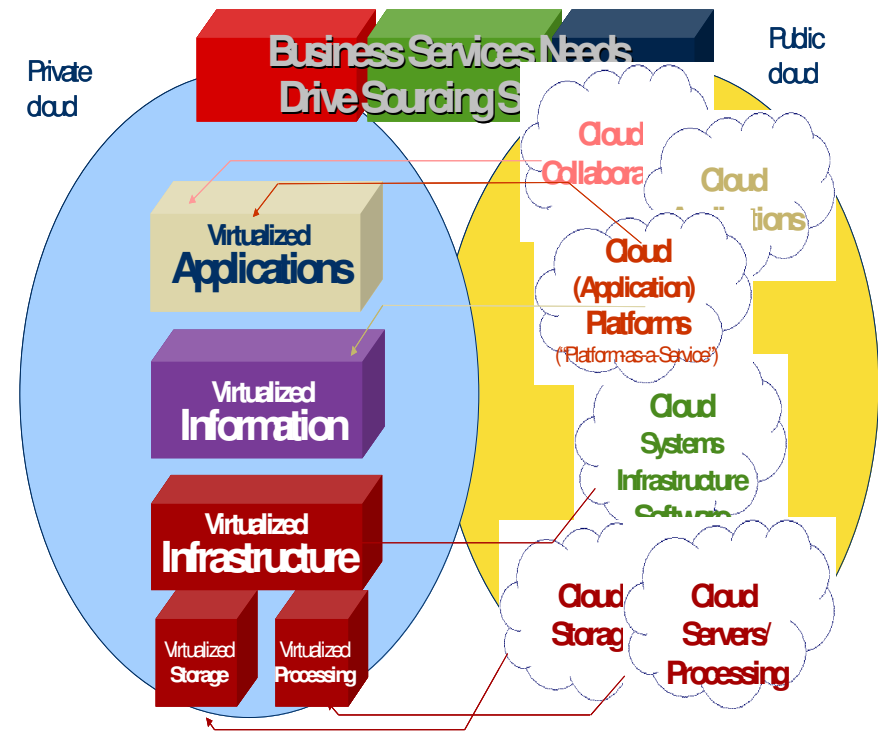
Source: IDC Technology Financing Strategies 2009

Coordinated management of business and IT services, information, assets and infrastructure required



Service Management Mindset Required

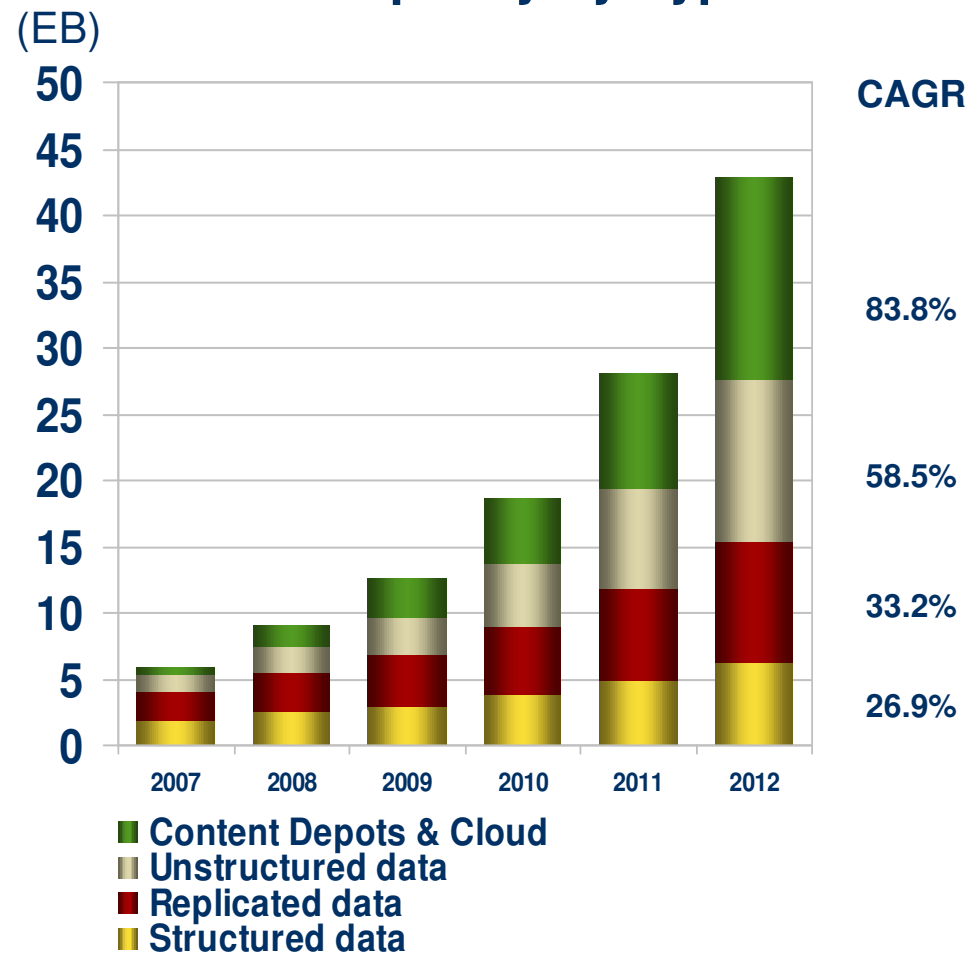
- Joint business & IT governance to define services, SLAs, and risk assessments
- Shift to shared services & cloud computing delivery models in some cases
- Pool and virtualize internal resources for flexibility
- Automate management
- Optimize smart asset & energy utilization as business demand fluctuates
- Address information and storage security, protection and scale considerations



