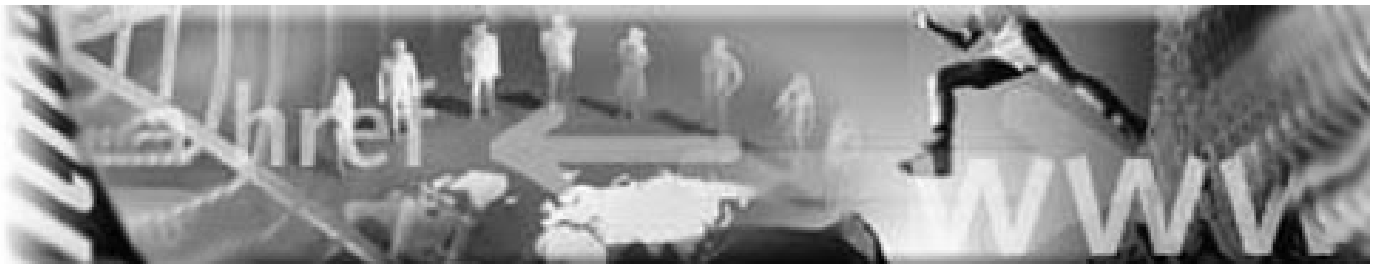


A Customer Case Study showing
how lifecycle management
automation opens up opportunities
for hidden savings

ekm⁴ customer case study
wherever data touches paper™



Planning Design Procurement Deployment Measurement Improvement

How Insight II created a real Return on Investment from the change management process required for renewing a business unit headquarters Document Output Management Contract for hardware, services and supplies.

Summary of findings

Lifetime process savings through automation can be 73% of the initial contract price savings and 42% of the total savings achievable over the contract period.

Having good intelligence of your current costs and the drivers for them can significantly reduce the cost of your new environment eliminating unnecessary contingencies.

Through employing a lifecycle approach and gaining control of all cost drivers through structured automation of your business service management, businesses can nearly double realisable savings.

Introduction

The customer's existing contract value was estimated at £2.3 Million for a contracted duration of 5 years, serving a business unit of 800 people, providing a service contract for distributed print and copy plus floor based document production centres.

The customer followed their usual processes for contract renewal and negotiation using a traditional business analysis and tender process.

1. Internal Contract Renewal Process and estimated costs

This table summarises the internal costs incurred in managing the planning, analysis and procurement process for the contract renewal and the return on the investment of internal resources.

Planning process- 1 business analyst employed as a contractor for 9 months	£85k
Design of Tender- 3 people involved from the IT organisation for 3 months with an estimated head cost of £60K each PA.	£50K
Procurement- one months full time involvement for 6 full time equivalents again estimated at £60K each PA	£30K
The proposed contract award for a total estimated internal cost of £165K (Plus additional costs for implementation and contract management.)	£165K
Proposed contract value for renewal was £2.1M resulting in a potential saving of 8.7%.	£200K
Process saving from the renewal of the contract	£35K
Cost to service and renew the £2.3 million contract was £165K	7%
Return on investment £200K/£165K	1.2:1

The customer was uncomfortable with the value and returns they were receiving from the proposed new contract and was unclear how this compared, cost wise, to their current contract.

1A. Planning process partially using the Insight II Processes

Towards the end of the original procurement process EKM4 was contracted and the Insight II process was adopted in order to see whether the £2.1M was a reasonable offer. Using the analysis that Insight II provided to further optimise the design the contract renewal value reduced to £1.7m. The table below shows the revised mix of costs and return on investment.

Planning process– 1 business analyst employed as a contractor for 9 months	£85k
Design of Tender– 3 people involved from the IT organisation for 3 months with an estimated head cost of £60K each PA.	£50K
Procurement– one months full time involvement for 6 full time equivalents again estimated at £60K each PA	£30K
The proposed contract award for a total estimated internal cost of £165K (Plus additional costs for implementation and contract management.)	£165K
Insight II utilised by EKM4 with consulting	£40K
Total cost of procurement process	£205K
Contract value for renewal of the contract was £1.7M resulting in a potential saving of 26%	£600K
Process saving from the renewal of the contract	£395K
Cost to service and renew the £2.3 million contract was £205K	9%
Return on investment £395K/£205K	1.9:1

The customer was delighted with the result and wanted to understand if Insight II could provide additional business benefits.

