

Network News



Service Trends 2010

By: *Claudia J. Betzner*

The 2005 Executive Summit for Services Leaders will be at the Hotel Del Coronado in "americas finest city," San Diego, California on March 13—15, 2005. You will recall we originally planned for the event to be at South Seas Resort on Captiva Island, Florida but after four hurricanes wrecked havoc on the resort and closed it down for almost a year to complete repairs we had to move the location. The good news it we already know the 2006 Summit will be at South Seas on February 26, 27 and 28, 2006 so mark your calendars for both years. Now you can plan your schedule 15 months out.

As your Board of Directors began planning for the 2005 c-summit we started thinking about what the future will hold for the Service Industry with all the changes that are envisioned in the next 3—5 years and since this is a high level executive summit we understand you must begin now to re-engineer your company for the changes. Therefore, we decided on a very forward futuristic agenda on day one with more interaction and roundtables on

day two discussing the changes in those things that drive the market and service industry. Technology, Economy, Security, Medical breakthroughs...we are bringing in **not one keynote but three keynoters which are all futurist and can provide their vision of what the future will bring.** We are assembling the best of the best.

Day Two will begin breaking down what the Futurist predicted on Day One with discussions of how to deal with Changes and what the Industry Leaders believe those changes will actually be affecting the Service Industry. We will have panels of service practitioners along with companies like Microsoft discussing and identifying the paradigm shifts.

the industry in general. From that we are developing a long term strategic plan for the association and the industry which includes a seal recognizing manufacturers that subscribe to the principals of open service with an annual award program at the annual conference, continuing to pursue affiliated relationships with other trade organizations that add value to our members, adding communications and business system sectors. Launching a "partnership in success business to business" forum. The general consensus of the Board is that we do not want to be the biggest...just the best. A couple of hundred member companies whose c-level executives are pro-active within the association and the industry, meeting at least once a year in a business to business forum. We believe that is the optimum size for interaction, networking and the business to business forum we envision.

As a result of the strategic planning session SIA has now clarified our mission statement:

The Mission of SIA is to serve as a forum where every member can enhance their business and to take collective action for the betterment of the industry whenever necessary."



The SIA Board has gone through this process to identify what each Board member's vision is of the SIA and

Special points of interest:

- 2005 Executive Summit for Services Leaders Preliminary Agenda
- Sponsors—New Members
- Index Computer Remarketing becomes Silver Sponsor
- Open Access Committee Update
- SIA Executive Roundtable recap
- Static Control Victory
- Sun to give free Operating System

New Members

New Members The past 12 months

Rollouts, Inc.
LMS Service
NetEagle Consulting
MedEquip Biomedical
Parco Wireless
Siemens Business Svcs.
Great Eastern Technology
First Source, Inc.
BIOCORDIS FRANCE
CSI Computer Specialists, Inc.
DecisionOne Corporation
First Financial Computer Services, Inc.
Rvzex Repair, Inc.
Skill Medical Technology

Technology in Medicine

Halifax Corporation
 Chuck McNew, CEO
 John Scott, V.P.
 Alexandria, VA
 703 658 2400

Getronics
 Robert Trottier, V. P.
 Tewksbury, MA
 978 858 7287

POSDATA
 William McCubbins, Pres.
 Gerry Knight, V.P.
 Gig Harbor, WA

253 853 2350

C P & S
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 951 Clint Moore Road
 Suite A
 Boca Raton, FL 33487
 561 241 5133 or call Devin
 Rojas at 818 991 5822

Maintenance Alternatives
 Corp.
 Robert Field, President
 951 Petaluma Blvd. South
 Petaluma, CA 94952
 800 479 2004



SIA Proudly
 announces Index
 Computer
 Remarketing of Ft.
 Lauderdale Florida as
 the newest Silver
 Sponsor—call Forest
 at 954 730 0900x108
 and welcome him

Announcing New Sponsor—Index Computer Remarketing

INDEX COMPUTER RE-MARKETING, INC. was founded in 1992, to fill the niche of providing computer parts to the maintenance industry. We have kept pace As customers and their needs have grown,. Our home is a state of the art 40,000 square foot facility two miles from Fort Lauderdale International airport, where we maintain a large inventory of notebooks, plastic piece parts, spare parts, servers, desktops, monitors, Printers, Point of Sale and much more. Each member of our sales staff and technicians have on the average of 11 years experience in the pc computer and computer parts industry. Additionally, the in-house service department offers dependable repairs and tech support on all system boards, controllers, notebooks and equipment that Index sells. Personal attention, commitment and customer satisfaction is a priority at Index Computer Remarketing.

We are a name brand spare parts stocking distributor that supplies notebook parts, server parts and other piece parts for various machines. These parts are usually

discontinued, out of production and/or extremely hard to find. We also carry all makes and models of whole systems, monitors & peripherals. What is not mentioned is that Index Computer Remarketing is a worldwide IBM, GE and Solectron top 100 vendor, in which we provide large or small quantities of IBM, HP, DELL, TOSHIBA & Much more, from a proactive and reactive stand point.

