MCSS Service Solutions™

Downtime = Loss of Productivity and Intangible Costs

The Cost of Downtime:

The GartnerGroup, in addition to other analysts, report that there are numerous "intangible costs" associated with downtime. Some of the intangible costs to consider are:

Loss of Productivity: *Number of employees, impacted hours down, hourly rate of employees.*

Loss of Revenue: *Direct loss, compensatory payments, lost future revenues, billing losses, and investment losses.*

Damaged Reputation: *Customers, suppliers, financial markets, banks, and business partners.*

Financial Performance: *Revenue recognition, cash flow, lost discounts (A/P), payment guarantees, and credit rating.*

Other Costs: *Temporary employees, equipment rentals, overtime costs, extra shipping charges, and travel expenses.*

The Loss of Productivity:

Losses in the areas of labor, revenue, and service all contribute to the total cost of downtime and productivity. The loss of employee productivity is the most significant expense attributed to downtime. ***USA Today*** *reported in an article entitled,* ***When Computers Fail****, "that commonplace glitch costs are staggering: up to $100 billion annually in lost productivity." Lack of employee productivity usually leads to a cascade of related costs/expenses. The financial implications of the loss of productivity is illustrated in the following equation:*

LABOR COST = P x C x H
P = number of people affected
C = average employee cost per hour
H = number of hours of the downtime

EXAMPLE:
P= 2 - Employee systems
C= Employee labor cost per hour - $25 each
H= Hours of downtime - 28 work hours or 4 days
P= 2 x C=$25 ea. ($50) x H= 28 ea. (56) = $2800

The Cost of Loss Productivity:

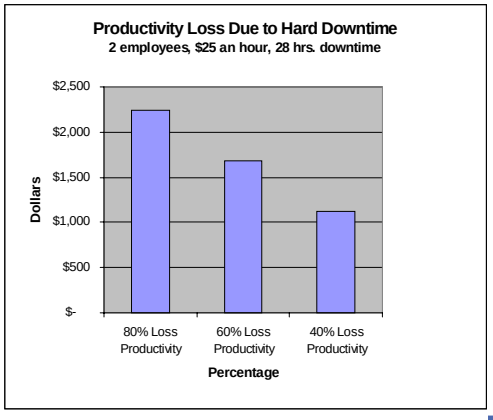
Before examining the loss of productivity due to downtime, the type of downtime needs to be determined. There are two types of downtime:

- ***Hard Downtime*** *- time that a system is unavailable for productivity, typically measured in hours or days.*
- ***Service Degradation Downtime*** *- time that a system is unavailable for productivity, usually measured in minutes*

The Impact of Hard Downtime:

Assuming that employees are not necessarily 100% unproductive during hard downtime, the cost of lost productivity for 2 employees, at $25 an hour, down for 28 hours, is illustrated in ***Model A****, for 80%, 60% and 40% loss of productivity:*

Model A:



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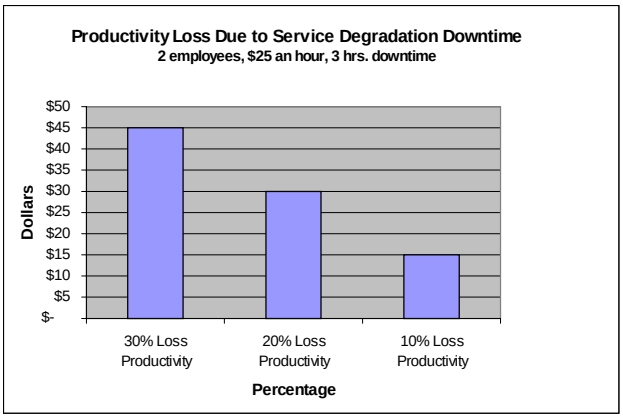
The Impact of Service Degradation Downtime:

