The 2019 State of Hardware-as-a-Service

Spiceworks examines computer hardware leasing and the shift to the "as-a-service" model among organizations across North America and Europe

Today, buyers have numerous options when it comes to acquiring products. From cars to appliances to software, businesses and consumers can buy, rent, or subscribe to a service to fit their needs. Each procurement method has its pros and cons, and potential buyers weigh considerations such as price, convenience, and customer support when making a decision.

In the business environment, the "as-a-service" trend has been a hot topic for years. For example, many businesses pay as they go for access to online software applications (SaaS) and cloud computing infrastructure (IaaS). With both models, organizations don't own the software or hardware they use. Instead, they pay a monthly fee to access it.

But what happens when you apply the as-a-service model to computer hardware in the workplace?

Before the as-a-service model gained in popularity, businesses have had the option to lease hardware from manufacturers by paying reoccurring fees, much like one would with a car lease. Under this model, if additional support was needed throughout the lifecycle

WHAT EXACTLY IS HAAS?

Hardware-as-a-service is a subscription model in which leased devices are owned, managed, and supported by a third-party (e.g., an MSP or hardware manufacturer) as defined by a service-level agreement.

of the device, organizations would enlist the help of a managed services provider (MSP).

But in recent years, manufacturers and service providers have taken hardware leasing even further. Businesses can now obtain devices such as laptops, tablets, and printers, in addition to bundled managed services from a single vendor, thanks to hardware-as-a-service (HaaS). Under the HaaS model, organizations lease devices that are owned, managed, and supported by a single third-party vendor (e.g., an MSP or hardware manufacturer) as defined by a service-level agreement.

Services included in a hardware-as-a-service model (sometimes referred to as "device-as-a-service") might include deployment, parts replacement, basic troubleshooting, hardware support and refreshes, device monitoring, and in some cases, even help desk services. But how common is the hardware-as-service model in the workplace, and why would businesses choose to subscribe to it? To find out, we surveyed more than 1,100 IT decision makers in organizations across North America and Europe.

Traditional Leasing vs. Hardware-as-a-Service

Before we jump into data on hardware-as-a-service — which we consider to be a subset of leasing — let's examine the numbers on hardware leasing in general. According to our research, 48% of organizations are currently leasing one or more types of hardware, with historically cumbersome and finicky printers being the most popular device to lease, by far.
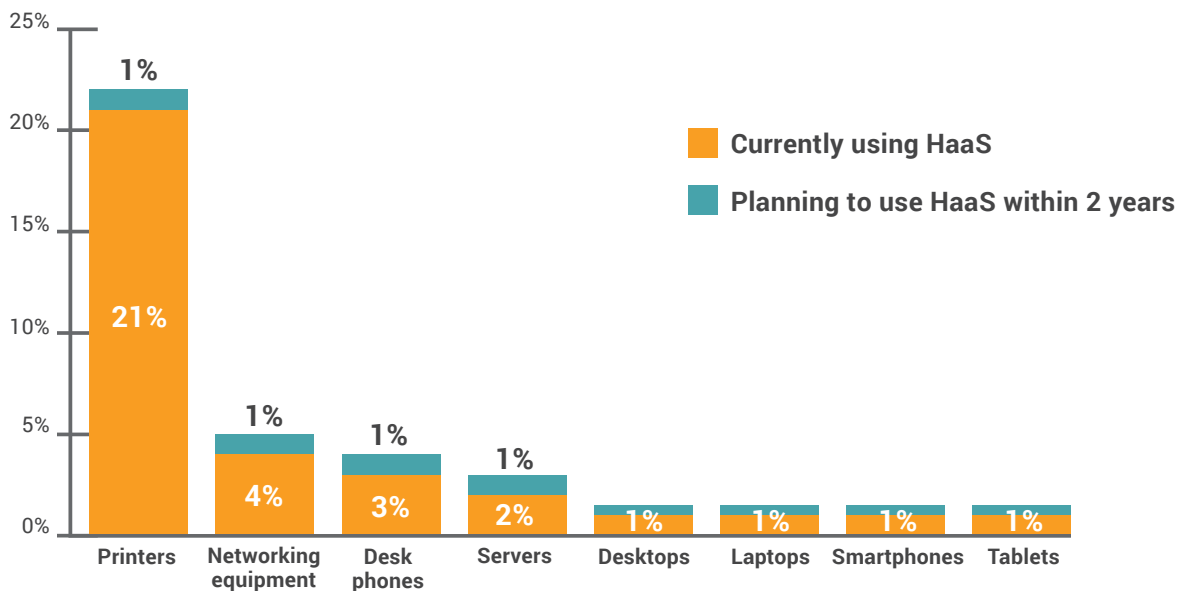
In fact, 40% of organizations currently lease printers in the workplace, while less than 10% lease other types of hardware, such as servers (8%), networking equipment (8%), desk phones (7%), desktops (6%), laptops (6%), smartphones, (5%), or tablets (3%).

