IT Cost savings
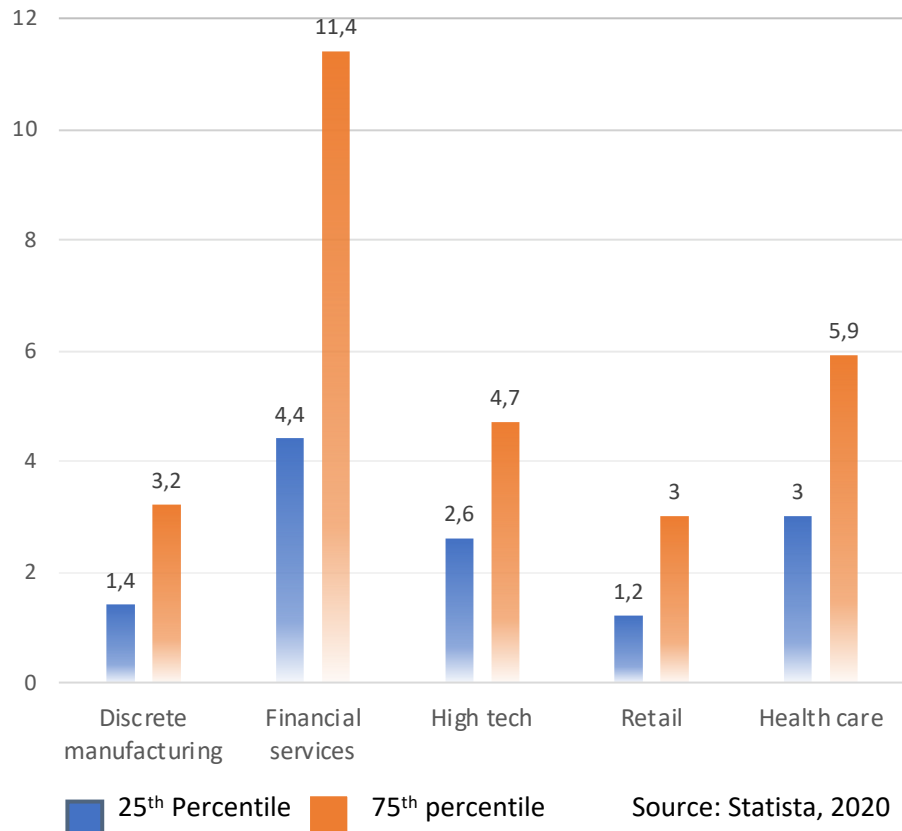
2020

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ACTION FOR NEW DIRECTION

IT spending & costs at a glance

IT SPENDING AS PERCENTAGE OF COMPANY REVENUE, 2019

Source: Statista, 2020

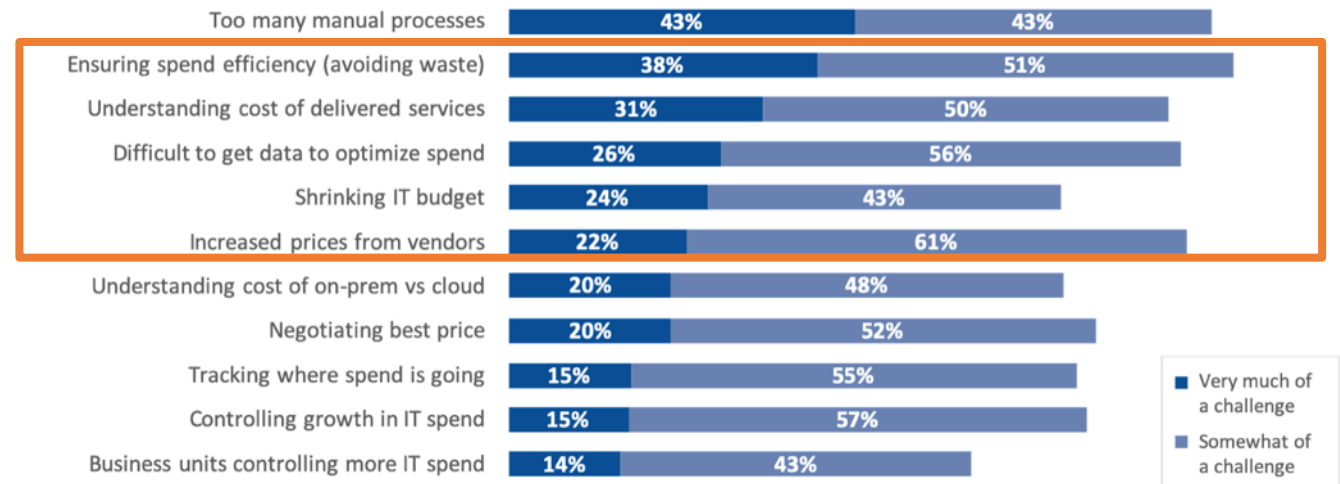**25th Percentile** **75th percentile**

Motivations for IT optimization for CIOs:
- To fund digital transformation: **62%**
- IT provider(s) cost increases **53%**
- Challenging trading conditions **47%**

Source: Gartner, 2019

Main blockers for IT cost control:

	Very much of a challenge	Somewhat of a challenge
