



Common Misconceptions about IT Equipment Maintenance

Understanding the Benefits of Using Third-Party Providers

Both the technical sophistication and durability of computer equipment have dramatically improved over the past 20 years. Even so, some of the most important computer components, such as hard drives and circuit boards, do not last forever. As computer equipment ages, it is inevitable that certain parts will need replacement.

The Real Cost of Equipment

The issue of equipment age as it relates to business function is a topic that has two opposing perspectives.

The widely held belief is that equipment over three years old runs the risk of becoming obsolete and should be replaced. Part of this theory is based on the thought that the cost of repairing older equipment is greater than its depreciated value, meaning repairs do not make financial sense. As equipment ages, many Original Equipment Manufacturers (OEMs) stop building parts for older models, thus drying up part availability and increasing the risk and length of downtime, especially when a critical component such as a hard drive or motherboard fails.

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To Jim Olson, a CIO at Waterbury Hospital in Waterbury, Connecticut, the issue of parts availability for older equipment is a story he knows well. After a CPU on an IBM RS/6000 server that was running payroll went down and failed over to the backup CPU, he was left waiting as IBM flew in the part overnight. The part was not readily available because the server had been discontinued several years ago. Human resources had to put off non-critical transactions

until the faulty CPU was replaced, delaying essential HR tasks and impacting department productivity.

On the other hand, for some organizations keeping older equipment that is still meeting current needs makes good business sense. A knowledgeable staff that is proficient with older equipment and software means savings on both acquisition and training costs because when a piece of equipment is replaced, new software applica-

tions must be purchased as well. With the frequency of software upgrades, updates and version changes, having an older and more stable set of hardware and software means a lower operating cost. Often, keeping and maintaining existing equipment actually provides a higher return on investment.

The bottom line is that maintaining older hardware can be both rewarding and challenging . . . and one of the keys to maximizing benefits lies in the choice of an effective IT equipment maintenance program. To choose a maintenance program that best meets the needs of each organization, IT executives recommend that companies assess their in-house IT skills and those of a competent service provider to determine the level of risk in the event of a critical hardware failure, and to carefully evaluate the choice of service providers.

Two Approaches to Maintenance

For service maintenance support there are primarily choices: an OEM provider or a third-party service organization. Each has its advantages and disadvantages and it is important to evaluate each option, understand the underlying issues, dispel common myths and differentiate perception from reality in relation to each approach.

The Myths and Realities of OEM Maintenance

With an OEM or Original Equipment Manufacturer such as IBM, Dell, Sun Microsystems, or HP, each vendor maintains its own service divisions which are responsible for selling service contracts and providing maintenance to customers. Service is an important part of a vendor's revenues and profitability; and maintaining certain perceptions in order to support the service portion of their business model is critical to these OEMs. The most important perception that these companies seek to create is that service from the original equipment manufacturer is superior to third-party service. However, perception and reality are not always the same thing.

COST

Perception: *OEM service is competitively priced with most service providers.*

Reality: For an OEM, the revenue derived from annual renewals of maintenance contracts is an important part of profitability. In most cases, revenue from a service contract over the equipment's operating life typically exceeds the cost of delivering actual services. OEMs know that their brand carries a lot of weight and credibility with their customer base, especially once the customer has made a significant investment in their data center with that brand. As a result, OEMs know they can charge a premium for their service contracts.

The maintenance cost on OEM equipment gets higher as the equipment ages . . . which may be used as leverage to get the customer to purchase new equipment.

RESPONSIVENESS

Perception: *OEM service provides the fastest response to meet customer needs.*

Reality: When an OEM takes a service call, they will typically assign a designated level of importance, depending on the terms of the

contract and the extent of the problem. For example, a Level 1 call may only require a basic question answered, while a Level 5 call may require deploying an onsite service engineer to a customer site. In most cases, incoming service calls are routed to call center locations where assessing the problem can range from a matter of hours to a matter of days. The greater the number of steps involved in this process, the longer it will take to receive a resolution to the problem.

EXPERIENCE

Perception: *An OEM provides OEM-trained personnel to deliver maintenance services.*

Reality: Many IT managers believe that the service representative who arrives at their site to perform contract services is a well-trained, direct employee of the OEM organization. It is a common perception that this person is uniquely qualified to be working on the equip-

ment, and that a person from any other organization would not be able to perform at a similar level of service. In fact, while many OEMs do have their own internal personnel to perform onsite service, they usually reserve these employees for their largest customers. If For small or medium-sized firms, or for data centers with a mixture of brands, the OEM will often deploy an authorized third-party Value Added Reseller (VAR) or service representative to perform the work. This can create a false impression for customers since third-party representatives are authorized to wear OEM identification and pass themselves off as direct employees of the OEM.

