

Vendor consolidation delivers valuable business outcomes white paper



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Introduction

Multiple vendor relationships can take a toll on the bottom line

Maintaining and managing a relationship with one vendor, any vendor takes time, effort, and resources. Many enterprises, however, maintain not one but numerous IT vendor relationships, a dozen, two dozen, even more. Multiply the cost of maintaining one vendor relationship across all the vendor relationships the enterprise maintains, and the result may surprise you.

Leading analysts suggest considering vendor consolidation. “Reducing the number of vendors necessary to conduct effective IT operations, offers the benefits of simplifying and streamlining both IT infrastructure and the processes needed for IT to do business. Tight linkages with a single vendor will result in capital expenditure (CAPEX) improvements, while operational expenditure (OPEX) reductions will derive from simplified technology management and from streamlining the business processes associated with vendor management,” said Mike Karp, Senior Analyst at Enterprise Management Associates (EMA) in Boulder, Colo.

Enterprises have often overlooked such vendor consolidation for a number of reasons. Many times, corporate policy mandates multiple sources of supply. Frequently, growth and evolution due to acquisitions or decentralization lead to multiple vendors with multiple processes. Often, the fear of vendor lock-in and the fear of vendor inattention drive costly multi-vendor strategies.

The widespread adoption of industry standards and open systems, however, has greatly reduced the possibility of vendor lock-in. Similarly, the highly competitive global IT market ensures that vendors remain attentive and responsive to every customer. At the same time, the bottom line benefits of vendor consolidation in the form of lower CAPEX and reduced OPEX, along with the service level improvements that typically result, will convince top management to consolidate the list of IT vendors.

This white paper examines the kind of positive business outcomes that result from vendor consolidation. It also presents the case for HP as the consolidation vendor of choice. Finally, it looks at the experiences enterprises have had with vendor consolidation through HP and the payback they have achieved.

Vendor consolidation delivers valuable business outcomes

In a white paper recently published by EMA titled [Vendor Consolidation: An Opportunity to View IT Through a Single Pane of Glass](#), the business benefits from vendor consolidation are explained in detail. These benefits can be summarized as follows:

- Reduced total cost of ownership (TCO)—Working with fewer vendors enables the enterprise to lower technology acquisition costs and reduce the cost of supporting, maintaining, and managing the technology. Lower integration costs are also realized by minimizing the number of dissimilar products that need to be integrated.
- Streamlined vendor relationship management—Fewer vendors facilitates the centralization of vendor management and enables IT to present a single, consistent face to its customers.
- Reduced number of support contracts to negotiate and manage—Allows IT to simplify the administrative workload entailed in negotiating, monitoring, and managing multiple support contracts and reduce the associated legal review efforts.
- Increased procurement process leverage—Enables the enterprise to aggregate its purchases to gain greater volume discounts. As a higher volume customer, the enterprise gains greater clout as befits the larger volume of business.

- Reduced training, certification, and administration expenses—With a smaller variety of vendors and associated technologies, businesses have less to learn and master, reducing training and certification costs. They can simplify training on administration and management tasks through consistent cross domain management tools.

In short, vendor consolidation allows the enterprise to focus its effort and attention on a fewer number of vendors and products, which results in a wide range of efficiencies and savings. These produce the CAPEX and OPEX advantages cited by Karp.

Looking at HP as the consolidation vendor of choice

Many technology vendors will argue that they can deliver vendor consolidation. In truth, only a few vendors can make even a plausible case. Of those, HP delivers the fullest range of hardware, software, and services and meets all six critical attributes that are essential for effective vendor consolidation. The six attributes are:

- Unwavering customer focus—By taking the time to listen and thoroughly understand **and** actually provide value to the strategy and the direction of the business, HP is known as a strategic partner, not just an IT vendor. HP also has the capabilities to deliver comprehensive solutions that align with those business strategies.
- Broad range of standards-based hardware—HP can deliver open systems servers, integrated file and block storage, backup technology, blade systems, and networking for organizations ranging from small and midsize businesses to the largest enterprises.
- Unified storage and server management—The combination of HP Storage Essentials Enterprise Edition Software and HP System Insight Manager Software provides cross-domain IT infrastructure management, enabling an administrator to efficiently consolidate and manage all elements in the infrastructure through a single console.
- Leadership in the development and implementation of standards—HP is an active leader in the development of industry standards, such as the Storage Network Industry Association’s (SNIA) standards work, particularly the SMI-S program. Also, HP Storage Essentials Enterprise Edition Software is widely regarded as the leader in standards-compliant management based on SNIA Conformance Test Program results. The full test program is available at: http://www.snia.org/ctp/smi_conform/smi_client_hp.
- Global services and support—The ability to provide professional services and technical support on every continent is important to global companies and customizing the level of service for each business, whether centralized or decentralized, ensures you get what you want, not just what is available.
- Strong independent software vendor (ISV) ecosystem—The HP ecosystem may be unmatched, as it includes all of the leading software, application vendors, and many hardware vendors, along with a wide range of value-added resellers (VAR) and other partners.

