



Evaluating Third-Party Hardware Maintenance:  
Still Unfamiliar with the Benefits of Third-Party  
Hardware Maintenance for OpEx Reduction?

## White Paper Purpose

As you begin to more closely consider third-party hardware maintenance, a great place to start is with an understanding of the top two most frequently asked questions:

1. How can you be so much less expensive than the OEM?
2. Do reduced costs imply inferior service or reduced service quality?

This paper is specifically written for those IT decision makers or IT procurement members unfamiliar with the third party maintenance industry and this industries' potential for dramatic impact upon hardware OpEx (operating expenses). Any company, or industry, under executive mandates for IT cost optimization should be familiar with third party hardware maintenance.

## How is it possible that third party maintenance costs so much less than OEM hardware support?

Although Gartner market analysis shows that 71% of Fortune 100 companies are using third party maintenance for post warranty hardware (Christine Tenneson, Gartner [Doc. ID G00327730]), this question remains very popular. It is "cost" that captures the attention of data center decision makers and senior procurement professionals. Because lower costs do not always connote service quality, third party maintainers are notoriously shy to lead with it and imply lesser value. But, as long as interested data center decision makers offer the patience to hear a two-part message ('better cost, with no sacrifice to quality'), this common question can be answered simply.

OEMs (Original Equipment Manufacturers) have to build a substantial infrastructure to accommodate R&D, product development, marketing and sales. This infrastructure costs a great deal to build and to maintain. Imagine all that goes into the necessary infrastructure to build out one platform family, with a group of associated models that address market demand for capacity, speed and price:

- Research & Development
  - Business intelligence and market analytics for demand trends, competitive trends
  - Hardware, software, OS, security – design, engineering, market testing, tooling, assembly, testing, quality control
  - Ongoing security patches/fixes, replacement parts inventory/availability
  - Strategy and prep for "next platform" launch, with timing considerations to drive revenue peaks that address demands of the stakeholders – often (publicly traded) shareholders.
- Layers of expensive middle management
  - Strategy, strategy, strategy
  - HR – hiring and retaining talent
  - Managers to manage the managers
- Marketing costs
  - Expensive venues that cannot fall short on market awareness for new products and their features
  - Marketing staff that consider every venue to ensure full market penetration across every venue

Typically a public company, the OEM is driven to please the financial interests of the stakeholder and failure is not an option. Therefore, development, expert staffing and promotion are very expensive. While your hardware assets are under warranty, these costs are passed along to companies that buy the new technology and these same costs are somewhat "amortized" across the warranty of those products, with profit margins consistent to the requirements of the board of directors and shareholders.

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*At times, as you might imagine, you are paying MORE than your fair share of the cost to develop. Think about this: you may even be paying for infrastructure and strategies that limit your options, or force you to accept the next tech refresh.*

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Here are a few key considerations to help understand the difference between OEM hardware support costs and TPM (Third Party Maintainers) costs:

- The very “essence” of the support you receive from an OEM is getting you to pay for great technology and keeping you as a customer. In our opinion, that is a respectable business model. For most in our industry, we would readily admit that most of the OEMs consistently build excellent technology. Building and deploying leading-edge technology is expensive and it must be recouped somewhere – some comes from the initial capital expense, but more comes from the support expense during that warranty period.
- Now, let’s consider the typical third party hardware maintainer. They don’t have anything close to the R&D expense, nor the layers upon layers of middle management and marketing expense they are trying to recoup. Most TPMs will offer support costs that range 40-70% less than OEM costs. It sounds almost too good to be true.

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*The typical TPM is NOT hard-wired to efficiently move you into the newest technology. The TPM has nothing to do with the tech refresh treadmill, nor are they trying to recoup the costs of the expensive infrastructure which is necessary to technology development.*

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- The traditional TPM is hard-wired to provide GREAT support AND save you money. Clients new to TPM support are often very surprised to discover even better service – citing responsiveness, approachability and flexibility.
  - In September 2015, IDC analyst, Rob Brothers, published a report named, “Third-Party Maintainers and the Enterprise Datacenter: Still Gaining Ground” [[Doc # 258887](#)]. In the article summary, “Enterprise customers have made it very clear they will utilize third-party maintainers and not just for cost savings,” says Rob Brothers, VP, Software and Hardware Support Services at IDC. “The easy-to-do-business aspect they have eluded to in the survey is surely a compelling differentiator.”