IT pro Eric Berry, offers an explanation as to why this might be the case: "Diagnosing printers, ordering parts, and installing said parts, can take up hours upon hours of time when that could be better spent on almost anything else."

HaaS Adoption by Device

But among the 48% of organizations that lease hardware, how many manage all their leased hardware in house and how many use the HaaS model, where leased hardware is managed by a third party? As of now, it's a 50/50 split. Currently, 24% of businesses manage all leased hardware in house, and 24% subscribe to the HaaS model for at least one type of device.

HAAS ADOPTION BY DEVICE
(Among all businesses)

Legend:
- Currently using HaaS
- Planning to use HaaS within 2 years

Device	Currently using HaaS	Planning to use HaaS within 2 years
Printers	21%	1%
Networking equipment	4%	1%
Desk phones	3%	1%
Servers	2%	1%
Desktops	1%	
Laptops	1%	
Smartphones	1%	
Tablets	1%	

At the device level, our data shows that apart from printers, HaaS adoption is still in its infancy among organizations of all sizes. Currently, 21% of organizations subscribe to the hardware-as-a-service model for printers, which have been available under the HaaS model longer than many other types hardware. But less than 5% subscribe to HaaS for other end user devices, such as desk phones, desktops, laptops, and tablets.
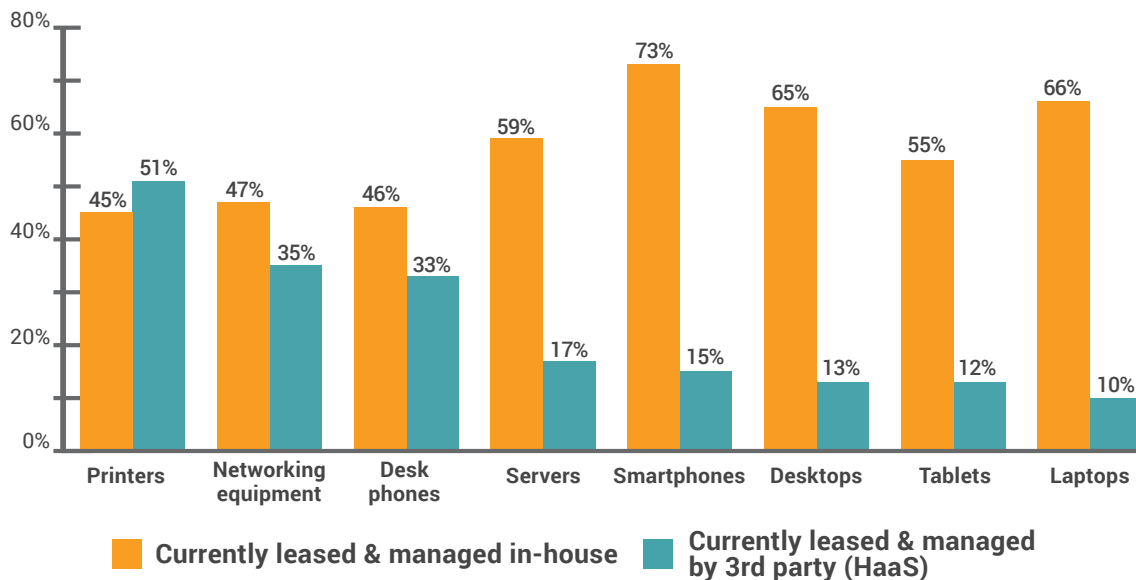
Our data also suggests overall growth of HaaS adoption will be relatively flat over the next couple of years. However, if we take a closer look at businesses that already lease hardware, we expect to see an incremental increase in adoption as some switch from traditional leasing to the HaaS model, where devices are managed by a hardware manufacturer or MSP.

