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Navigating Global PC Hardware Delivery and Service Options

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Global organizations turning to VARs to meet their PC HW requirements are discovering that there are no truly global VARs. As a result, IT leaders and procurement specialists may be compelled to work with multiple partners and/or pay a premium for third-party PC HW delivery and support.

Key Challenges

- Enterprise OEMs cannot always meet global delivery demands for global organizations and suggest (or even require) the organization engage with one or more VAR partners. However, the level of OEM coordination of the third-party VARs will vary.

- Global organizations with multiple OEMs and/or a large number of widely dispersed satellite offices often prefer to use VARs to support the device/brand diversity and/or to get more localized support rather than maintaining a direct relationship with OEMs.

- The ideal solution would be to find a single, global VAR to fulfill these various roles. However, despite claims to the contrary, there are no truly global VARs to fulfill these requirements adequately.

- Third-party global delivery and support alternatives to VARs are available but usually at a significant price premium.

Recommendations

- Perform a rigorous needs analysis that covers all delivery/support locations by region, numbers and types of devices, expected refresh cycles, services, and SLAs required.

- Check OEM global coverage offerings against organizational requirements. If the OEM recommends using VARs for any or all of that coverage, get a complete list of preferred VARs for each region as well as written documentation of the level of coordination the OEM is willing to provide (e.g., enforcing SLAs and problem escalation).

- Perform rigorous due diligence with any VAR who offers to provide global service to understand the true level of coverage and global coordination you can expect.

- Evaluate non-VAR, third-party options to determine if the price premium is offset by sufficient operational expenditure (opex) savings to justify it.

Introduction

Finding truly global sources for PC hardware (HW) procurement and services can be difficult under any circumstances, but especially for enterprises supporting multiple PC HW OEMs, midsize enterprises or any organization with employees in very remote areas.

In many regional situations, enterprises can maintain a direct relationship with their OEM(s) of choice where all ordering and fulfillment comes from the OEM. It is important to note that none of the enterprise PC hardware OEMs can offer a direct relationship on a completely global basis. In cases where OEMs cannot fulfill all requirements, partners are engaged to fulfill the hardware delivery and, in some cases, the PC life cycle services as well. This is a hybrid relationship. Usually multiple partners are involved, and the level of coordination on each OEM's part will vary.

An indirect relationship exists with a PC hardware OEM in cases where the primary relationship is with a value-added reseller (VAR). A purchase agreement is made with the VAR rather than the OEM.

When PC HW OEMs cannot fulfill all requirements or the hybrid model partner coordination is too difficult, global enterprises are exploring the possibility of shifting all their business to a single global VAR as a possible solution. In cases where VARs are already being used, but only on a regional level, there is growing demand to use a single, global VAR for all PC HW and related life cycle services.

The problem is that there are no truly global VARs. Many VARs have enlisted partners around the world, often with varying degrees of governance and controls, which can result in very uneven service levels across regions.

As a result, IT leaders and procurement specialists may be compelled to work with multiple partners and/or pay a premium for third-party PC HW delivery and support from IT outsourcing providers or from delivery/logistics services (in truly remote locations).

Analysis

Perform a Rigorous Needs Analysis That Covers All Delivery/Support Locations by Region, Numbers and Types of Devices, Expected Refresh Cycles, Services, and SLAs Required

Being global can mean anything from having offices in half a dozen financial capitals on various continents to doing business in more than 100 countries. Employees can be clustered on a campus of thousands or scattered across multiple satellite offices with as few as five employees in each. Divisions in different geographies may require unique services and equipment. There also may be

differences in service-level agreement (SLA) requirements, if some locations can accept long lead times in PC hardware and/or services delivery while others may need fast turnaround.

For each geographical region, document:

- The specific countries where business PC hardware and services are required.

- The specific cities or regions and approximate number of PCs in each.

- If there are any political or business issues at any locations that might restrict the choice of suppliers. Some locations might be under pressure from local government or from a particularly large customer to buy a certain brand or buy from a specific supplier.

- Any existing supplier relationships — both OEM and VAR — and determine how effective these have been. A spreadsheet may be the easiest way to collate and present this information once it has been gathered.

While the documentation steps may seem obvious, they are often neglected or delayed until after a vendor has been chosen. However, if these steps are omitted, then there is no baseline to use as a checklist to see if the proposed supplier can truly meet all global requirements.

Check OEM Global Coverage Offerings Against Organizational Requirements, and, If the OEM Recommends Using VARs for Any or All of That Coverage, Get a Complete List of Preferred VARs for Each Region as Well as Written Documentation of the Level of Coordination the OEM Is Willing to Provide (e.g., Enforcing SLAs and Problem Escalation)

The leading global enterprise PC HW OEMs can all deliver hardware products and services to nearly every country in the world and provide global account teams to coordinate the process (see "Magic Quadrant for Global Enterprise Desktops and Notebooks"). However, the true level of coverage in terms of PC HW delivery times and support capacity will vary across regions for each OEM.

