A Forrester Consulting
Thought Leadership Paper
Commissioned By Curvature

August 2015

Third-Party Maintenance Services Extend To Network Equipment

Not Only Can Third Parties Lower Costs, But They Will Extend The Life Of Your Capex Investments

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Executive Summary

Historically, customers have made widespread use of third-party maintenance services for enterprise servers. They are extending the model to other technologies, including appliances and, increasingly, enterprise applications. Network devices are the next frontier of third-party maintenance services. Customers often overlook potential value-add from third-party maintenance services for their network devices, in part due to misunderstandings of the nature of the services, as well as adherence to internal sourcing and approval processes that limit their applicability.

In May 2015, Curvature commissioned Forrester Consulting to evaluate third-party network maintenance services. Then to further explore this trend, Forrester developed a hypothesis that tested the assertion that third-party maintenance services are a growing feature of the IT landscape but are currently underutilized for network devices. While enterprises recognize the opportunity and financial value of using third-party maintenance services for network equipment, aligning internal organizations and processes is a barrier to wider adoption.

In conducting in-depth surveys with 100 IT managers involved in network and data center equipment maintenance services decisions, Forrester found that respondents utilizing third-party maintenance services experience benefits including but not limited to cost savings and extending the operational life of equipment beyond anticipated refresh timelines.

KEY FINDINGS

Forrester's study yielded three key findings:

- **While significant, cost is not the only driver for use of third-party maintenance services.** Seventy-seven percent of IT managers turn to third-party maintenance service providers due to an inability of original equipment manufacturers (OEMs) to respond rapidly to changing business needs. And 78% of IT managers are influenced by the ability to employ equipment for its entire useful life.
- **Most of those working with a third-party maintenance service provider would likely recommend that provider to another organization.** More than half of those respondents using third-party maintenance services would recommend them to other organizations, suggesting that the varied objections to their use are surmountable and that third-party maintenance service suppliers are capable of delivering high-quality service.
- **The only single objection to third-party maintenance services expressed by a clear majority of IT managers is the impact of having to manage multiple vendors**. Yet expectations of financial benefits are held by a higher percentage of responding managers. Technology managers envision a range of potential objections to using third-party maintenance, but no single objection is shared by a clear majority of respondents. By contrast, expectations of financial benefits are held by a high percentage of responding managers.

The Third-Party Maintenance Market Is Poised For Growth

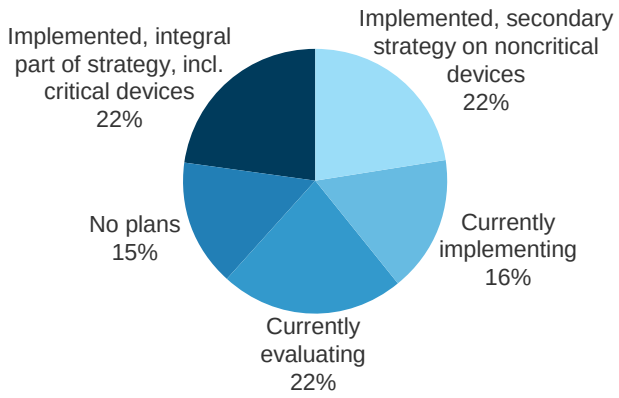
Businesses seek service providers for many reasons. Some seek external partners to provide needed expertise; others are looking for access to cutting-edge technology. Our study found that:

- **IT managers are using third-party maintenance service providers to support data center appliances, servers, and storage.** More than 25% of IT managers reported that third-party providers are an integral part of their maintenance services for data center appliances, storage, and servers. An additional 13% to 15% implement third-party maintenance services as a secondary maintenance strategy on noncritical devices. Many other IT managers are evaluating third-party maintenance for the future.
- **Third-party maintenance for network devices is poised for growth.** Sixty percent of IT managers reported that they are currently using third-party maintenance service providers for their network routers, switches, and other networking equipment. While 22% are using third-party maintenance services as an integral part of their strategy for mission-critical devices, 22% are using third-party services as a secondary strategy on noncritical devices only (see Figure 1). IT managers reported they are using third-party maintenance providers as a secondary strategy more often on networking devices than they are on servers, storage, or data center appliances.
- **Several factors aside from lower costs drive IT managers to third-party maintenance.** The majority of IT managers agree that lower costs are the leading factor influencing them to use third-party maintenance services; however, they aren't the only driver. More than 75% of respondents are driven by the inability of their OEM to respond rapidly to changing business needs, and 78% are influenced by the ability to employ equipment for its entire useful life (see Figure 2). This allows for longer replacement cycles and deferred capital spending.
- **Those that use third-party maintenance services are highly likely to recommend those services to another organization.** Those already working with third-party maintenance providers must be happy with the benefits they are realizing, as 59% are somewhat or very likely to

FIGURE 1

Eighty-Two Percent Use Or Are Evaluating Third-Party Maintenance For Network Technologies

"What is your current or planned use of third-party maintenance services for network technologies?"



Base: 82 IT managers involved in network and data center equipment maintenance service decisions in companies using or considering third-party maintenance services

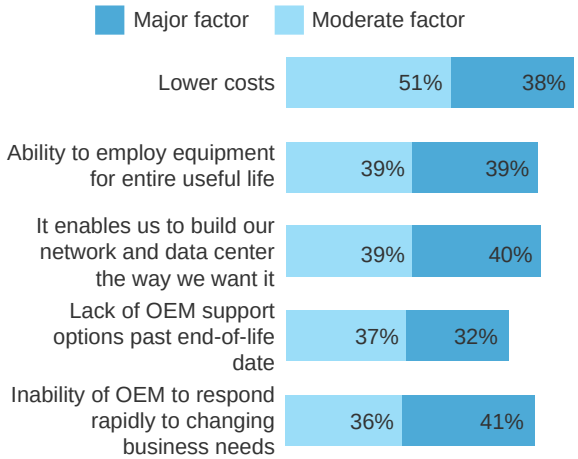
("don't know" responses not included)

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

FIGURE 2

What's Driving Use Of Third-Party Maintenance Services?

"To what degree do (or would) the following factors influence your organization's use of third-party maintenance services?"



Base: 100 IT managers involved in network and data center equipment maintenance service decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

recommend third-party maintenance to another organization.

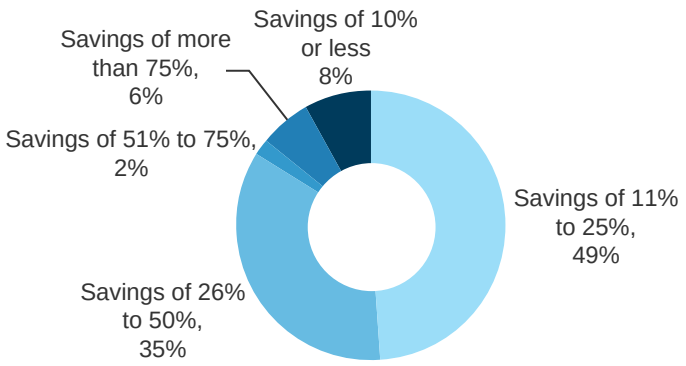
However, IT Managers Default To The Status Quo

Use of third-party maintenance services for network products has somewhat broad adoption as both a primary and secondary maintenance solution. When the cost savings are so clear, what other obstacles stand in the way of using third-party providers as a solution? Our study found a number of factors at play:

- **The prospect of large cost savings should motivate IT managers to switch from OEM maintenance, but they are hesitant.** For companies that are exclusively working with OEM partners and potentially considering moving to a third-party maintenance provider, 92% would be motivated to switch at a cost savings of 10% or more (see Figure 3). Experience with existing third-party maintenance offerings suggests that moving to a third-party maintenance provider can save a company as much as 15% to 20% or more. There are more than just cost implications when considering this move.
- **When IT managers consider moving to a third-party maintenance provider, many decision criteria come into play.** Price was cited by 91% of IT managers as the most important criteria when making the decision to use a third-party maintenance provider; however, the next most important decision criteria was the service-level agreement (SLA), reported by 84% of respondents. Half considered a single service contract for multiple vendors or countries to be important.
- **Perceived risks of staff resistance, possible switching costs, managing multiple vendors, and possible inferior service are common objections.** Possible objections to using third-party maintenance services include a variety of concerns relating largely to lack of familiarity with third-party maintenance services. IT managers at companies that have not used third-party maintenance services anticipate challenges, including managing multiple service providers (63%), inferior service (51%), switching costs (46%), and a lack of access to the latest OEM hardware (46%). Concerns about SLA fulfillment and security are also potential hurdles. (see Figure 4). Yet successful experience with third-party maintenance services by many enterprises in other domains indicates that such barriers are surmountable and are not limiting industry growth.
- **Different constituencies look at third-party maintenance differently.** As companies consider moving to a third-party maintenance strategy, the collaborative nature of the selection process brings quite a few stakeholders to the table. The IT and infrastructure organization is most likely to be involved in needs analysis, but budget approval is often driven by finance, procurement, and the CIO. Each of these stakeholders has different needs and concerns when considering third-party maintenance services. And while the IT department, including CIOs, tends to be in favor of third-party services, the legal team is most likely to be opposed to switching to third-party maintenance.[1] This is because the legal team may believe that working with a third-party maintenance provider opens the company up to security and SLA risks; however, this view is not shared by IT managers, as only two out of five respondents anticipate security as a concern in moving to third-party maintenance services.

FIGURE 3
Ninety-Two Percent Would Switch To Third-Party Maintenance For Savings Of 10% Or More

"What is your current or planned use of third-party maintenance services for network technologies?"

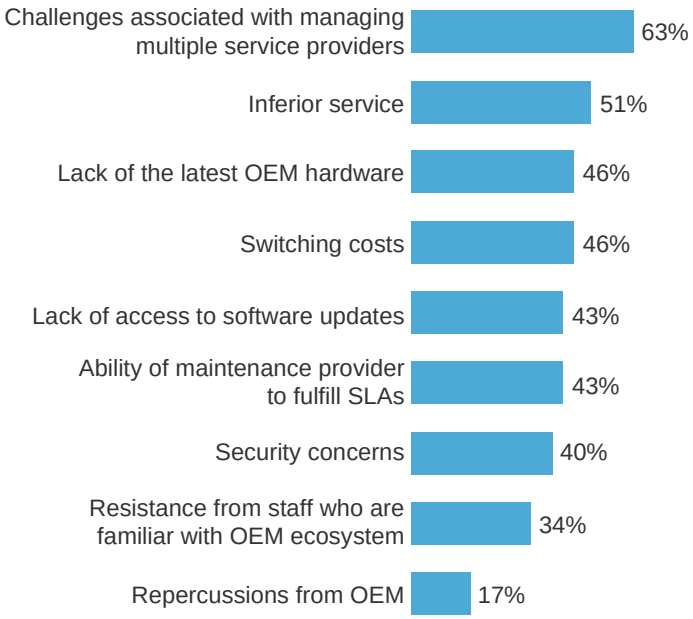


Base: 44 IT managers involved in network and data center equipment maintenance service decisions in companies not using third-party maintenance services

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

FIGURE 4
Nonusers Anticipate Challenges

"What issues/challenges do you and other stakeholders at your organization anticipate from moving away from OEM maintenance?"

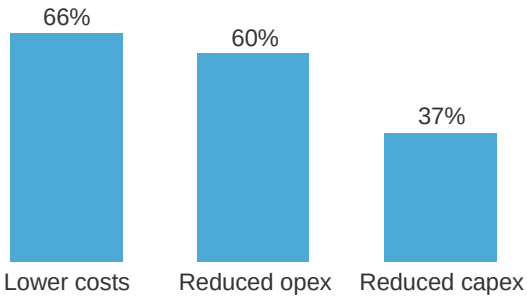


Base: 44 IT managers involved in network and data center equipment maintenance service decisions in companies not using third-party maintenance services

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

FIGURE 5
The Majority Anticipate Cost Savings

"What benefits do you anticipate from switching to third-party maintenance services?"