- Balance cost and speed concerns vs. need for control, compliance and accountability
- Recognize the critical importance of different types of information assets and pay particular attention to the way each type is stored, protected, archived, and accessed
- Smart assets proliferate the information management challenge by dramatically increasing the sources and volume of data

Source: IDC Enterprise Disk Storage Consumption Model, March 2009

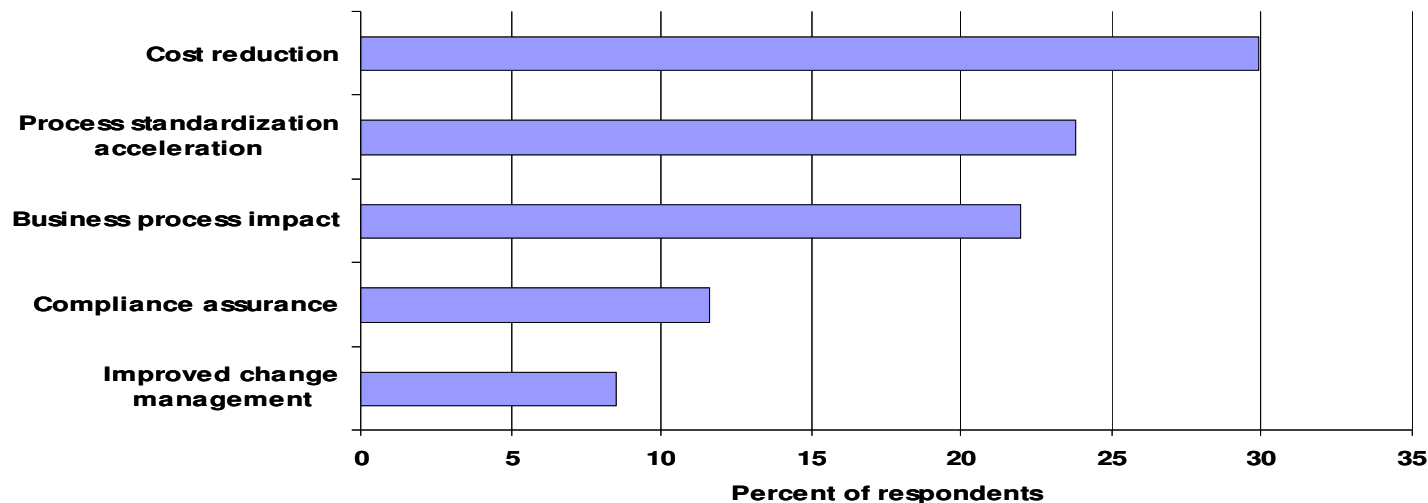
Consumption of Enterprise Disk Capacity by Type



