

CURVATURE



5 Signs
Third-Party
Maintenance
is **Poised for
Growth**

Third-Party Maintenance Market is Positioned for Growth

1 Dissatisfaction with OEM Maintenance

Cost has continued to be one of the most important forces driving the growth of third-party services, but businesses wanting to utilize these benefits have also been motivated by dissatisfaction with OEM services.

More than 75% of IT managers are driven to third-party maintenance by the inability of their OEM to respond rapidly to changing business needs.¹

2 Third-Party Maintenance Cost Savings are Even Better than Expected

Third-party maintenance is gaining traction because enterprises who utilize this service are experiencing not only cost benefits in both CapEx and OpEx, but benefits in infrastructure and technology, equipment lifecycles, and the ability to build their network the way they want to.

The majority of IT managers agree that lower costs are the leading factor encouraging them to utilize the benefits of third-party maintenance providers.¹

4 Market Growth Reflects Customer Satisfaction

The third-party maintenance market is growing: organizations have always made widespread use of third-party maintenance for enterprise servers, but now the industry is increasingly observing further adoption in the data center. Moreover, the industry growth is being fueled by customer satisfaction.

Those that use third-party maintenance services are highly likely to recommend those services to another organization.¹

3 Ability to Customize Network

Organizations are making widespread use of third-party maintenance services by keeping their equipment for the entirety of its useful life, and in turn, dictating their own refresh cycles instead of being constrained by OEM end-of-life and end-of-support dates.

When asked about which factors influence use of third-party maintenance services, 78% of IT managers were influenced by the ability to employ equipment for its entire useful life.¹

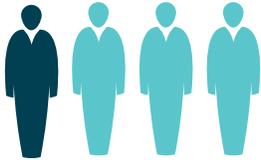
5 Re-evaluating Maintenance and Rethinking Secondary Hardware go Hand in Hand

In addition to the prevalence of third-party maintenance, a recent study from Gartner revealed that IT procurement professionals are increasingly evaluating pre-owned equipment resellers to reduce costs and extend the functional life of IT assets.³

This trend, combined with virtualization has led to a monumental shift in IT thinking: The decoupling of hardware and software encourages enterprises to keep their equipment for its full useful lifespan.

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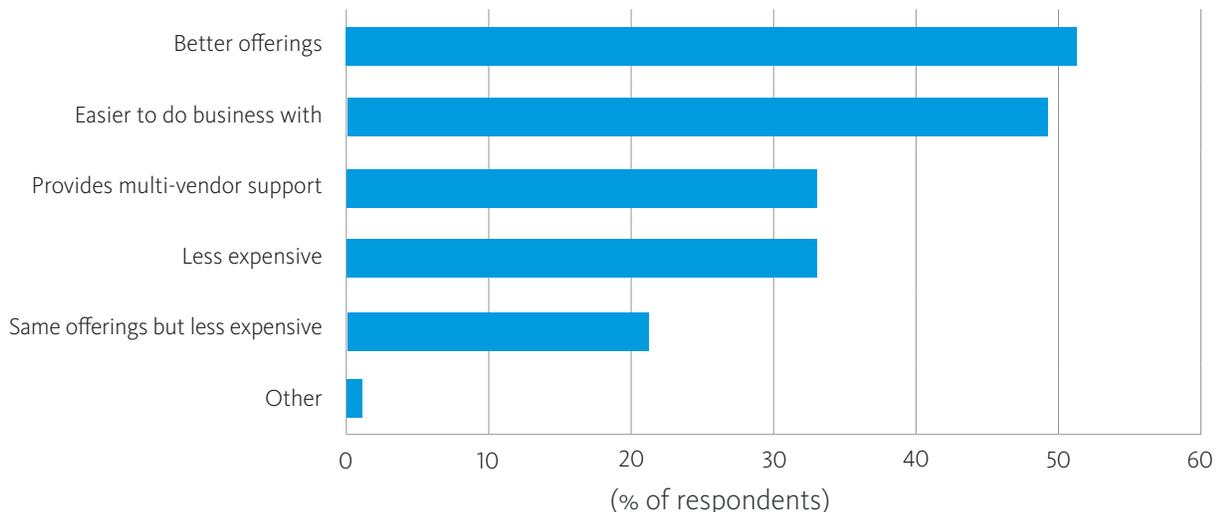
Customer frustration with OEM maintenance stems from a variety of issues, but IT leaders are dissatisfied with the frequent and early end-of-support and end-of-life dates, a lack of flexibility and personalized support advice, and the inability to consolidate multiple platforms.