Base: 44 IT managers involved in network and data center equipment maintenance service decisions in companies not using third-party maintenance services

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

Customers Clearly Derive Benefits From Third-Party Maintenance Services

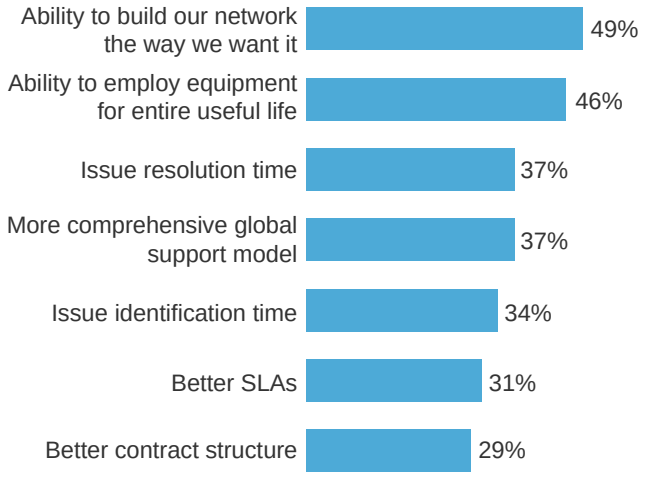
Despite reservations on the part of some stakeholders, technology managers expect that third-party maintenance services will yield financial benefits. More than half of respondents expect them to yield lower costs, while a similar percentage expects reduced operational expenditures. Just over a third of respondents expect that reduced capital expenditures will result from using third-party maintenance services. Our study found that:

› **Most IT managers anticipate cost savings.** Nearly two-thirds of IT managers in companies not using third-party maintenance services anticipate they will lower their costs by switching. Additionally, 60% expect a reduction in operating expenditures and 37% anticipate capital expenditures to drop as they are able to use equipment for its entire useful life (see Figure 5)

› **IT managers anticipate infrastructure and technology benefits, too.** Nearly half of IT managers in companies not using third-party maintenance providers anticipate that switching to a third-party provider will give them the ability to build their network the way they want to. And 46% anticipate being able to employ their equipment for its entire useful life versus retiring technology on a fixed replacement schedule often dictated by the OEM (see Figure 6).

FIGURE 6
Infrastructure And Technology Benefits

"What benefits do you anticipate from switching to third-party maintenance services?"

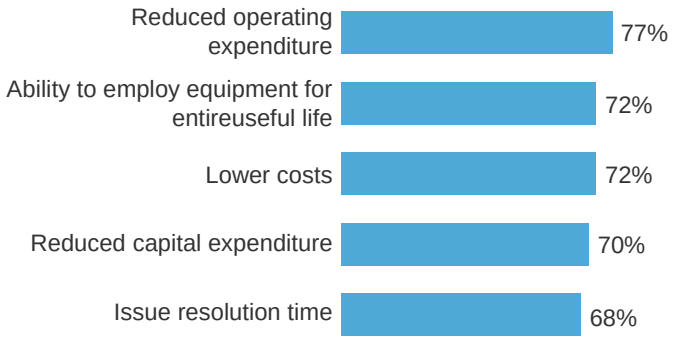


Base: 44 IT managers involved in network and data center equipment maintenance service decisions in companies not using third-party maintenance services

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

FIGURE 7
Majority Anticipate Cost Savings

"What level of improvement, if any, has your organization experienced as a result of switching to third-party maintenance services?"



