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Publisher

itSM Solutions™ LLC
31 South Talbert Blvd #295
Lexington, NC 27292
Phone (336) 510-2885
Fax (336) 798-6296

Find us on the web at: <http://www.itmsolutions.com>.

To report errors please send a note to the editor, Hank Marquis at hank.marquis@itmsolutions.com

For information on obtaining copies of this guide contact: sales@itmsolutions.com

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DITY™ Newsletter
Vol. 3.5 • January 31, 2007

ITIL ROI

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Every vendor trumpets cost savings from ITIL. They are often quite nebulous in describing where the money came from. I am going to be specific, here is how a real client used a CMDB service management product to save over \$180,000 a month and avoid a \$600,000 purchase – as they took on significant new IT service requirements.

By [Hank Marquis](#)



Many times I hear practitioners lamenting that “doing ITIL costs money” and they cannot justify the budget required to get going. Vendors all trumpet how they are going to save money, but this is often quite hard to pin down.

A CMDB does nothing by itself. The benefits come not from having a CMDB, but from using the knowledge a CMDB organizes.

I am going to share with you the results of a real client that purchased and justified IT Service Management software. They saved over \$2,760,000 in a single year by using the knowledge contained in their CMDB solution. At the same time they were rolling out an ERP system with Service Level Agreements (SLAs).

While this solution didn't have all the bells and whistles, it did what any good CMDB system is supposed to do: let the user make really good decisions and highlight opportunities – decisions they otherwise would probably not make and opportunities they would not see.

Fear not! I'm not going to join the ranks of the obfuscators blowing smoke! The following is 100% real and based on my personal involvement. It is an honest recital of specifically where, when, and how a large city government saved \$180,000 per month cold hard cash, and avoided a \$600,000 hardware purchase by using ITIL guidance.

The Tool, The Plan

The tool shall remain nameless to retain objectivity. Suffice it to say it was a modern IT Service Management tool that focused creating and maintaining a CMDB. It incorporated federation, reconciliation, synchronization and modeling. It was foremost a CMDB, but it specifically supported metrics around Capacity and Availability management as well.

The City went into the CMDB project as an IT Service Management project. Their goal was to underpin Capacity and Availability Management activities that could identify cost reductions. They had a plan, commitment to the plan, and maturity.

The maturity was required in order to stand up and say “hey, this infrastructure is too complicated to keep in our head. We need a tool to help us see what we can't see by ourselves.”

The City chose to use the tool as a decision support tool. They choose to examine: vendor performance, network bandwidth and asset utilization. They also developed data on user productivity, and IT labor efficiency, but the hard savings came from Capacity and Availability management, so that's all I'm going to talk about here (but there were dramatic improvements in quality as well. And their roll out of the ERP application was very well received.)

Vendor Management

A good tool will federate and reconcile performance data from many systems to show you how well your vendors and their products are performing. This data lets you:

- Improve what you have by knowing which of your vendors are delivering
- Reduce the cost of service delivery by eliminating your non-performing vendors and services
- Increase negotiating power and manage your vendors before they manage you

Vendor management savings occur through:

- Rebate, refund and credit discovery
- Cost avoidance through identification of correct services
- Higher discounts through consolidation and management of vendors

Rebate, Refund and Credit Discovery

The tool included an ability to relate individual Configuration Items (CI) into services. Specifically, they choose to focus on their Wide Area Network (WAN) providers of Frame Relay, ATM, ISDN, and Leased Line services. Since most services (WAN, managed services, hardware support, etc.) come with service level guarantees that include refunds, rebates or credits when service does not meet certain defined tolerances, this was a logical place to start.

Cost Avoidance Through Identification of Correct Services

The tool showed you which services contribute to, and which detract from, overall service availability. They determined which services they should maintain or expand, and which they should eliminate. The result was higher availability and performance, resulting in higher productivity and savings by eliminating or choosing services based on their contribution. It is important to note that just because a service costs more does not mean it actually contributes positively to the bottom line.