Too many manual processes	43%	43%
Ensuring spend efficiency (avoiding waste)	38%	51%
Understanding cost of delivered services	31%	50%
Difficult to get data to optimize spend	26%	56%
Shrinking IT budget	24%	43%
Increased prices from vendors	22%	61%
Understanding cost of on-prem vs cloud	20%	48%
Negotiating best price	20%	52%
Tracking where spend is going	15%	55%
Controlling growth in IT spend	15%	57%
Business units controlling more IT spend	14%	43%

03

Source: Flexera 2020 State of Tech Spend Report
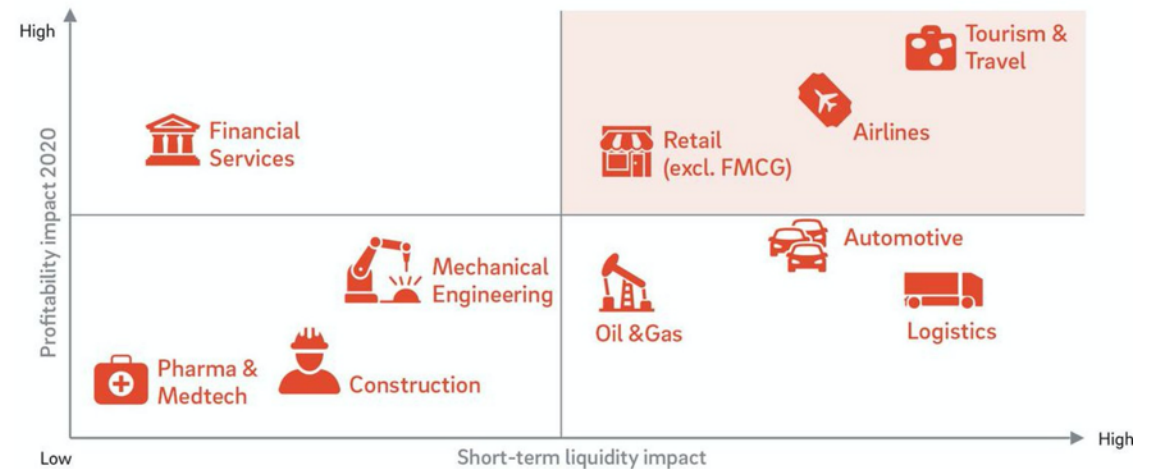
Pandemic caused a Time of uncertainty
– when will recovery start and with what pace?