Dell, HP and Lenovo all can make product available in more than 160 countries. However, none of the three can operate direct in all of these countries. They tend to use a combination of direct, hybrid and indirect models.

- Dell is predominantly direct in North America and Asia/Pacific and Japan (APJ) and heavily indirect in the rest of the world.

- HP is heavily direct in the Americas and Western Europe but predominantly indirect in APJ.

- Lenovo is heavily direct in the Americas and APJ but heavily indirect in EMEA.

- All three global enterprise OEMs rely on indirect delivery through partners to service Eastern Europe and North Africa.

This information may be important as you try to map your requirements to the enterprise OEM capabilities.

For each of the geographies documented within your needs analysis, ask the OEMs to specify:

- Their average delivery times.

- Their willingness to commit to SLAs with financial consequences for not meeting the SLAs. For example, if on-time deliveries fall below 95% for a given month, the OEM promises to reduce delivery fees for all PC HW deliveries by 5% the following month (see "How to Develop and Use Service Levels for Successful Outsourcing Deals"). The degree of willingness to commit to a financial consequence demonstrates how confident the OEM is about meeting the SLA.

- The number of employees in a specific city or region, and if they are sales, technical or service providers. This can be a proxy for coverage levels.

- The source of actual hardware fulfillment and providers of the contracted services, and if they are employees, subcontractors or partners.

Increasingly, OEMs are using reseller and/or VAR partners to supplement or replace coverage in underserved areas, such as North Africa or Eastern Europe, or to provide fulfillment for smaller accounts (frequently under 3,500 PCs, although, in some circumstances, the OEM may decline to deal directly with global accounts with as many as 6,000 to 7,000 PCs).

The relationship may be hybrid where the OEM remains the primary owner of the customer or indirect where the primary relationship with the customer is handed over to the VAR. However, the extent of the relationship may change depending on the deal. It is critical to verify:

- Who takes, tracks and manages the order — OEM or reseller?

- Who is responsible for meeting SLAs, and who bears the financial consequences if the SLAs are not met?

- What is the problem escalation path? At what point is the OEM involved? Is the OEM involved at all?

- How are shifts in currency translation handled — through the OEM's global contract or at the local level?

The OEM will have a list of preferred VAR partners in each geography. The reseller's fulfillment fee is usually 2.75% to 3.75% above whatever hardware price the customer originally negotiated with the OEM prior to bringing in the reseller. The amount may vary according to the volume and complexity of the deal. Both lower and higher fulfillment fees have been reported in extreme cases.

Under this arrangement, the configuration, peripherals, and life cycle services may be provided by either the OEM or the reseller, depending on the deal. In the cases where these add-ons are supplied by the reseller, they are charged separately as negotiated directly between the reseller and the customer. This can include things like image loading (typically $20 to $25 per system from the OEM, but may be more or less from the reseller) and warranty uplifts like on-site repairs, additional configuration, asset tags, warehousing or peripherals. Contracting these additional services can be used as a negotiating chip to reduce the hardware fulfillment fees.

Economies of scale often can be a deciding factor in determining whether to use OEM or VAR services. When thousands of PCs are involved, the highly automated OEM procedures for image loading and asset tagging may result in prices below $20 per system. In cases with a large percentage of small, satellite offices that require customized images, the advantage may go to the local reseller.

In all cases, it is worth getting references from other organizations of a similar size, level of technical complexity and geographic distribution — with similar delivery and service options — to ensure that the OEM — and/or selected partners in a hybrid model — has a track record of delivering a consistent level of global coverage.

Perform Rigorous Due Diligence With Any VAR Who Offers to Provide Global Service to Understand the True Level of Coverage and Global Coordination You Can Expect

Global organizations that use multiple OEMs, have multiple smaller, satellite offices better-served by local businesses, and/or have successful pre-existing regional VAR relationships may see the benefits of consolidating all their procurement and PC life cycle services to a single global VAR (see Figure 1). The problem is that there are no fully global VARs that provide uniform, consistent services in all parts of the world. Many resellers and VARs claim to have a global footprint, but most have only a loosely federated group of partners with little or no governance in place or guarantees that you will receive the same level of service you paid for from all the partners in all the geographies.

Because the global coverage claims do not always match reality, it is critical to perform due diligence prior to entering into a global relationship with any of these companies. Be sure to question these companies about:

- The ability to sign a contract that is legally binding for all partners in all the regions that apply.

- The ability to provide arbitration and resolve problems that may arise with a regional partner.

- The ability to act as a single point of contact for ordering (if required).

- The existence of uniform SLAs across all partners and geographies.

- Governance and financial controls to enforce adherence to SLAs (e.g., penalties).

- Common operations systems for performance and reporting (still not widely available but worth asking about).