HaaS Adoption Among Businesses that Lease Hardware

Already, half of businesses leasing hardware subscribe to the HaaS model for at least one type of device. And over the next 2 years, an additional 6% of organizations leasing hardware plan to adopt the HaaS model.

Breaking the numbers down by device, our data shows 51% of organizations leasing printers have them serviced through the HaaS model. Not too far behind, about a third of organizations leasing networking equipment and desk phones also use the HaaS model to service them. However, the scale tilts more in favor of traditional leasing for smartphones, laptops, desktops, servers, and tablets
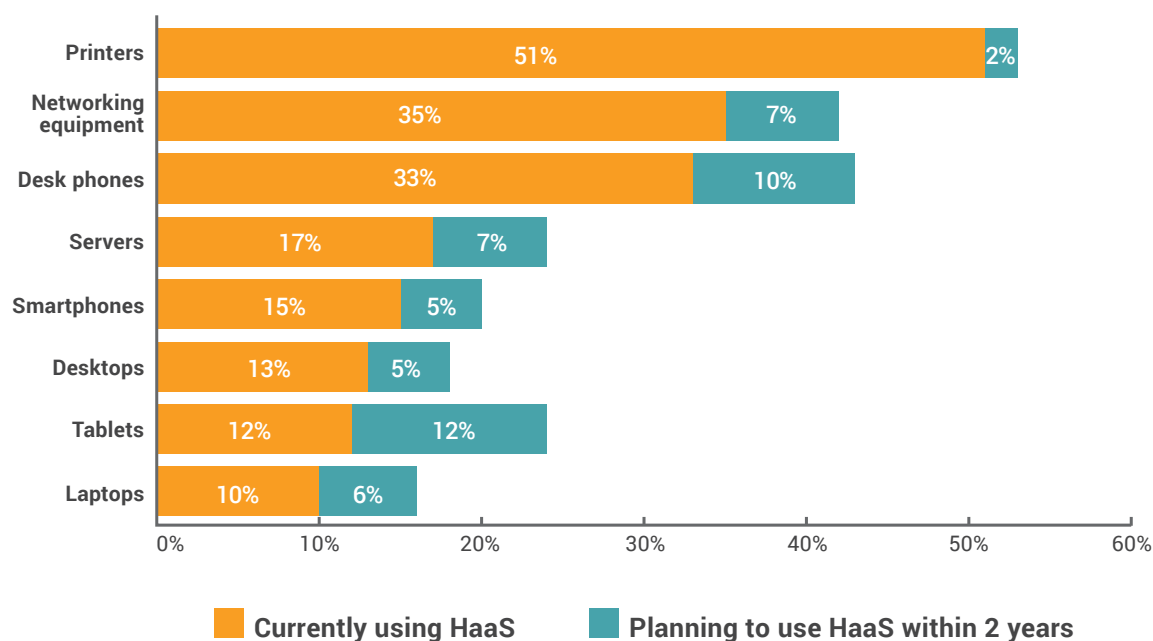
LEASED HARDWARE: MANAGED IN-HOUSE VS MANAGED BY THIRD-PARTY (HAAS)
(A breakdown among businesses leasing each device)

	Printers	Networking equipment	Desk phones	Servers	Smartphones	Desktops	Tablets	Laptops
Currently leased & managed in-house	45%	47%	46%	59%	73%	65%	55%	66%
Currently leased & managed by 3rd party (HaaS)	51%	35%	33%	17%	15%	13%	12%	10%

We also examined how HaaS adoption will grow at the device level specifically among companies that already lease hardware, where we expect to see a gradual shift from traditional leasing to the HaaS model.