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Economic growth has stalled.
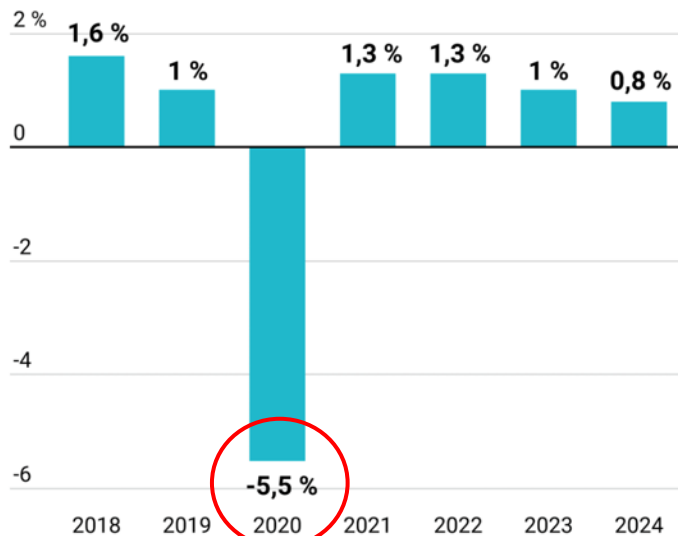
Source: Valtiovarainministeriö

Industry liquidity and profitability will be hit differently.

Source Roland Berger

Roland Berger

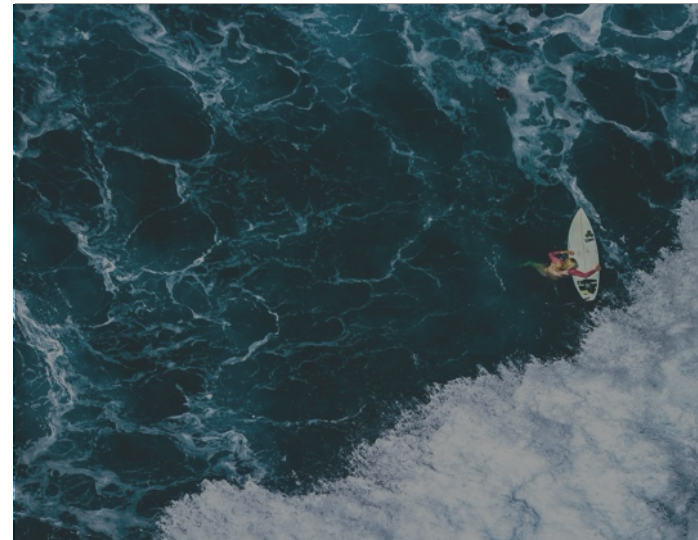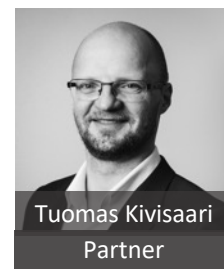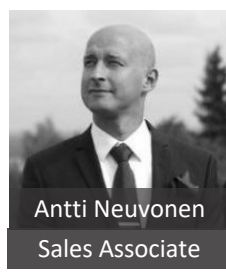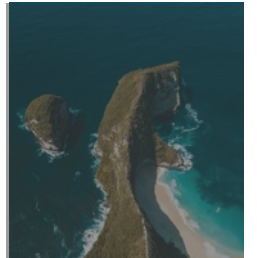Boardroom agenda is now about protecting the revenues and margins

CIO; Focus on supporting digitalizing operating models and cost efficiency, while ensuring business continuity

