Transforming End-User Device Deployment with Device-as-a-Service

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Adapted from PCaaS Threatens to Shake Up the PC Deployment Game: U.S. Commercial PC Survey, 2016, by Linn Huang and Tom Mainelli, IDC #US41049616

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Corporate IT is growing more and more complex. With so many projects and initiatives pulling the IT budget in different directions, procuring devices has become more burdensome and managing them has become increasingly challenging. Still, a company’s device strategy is crucial to optimizing employee productivity and boosting employee satisfaction. Given the growing pressures on corporate IT, device-as-a-service (DaaS) has the potential to alter how IT decision makers think through their device strategies. This Technology Spotlight examines the DaaS model and the benefits it brings versus traditional models. The paper also looks at the role of major IT vendors such as HP in this emerging market.

Introduction

Corporate IT has dramatically changed over the past several years. The proliferation of smartphones and tablets, whether corporate- or employee-labile, has forced IT to adjust to a more complex multi-device, multi-platform support structure. Intensifying internal and external threats caused by the rising use of personal devices for business and the growing sophistication and efficiency of black hat hackers, respectively, has raised the urgency of mobile readiness and cybersecurity initiatives. IT has also taken on a more transformative role in the enterprise. The notion of IT as a business enabler means that digital initiatives are becoming critical to corporate strategy. IT financing is also changing to reflect new business realities. The rise of IT outsourcing and cloud-enabled XaaS models lets finance shift a potentially significant portion of its IT expenditure from capex to opex while building in additional infrastructure flexibility. Consequently, PC and other end-user device refresh projects have become low in priority. For some companies, the old buy/deploy/manage/retire model is looking increasingly antiquated. Now a new model, called device-as-a-service (DaaS) is looking to shake things up.

Defining DaaS

IDC defines DaaS as a multi-year agreement in which procurement, deployment, device management, services, and lifecycle management are all handled by one vendor. DaaS differs from traditional PC and other end-user devices (e.g., smartphones) purchase and lease initiatives in that the deployed device is not owned as an asset by the organization, and it is managed by a third party — essentially allowing organizations to subscribe to physical devices instead of purchasing or leasing them.

While the DaaS model ideally covers a range of end-user devices, the model is primarily focused on PCs today (PCaaS). See Table 1 for how IDC differentiates PCaaS from other traditional procurement models.
Table 1
Differences Between PC Procurement Models

<table>
<thead>
<tr>
<th></th>
<th>PC Purchasing</th>
<th>PC Leasing</th>
<th>PCaaS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounting</strong></td>
<td>Purchasing company holds PC as an asset; transaction counts toward capex.</td>
<td>Leasing company counts PC as liability and considers it opex.</td>
<td>PCaaS customer books services contract as liability and considers it opex..</td>
</tr>
<tr>
<td><strong>Managed services</strong></td>
<td>Typically bundled into purchase as a separate service.</td>
<td>Often bundled into transaction as a separate service.</td>
<td>Managed services are included here.</td>
</tr>
<tr>
<td><strong>Suppliers/providers</strong></td>
<td>Can have multiple parties supply various levels of PCs and services.</td>
<td>Can have multiple parties supply various levels of PCs and services.</td>
<td>PCaaS service provider includes hardware and services through one agreement.</td>
</tr>
<tr>
<td><strong>Usage duration</strong></td>
<td>Purchasing company owns PC until it retires it; survey averages point to 4+ years.</td>
<td>Typically, as short as 24 months or as long as 48 months.</td>
<td>Can be as short as 12 months</td>
</tr>
<tr>
<td><strong>Refresh cycle</strong></td>
<td>Purchasing company typically refreshes PC after end of useful life.</td>
<td>Company usually refreshes PCs after end of leasing window.</td>
<td>Company has option to refresh PCs in the middle of useful life.</td>
</tr>
</tbody>
</table>

Source: IDC, 2016

DaaS Drivers and Benefits

DaaS allows IT decision makers to subscribe to a physical PC or other end-user device in much the same way as they subscribe to a software-as-a-service (SaaS) seat. A DaaS provider manages the entire lifecycle for its client from deployment to retirement/refresh, and the customer company never holds the device as an accounting asset. Traditionally, IT buyers purchased or leased their devices and then either managed these devices and their resident software in-house or outsourced device management to another party. DaaS wraps the entire chain into one neat package.

