



**Maintenance Perspectives**  
Ways to get more from your hardware agreements

## Why can't I just get the part I want?

Bad-fit service plans lead to hardware maintenance frustration

July 12, 2011

**Keep an eye out for typos.**

Details are at the bottom of this newsletter's content.

### Full-service plans in a self-service world

The hardware maintenance world as presented in OEM sales brochures and marketing collateral is a place where repairs are always best left to manufacturer technicians. Machines are solid blocks or mysterious iron that can't be opened, but it's all right because every problem is taken care of quickly by a courteous, well-supplied OEM technician who's there and gone in a jiffy. That's the theory, anyway.

In practice, hardware maintenance in a large data center is a continuous, laborious, and often frustrating process for internal IT teams. The companies that benefit most from a full-service, hands-off service plan are often midrange or smaller businesses with relatively small, homogenous IT teams and limited resources. But at the enterprise level especially, the internal team often has sufficient skill diversity and training certification to perform complex repairs in the event of routine failures such as drives, power supplies or memory replacements, and may really only need a second opinion on the most unusual issues.

But this is where things can get sticky. A full-service plan may still be a requirement from the OEM in order to have access to any parts. If a top-level plan is not required, the list prices on the parts can still be exorbitant in a time and materials event compared to just getting the same part from an independent supplier. In either of these cases, a self-sufficient enterprise still has to suffer delays and frustration due to the OEM maintenance policy. Often an IT professional's only recourse is to go to online forums for diagnosis, and eBay to buy a common replacement part at a reasonable price. This is also time consuming and frustrating, not to mention an unacceptable risk for most large businesses.

### Why all the hoops to jump through?

From the OEM's perspective, a time and materials support plan costs them as much (or more precisely, as little) as a full-service plan with all the bells and whistles. It's the same support system taking the calls, the same technicians coming to the data center with the same parts, and hourly wages

don't fluctuate based on the support level of the caller. As such, they have every incentive to lock customers into a higher-cost, longer term agreement, and to take the risk that the number and severity of events will be less than the overall fees. This is justified by the potential revenue over and above the cost of events; essentially it's an insurance plan model, but in this case the car dealership is also the one selling the car insurance, and then preventing you from shopping around for the best price on a given maintenance event, no matter how minor. While an individual maintenance agreement may end up costing the OEM more than the payments they receive, across all customers full-service plans and their requirements can generate a significant profit.

How significant the profits are can depend on how aggressive the pricing is, but a March 2010 article in Canadian [Manufacturing Automation](#) entitled "Oracle Defends its 90% Maintenance Margins" makes it abundantly clear that maintenance is a critical revenue stream rather than anything approximating an expense for more than a few OEMs. In [June 2011](#), Larry Dignan mused "You have to wonder how Oracle can keep expanding margins via maintenance increases, but analysts think profits will continue to get better." The reality is, most businesses aren't interested in comparing prices and services, because researching hardware alone is time-consuming enough. Apparent safety is gained by simply defaulting to the OEM, but hands-on access, significant budget, mixed lifecycle and interoperability options are all sacrificed. Not just for Oracle Sun products, it should be pointed out; Oracle is happy to share these details with shareholders, who in turn are happy with the maintenance revenues. The only one who might not be so happy is the maintenance customer. This is a standard industry practice; no major OEMs see maintenance as a net expense.

### **Another option**

Third party maintainers are the alternative to the OEM maintenance plans. They too see maintenance as a revenue stream, but unlike OEMs this is because maintenance is the entirety of their business. And despite relying on maintenance as their sole revenue source, on average third party support will cost 20%-40% less for the same service levels on the same machines with the same replacement parts. This adds weight to the argument that most OEMs significantly overcharge for the service. Add to that the fact that many OEMs actually employ the identical independent technicians as the third party services, and it becomes very difficult to argue in favor of OEM maintenance - unless you're a shareholder, and not a customer.

The other major advantage of at least some third party support providers is their willingness to provide self-service support at a dramatically lower cost than the full-service option that's a poor fit for a lot of companies. In this scenario, the independent provider acts primarily as a broker for same-day or next-day parts and a safety net for the internal IT team.

Decide what type of maintenance plan is the best fit for your business before diving in to an OEM plan that may restrict the team and cost too much. An analysis project well in advance of renewal is a solid practice to ensure a best fit. Examine the internal capabilities, willingness, and project assignments to consider how much or how little the internal team can be involved with hardware support, and be sure to review existing license agreements to watch for all-or-nothing clauses and other contingencies that may make the decision for you. The OEM may still be the best choice, but you will at least have objective reasons why this is so after completing an analysis. An independent provider allows IT teams to leverage their own internal knowledge more effectively, to get the parts they need when they need them, and to avoid being chained for a full year to a full-service plan at a (high) full-service price.

### Free Maintenance Consultation

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