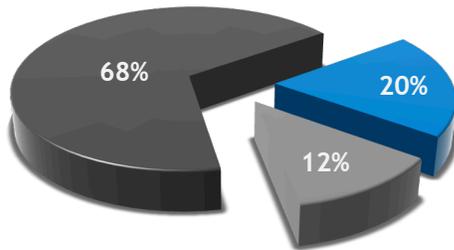


# Enterprise Business Technology Management

First American  
Equipment Finance

## Annual Total Cost of Ownership with 5-Year Refresh



- Out-of-Warranty Maintenance Costs
- Support Costs
- Purchase Cost

# 20%

The purchase price of notebook and desktop PCs accounts for only 1/5 of the total ownership cost.

## Managing the Hidden Indirect Costs of Technology Equipment

The indirect costs associated with owning technology equipment are significant and often times overlooked when evaluating the total cost of ownership. As technology ages, the costs required to maintain and support the equipment increase, making such assets less desirable to own.

In fact, independent studies suggest that over a 5-year refresh cycle the actual purchase price of IT equipment accounts for only 20% of its total cost. The other 80% of costs are related to out-of-warranty maintenance costs and support costs.

Staying on the leading edge of technology is essential for organizations to attract the best and the brightest employees and hedge against equipment obsolescence. So how can professionals stay ahead *and* manage costs?

Total cost of ownership (TCO) is an important concept when evaluating the most cost effective means for deploying IT assets for an organization. TCO evaluations should include the following components:

- Hardware Purchase
- Deployment Labor
  - User Training
  - System Build/Imaging
- Warranty
- Help Desk Support
- On-Site Support
- Software Upgrades
- Disposal Costs or Salvage Value

Over a 5-year refresh cycle, a \$1,100 computer can cost as much as \$7,107 to maintain and support.

As organizations evaluate cost effective alternatives to purchasing, one option to consider is a lease-based technology refresh program. Lease-based technology refresh programs:

1. Minimize indirect costs by aligning the finance period with the manufacturer's warranty;
2. Create stronger cost efficiencies with the decommissioning and disposal of obsolete assets as

## Evaluating Your Organization's TCO

Most organizations conclude that the actual hardware purchase makes up a small percentage of the Total Cost of Ownership (TCO). Extending equipment lifecycles has the most significant economic impact on TCO.

### Total Cost Direct Purchase



### Total Cost Lease-Based Refresh Program



leading lessors are more effective reselling IT assets than the average organization.

3. Provide value added asset management tools and services to help track and manage IT refresh cycles.
4. Offer greater budget consistency, as large upfront expenditures are eliminated and replaced with fixed, predictable monthly payments.
5. Support company sustainability initiatives as 100% of PC's are put back into use, rather than ending up in a landfill.

Over the same 5-year refresh cycle, a lease-based program can save an organization over \$1,000 per PC by minimizing indirect costs and benefiting from a lessor's residual expertise.

A fundamental reason for the cost savings is the leasing company's residual investment in the equipment. At the beginning of the lease, the lessor will make assumptions about the expected value of the asset at the end of the lease term. This is based in large part on the lessor's experience in remarketing off-lease equipment. The residual amount lowers the total payments paid by the organization compared to other forms of financing.

When implemented correctly, a lease-based IT refresh program offers significant cost advantages over traditional purchase models and can save your organization money.

#### Works Cited:

The Robert Francis Group, "The Downside of Keeping PC's Beyond Three Years and How Leasing Can Help", December 2005, pg. 4-5

Timothy Morey and Roopa Nambiar, "Using Total Cost of Ownership to Determine Optimal PC Refresh Lifecycles, May 2009, pg. 3-9

Sudin Apte, Forrester Research, "Back to Basics: Why IT Leasing Makes Sense in the Economic Meltdown", 2009

**\$7,107**      **\$5,785**

Total direct and indirect costs of purchasing a PC, supporting it, and maintaining it for 5 years.

Total direct and indirect costs of leasing and refreshing a PC, supporting it, and maintaining it for 5 years.