Industry analysts have recognized that HP is qualitatively different. “I have been very impressed by what HP customers tell me about its strong focus on and commitment to their objectives. At a time when standards-based hardware is becoming a commodity, HP sets itself apart through its proven customer focus and technical expertise,” said Joseph Martins, Senior Analyst at Partner at Data Mobility Group in Nashua, NH.

And what exactly are those customers saying? “HP has a vision and dedication to the future. It is trying new things and not waiting for someone else to lead them. We also met many other HP customers and felt that same strong spirit of partnership reflected in them as well. The commitment we have from HP is not just talk; we see it in the way they work with us,” said Jeffrey Cimmerer, Director of Technology at Pittsford Central School District in Pittsford, NY.

Payback from HP consolidation

Companies that consolidate with HP servers and storage achieve a tangible payback in a number of ways including reduced integration costs, streamlined service and support, more efficient administration and management, and better security, to name a few. The following table describes the range of areas where vendor consolidation delivers payback, based on actual HP customer experiences.

Table 1. Payback from HP consolidation

Benefits area	Description	Payback
Systems integration	HP Customer Focused Testing (CFT) team delivers pre-tested and fully integrated storage-server-software solutions that enable the customer's business to thrive in a constantly changing environment. The CFT team especially focuses on deployment for Microsoft® Exchange environments across the entire enterprise. The CFT team specializes in configuration and sizing, backup and recovery, and replication and disaster recovery.	These pre-tested, fully integrated HP solutions allow customers to avoid the expense and the delay of having to integrate solution components on their own. This reduces the cost and complexity of deployment and accelerates time to value. Environments that are preconfigured, integrated, and tested by the vendor reduce TCO and deliver return on investment (ROI) faster.
Device standardization	Standardized products such as servers, storage, backup technology, blade systems, and management software enable uniform training, script management, and policy definition and enforcement.	Reduces administrative overhead and increases administrator productivity. Reduces the variety and number of on-site spare parts needed to assure operational continuity, which lowers parts inventory costs without reducing availability. Device standardization acts as a major enabler of centralized management.
Service level management	Simplifies the definition of service level agreements (SLAs) with stakeholders, an increasingly sensitive and important issue as SLAs play an increasingly important role in regulatory compliance and corporate governance due to the often severe penalties for non-conformance.	"Our top priority is to provide highly available systems to support our 24 x 7 environment and deliver efficient, responsive service for new applications and initiatives. Our close relationship with HP and standardization on HP infrastructure helps us meet these goals," said Jim Burger, Director of Information Technology at Applied Extrusion Technologies (AET).
Green computing (power and cooling)	New energy-efficient system designs are based on components that consume less power and require less cooling and data center air conditioning. Designs that support server and storage virtualization for purposes of system consolidation and also present a smaller physical footprint, allowing organizations to pack more compute resources into a given space.	Vitus Bering Denmark found that by eliminating special server cooling needs—such as eliminating 50 physical servers and consolidating four server rooms into one substantially reduced the temperature in the server room—will save the organization nearly 90% in energy and cooling costs over the next three years, amounting to savings of approximately DKK \$437,407 (US \$80,000) and is in alignment with the organization's green philosophy.

Centralized management	<p>Unified server and storage management capabilities enable a system-wide view of IT through a consistent toolset, allowing the administrator to manage all of IT as a single system and not as a series of disconnected and unrelated sub-systems. With HP System Insight Manager (HP SIM) and HP Storage Essentials Enterprise Edition Software, administrators can manage the server and storage environment through the same management interface, further increasing administrator efficiency and productivity.</p>	<p>A recent IDC study titled Gaining Business Value and ROI with HP System Insight Manager Software (March 2007) found that customers were able to achieve savings of \$35,533 per 100 users over a three-year period by using HP SIM. IT labor optimization accounted for over one-half of these cost savings.</p> <p>In one case, a leading global manufacturer reduced costs 60% by consolidating over 100 vendor contracts to two and leveraging HP Integrated Management Support.</p>
Security	<p>Consistent corporate-wide access control, identity management, and key management implementations produce a more secure environment across the enterprise as compared to different controls from different vendors.</p>	<p>Such security protects corporate intellectual property and makes it easier to comply with regulatory requirements.</p> <p>“To reduce total cost of ownership, it is important to consolidate IT around a single provider and centralize data centers into a single shared location. Choosing HP’s solution of blade servers with Integrated Lights-Out (iLO), storage, desktops, and notebooks helped us establish a high level of business continuity and security protection,” said Randy Becker, Chief Information Officer at CBE Technologies.</p>
Risk management	<p>Employee attrition with the loss of specialized skills becomes less of a risk concern as centralized management and device standardization make it easier to cross-train IT staffs. Complex problems requiring interaction among several vendors are eliminated, reducing risk and resulting in faster problem resolution. The payback comes not only from reduced risk but through increased ROI.</p>	<p>Washington State’s Clark County chose HP for its one-vendor solution designed to improve information reliability and availability, and resolve system performance issues related to its 911 emergency services. By reducing management and troubleshooting time, Clark County achieved an ROI of 123% and a payback period of 29 months.</p>
Improved vendor responsiveness	<p>HP is focused on enhancing and growing the customer relationship through attentive customer service and support.</p>	<p>“We have spent millions on technology over the years, yet few vendors gave us the service and support we deserve. HP showed us that they want to be partners with us, and they take the time to understand our needs,” said Chas Profitt, Senior Network Technician at Pittsford Central School District.</p>