Other attributes :

- Index is qualified by IBM vendor standards
- Index is also a State of Florida minority owned business & awaiting GSA approval
- Index employs 65 people in Fort Lauderdale and Miami
- Index stocks over 50,000 parts in our Fort Lauderdale facility alone
- Index has over 13,000 satisfied customers comprising of end users, third party maintainers, fortune 100-500 companies, Importers/exporters, governmental, educational & municipal facilities etc.

- Index offers inventory in three flavors NEW, REFURBISHED or NOB (new open box)
- ✓ Knowledgeable Sales Staff
- ✓ Extensive Inventory
- ✓ All Parts are Quality Tested and Certified
- ✓ Careful foam injection Packaging
- ✓ No Minimum Quantity Orders
- ✓ Same Day Shipping
- ✓ All Parts are Guaranteed
- ✓ Multi-vendor service
- ✓ Shipping until 7:30pm (Est)

Index Computer Remarketing
3891 SW 30th Ave
Ft. Lauderdale, FL
954 730 0900
Forest Bates, V.P. Sales & Marketing; Craig Shembri, President

SIA Open Service Committee Report....Randy Parks

We are pleased to report that the SIA Open Service Committee has made much progress during the past few months. Members recently received an email with instructions to access a brief web based survey we launched to help identify manufacturers that support the principles of Open Service. (Special thanks to Ray Zambuto for his efforts in leading the development of the survey.) The survey also allows for comment on manufacturers that do not abide by these principles. Our hope is to offer recognition to the manufacturers that support Open Service in the form of an SIA Open Service "seal" of approval. Malcolm Ridgway is leading the effort to design this "seal".

We are also happy to report that the more extensive survey conducted in conjunction with D.F.Blumberg & Associates titled "SPECIAL SURVEY OF ISO/TPM EXPERIENCES WITH OEM PRACTICES TO PREVENT COMPETITION" is nearing completion. We delayed the release of the survey to allow time for additional service organizations to participate. This survey will likely provide the foundation for our communication plan for next year.

Among the new participants in the SIA-DFBA survey were service companies from another service industry association, ASCDI, the Association of Servicing Computer Dealers International. ASCDI has shown much interest in working together with SIA on issues relating to Open Service and our discussions will continue. We currently plan to present the results of these surveys in December and launch a communications campaign to get the word out on Open Service by early next year. If you have any issues related to restrictive practices in the service and support marketplace please don't hesitate to share them with an SIA board member.



**SIA now has a Seal for
Open Service which
will be available to
those who subscribe
to the principles of
Open Service**

Lexmark—Static Control Legal Update

There was a resounding victory for Static Control on October 26, 2004...The Sixth Circuit U.S. Court of Appeals overturned the decision of a judge in Lexington, Ky., in the case of Lexmark v. Static Control and vacated the preliminary injunction against the sale of Smartek chips. You will recall SIA was very active on the DMCA and had introduced and wrote the portion of the bill "Right to Repair Act" discussing the legality of loading software into RAM when the system is turned on.

The 32-page decision, including a scathing rebuke of Lexmark's monopolistic misuse of the Digital Millennium Copyright Act (DMCA) in a concurring opinion, is an utter repudiation of the lower court's decision rendered by Judge Karl Forrester. The decision refutes each conclusion made by Judge Forrester and found to the contrary that Lexmark's toner loading and printer engine programs are most likely not subject to copyright protection, or if copyright protected, then Static Control's circumvention or reverse engineering is permissible and does not violate the DMCA.

"This is a finding that Lexmark had no right to invoke the DMCA. It is not just a victory for Static Control," said Static Control CEO Ed Swartz, "it is a victory for the entire remanufacturing industry, American businesses and the American consumer."

It was the American consumer that was featured in Judge Merritt's concurrence. "We should make clear that in the future companies like Lexmark cannot use the DMCA in conjunction with copyright law to create monopolies of manufactured goods for themselves just by tweaking the facts of this case...." "The great thing about this and the Chamberlain decision is that no one is going to be able to use the DMCA-chip argument to close out an aftermarket," said Skip London, vice president and general counsel for Static Control. The case will be remanded for reconsideration of the issues and law as outlined by the Court of Appeals.

This is a very positive decision for the Service Industry and helps to undo some of the negative decisions of the last few years regarding the DMCA and hopefully will keep other monopolistic manufacturers from practices that prohibit a free and open market for service.

Sun to Give Out Operating System for Free

SAN JOSE, Calif. (AP) - After investing roughly \$500 million and spending years of development time on its next-generation operating system, Sun Microsystems Inc. on Monday will announce an aggressive price for the software - free. Sun, which has never completely rebounded from the tech collapse in 2001, hopes the no-cost of Solaris 10 will not only attract customers but also expand the number of developers who write programs that work on computers running the operating system.

The result, Sun believes, will be renewed demand for its servers and services. The company also will charge subscription fees for Solaris support and service programs that are typically sought by the businesses and organizations that Sun targets.