Base: 56 IT managers involved in network and data center equipment maintenance service decisions in companies using third-party maintenance services

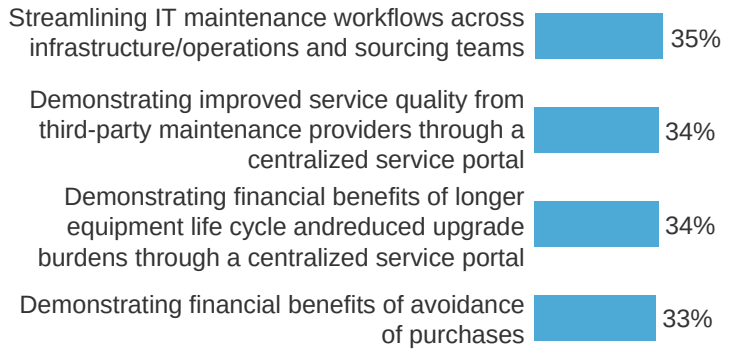
Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

- **Companies using third-party maintenance service partners are realizing benefits.** As third-party maintenance services are brought into a company, the realization of benefits is clear. More than 75% of IT managers reported reduced operating expenses, and 70% reported lowered capital expenditures (see Figure 7). Cost savings combined with a greater ability to use equipment for its entire life allows IT managers to make their IT dollar go further.
- **Key processes must change in order to realize benefits.** Companies must evaluate several processes to prepare for using third-party maintenance services. Forty percent of IT managers suggest revamping systems management processes, and 35% also believe that the hardware acquisition process should be changed. This suggests that existing procurement processes are an obstacle to optimal hardware-related purchasing practices, including use of third-party maintenance alternatives.
- **Aligning people is possible; however, some will need to look past their biases.** To ensure that teams see the benefits of implementing third-party maintenance services, IT managers must align people inside the organization. More than a third of IT managers recommend streamlining IT maintenance workflows across infrastructure/operations and sourcing teams. Some suggest demonstrating the improved service quality through a service portal while some encourage demonstrating the cost advantages of a longer life cycle for equipment (see Figure 8).

FIGURE 8

IT Managers Align People To Benefits Of Third-Party Maintenance

"How do you align your people so that they see the benefit of a third-party maintenance provider?"



Base: 100 IT managers involved in network and data center equipment maintenance service decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

Key Recommendations

Forrester's in-depth surveys with IT managers confirmed that third-party network maintenance services can provide financial benefits for the business. In addition, third-party network maintenance services do create IT efficiencies in multiple forms. To fully realize these benefits, IT decision-makers should take the following steps:

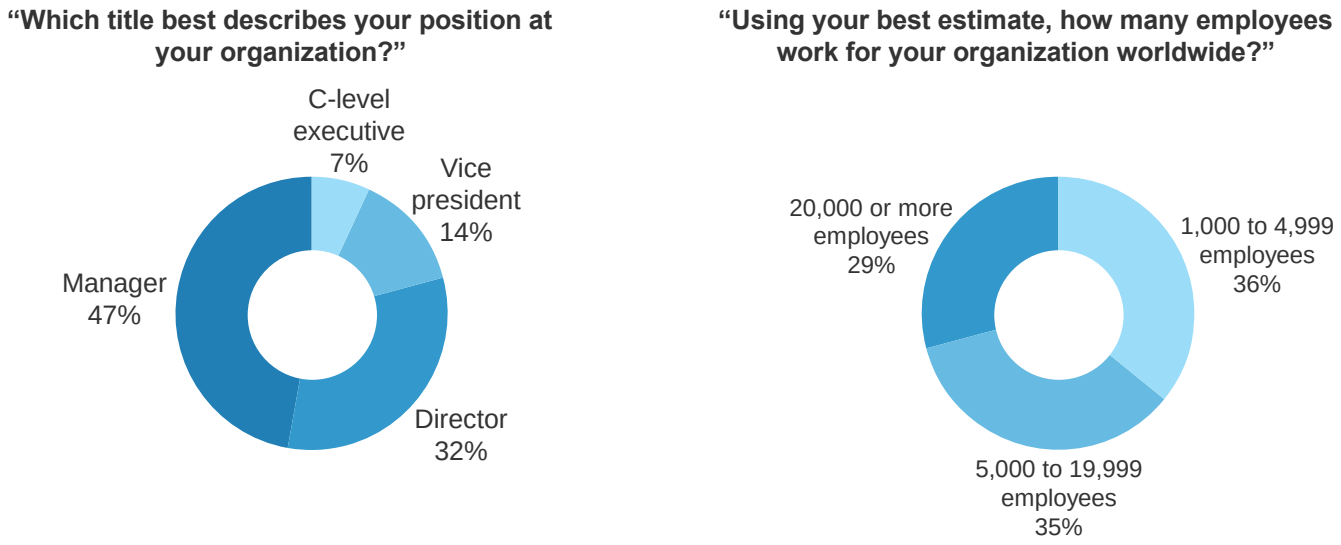
- **Pursue alignment across participating stakeholders.** Survey respondents said objections to using third-party maintenance suppliers come from various stakeholders and involve a variety of individual concerns. As in any potential technology acquisition, alignment across stakeholders in the sourcing process can help illuminate potential concerns and eliminate those that are unlikely to have an impact on technology management operations.
- **Change systems management and procurement processes to maximize flexibility.** Many survey respondents indicated that they would readily embrace third-party maintenance services if directed to do so by technology management. Many suggested that changing existing hardware procurement practices and systems management procedures would help smooth the path toward using third-party maintenance alternatives.
- **Understand and be able to articulate the financial benefits of including cost savings to your stakeholder set, but be ready to go beyond.** Cost savings, while important, are only one of the major objectives of technology management organizations. Increasing company revenues, improving the customer experience, and embracing greater organizational agility are also important goals. By extending the utility of equipment purchases and adding financial flexibility, third-party maintenance services can be a part of the answer to these goals.
- **Be strategic about maintenance, extending the life of existing investments.** Although often underappreciated, the abilities of third-party maintenance suppliers may assist customers in escaping the constraints of vendor-dictated equipment refreshment cycles, which can not only deliver cost savings but also minimize disruption to the technology management organization.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 100 organizations in the US with 1,000 or more employees to evaluate third-party maintenance strategies for network and other technologies. Survey participants included decision-makers in network and data center equipment maintenance services. Questions provided to the participants asked what drives them to third-party maintenance service providers, what benefits they realize, what challenges they face, and how likely they are to recommend third-party maintenance services to others. The study began in May 2015 and was completed in June 2015.

Appendix B: Demographics/Data

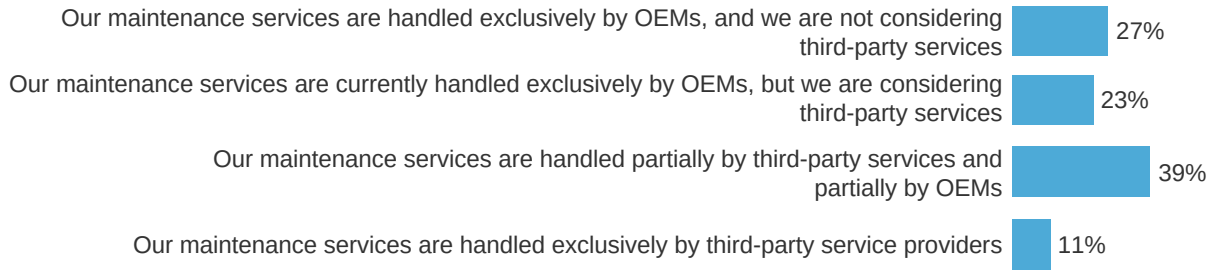
FIGURE 9
Job Title And Company Size



Base: 100 IT managers involved in network and data center equipment maintenance service decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

FIGURE 10
Approach To Network And Data Center Equipment Maintenance Services

"Which of the following describes your organization's approach to network and data center equipment maintenance services?"



Base: 100 IT managers involved in network and data center equipment maintenance service decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Curvature, June 2015

Appendix C: Endnotes

[1] When asked which of the following describes stakeholder attitudes, 17% of respondents reported the legal team was opposed to third-party services during the evaluation process, the highest percentage opposing.