According to our data, 12% of organizations that lease tablets use the HaaS model to service them today, and that figure is expected to increase to 24% by 2020. Additionally, 10% of organizations that lease laptops use HaaS to service them today, and that number is expected to grow to 16% by 2020.

HAAS ADOPTION AMONG BUSINESSES THAT LEASE HARDWARE
(Among businesses leasing or planning to lease each device)

Device	Currently using HaaS	Planning to use HaaS within 2 years
Printers	51%	2%
Networking equipment	35%	7%
Desk phones	33%	10%
Servers	17%	7%
Smartphones	15%	5%
Desktops	13%	5%
Tablets	12%	12%
Laptops	10%	6%

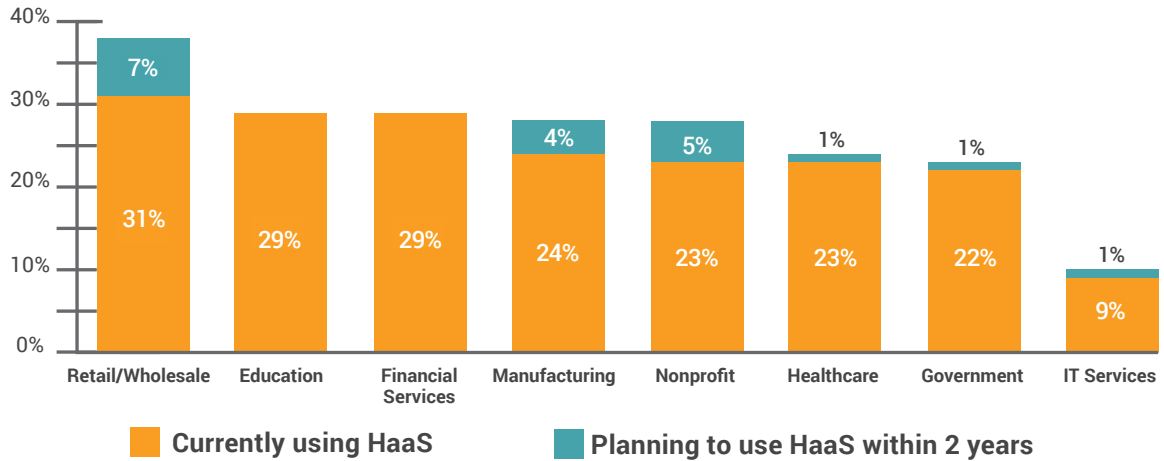**■ Currently using HaaS**   **■ Planning to use HaaS within 2 years**

HaaS Adoption by Industry

We also looked at how HaaS adoption varies by industry. We discovered that among all organizations, retail/wholesale organizations are most likely to use the HaaS model, perhaps because retail locations are often spread out geographically, which could make it difficult for internal IT teams to service more remote locations. Currently, 31% of retail/wholesale organizations use the HaaS model for one or more types of devices (compared to an overall 24% average), and an additional 7% of retail businesses plan to adopt HaaS within the next 2 years.

It's also worth noting that 29% of organizations in education and financial services are currently using the HaaS model. On the other end of the spectrum, IT service organizations, which specialize in supporting business technology, reported the lowest adoption of the HaaS model, likely because they have the resources to manage their own devices in house.

