

Why buy when you can rent?

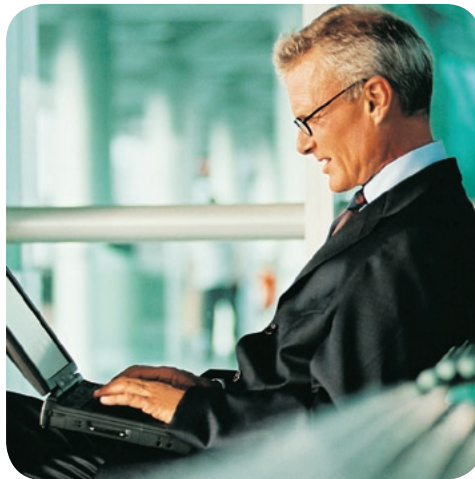
The True Cost of IT Ownership

Many IT costs are hidden away below the surface, where you can't immediately see them. There are a number of complex models for calculating Total Cost of Ownership (TCOW) but most are just too complicated and often yield unbelievable figures. We can demonstrate the point simply and believably just by taking into account a few key factors. Consider the following example :

You have a small office with a couple of PC workstations, a laptop and a basic network. You have a printer (or two) and use Microsoft Office for all document production. If we add all those costs up we'd get little change from £3,000 (and you'll notice we have neglected the mandatory copier, fax machine and telephone system).

The cash element is obvious; we can see that £3,000 has just been spent. We probably need a trading system and an accounting system so we need to add those - say a further £1,500 for both. Plus we will need backup software (£250), backup media (tapes, CD's or DVD's) (£100), internet access for email (£25 per month), maybe a website (£1,500), and anti-virus/anti-spam software for our new machines (£105). So, in year 1 we have expended £7,000 and still have to find someone to look after our systems when they develop a problem or be prepared to pay exorbitant call out fees and wait for hours (or days) if it all goes wrong.

Next, we need to include all the time we must spend on the housekeeping tasks that are an essential part of running technology. This is the mostly invisible bit : taking daily backups, applying weekly software patches, weekly anti-virus updates and of course, dealing with minor niggles. Let's assume this averages out to around 3 hours a week (less than this and you're probably missing out something important) and that normally the owner of the business has to do the work personally (usually with manual in hand). This is lost billable time totalling perhaps £300 per week or £15,600 per year.



Using these figures over a four year period, we have the cash outflow of £7,000 at the start, then lost productivity and depreciation amounting to almost £70,000, ten times the original - and that's making the assumption that you have no periods of enforced downtime because the systems have failed. In reality, the average SME enjoys only

99% productivity from IT systems, which sounds good until you work out that this means around 100 billable hours are being lost every year; a further £40,000 over 4 years - maybe more.

So we've arrived at our basic total cost of ownership figure - £110,000 over 4 years or fifteen times our original investment and we probably need to acknowledge that some of the work we've done is a little suspect (although we tried our best) and could generate more problems than we have allowed for in our calculations.

The big question is, why do we do it like this? We don't attempt to generate our own electricity using a generating station we whipped up over the weekend; nor do we lay telephone cables to all our customers so that we can communicate with them when we need to. For both these services plus a myriad others we go out and buy the solution from a specialist because it is:

- (a) cheaper (see above!)
- (b) more reliable
- (c) less stressful
- (d) allows us to get on with our business

Why should your IT provision be any different?