Melkki fact sheet

Hands-on leadership from strategy to business development to use of technology

Antti Kervinen
Partner

Juho Hyökki
Analyst

Mari Varis
Analyst

Juha Kauhanen
Senior Advisor

Hanna Härkönen
Analyst

Patrik Felixson
Partner & CEO

Tuukka Ihalainen
Partner

Antti Neuvonen
Sales Associate

Tuomas Kivisaari
Partner

2019:
1.7 MEUR

Anssi Heikkinen
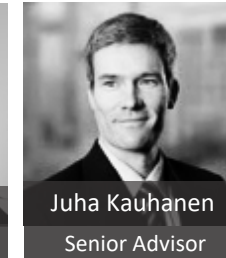Senior Consultant

Samuli Tahvanainen
Consultant
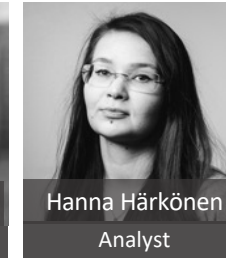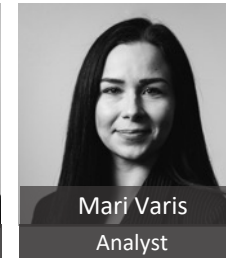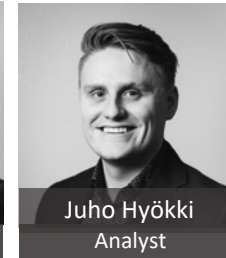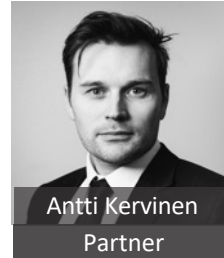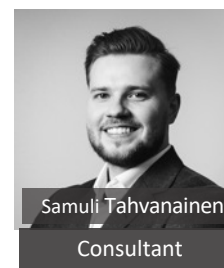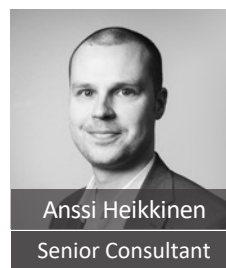
Broad client base: finance, manufacturing, construction, technology and media

Poul Bjerre
Senior Advisor

Johanna Suortti
Consultant
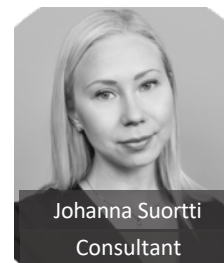
Established 2015 and growing

What we do

Cloud Advisory

$23 b in R&D (AWS), $1b in security (Azure)

Melkki Cloud Advisory Offering

Operational Efficiency

Cut the "muda" to achieve savings

Melkki Application Rationalization Offering

Melkki IT Optimizer Offering

Business Model Development

Spend the minimum to the bad idea

Melkki Ideation to Delivery Concept Offering

Agile Sourcing

6 weeks instead of 6 months, 1 day instead of 1 week

Melkki Agile Sourcing Offering

Prerequisites for successful IT cost management

Know your numbers

Melkki Cost Reduction Approach

IT cost savings horizons

Cost Cutting

- Reactive approach to reduce & cut spending
- Goal for immediate reductions
  - Eliminate expenditure
  - Renegotiate
  - Place costs on hold

Cost Optimization

- Programmatic approach
- Goal for structural improvements
  - Rationalize
  - Consolidate
  - Improve efficiency
  - Shift spend