CONFLICT OF INTEREST

Perception: *There is no conflict of interest when an OEM is servicing its own equipment.*

Reality: The maintenance cost on OEM equipment increases as the equipment ages. Because the OEM can only use their own parts to service their equipment, producing and inventorying these older parts becomes less desirable over time. Also, when an older part is needed, it usually requires a special order and the part must then be air freighted to the service location, increasing costs. As a result, the OEM will often encourage customers to purchase new equipment by convincing them the maintenance costs are too high.

The Myths and Realities of Third-Party Maintenance

Just as there are misconceptions about OEM service, many business customers have some mistaken ideas about third-party maintenance providers:

COST

Perception: *There is no significant cost advantage with third-party maintenance.*

Reality: Without an OEM name to market themselves, third-party providers price their services based on their actual cost without adding a premium for their brand or image. This almost always

In most cases a service contract with a third party provider is anywhere from 25 to 75 percent less than a comparable OEM.

means a significantly lower price than an OEM would charge—in most cases 25 to 75 percent less. Since many third-party providers use the same skill level engineers that OEMs deploy, a savvy business can obtain the same service resources for considerably lower cost.

Also, older equipment is less expensive to maintain and operate with a third-party service provider than with an OEM. Since third-party providers have access to a wider variety of resources for new and used parts, the on site services cost is lower. Indeed, the cost to repair older equipment becomes less expensive over time, due to the fact that as the equipment ages, there are a greater amount of parts available, making replacement and repair costs lower than with newer equipment. After the equipment reaches three years of age, this gap continues to widen.

RESPONSIVENESS

Perception: *A Third-Party Provider will take too long to determine the problem.*

Reality: Unlike an OEM, there are fewer layers of call screening and/or formal procedures to go through in a third-party organization in order to determine the nature and proper response to a service problem. With a smaller and more nimble organization, the problem can be escalated faster, a determination made more quickly, and an action deployed more rapidly. With a third-party provider, a customer can quickly speak to a technically proficient service engineer and get the problem resolved more rapidly. With a third-party service organization, it's not uncommon to find most problems resolved and systems up and running within a matter of hours (typically four or better), versus two or more days with an OEM.

EXPERIENCE

Perception: *Third-Party service technicians do not have the experience level of an OEM service provider.*

Reality: Actually, the service personnel working at a competent

third-party service provider will often have a higher level of experience than an OEM provides. Most of the personnel in these organizations come with an OEM background, and have worked for some of the largest hardware and enterprise system firms in the industry. They have the same level of training, exposure and hands-on experience as their OEM counterparts and many have as much as 10 to 12 years of experience working on the exact same equipment as their OEM counterparts.

Many third-party service providers have anywhere from 10 to 12 years of experience working on same equipment as their OEM counterparts.

Why would a trained service engineer work for a third-party provider rather than an OEM? For several reasons, including a desire to work in a more entrepreneurial environment, better compensation, more flexible hours, less bureaucracy, a higher likelihood of promotion, and/or a combination of some or all of the above.

Additional Benefits of Using a Third-Party Service Provider:

In addition to the points covered above, there are some added benefits to using a third-party service provider:

Single Source: Many large enterprise data centers include several different platform vendors necessary to perform required IT functions and tasks. When a problem occurs it can be difficult to determine which platform has the problem and which OEM organization should be contacted to perform the necessary service. A third-party organization has experience with a variety of equipment lines and can offer a single source of contact to handle any issue across an entire infrastructure. This allows an enterprise to consolidate their brands and equipment — including networking gear, load balancers, storage, servers, desktops, notebooks and printers — under one single service provider.

Independence/Honesty/Integrity: Many authorized OEM service providers have to meet certain requirements in order to maintain

their authorization with the OEM, including meeting specific volume levels or being required to sell a certain number of parts over and above their service commitments. Indeed, sometimes parts are replaced or swapped out just to raise the total repair cost on the ticket. Third party-providers don't have these pressures and can therefore provide the customer with a more accurate and honest assessment of the actual cost of repair.

Greater ROI for Older Equipment: Since third-party providers have access to a wide variety of sources for parts and service, the cost of owning and maintaining older equipment often goes down while still increasing the equipment's ROI. Often, choosing a third-party service provider over an OEM provider means an organization can keep its data center equipment longer and obtain greater use of it over an extended period of time. Studies show that beginning with the third year, the cost of equipment ownership goes down. This can save a large data center a considerable amount of money, freeing up allocations for other projects or priorities across the enterprise.

CONCLUSION

Given the critical role that IT equipment plays in an enterprise's operations, choosing an unknown service provider can feel challenging and risky, especially in the computer equipment industry where name brand and perception are everything.

However, for companies willing to consider their options and do their research there can be significant cost savings associated with choosing a reputable third-party service provider over an OEM provider.

At a time when cost savings and bottom-line ROI are critical for most enterprise businesses, considering a third-party provider as an out-source vendor for equipment service, support, and maintenance makes good business sense.



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