ADOPTION OF HAAS BY INDUSTRY
(Percent of businesses using or planning to use HaaS for one or more types of devices)

Industry	Currently using HaaS	Planning to use HaaS within 2 years
Retail/Wholesale	31%	7%
Education	29%	
Financial Services	29%	
Manufacturing	24%	4%
Nonprofit	23%	5%
Healthcare	23%	1%
Government	22%	1%
IT Services	9%	1%

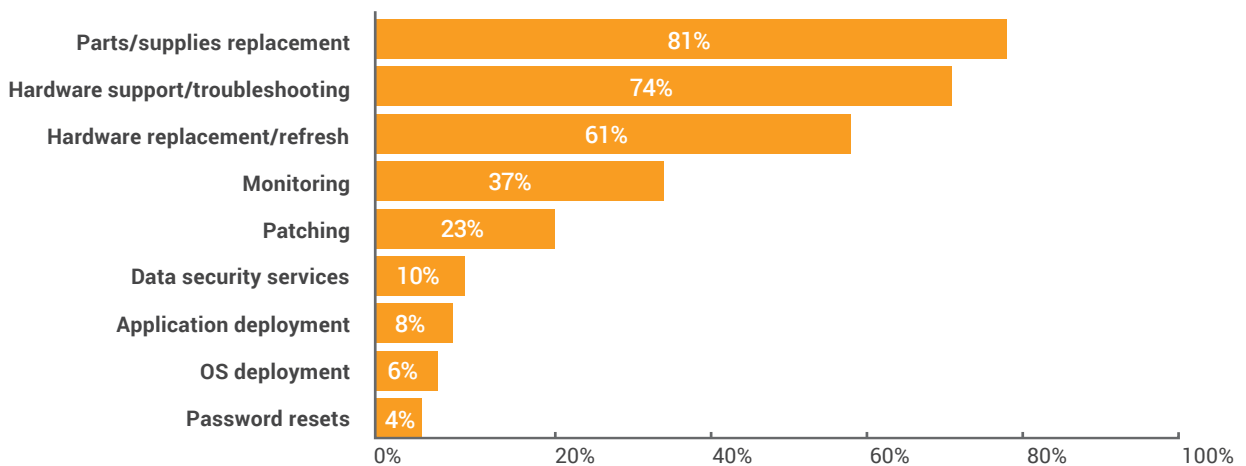■ **Currently using HaaS**   ■ **Planning to use HaaS within 2 years**

Most Common Services in the HaaS Model

We now understand hardware-as-a-service usage by device and industry. So let's look into which services businesses are most commonly subscribing to through the HaaS model. Our data shows part replacement, hardware support and troubleshooting, and hardware replacement and refresh services are most common.

About a third of organizations also receive monitoring services, and nearly a quarter receive patching services through HaaS. But other offerings, such as data security services, application and OS deployment, and password resets, are much less common.

MOST COMMON SERVICES INCLUDED IN HAAS SUBSCRIPTIONS
(Among businesses currently using HaaS)

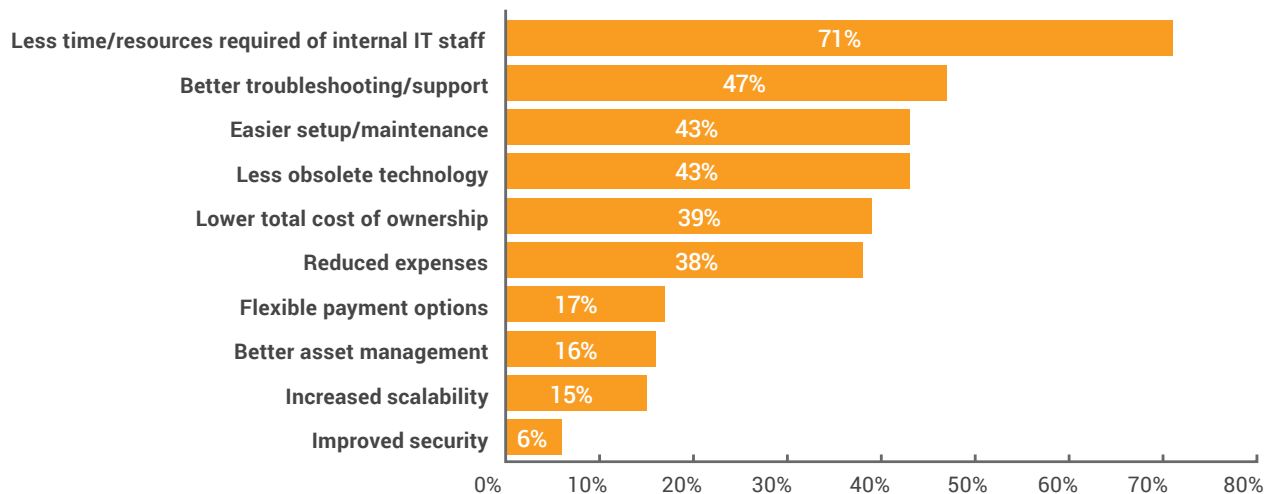| Service	Percent
Parts/supplies replacement	81%
Hardware support/troubleshooting	74%
Hardware replacement/refresh	61%
Monitoring	37%
Patching	23%
Data security services	10%
Application deployment	8%
OS deployment	6%
Password resets	4%

