



518 San Andres Drive
Solana Beach, CA 92075
858 720-8200 Fax: 858 720 8201
www.servicenetwork.org
cbetzner@servicenetwork.org

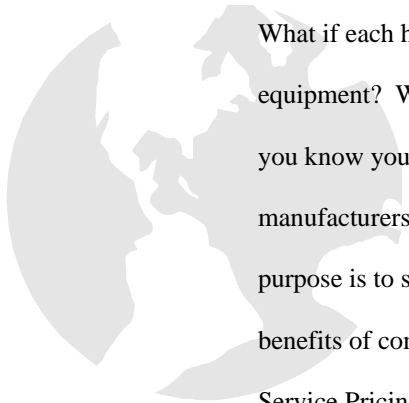
Service Industry Association

Choice makes the world go around...The Benefit of Aftermarket Competition in the IT and Field Force Automation Industry: Choice

By: Claudia J. Betzner, Executive Director, Service Industry Association

How would you like it if you had to go back to the Doctor that delivered you for your lifetime healthcare? How would you like it if you had to take your car back to the Original Manufacturer each time you needed a repair on your automobile? What about your Computer or your Copier?

What if each hospital or clinic had no choice on the service of his or her MRIs or medical equipment? Would you like to have no choice on aftermarket service? No, of course not because you know your costs would escalate and the service, having no choice would be on the manufacturers' terms. You know quality would deteriorate. Service Industry Association's primary purpose is to see that consumers have choices and the Service industry has a level playing field. The benefits of competition in the marketplace boil down to higher quality service and more competitive Service Pricing.



*When there is aftermarket competition service pricing is more competitive. When price competition exists, suppliers compete to service customers whose main objective is to acquire the maximum value for their dollar. Manufacturers have tried to monopolize the after warranty service market. However, **consumers want variety and choice in determining their service offerings.** According to the Gartner Group, the worldwide IT services market size is \$557 billion for 2002, up from \$542 billion last year. So even though some forecasts doom and gloom, the fact is the *services market for IT including Field Force Automation* is growing. The largest percentage of this pie goes to the Manufacturer but some OEM's such as Sun and Dell have a strategy of concentrating on the product*

and setting up service partners such as Independent Service Providers for the service of their products. Most manufacturers now provide multivendor service, which has legitimized the third party service Industry. When they are servicing equipment not manufactured by them they face the same problems.... OEM's need the necessary software diagnostics, the necessary parts in a timely manner and they need training. ISO's tell us a large percent of their revenue comes from OEM's subcontracting to them, which also helps the consumer because his costs is reduced when the manufacturer doesn't have to go out and hire someone for a particular geographic area or product niche.

One of the striking features of the U. S. healthcare economy to date is how little value-for-money competition exists in the delivery of patient services. Delivering high-quality service is essential for success and survival in today's competitive marketplace. The U. S. is the biggest spender in terms of per capita expenses and the share of the GDP devoted to healthcare, and is experiencing a continual increase in healthcare expenditures. To keep up with this growth, new technology is in constant demand. The purchase of new technology can actually reduce the cost of medical care, which is estimated to grow to 32% of the GDP by the year 2030 or \$48,000 for every U.S. citizen, but only if it improves efficiency or the utilization of healthcare resources. While independent and in-house alternatives to after-warranty manufacturer service can often save money and provide flexibility, the manufacturers have continued to make it difficult to obtain parts and technical information.

The laws permitting and validating the existence of aftermarket competitors originated in the copier industry in 1992 even though third party service has been around for the past three decades. In 1992 the famous Kodak case was decided about the sale of spare parts for Kodak high-speed copiers. On the heels of that decision by the U. S. Supreme Court, Xerox settled a similar case, providing more than \$200 million in coupons that helped aftermarket companies to compete.

When there is after-market competition, manufacturers lose the ability to render a product obsolete by arbitrarily terminating after-sale support. Access to non-manufacturer service provides the

December 17, 2003

Page 3

consumer with the ability to continue using a piece of equipment that they already own for as long as its performance continues to be acceptable to them. After all, it's usually cheaper to repair than to replace.

When there is aftermarket competition quality of service becomes a service differentiator.

Non-manufacturer services providers are vendor neutral, more likely to be crossed trained on many different brands of *equipment*, and more likely to be able to support and fix a facility's entire equipment inventory. Also, in-house equipment maintenance departments should recognize that they have many interests in common with independent service organizations and should support an open platform.

The evaluation of after-market competition is often complex and involved, but the results can provide invaluable insights and value.

It appears that the U.S. has become, or at least has made great strides in realizing, a post-industrial society, with services assuming the paramount role in the economy. The service sector in the U.S. accounts for about 75 percent of all employment and more than two-thirds of the GDP. Determining uniqueness to differentiate competition is the fundamental idea behind service competition. After all, it is "having Choices" that makes the world go around.

(Some of the information contained in this article originated in the Service Industry Association's white paper on Competition in the Aftermarket Medical Eqpt. Service Industry and can be downloaded in its entirety on the Service Industry Association website at www.servicenetwork.org. SIA's members are in the high-tech service industry including IT, Medical Equipment, and high-end Copiers.)