Higher Discounts Through Consolidation of Vendors

Some vendors try harder than others. Use these vendors as your primary suppliers, replacing the poor performers. Eliminated vendors represent savings. Consolidating vendors leads to greater savings by being able to negotiate better terms for more business with the remaining vendors.

Within 30 days they found vendors exceeding delivery quality, those at or near commitments, and those far below – vendor consolidation possible, refunds, rebates and credits for sure! They made several changes, and obtained vendor rebates and pricing breaks of about \$10,000 per month.

Bandwidth Management Savings

Tracking CI utilization shows past, current and future capacities allows you to spot inefficiencies. While this customer focused on transmission, the same model applies to any CI – compute, storage, firewall, routing/switching etc. A focus on utilization lets you:

- Maximize what you have to reduce surplus and balance demand
- Reduce bandwidth costs
- Manage existing bandwidth more efficiently

Engineers design most transmission systems to handle peak load traffic. Often there are some links or circuits that are either overloaded, underutilized, unbalanced or nearing saturation. One of the benefits of federating this data is categorizing bandwidth. Each category represents an opportunity for savings:

- Cost reduction through identification of excess capacity

Cost Reduction Through Identification of Excess Capacity

Some links no longer carry traffic, yet get paid for each month. Others carry little traffic. It is often easy to maintain redundancy while re-routing traffic over other links. Dropping the unused non-redundant links results in immediate and substantial cost reductions. This is equivalent to today's popular "server consolidation" efforts, and works for any type of CI.

They established utilization thresholds, then monitored for under utilized circuits. Within 10 days they found both saturated and underutilized transmission circuits. They also discovered an entire T3 (44.536 Mbps) totally unused! Jackpot!! The City saved \$170,000 in reduced transmission costs per month by consolidating and eliminating unused transmission capacity.

Cost Avoidance

When you know what you have (LAN, WAN, server, software, etc.), where it is located and how much it is used, you are positioned to consolidate; but you can also get some pretty nice cost avoidance benefits that you might not have thought of, consider this:

- Reducing the cost of maintenance renewals by only paying for what you have and use
- Maximizing your current investments through re-allocation your existing but idle resources

Most CI's can be managed as contributors to service quality, and they can also can be used to develop cost avoidance savings through:

- Maintenance contract cost reductions
- Redundant/idle element re-allocation

Maintenance Contract Cost Reductions

Most IT operations have fully equipped chassis and racks which are not fully used. However, most vendors charge maintenance fees based on what they sold you, not how much of what they sold you is actually used. The difference between maintenance on all CI versus just the CI actually in use may be substantial and result in a dramatic cost reductions.

Redundant/idle Element Reallocation

You can avoid purchasing new CI's by leveraging existing (but idle) CI's. Significant idle or redundant capacity is often available in the enterprise; finding out where your idle/redundant assets are may result in a significant cost avoidance opportunity.

This customers was undertaking a new application that they thought would require some \$600,000 in new routing and switching equipment. However, a careful analysis of existing capacity showed they didn't need to purchase anything. They found that about 30% of their router, switch, and hub ports were unused. They canceled the budgeted \$600,000 upgrade.

Summary

The end result? With a focused plan and a purpose for implementing this tool, the customers realized the following within 30 days of installing the tool:

- \$170,000 /month (bandwidth savings)
- \$10,000 / month (rebates from suppliers)
- \$600,000 (purchase stopped, money returned to City)

The CMDB did not do this for them. It was their use of the ITIL processes of Service Level Management to establish thresholds and targets; Capacity Management to monitor resource utilization, and Availability Management to monitor vendors performance. However, without a CMDB they could not have pulled everything together as they did. And they didn't have "mature" Availability, Capacity or Service Level Management either. They implemented as much as they

needed to obtain their ROI – per their plan.

Sexy? No. Real? Absolutely. This is not some hard to grasp marketing hype, but rather specific, real, and repeatable cost savings achieved by following the common sense guidance in the ITIL. Could you have done it without the ITIL? Sure. Was it easier with the ITIL? I think it was. So next time someone asks you how ITIL will pay for itself, now you have a specific, rock solid example!



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