Benefits vs. Barriers to HaaS Adoption

To understand why organizations are adopting hardware-as-a-service (or not), we asked IT decision makers to share insights on the pros and cons of the model. Among businesses using HaaS, 71% said it helps reduce the support burden on internal IT staff — making it the top benefit.
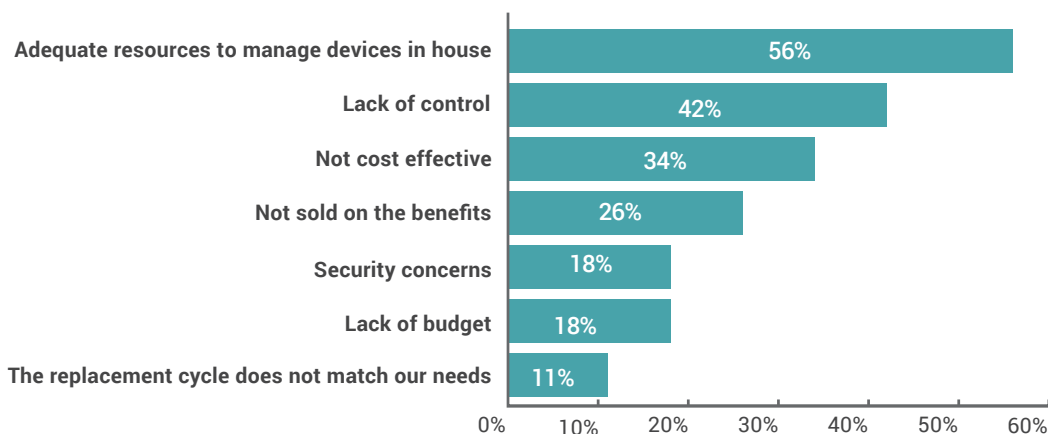
Additionally, nearly half of businesses said HaaS provides improved troubleshooting and support, easier setup and maintenance of devices, and a reduction in the amount of obsolete technology in the workplace. Nearly 40% also said using HaaS led to a lower total cost of ownership for devices and reduced expenses.

TOP BENEFITS OF HAAS ADOPTION
(Among businesses currently using HaaS)

Benefit	Percentage
Less time/resources required of internal IT staff	71%
Better troubleshooting/support	47%
Easier setup/maintenance	43%
Less obsolete technology	43%
Lower total cost of ownership	39%
Reduced expenses	38%
Flexible payment options	17%
Better asset management	16%
Increased scalability	15%
Improved security	6%

However, among businesses that don't use HaaS, 56% say it's because they already have the resources to manage their devices in house. Other top reasons for not subscribing to HaaS include concerns about giving up control over their hardware, and concerns about cost effectiveness (or lack thereof). And more than a quarter of businesses simply aren't sold on the benefits of the HaaS model.