IT Cost reduction framework

Management/ Overhead

Optimization IT organisanization/skills

IT operating model and processes

Centralize IT governance

Prioritization of project portfolio

Application Management and Development

Licenses & capacity optimization

Optimization of AM processes

T & T Applications

Application Rationalization

Professional services contracts & spending

IT service contracts

Platform consolidation & re-platforming

outsourcing/offshoring

Simplify IT Architecture

IT infrastructure and operations

Optimization License & capacity spending

Vendor consolidation

Cost-cutting, immediate impact

Cost & Value Optimization, long-term

Short- & mid-term cost cutting and activity complexity
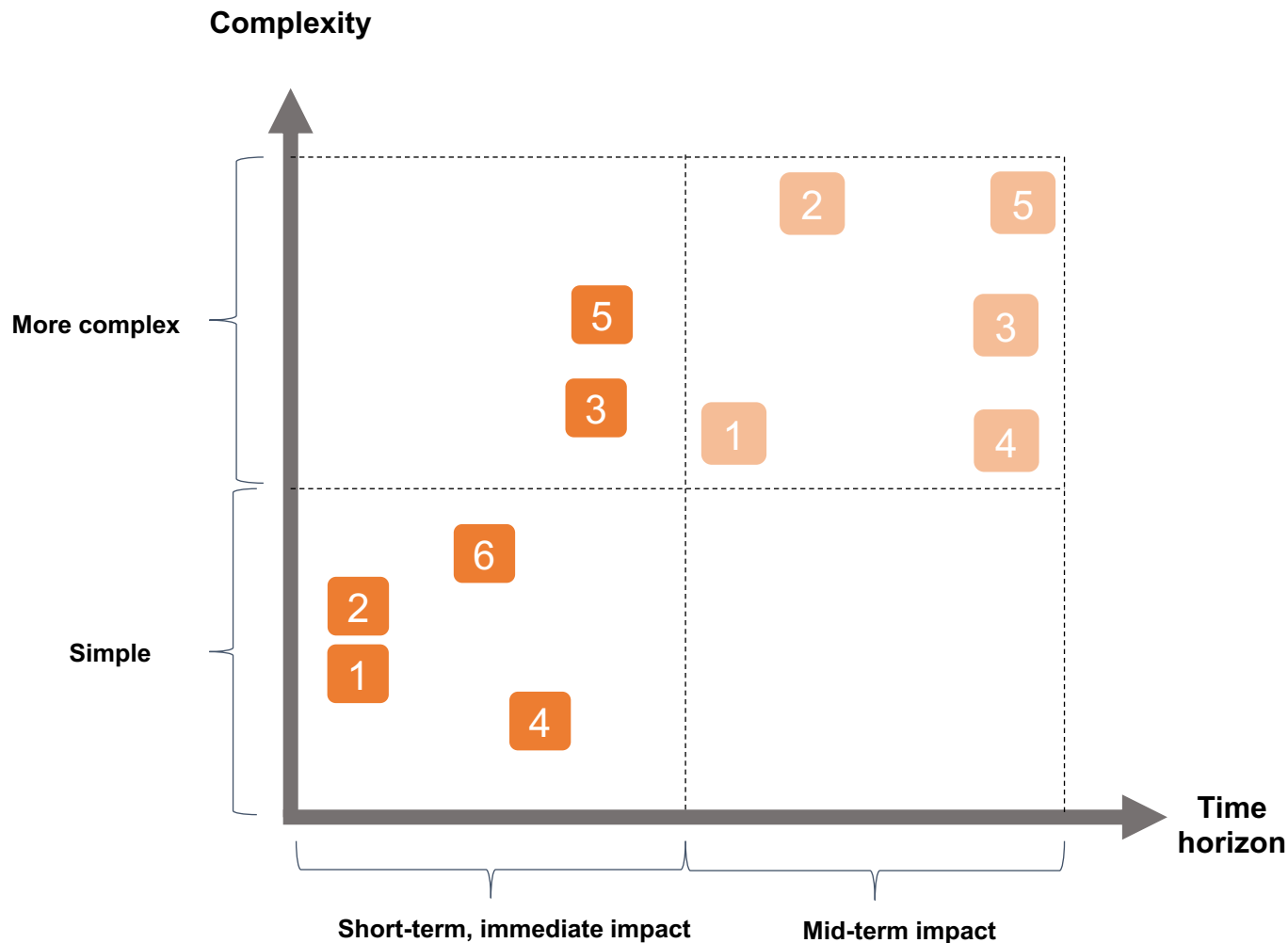
SHORT-TERM

1 Call for strategic partnerships
2 Optimize licenses and capacity
3 Renegotiate IT service contracts
4 Renegotiate Professional services contracts
5 Tune infrastructure
6 Assess your project portfolio

MID-TERM

1 Assess and re-negotiate your licensing models
2 Re-platform your applications
3 Consolidate platforms
4 Consolidate vendors
5 T&T applications

How to get started?