As with any business tools (or personal tools), upon the expiration of the warranty, you’re likely to more deeply consider ongoing maintenance and support alternatives (to the manufacturer) to reduce your costs and keep these items running. However, aside from price, your priorities are to find alternative providers that are highly skilled, helpful and consultative. You’re likely seeking proven expertise and consistency in service quality. Price isn’t typically your only consideration.

## **At such reduced pricing, shouldn’t I believe the OEM that is planting “seeds of concern” about service quality from a TPM?**

Your auto dealership does the same thing, trying to retain the support revenue from going to your trusted local mechanic once your car is beyond its warranty.

In the TPM industry, we’ve adopted an acronym for this OEM strategy...to spread Fear, Uncertainty and Doubt – what we call, “F.U.D.” Pronounced like Elmer “Fudd,” but lacking in any of the charming qualities of the cartoon character.

What does it REALLY take to provide great service quality?

- **Smarts:**
  - Dedicated field engineers cross-trained in “break/fix” across multiple platforms
  - Level 3 or Level 4 engineers, on-call 24x7, available for remote support to onsite FEs
  - Technical team members that are approachable, willing to educate and patient
- **Parts:**
  - Local or onsite availability of commonly failing parts
  - Parts sparing methodology that addresses mission critical parts and local availability
  - Logistics and contingency options to get parts onsite, no fail, to meet SLAs
  - Legal parts that are tested and quality-assured before they are brought onsite
- **Call Home (Remote Support Facility – RSF):**
  - Tools necessary for the automatic alerting of client staff and dedicated TPM teams to the rapid awareness of an issue with any hardware asset – 24x7x365.
  - Collected intelligence regarding predictive failure codes or codes that indicate cascading failures
- **Infrastructure to meet and exceed SLAs:**
  - Multiple and simple technology options to initiate or track incident tickets
  - Technology options to initiate “other” requests
  - Portal access to review history of any one serial number for trending analytics
  - 24x7x365 call center, fully staffed with the tools necessary to drive next step action on behalf of the service delivery team
- **Service-driven attitude that makes the OEM appear Neanderthalian in comparison:**
  - Invoicing as you like, no fail
  - Sales and solutions personnel driven ONLY to save your company more money or support any logical directive
  - For hardware assets not under a support contract, “Fix it now, ask questions later” to ensure uptime and that your productivity goals are met
  - Flexible SLA options
  - No painful additions/deletions to existing support agreements
  - ...And the list goes on and on

The list above is not-at-all impossible – or near as impossible as the OEM would like you to believe. Their “seeds of concern” are downright silly to those TPMs which have been in business for 25+ years and established a global client base.

For those companies among the 71% of Fortune 100 companies already using third party maintenance providers, OEM F.U.D. no longer has any merit. Even more, Service Quality on post warranty assets is a benchmark set by the TPM industry – that the OEM will never agree to match.

Properly servicing your post warranty assets hold more importance to most TPMs than your warrantied assets hold to the OEM. That may sound like incredible conjecture; however, the TPM does only one thing. And, they must do it very well! Ours is an industry where trust must be earned.

### Additional & Related Reading

1. ["CIO/CTO Evidence: Enterprise Trends in Hardware Lifecycle Extension Strategies"](#)
2. ["CIO/CTO Evidence: Financial Impacts from Hardware Support Strategy Remodeling"](#)

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#### **Mark Havens, Vice President, Sales & Marketing, SSCS**

This year will be Mark's 23rd year with SSCS Global IT Services. Beginning in sales, he was promoted to Vice President, Sales & Marketing, now responsible for all global sales activities, brand recognition, inbound/outbound marketing and primary messaging. In his previous employment in management with Ritz Carlton, Mark was highly influenced by their industry-leading customer service program, as influenced by the standards of the Malcolm Baldrige quality awards.

In his spare time, Mark is engaged in numerous activities with his daughter, plays the bass guitar and is a vocalist with a band and his church choir.

Connect to [Mark at LinkedIn](#).

### Additional Information

For more information about SSCS's third-party hardware maintenance solutions, please visit us at: [www.sscs.com](http://www.sscs.com) or call +1.800.833.8223