Considerations and Drivers for IT Automation

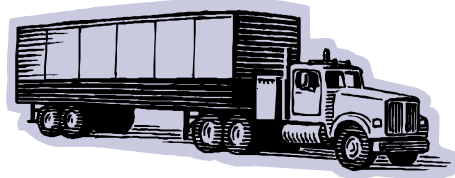
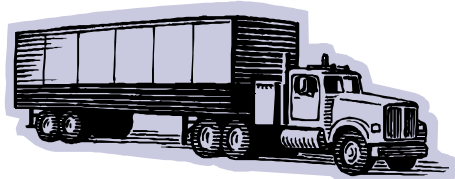
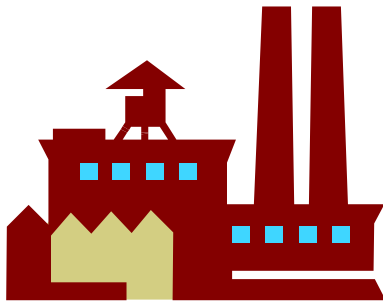
- Customers need to balance cost and agility concerns vs. need for control, compliance and accountability
- Look to enforce standard processes and policies to reduce costs, improve service levels and optimize asset utilization

Five most frequently mentioned factors supporting business case analysis for automation solutions

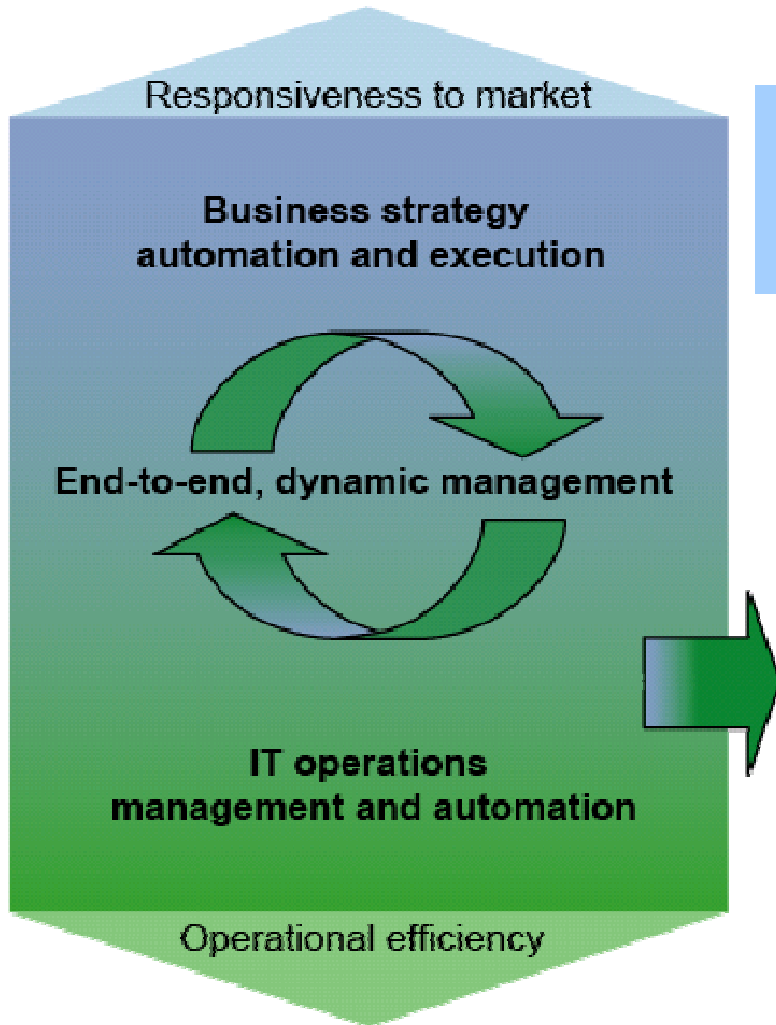


Source: IDC Survey: Data Center Automation: Accelerating Market Maturity Through Investment in IT August 2008

- Development of smart asset ecosystems are just beginning
- Many sensor-enabled and smart devices are being developed to address specific use cases such as metered power distribution or industry specific supply chains.
- First steps should focus on incremental proof of concept projects that directly address cost saving, business productivity and time to market priorities



Service Management is at the Heart of Dynamic Infrastructure



Increase operational efficiency and performance

Deliver better performance in support of the business and lower operating costs by:

1. Automating labor-intensive tasks
2. Developing end-to-end management capabilities
3. Reducing “hardwired” inflexibility through virtualization and cloud
4. Adopting flexible sourcing and payment options
5. Optimize enterprise asset utilization over time

Service-level management and automation
Metering, measurement, and chargeback
Security
Infrastructure virtualization & provisioning
Information and storage management
Platform monitoring and operations

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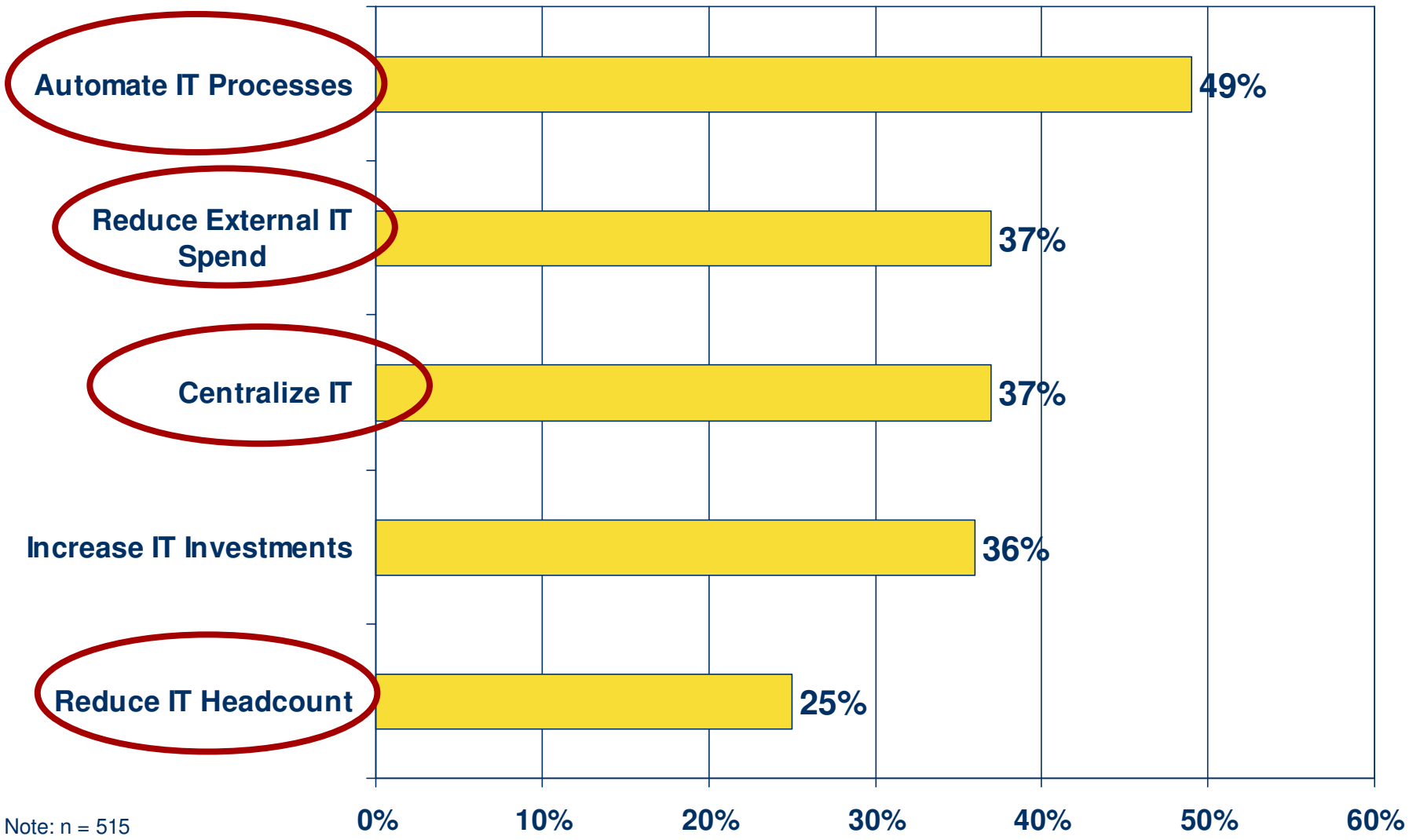
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Priorities in Response to the Crisis



Note: n = 515

Source: IDC European Software Survey 2009