As is the case with other XaaS models, the hallmark of DaaS is its high degree of scalability. Subscribers can add or subtract devices from their infrastructure based on employee counts or workloads.

An IDC survey of 502 IT decision makers in the United States revealed top motivations for considering PCaaS. The ability to offload device procurement and management to a third-party vendor was listed as a top 3 reason for the highest number of respondents (104). Reducing cost of deployment placed a close second (102). Deploying only the assets needed was the third most frequently selected motivation (96). These results suggest that critical advantage, the high scalability of PCaaS, resonates with IT buyers.

Trends Toward DaaS

Of the IT decision makers surveyed, 26% said they had engaged in PCaaS and another 14% said they are considering participating in it in the near future (see Figure 1). While the level of engagement seems a bit high, we believe this reflects a good level of interest in organizations moving toward a PCaaS model where scalability is high, hardware procurement is all opex, and the device is entirely managed by another vendor from deployment until retirement.
Figure 1

PCaaS Engagement Consideration

Q. Has your company engaged in PCaaS (in the last 12 months) or is it considering engaging in PCaaS (in the next 12 months)?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, we have engaged in PCaaS</td>
<td>26%</td>
</tr>
<tr>
<td>Yes, we are considering PCaaS</td>
<td>14%</td>
</tr>
<tr>
<td>No</td>
<td>36%</td>
</tr>
<tr>
<td>Unsure</td>
<td>24%</td>
</tr>
</tbody>
</table>

n = 502

Source: IDC's Commercial PC and Tablet Survey, 2016

Considering HP's Device-as-a-Service

HP's Device-as-a-Service combines elements from its hardware line and lifecycle services portfolio (see Figure 2). By wrapping a buyer’s selection of various devices and/or services to manage those devices into a single contract with a monthly payment, HP DaaS can offer significant benefits for many adopters. Plus, HP offers an optional analytics platform that can predict problems before they occur.

Benefits to the organization include cost reductions, greater financial flexibility, and reduced IT workflow, which could free up resources for other projects. End users potentially benefit from having better, more secure technology and additional IT support services, leading to improved user experience and higher user satisfaction. Lengthened refresh cycles typically mean employees are stuck with old hardware; DaaS can help better match each employee with the right hardware.

Figure 2

HP Device-as-a-Service: How it Works

Source: HP, 2016

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Challenges

Status quo may very well be the biggest challenge for the DaaS adoption model. The traditional PC procurement model isn't necessarily broken, but its unintended side effects are becoming stronger. With other more urgent IT projects in the pipeline, and with the XaaS model making other projects more financially digestible, we believe that organizations have been postponing PC refreshes. The result is an installed base that is aging which can, in turn, drive more employees to use their own devices for business purposes.

As mentioned, most IT buyers understand the benefits of upgrading to new PCs. However, there may be greater returns in other IT projects at the moment.

As a model that brings PC deployment into modern times, DaaS has a chance to reverse the lengthening PC refresh cycle by reducing the barriers to PC procurement. However, to overcome the status quo, a vast amount of buyer education as well as time to prove the efficacy of early adoption pilot programs might be needed.

Conclusion

While still in its relative infancy, DaaS has the potential to rejuvenate an ever-extending corporate end-user device refresh cycle. DaaS could become a global phenomenon as more OEMs either launch their programs or partner with VARs and MSPs to put together a competitive package. It’s still too early to tell whether DaaS is revolutionary, evolutionary, or just a fad. However, DaaS is certainly a potential disruptor and very much on the horizon.