It is likely that employees are more productive during service degradation than during hard downtime because the downtime is for a brief period of time. However, it would not be unusual for a company to experience at least 4 service degradations within a month, lasting an average of 45 minutes, for an average of 3 hours service degradation. The cost of lost prodcutivity for 2 employees, at $25 an hour, down for 3 hours due to service degradation, is illustrated in **Model B**, *for 30%, 20% and 10% loss of productivity:*

Model B:



The Impact of Downtime on an Annual Basis:

The cost of loss productivity on an annualized basis using the simple examples of 2 employees, represented in **Figure A** *and* **B** *are illustrated in the Table below:*

Figure: A - Annualized Hard Downtime:

80%	60%	40%
$26,880	$20,160	$13,440

Figure: B - Annualized Service Degradation Downtime:

30%	20%	10%
$540	$360	$180

MCSS' Service Contract vs Warranty Service:

It's obvious from these simple illustrations that costs associated with downtime are most detrimental to productivity and the cost efficiencies of any organization. Restoring productivity as expeditiously as possible is critical – the goal should be to narrow the window of unproductivity and the associated cascading costs.

The Impact of Warranty Service:

Many organizations believe that it is economically wiser to cover service through a manufacturers' warranty, alleviating any direct cost associated for service. However, depending solely on warranty service may actually add to the Total Cost of Ownership , because of the length of time required for a manufacturer to respond to downtime. Industry research indicates that in many cases, the loss of productivity through warranty downtime averages 4 days: warranty service call response typically is 2 days, (1 day for diagnosis and 1 day for replacement parts or components to arrive onsite). The economics of a 4 day, hard downtime have already been illustrated for two employees, just imagine the economic implications for multiple users.

The Impact of MCSS' Programs:

Although there is a direct cost associated with a MCSS Warranty Uplift, the economic benefits off-set the expense and drive down the Total Cost of Ownership through:

- *Timely responses - within 2 or 4 hours*
- *Timely repairs - within 4 hours*
- *Timely part and/or hardware replacement*
- *Timely server monitoring and alert notification - within 1 hour*

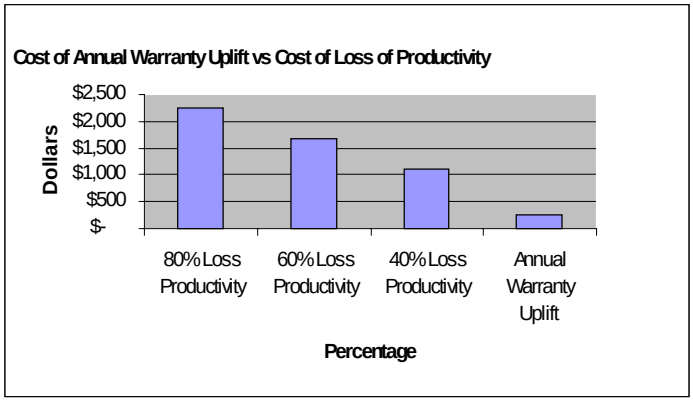
Cost Savings of an MCSS Warranty Uplift

For example: An average MCSS 3 Year Warranty Uplift for 2 desktop workstations is $128 for each unit. Compare the Warranty Uplift cost against the annualized loss of productivity as illustrated in the Table below and in* **Model C:**

**Average price will vary based on manufacturer's specific make and model.*

3 Year Warranty Uplift:
2 Units -$256
Annualized Cost of Loss of Productivity 2 Employees:
80% Loss Productivity = ***$26,880***
60% Loss Productivity = ***$20,160***
40% Loss Productivity = ***$13,440***

Model C:



Ask Your CIO About Your Organization's Downtime

If you believe that your company is immune from significant downtime, ask your Chief Information Officer how long it's been since there's been a major problem with the organization's computer system? Chances are, he or she will look at their watch and not the calendar. In today's highly competitive, rapidly changing technological world, your organization can't afford to be without timely and cost-effective responses to downtime.

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Measure our productivity with a clock....not a calendar.