



Gartner Identifies 10 Ways Organisations Can Reduce IT Costs Quickly in Tough Times

Analysts Provide Insights for Smarter Spending at Gartner IT Symposium/Xpo 2020 APAC, October 27-29

SYDNEY, Australia, October 27, 2020 — The COVID-19 pandemic has had widespread impact on the global economy, leaving many CIOs with the challenge of making immediate IT cost savings, according to Gartner, Inc.

IT spending is forecast to contract across all categories and regions in 2020. While businesses in most industries have begun to reopen, pandemic mitigation measures such as lockdowns, social distancing, travel restrictions and border shutdowns have created financial burdens, with the transportation, manufacturing and natural resources industries the most severely impacted.

Speaking at Gartner IT Symposium/Xpo APAC today, Chris Ganly, Senior Director Analyst at Gartner said COVID-19 has fundamentally transformed the way people are spending their money, and organisations simply have to respond.

Gartner advocates a strategic cost optimisation approach, which is a continuous discipline to managing spending while maximising business value, rather than simply cutting costs.

“Difficult times call for difficult actions,” said Mr. Ganly. “But even in organisations fighting to survive, CIOs need to approach cost cutting in the least damaging way to the medium-and long-term health of the business. This will help them recover faster in 2021 and beyond.”

Gartner advises CIOs to follow 10 rules when faced with the need to cut IT budgets quickly:

1. Target immediate impact. Eliminate, reduce or suspend items that will hit the budget in weeks or months, not in years. Examples include expenses that are incurred and paid monthly or quarterly on a “pay as you go” basis, rather than annually.
2. Reduce, don't freeze. Focus on costs that can truly be reduced or eliminated, not just frozen for the current period, only to reappear again further down the line.
3. Cash is king. Target items that will have a real cash impact on the profit and loss statement rather than noncash items like depreciation or amortisation.
4. Plan to do it once. Most organisations don't cut deeply enough the first time, which means they often need to revisit costs and do it again. This is particularly relevant for staff cuts, where cycles of ongoing reductions can be very damaging.
5. Carefully inspect accounts. Work with your finance partner to obtain a solid view of the expense level detail, such as expense accounts, accruals and prepayments. Use this view to identify specific cash reductions that will immediately have an impact.
6. Target unspent and uncommitted expenses. Unless payments (or commitments) can be recovered or prepayments returned, the most

immediate impact will be on unspent or uncommitted payments. Evaluate contracts for renegotiation and termination clauses.

7. Be Holistic: Include Capital. Typically, operating expenditures are the easiest to impact, but capital expenditures can also be reduced. Gartner's IT Key Metrics Data shows that 25% of the average IT budget is spent on capital, so ensure that the complete range of IT spend is considered for rapid reductions.

8. Sunk costs are irrelevant. When it comes to saving money, it is commonly said that "sunk costs are irrelevant," meaning that future spend should be considered without relation to past spending or "sunk costs." From a rapid cost reduction standpoint this is certainly true, but it's still worth considering whether the saving will be more than the benefit that can and will be delivered by continuing.

9. Address discretionary and nondiscretionary cost. Discretionary spending, such as for new projects, additional capability or services, is often seen as an easier place to cut. However, even nondiscretionary "run the business" expenses such as IT infrastructure and operations can be cut by reducing usage or service levels.

10. Tackle both variable and fixed costs. Fixed costs are expenses that remain constant, regardless of activity or volume, such as office rent, subscriptions and payroll. For fixed costs, focus on elimination. Variable costs change with activity or volume, for example, telecommunications, contractors and consumables. For variable costs, focus on both reduction and elimination.

Gartner clients can read more in 10 Rules for Rapid Spend Reduction.

About Gartner IT Symposium/Xpo

Gartner IT Symposium/Xpo 2020 is the world's most important gathering for CIOs and other IT executives. IT executives rely on these conferences to gain insight into how their organisations can use IT to overcome business challenges and improve operational efficiency. Follow news, photos and video coming from Gartner IT Symposium/Xpo on Smarter With Gartner, on Twitter using #GartnerSYM.

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November 9-12| EMEA| Virtual

November 17-19| Japan| Virtual

November 23-25| India| Virtual

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