1 Create baseline and set objectives

- Collect cost data to define the cost baseline
- Verify data with stakeholders
- Set objectives and targets
- Gather the organizational knowledge and develop initial hypotheses
- Prioritize and create strategy
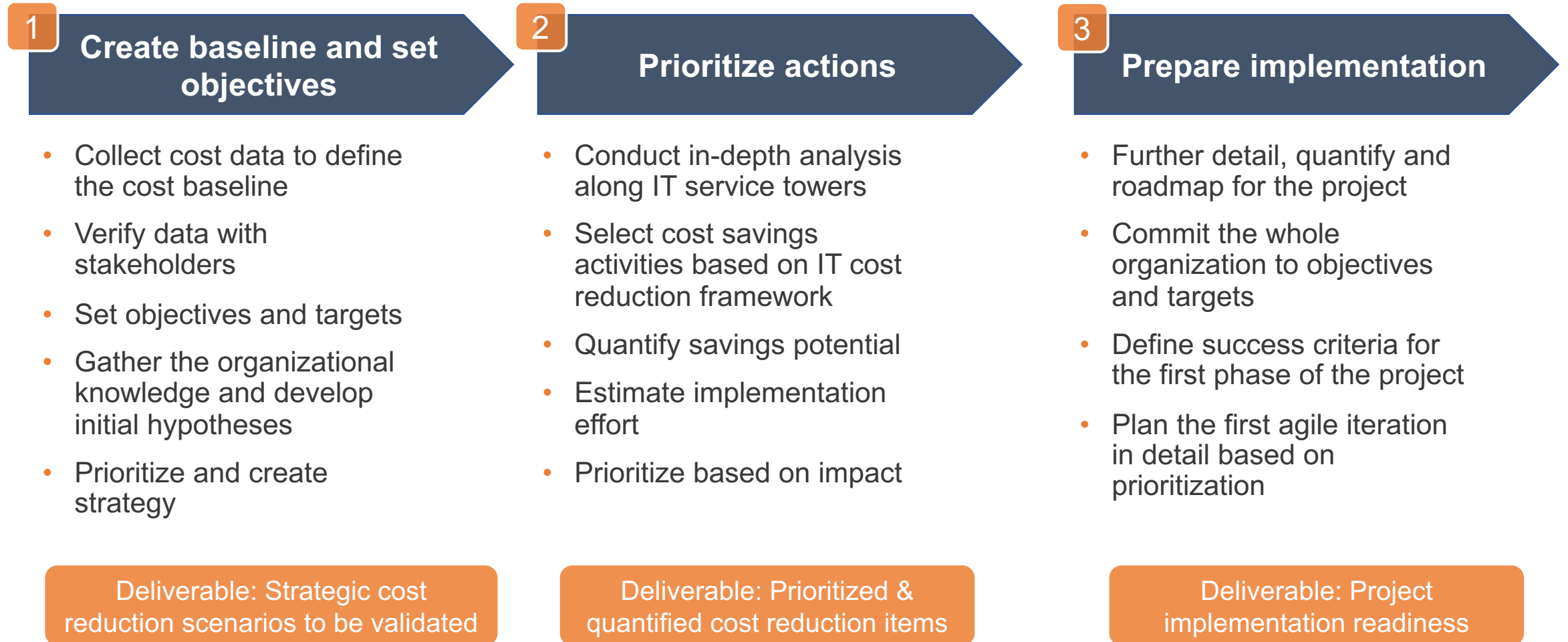
Deliverable: Strategic cost reduction scenarios to be validated

2 Prioritize actions

- Conduct in-depth analysis along IT service towers
- Select cost savings activities based on IT cost reduction framework
- Quantify savings potential
- Estimate implementation effort
- Prioritize based on impact

Deliverable: Prioritized & quantified cost reduction items

3 Prepare implementation

- Further detail, quantify and roadmap for the project
- Commit the whole organization to objectives and targets
- Define success criteria for the first phase of the project
- Plan the first agile iteration in detail based on prioritization

Deliverable: Project implementation readiness

Melkki Application Rationalization Approach

Melkki Approach for
Application Rationalization

Rationalization –

the act of making changes to a business, system, etc. in order to make it more efficient, especially by spending less money

Application Rationalization –

practice of strategically identifying applications across an organization to determine which applications should be developed, migrated or retired

The goal is to achieve improvements in efficiency & business operations

Melkki Point of View
– Business Drivers and Reasons

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COST SAVINGS €

- **Improved Economies of Scale** – through standardization, efficiency improvements, elimination of redundancies and consolidation in reporting, business process harmonization, technical support, software maintenance, hardware, and facilities