2. Planning process fully using the Insight II Processes

A scenario was discussed whereby the contract renewal process was supported by EKM4 earlier in the renewal project. If Insight II was used from the beginning of the planning stage then could the overall renewal process be significantly more efficient and effective?

The following table shows the mix of costs that resulted from the analysis of this scenario.

Planning process– Insight licence fee plus £15K of time from the planning team	£40K
Design of Tender– 3 people involved from the IT organisation for 1.5 months with an estimated head cost of £60K each PA.	£25K
Procurement– one months full time involvement for 4 full time equivalents again estimated at £60K each PA	£20K
Contract awarded for £1.7M for a total estimated internal cost of £85K (Plus additional costs for implementation and contract management.)	£85K
Process saving from the use of Insight II is (£165k-£85K)	£80K
Benefit from reduced price is £2.3M - £1.7M	£600K
Process Saving from the renewal of the contract using Insight II	£595K
Cost to service a 2.3 million contract was £85K	3%
Return on investment £595K/£85K	7:1
Insight II Payback (5yrs @595k = 10k per month)	< 3 Months

Lifecycle Savings

Having licensed Insight II the customer continues to receive benefits throughout the period of the managed service contract lifecycle.

Initial cost saving £595K

Contract period Insight II license fees at £28K PA for 5 years, £140k, plus £15K initial consulting provides a total cost of £155K

The resulting return on investment(ROI) over the contract period based on the initial savings alone are 3.8:1 with less than 3 months break even based on annual fees. If the cost were paid upfront the breakeven time would be 15 months.

However there are further quantifiable lifecycle savings that it was agreed that Insight II could help to secure.

Return from using Insight II in the Lifecycle over the contract period

Analysis has shown, in this managed service environment, there would be a minimum of 50% of the devices not optimised due to work profile developments within the 5-year contract period. The degree of non optimisation has been assessed to have an operational cost impact of 20% for those devices.

This results in a cost impact assessed at £170K for this environment over the 5 year period

(In many studies we find less than 10% of devices optimised due to initial poor design and limited active optimisation management. The resulting cost impact can be significantly more than 20%)

During all contract periods there are internal costs incurred as a result of requests from the business which require staff to initiate investigations for moves and changes, provide updates to CAD drawings and other services.

This has been assessed as consuming a fulltime professional per 2000 employees in this business.

Therefore for 800 people for a professional costing £50K per year over a 5 year contract term the cost impact has been assessed at £100K

At the end of the contract period without the use of Insight II there will need to be a physical audit and business analysis process to move to the next contract cycle. This cost was assessed to be the same as was experienced in the current process.

Measured cost from current process £165k

Additional savings in helpdesk efficiencies, IT service improvements and productivity improvements although apparent could not be accurately quantified at this stage.

The total of these costs likely to be incurred through not using Insight II throughout the entire project lifecycle would therefore be £435K.

ROI Summary

Total cost saving:

Initial saving	£595K
Lifecycle saving	£435K
Total	£1030K
Insight II investment	£155K
Total	£155K

Return on Investment over the whole contract period 6.65:1

Since the investment in Insight II is based on an annual licence fee the annual breakeven time is approximately 2 months.

Summary

This carefully analysed example reveals that the lifetime process savings available through automation and tight management control are 73% of the initial contract price savings and 42% of the total savings achievable over the contract period.

This also reveals the importance of having good intelligence of your current costs and the drivers for them and that an optimised design can significantly reduce the cost of your new environment eliminating unnecessary contingencies.

Through employing a lifecycle approach and gaining control of all cost drivers through structured automation of your business service management through the use lifecycle management tools such as Insight II realisable savings can be nearly doubled.

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