



## I D C T E C H N O L O G Y S P O T L I G H T

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# The "As a Service" Model Comes to Hardware; Promises to Disrupt Enterprise Procurement

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*PC refresh projects have become low in priority as companies delay necessary upgrades for critical top-line initiatives such as mobile readiness and digital transformation. Spending precious IT resources in an effort to keep old hardware nominally functioning is a losing game, and for some companies, the old buy/deploy/manage/retire model is looking increasingly antiquated. Now there's a new option being applied to hardware that leverages the success of other "as a service" models. The first iterations of this new model focused on Personal Computers as a Service (PCaaS). That is quickly evolving into Device as a Service (DaaS), which includes PCs, tablets, and smartphones. This Technology Spotlight looks at how DaaS can help organizations accelerate their refresh cycles. It also looks at the role of HP in this strategically important market.*

### Introduction

Every 30 years or so, the IT industry experiences a major evolutionary leap resulting in seismic shifts in technologies and offerings. In the 1950s, the advent of the 1st Platform – constituted of mainframes and terminals – enabled the rise of advanced computation. In the 1980s, the growth of client/server architecture and the global internet birthed the 2nd Platform, which saw IT become more accessible to common users. Today, we are well into the first decade of the 3<sup>rd</sup> Platform, built on the four technology pillars of mobile, cloud, big data, and social.

Historically, the first decade after such a leap has led to a period of relative unrest because both technologies and the operation of IT change rapidly and abruptly. Technology suppliers often must sort through their strategies and offerings and adapt to the new environment. IT decision makers must also reassess their organizational design to keep pace with changing times. IDC asserts that the 3rd Platform is already profoundly impacting corporate IT, making the job of IT more complex, more urgent, and potentially more transformative than ever before.

Today, IT is growing more complex due to the emergence and growth of the multi-device, multi-platform employees who often conduct both work and life tasks on the same set of devices. The dramatic rise in the number of devices has exponentially increased the urgency IT faces around securing these devices (and the data that resides within them). Finally, with the rise of mobile and the advent of cloud-enabled "as-a-Service" models, IT is less centralized but potentially plays a more positively transformative role within the enterprise.

For many organizations, PC refresh projects have gotten lost in this transition. For example, extending hardware lifecycles has become a top priority for IT buyers. Extending hardware lifecycles rated as the third most pressing IT concern for respondents of *IDC's 2016 U.S. Commercial PC & Tablet Survey*, after security and Windows 10 transition. Asked to do more with fewer resources and dollars, IT decision makers look to save money by extending the life of the devices that employees use every day. This is a false economy. By failing to enact device refresh projects, IT exposes

organizations to increased risk in security, loss of employee productivity, and decreasing employee satisfaction. Old hardware isn't good for business.

Enter Device as a Service (DaaS), which can help organizations accelerate their refresh cycles, unlock significant cost savings, and reduce IT workload.

## The DaaS Model

DaaS is a relatively new phenomenon that consolidates hardware, software, and services into one contract with one vendor that is paid for in monthly subscription-style payments. DaaS can help organizations along three lines.

First, organizations can unlock significant financial benefits with such solutions. DaaS bundles hardware, software, and services into one agreement, so bundling discounts can be maximized across all three. Additionally, the right DaaS vendor can help drive increased efficiencies in an organization's device chain.

DaaS can also help IT managers reduce workload. As the 3rd Platform continues to unfold, managing the corporate IT infrastructure becomes exponentially more complex. DaaS can help IT managers simplify their IT management by offloading some or all their device management needs to a trusted third party.

Finally, for organizations that would like to get newer hardware into their employees' hands faster, DaaS can help cut down the refresh cadence by building into the cost more frequent refresh cycles. And by closely monitoring usage analytics, companies can shift from one-size-fits-all deployments to creating personas that right-size device deployments. This smartly planned acceleration can help organizations boost employee productivity and satisfaction while fortifying perimeter security by eliminating older devices with less advanced security options.

## Benefits

DaaS makes undertaking a device refresh a more appealing prospect based on the benefits it offers an organization. These include:

- **Cost reductions:** Consolidation of hardware, software, and services into one contract can help drive significant cost reductions along two fronts. First, a trusted DaaS vendor can help clients unlock significant bundling discounts. Secondly, having a holistic view of an organization's IT chain can help a vendor uncover areas of improvement and drive increased operational efficiencies. On average, respondents to an IDC 2016 survey estimated they would save 25% in total costs across hardware, software, and services by using an as-a-service plan.
- **Reduction of IT workload:** In the same survey, IT managers said they spent on average 14% of their time managing devices, and 50% said they spent too much time managing devices. Most vendors that offer DaaS can also offer device management capabilities. DaaS can thus help greatly reduce device management efforts for IT managers who are internally managing parts of or the entire device chain, and help free up resources for other IT initiatives.
- **Accelerated refresh:** Keeping pace with new technology rated as the second most-pressing IT challenge for respondents of IDC's 2016 Americas survey. DaaS can help shorten the refresh cycle by baking in a regular refresh cadence directly into the agreement or by unlocking cost savings that could be used to drive refresh projects more expeditiously. On average, survey respondents believed they would shorten their PC refresh cycle by nearly seven months.
- **Security:** Security rated as the top priority for respondents of *IDC's 2016 U.S. Commercial PC & Tablet Survey*. DaaS can help a company's security strategy in several ways. Many DaaS

vendors have security software and services to offer. The latest vendor offerings ensure the company is using newer and inherently safer devices sooner rather than later. By reducing costs and IT workload, DaaS frees up resources that could be used on security initiatives. When asked what they could do with more resources, 63% of IT managers who participated in IDC's 2016 survey said they could focus on ensuring greater security.

- **Financial flexibility:** DaaS offers a predictable monthly cost model and helps make device refreshes less CAPEX intensive. Some DaaS vendors also offer the option of flexing down, ensuring greater scalability for a company's fleet of devices.

## Trends

While DaaS is still a relatively nascent market, it has the potential to be a disruptor and game changer. As the IT world moves deeper into the 3rd Platform era, management of IT will become increasingly complex and challenging. IDC sees DaaS as a critical piece of the puzzle in helping IT managers reconcile their organization's changing technology needs with evolving offerings and markets.

Consequently, the market outlook for this solution is strong. IDC recently forecasted the impact of DaaS models on PC shipments. In 2016, only 2% of all commercial PCs shipped that year went through such an agreement. By 2020, IDC expects nearly a third of commercial PCs shipped in the U.S. to go through a DaaS agreement.

The DaaS market is still in its relative infancy, so activity in this space will accelerate in the coming years as it moves through its maturity cycle. We expect providers to standardize their offerings and pricing structures more in the future while channel partners build out capabilities to support DaaS. IDC believes this market will likely continue to evolve rapidly in the near term.

## Considering HP

HP Inc., checks all the requisite boxes in terms of DaaS capabilities but also provides some capabilities that are unique to this product.

HP is a global company able to provide services across the world, which can help with implementation of DaaS. Its proactive remote diagnostic and monitoring can drive business analytics that help IT decision makers optimize their device choices as well address device problems before they occur. For example, proactively monitoring device health and usage can help organizations better match the right hardware with the right employee, thus eliminating situations where power-users are underserved by their PCs and casual users are overserved by theirs, and because issues can be fixed before they occur, employee downtime and IT tickets are reduced.

HP also has a wide breadth of security software and services that can fortify and manage endpoint security on adjacent technologies from tablets to printers to monitors. Organizations looking to consolidate more of their device infrastructure could benefit by leveraging HP's massive scope of enterprise-facing solutions.

From a PC perspective, HP has one of the largest portfolios of systems, designs, and configurations, but the company can also service hardware from other device makers. HP also has wide channel coverage so finding the right partner should not be too cumbersome. Lastly, HP has a wealth of experience in managed services it can draw upon. While DaaS is relatively new, MPS (managed print services) has been a mainstay in the office printing market, and HP is among the market leaders in this space. This managed services experience allows HP to cut down its internal learning curve in DaaS while bringing impactful offerings to market sooner.

## **Challenges**

HP faces some broad market-related challenges as do all providers of DaaS solutions. DaaS is a nascent market, so long-term ROI studies have yet to be validated. Additionally, the market is still evolving and is likely to rapidly change in the coming years.

From the IT buyer's perspective, transition to DaaS can be difficult logistically for large enterprises or companies with complex infrastructure setups. Finally, DaaS inherently entails some vendor lock-in, which could pose a risky proposition depending on an organization's business strategy.

## **Conclusion**

The leap to the 3rd Platform has challenged the PC chain for many IT managers. Growth of enterprise mobility, data analytics, cloud computing, and social business has made IT more complex, urgent, less centralized, and more positively transformative. Managing IT in this new environment will only become more challenging in the future. Doing so while meeting the need to do a PC refresh will prove impossible unless organizations change their IT models.

Consequently, IDC believes that DaaS is not only a potential game-changer but a necessary development for IT managers as well as for the device industry at large. DaaS can help organizations reduce costs associated with devices, reduce IT workload as it pertains to device lifecycle, and get better and newer hardware into their employees' hands faster.

Technologies and offerings are rapidly evolving, and IT departments are trying to keep pace and adapt. Any IT manager that finds the changing IT landscape challenging to keep up with should explore DaaS as a means to help strengthen the organizational health of their company's IT infrastructure.

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