In *Used-Hardware Resellers Offer Hardware and Support Cost Savings*, Gartner details some of the personalized support and consultation third-party maintenance providers give clients by helping them evaluate and optimize support spend, usually at no charge.³

Third-party support often includes advice about:

- Which equipment can be optimized for longer life and which should be bought new
- Appropriate levels of coverage for all varieties of secondary hardware
- Scenarios in which on-site or depot sparing is the most useful alternative to maintenance agreement

Question: Why did you choose a third-party maintainer?



Source: IDC's Worldwide x86 Server Attach Rate Study, 2015

2 Third-Party Maintenance Cost Savings are Even Better than Expected

In *Third-Party Maintenance Services Extend to Network Equipment*, Forrester Consulting found that, for companies 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. This finding is certainly thought-provoking, especially considering Gartner has proven that, when a company switches to third-party maintenance, the ability to save 50% to 60% on OEM hardware contracts is typical, and for contracts with high density, it can be up to 85% savings.³ It's clear that while enterprises are aware of—and most often persuaded by—the impressive cost savings of switching to third-party maintenance, they are actually simultaneously underestimating how much they could save.



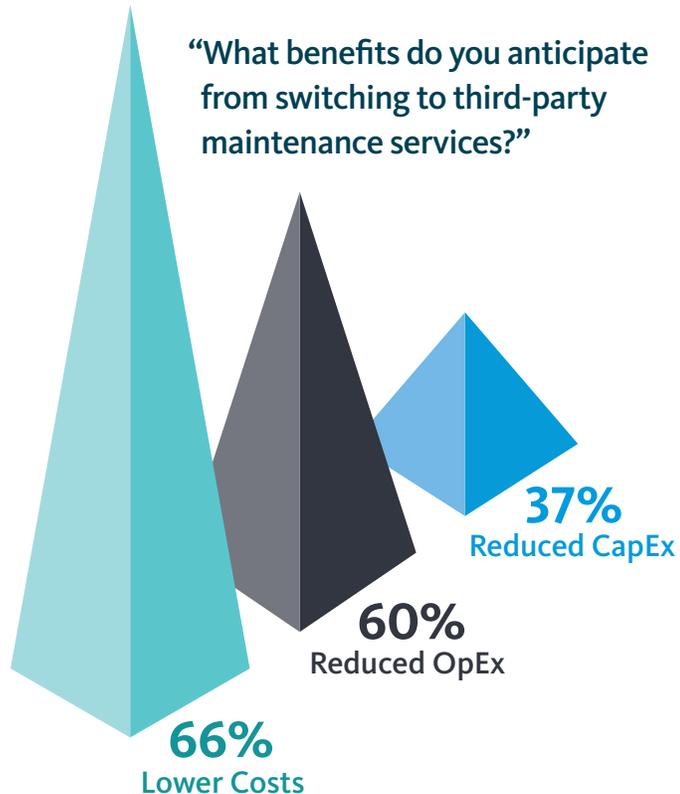
“By 2020, 80% of North American VARs will have active commission-based sales with at least one independent TPM.”⁴
- Gartner



“A global manufacturer of durable goods (electronics) invested in used hardware and related maintenance services for 1,600 devices to be used in 119 offices across 25 countries. The hardware and maintenance cost savings came to a combined total of more than \$4 million.”³

- Gartner

“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 service.

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

3

Ability to Customize Network

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When asked about which factors influence use of third-party maintenance services, 78% of IT managers were influenced by the ability to employ equipment for its entire useful life.¹

Additionally, nearly half of IT managers in companies not yet utilizing third-party maintenance anticipate that switching to this service will give them the ability to build their network the way they want to.¹ Having this ability to customize a network is crucial to most enterprises because it allows them to manage a hybrid approach to their infrastructure maintenance strategy and support contracts from any vendor.