- References from VAR customers who have worked with a particular partner. It's best if references are from companies similar to yours in number of employees and level of technical sophistication/complexity.
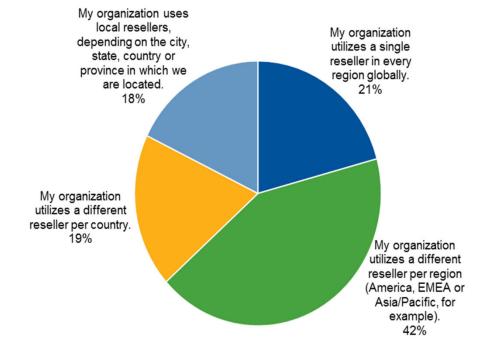
Figure 1. How Many Resellers Are Selected to Support Multinational Operations?

n = 68 Organization had facilities in more than one continent (region) — not all were fully global.

Source: Gartner (August 2015)

Success in working with a single VAR will depend on the:

- Level of integration with, management oversight of and governance structure for partners.

- Overlap of VARs' effective (not claimed) footprint and your needs analysis.

- Distribution of your employees — whether they are clustered in a few financial capitals on each continent or high volume in a remote location (to keep local VARs interested).

If it is necessary to manage multiple VARs, consider the following overhead items:

- Contracts within local laws, including clearly specified SLAs and financial consequences for noncompliance

- Currency translation

- Global warranty for any mobile devices

- Consistent image/patch/updates

- Reporting/management

Evaluate Non-VAR, Third-Party Options to Determine If the Price Premium Is Offset by Sufficient Opex Savings to Justify It

IT Outsourcing

IT outsourcing (see "Market Share Analysis: IT Outsourcing Services, Worldwide, 2014") is an alternative to using PC OEMs or VARs for "close to the box" PC life cycle services (such as imaging, asset tagging, and break/fix). IT outsourcers offer life cycle services (including PC HW procurement, delivery and deployment) plus a wider array of end-user services, such as on-premises network management, software distribution and email groupware. Increasingly, they are adding mobility and bring-your-own-device (BYOD) services for users of notebooks, smartphones and tablets. Called desktop managed services in the past, all these services are now referred to as end-user-outsourcing (EUO) services. In general, using IT outsourcing providers for PC life cycle services will be more expensive than the other alternatives. This is due to the higher premium for managing the integration of all the services and overhead costs from maintaining a workforce that provides a wide range of infrastructure and operations (I&O) and professional services, whether or not these are utilized by a particular customer. To keep costs down, the EUO offerings are typically as standardized as possible. Enterprises can find that the standard packages are too rich and offer more EUO services than will be consumed (leading to overpaying) or lacking in required critical elements, which can lead to uncomfortable surprises after the contract is negotiated and service begins.

Service packages can be adjusted to fit a particular enterprise's requirements, but only if the enterprise has done an adequate level of needs analysis in advance to create a detailed shopping list of services.

Consider using IT outsourcing for EUO services in any of the following circumstances:

- Traditional OEM PC HW delivery and services are insufficient.

- An existing IT outsourcing/managed services agreement can be extended.

- Special vertical industry or project requirements are outside the scope of traditional VARs.

- Budget and/or skill set does not exist to manage multiple global VARs.

Some PC HW OEMs also have separate service divisions that offer fully integrated and managed aftermarket EUO offerings that go well beyond the traditional, close-to-the-box PC hardware life cycle services — at a premium price.

Third-Party Logistics Services

In extreme circumstances, where delivery and support are required in very remote areas or in areas with political unrest, enterprises have opted to have that portion of global delivery done by third-party logistics services that traditionally provide military support. Several of these service providers not only arrange for delivery but have IT infrastructure divisions that can be tapped as well. Oil companies, for example, have applied this solution to PC HW delivery and support on oil rigs.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Toolkit: Template RFP for PC Hardware Acquisition"

"Magic Quadrant for Global Enterprise Desktops and Notebooks"

"How to Develop and Use Service Levels for Successful Outsourcing Deals"

"Contract Guidelines for an IT Outsourcing Master Service Agreement and Attachments"

"Market Share Analysis: IT Outsourcing Services, Worldwide, 2014"

"Magic Quadrant for End-User Outsourcing Services, Europe"

"Magic Quadrant for End-User Outsourcing Services, North America"

"Toolkit: Price Ranges for Outsourced Data Center, Desktop and Help Desk Infrastructure Services, 2013"

Note 1 Enterprise VARs Gartner Clients Have Reported Using — Listed by Region

Gartner does not evaluate or rank enterprise resellers in Magic Quadrants, Market Guides or individual reports. The following list is a sample of enterprise resellers that Gartner clients have reported using for PC hardware delivery and services in various regions.

North America

- CDW
- CompuCom
- SHI

EMEA

- Computacenter

Latin America

- Sonda

Asia/Pacific

- Digital China
- Wipro

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