TOP REASONS BUSINESSES ARE NOT USING HAAS
(Among businesses that don't have any HaaS subscriptions)

Reason	Percentage
Adequate resources to manage devices in house	56%
Lack of control	42%
Not cost effective	34%
Not sold on the benefits	26%
Security concerns	18%
Lack of budget	18%
The replacement cycle does not match our needs	11%

At first, it might seem contradictory that some organizations say HaaS results in cost savings, while others report it isn't cost effective. However, we should keep in mind that organizations are on different timetables for replacing hardware, with some opting to replace their devices every few years and others holding on to hardware for much longer. The HaaS model is likely considered more cost effective among businesses that opt to replace their devices frequently, but not necessarily among penny-pinching organizations looking to run older hardware for as long as possible.

HaaS Buyer Perceptions

We also examined general perceptions of HaaS among IT decision makers to better understand what hurdles tech vendors and MSPs need to overcome to further drive adoption of the model. Some of the feedback we got is promising. For example, 56% of IT professionals believe HaaS enables the IT department to focus on more strategic projects, and only 17% believe it puts IT jobs at risk.

But other feedback is less favorable for those looking to sell HaaS. Nearly two-thirds of IT pros believe communal hardware, such as printers, make more sense for HaaS than end-user devices. Additionally, nearly 30% believe HaaS only makes sense for larger organizations. Finally, only 19% of IT pros believe HaaS can offer better-quality devices at a lower price.

In order to succeed and drive higher levels of adoption, HaaS providers will need to address these concerns by educating potential buyers on the benefits of hardware-as-a-service and why their offerings make financial sense for different types of devices, budgets, and company sizes.

On why leasing options like HaaS aren't a fit for his organization, IT pro Patrick Cawsey, stated: "I love the idea of leasing hardware, even to the point where I would happily do it with user machines on a three or four year cycle to avoid the pain of selling old equipment when we're done with it. However, the cost of leasing I've been presented with is just too high to make it worth not actually owning the hardware."

Future HaaS Growth Opportunities

In conclusion, the IT leasing and financing market is estimated to be a $234 billion industry (and growing), so even small shifts in buyer behavior can add up. Our data suggests that among businesses leasing hardware, we're poised to see a subtle 6% shift from traditional leasing to HaaS within the next two years.

HaaS providers, including hardware manufacturers and MSPs, have already found success focusing on particularly troublesome devices like printers, where anecdotally, the economics of leasing printers are often cheaper than owning.

So what's the best path forward for HaaS providers? They'll likely have the most success targeting businesses that are already sold on the leasing model in addition to businesses that lack the manpower or geographic reach to adequately service devices in house.

HaaS also makes financial sense for organizations that replace devices on a regular cadence, but providers must realize that more frugal businesses, which often run their hardware until failure, still aren't as sold on the benefits. Why? Perhaps because workstation devices like laptops and desktops haven't changed dramatically in recent years, so there's not necessarily a "killer feature" incentivizing penny-pinching companies to upgrade their hardware to the latest and greatest, especially if their older devices still work just fine.

In other words, in the absence of a strong driver to continuously update hardware for end user workstations, HaaS providers will need to find other ways to entice and incentivize businesses to adopt the hardware -as-a-service model, perhaps by tiering offerings or bundling more services to add more value to buyers who are price sensitive.

Want to apply these trends to your marketing strategy?

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Methodology

The survey was conducted in January 2019 and included 1,115 IT buyers in Spiceworks. Respondents represent organizations in North America (77%) and Europe (23%) across a variety of company sizes, including 31% from small businesses (1 to 99 employees), 57% from mid-size businesses (100 to 999 employees), and 12% from enterprises (1,000+ employees). Respondents also represent a variety of industries, including education, healthcare, nonprofits, government, finance, retail, construction, manufacturing, and IT services.

About Spiceworks

Spiceworks is the marketplace that connects the IT industry to help technology buyers and sellers get their jobs done, every day. The company helps people in the world's businesses to find, adopt, and manage the latest technologies while also helping IT brands build, market, and support better products and services. Founded in 2006 and headquartered in Austin, Texas, Spiceworks empowers people to use technology to make their organizations, their communities, and the world better.

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