The process of designing the most effective hybrid maintenance and support strategy from a third-party maintenance provider typically includes leveraging selective use of the third-party provider's network maintenance, traditional OEM support, and self-sparing to decrease ongoing costs without added risk.

4

Market Growth Reflects Customer Satisfaction

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“To achieve greater savings, some enterprises consider TPM support, especially for postwarranty data center equipment, or for networking equipment at campus or remote locations. Enterprise’s need to reduce capital expenditure (CapEx) spend in networking and data centers is a supporting factor to consider TPMs. Some enterprises consider the flexibility and customized support from TPMs as an advantage. Customers will often switch to TPMs when the original warranty runs out, rather than renew the OEM support contract, due to significant increases in OEM postwarranty pricing. Because of these trends, the TPM market is becoming of more interest to service providers.”⁴

- Gartner

5

Re-evaluating Maintenance and Rethinking Secondary Hardware go Hand in Hand

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BE INFORMED

Questions to ask a prospective third-party maintenance provider:

RESEARCH & ANALYST VALIDATION

- Is your company and maintenance program known in the analyst community?
- Can the analysts provide us with reports referencing your capabilities?
- Can the analysts or other third parties provide figures or data on the total economic impact working with you created?

CAPABILITIES

- Is your company truly global with distribution centers located around the world?
- Does your company have a follow-the-sun technical support offering available **24x7, 365 days a year**?
- Are you independent of OEM Partnership agreement(s) that prevent you from supporting or selling EoL equipment?
- Do you have a spare staged for every device that is under contract?
- Do you own the spared equipment?

QUALITY

- Is the equipment used to spare for your maintenance contracts full line rate load tested?
- Are your distribution centers and testing procedures certified to TL9000, ISO 9001:2008 standards, and is your organization C-TPAT certified?
- Will you provide either a virtual and or live tour of your facilities, contract and ticket management tools as well as testing procedures?

CONCLUSION

Gather the necessary stakeholders to implement this change:

Industry growth within third-party maintenance services reflects how more companies are realizing the benefits offered. **If organizations are considering changing their maintenance to third-party services, they should take the following steps:**

- ✓ **ALIGNMENT** Because different IT stakeholders tend to have varying concerns about switching maintenance providers, pursuing alignment across all of these individuals can help highlight concerns as well as eliminate apprehensions that are unlikely to have an impact on management operations.
- ✓ **CHANGE** Change existing hardware procurement practices and systems management procedures. Many survey respondents indicated that changing these systems would help smooth the path toward using third-party maintenance alternatives.
- ✓ **BENEFITS** Consider and be prepared to explain financial benefits of third-party maintenance, as well as benefits in infrastructure and technology, equipment lifecycles, and the ability to build their network as desired.
- ✓ **FLEXIBILITY** Consider the abilities of third-party providers to help organizations escape the constraints of vendor-dictated equipment refresh cycles. Especially with so many respondents citing dissatisfaction with OEM services, it's crucial to consider third-party services as a flexible provider, able to rapidly respond to changing business needs.



The third-party data center maintenance, third-party network maintenance and secondary hardware markets are coming together. With the exception of niche providers that strategically work only as a subcontractor to other TPMs, most providers in the space want to offer support across servers, storage and network. Today, there is more cross pollination between secondary hardware sales and TPMs.”⁴

- Gartner

About Curvature

Curvature is transforming how companies procure, maintain and upgrade equipment and support for multi-vendor network and data center environments. Founded in 1986, the company, formerly known as Network Hardware Resale, has become a trusted strategic partner for more than 10,000 organizations globally, including some of the largest telecommunications carriers, top financial services firms and Global 1000 organizations.

Based in Santa Barbara, Calif., the company specializes in delivering **24X7 global technical support**, advanced hardware replacement, and complete lifecycle management of networking and data center equipment from corporate locations in the Americas, Europe and Asia.

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¹ Forrester, 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 (Forrester TLP, (October 2015).

² IDC, Third-Party Maintainers and the Enterprise Datacenter: Still Gaining Ground (October 2015).

³ Gartner, Used Hardware Resellers Offer Hardware and Support Cost Savings (5 February, 2015).

⁴ Gartner Competitive Landscape: Leveraging Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization, North America (March 17, 2016).

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