REVENUE AND MARGIN OPPOURTUNITIES

- **Time to Market** – Consolidation to modern platforms (Cloud) allow improved development and deployment processes and integration
- **Accelerated Innovation and business differentiation** – Readiness for extended IT (Business Tech / IIoT) across consolidated solutions
- **Higher Reliability of Processes** – Process performance and measurement and reducing chance of failures and errors.
- **Increased Productivity** – From the elimination of non-value addactivities and better business analysis, management, and control.
- **Shared Service Advantages** – Transaction processing and technical support.
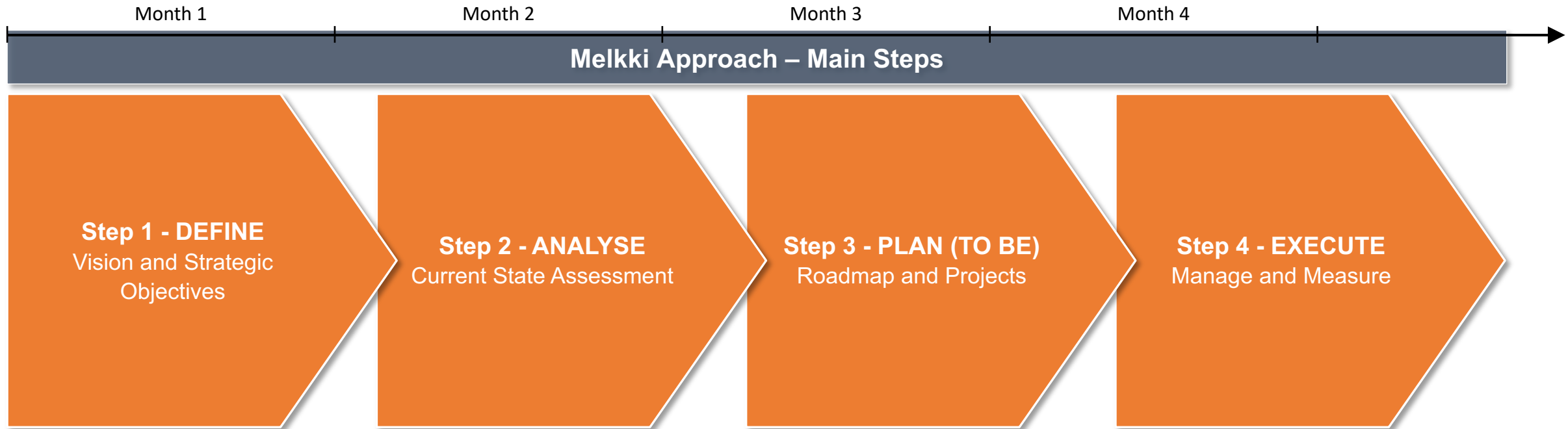
REDUCING COMPLEXITY

- **Business Operations, Infrastructure, and Systems Management Simplification** – harmonization of processes, simplification and standardization of the technical architecture.
- **M&A Readiness -** Obtain synergies of strategic mergers, acquisitions and divestitures

TECHNOLOGY IMPROVEMENTS

- **Higher Quality** – Improve data accuracy and accessibility to support operational control, decision making and strategic planning. Improve availability, reliability, and security of systems and network.
- **New Technology Differentiation** – Moving to e.g. Cloud based, modern platform provides more time and resources for development, by automation of basics.
- **Flexibility** – Cloud platforms and fewer systems and a standards allow increased flexibility to response to changing business requirements.

Melkki Approach for Application rationalization

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Month 1	Month 2	Month 3	Month 4

Melkki Approach – Main Steps

Step 1 - DEFINE
Vision and Strategic Objectives

Step 2 - ANALYSE
Current State Assessment

Step 3 - PLAN (TO BE)
Roadmap and Projects

Step 4 - EXECUTE
Manage and Measure

Questions and Answers

Thank You!

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