Support for the ISV eco-system	HP partners with leading ISVs like Oracle®, SAP, and Microsoft as well as many others. Organizations are confident that their HP IT infrastructure will run the software they want.	“HP proposed the best all-round solution to help us reach our goal to become a leading integrated energy solution provider in Nigeria. Now with Oracle E-Business Suite running on the HP Integrity server infrastructure and fully supported by the local HP Services team, we’re all set to achieve our goal,” said Abiola Lawal, Chief Strategy and Planning Officer at Oando Group plc.
Expandability, scalability	HP servers and storage expand and scale seamlessly, avoiding the need for complex and costly data migrations and forklift upgrades. Standards-based blade systems, grid technology, and virtualization support increase HP expandability and scalability options.	“We really liked that we could simply expand our current HP EVA [-based] SAN and retain much of our original investment and knowledge. We had used some HP systems in the past, but we were essentially a Dell shop. The upgrade of our EVA system was the turning point in our relationship with HP. Since 2005, we have steadily become an HP shop from top to bottom. The consolidation, scalability, and increased storage density we achieved with HP SAN technology enabled us to increase our capabilities and the services we provide without increasing staff. By upgrading to the HP SAN, we saved as much as \$75,000 on the cost of purchasing a new SAN,” said Ralph Fasano, Associate Vice President, Office of Information Technology at Rhode Island School of Design.
Efficient use of the IT infrastructure	Through support for server and storage virtualization, expandable and efficient blade systems, grid technology, and energy efficient technology and solution designs, HP enables the efficient use of the IT infrastructure.	“We had long wanted to consolidate our entire IT infrastructure, but the cost to physically replace all of those servers was prohibitive. Initially, we were thinking only in terms of virtualizing our servers, but then we asked HP’s Danish partner to help us improve our entire infrastructure, including our storage and backup capabilities. HP made it easy for us to decide by offering a complete, turnkey package at a very attractive price, including a tape library with an HP Data Protector Software license. Now we no longer waste storage or server resources. We buy and use only what we need and no more. Yet, we can quickly accommodate any new programs or applications that our educational community needs. We are proud of the professional quality services we can provide to our users. You cannot ask for a better infrastructure than this,” said Kim Andersen, Head of Systems Administration at Vitus Bering Denmark.

The benefits of vendor consolidation translate directly into hard dollar savings businesses can quantify. According to EMA, “Customers [who] work with HP receive benefits from four key business initiatives, each of which enables IT to structure its internal costs more efficiently. These four initiatives may be categorized as aggregation, consolidation, integration, and optimization,” said Karp. Savings from these four initiatives can be calculated as follows:

- Aggregation—1–6% savings per year
- Consolidation—Save 2.5 years (256 hours/vendor/year, 20 vendors)
- Integration—100,000 minutes saved (10 min/call, 10,000 calls/month)
- Optimization—Ongoing continuous improvement (savings variable)

Risk-free vendor consolidation with HP

With the advent of standards-based open systems and a highly competitive IT market, managers no longer need to fear vendor lock-in or vendor inattention as a consequence of vendor consolidation. To the contrary, consolidating with a vendor such as HP reduces IT risk as the organization gains the fullest benefits of open systems, standards, highly competitive global markets, and a relationship with a company that cares for its customers.

More importantly, the bottom-line payback from vendor consolidation can be substantial in terms of faster and higher ROI and lower TCO. HP customers are reporting a wide range of savings resulting from consolidation benefits in a number of areas, from unified cross-domain management to green computing. The payback from vendor consolidation with HP is both financial and operational.

For more information

www.hp.com/go/StorageWorks

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