"Hewlett Packard sells a printer at a low price and makes a lot of money on printer cartridges. Gillette gives you the razor and makes a lot of money on the blades," said Scott McNealy, Sun's chief executive. "There are different ways to drive market penetration." Solaris 10 will be unveiled Monday at an event in San Jose, though it won't be formally released until the end of January. It will work on more than 270 computer platforms running on chips from Sun, Intel Corp. or Advanced Micro Devices Inc.

SIA Executive Roundtable By. Jon Scott, Sr. V.P. Halifax & SIA Board

Format of the meetings include:

- Dedicated time to discuss key industry issues impacting our companies;
- Topics “framed up” by a facilitator(s);
- Discussion open and interactive – facilitated, not a lecture or presentation; and, identification of follow-up items or discussions are noted

Feedback from previous Roundtables has been excellent and attendance has been strong.

The Chicago executive roundtable consisted of a discussion of the Managed Services Environment followed by a discussion of industry Merger and Acquisition Dynamics. The discussions were facilitated by Dave DeGiorgi, president & CEO of EAD Systems, Jim Graham, president & CEO of Kinetic Biomedical, and Jon Scott, a senior vice president with Halifax Corporation.



**Special thanks to
Dave DeGiorgi, Jon
Scott and Jim
Graham for their
work at the Chicago
Roundtable which
was a big success**

Managed Services

A distinction was made between the concept of outsourcing and managed services. It was discussed that outsourcing seemed to be a more tactical activity whereby a specific task was assigned to a company, say, managing a call center. Managed services was described as a broader group of tasks that were outsourced to another company, leaving the company doing the outsourced work much more latitude in designing and determining how this work would be done. Further comment was that the approach used by CSC or EDS aren't the future of managed services but that, for example, the Accenture model of the world -- consulting companies that have invested in management talent and knowledge of specific vertical markets verticals who package up and these services, is the real direction. It was also brought up that the managed services and outsourcing have moved from a 1999 viewpoint of cost reduction and process improvement focused on best practices and core competencies to a current viewpoint of owning the customer relationship, broadening and deepening the services provided and extending and expanding the definition of services. This last point is especially valid using a recent example where IBM has demonstrated its ability to provide outsourced services well beyond just IT/Data center focus through its relationship with British Petroleum where it manages many more services including overall management of BP's finance groups.

The facilitators used two case study examples as discussion material. The first, from a June 14, 2004 Fortune Magazine article about IBM's growth strategy, where the following points were made on IBM's managed services strategy:

- IBM's Overall growth goals are to create a new F500 company each year based on sales growth.
- IBM's CEO, Palmisano's goal is to do this through new managed services
 - Palmisano came from services...hardware makes up only 32% of IBM's revenues down from 49% in 1993
 - Expand tech borders to new business models...
 - Palmisano says “We have essentially replaced one set of business with another without tanking the company.”
 - Palmisano believes there exists \$500B of possible future managed services revenues available to the industry
- How will IBM accomplish this?
 - “Give me your toughest problem.” says Palmisano to F500 CEOs
 - Move beyond just taking over data centers...
 - British Petroleum – IBM manages IT *and* finance & accounting functions
 - Mayo Clinic – “long held dream” to remake the practice of medicine and IBM intends to help
 - P&G – IBM is managing PG's human resources
 - Phillips and Cisco – IBM does their product support
- Other IBM actions...
 - Palmisano assigned the corporate CFO to run services to boost margins
 - Termed this new managed services direction as “Business Transformation...”
 - Has transferred much of IBM's own HR, finance and procurement to the same centers it markets to its customers

The second case study example came from familiarity with ARAMark's strategy in the medical services industry. The following points about ARAMark were discussed:

- World-class multi-billion provider of services to many industry segments
- Well recognized provider of housekeeping and food services to healthcare industry
- Recently made large acquisitions of medical IT providers in the healthcare industry including Service Master Hospital Services for a reported \$900M and the CTS division of Premier, Inc., for a reported \$100M
- Actions indicate a strong desire to move into value-added services as an addition to existing customer/market segments

A point made was that Gartner/Dataquest has estimated that by 2005 over 50% of IT services delivered to Fortune level customers, will in fact be contracted by one partner but delivered by another for capability, economic or other reasons. Given this, as a services provider, unless you are quite large, your strategy will or should include having some of your services aggregated under a larger provider.

A point made was whether IBM's strategy could be a repeat of the 1970's "conglomerate" mentality whereby many larger companies acquired a diverse portfolio of companies that sometimes defied logic, and, after a time of difficult integration or rationalization, spun those same acquisitions back out again.

Other points discussed were the similarities and differences in Asia and Europe related to outsourcing. Points were made that in Europe OEMs continue to hold stronger dominance in the services aftermarket, which could slow the managed services growth, and in Asia where there it is more of a culture to use many companies for services. Discussion also surrounded the whether loss of the direct contract contact and direct customer ownership with customer (by being aggregated) damaged the ability to create close ties to the customer and whether the layering of margins will make this practice uneconomical.

In summary, some of the very large medical and IT service providers are moving into both new and adjacent segments. One apparent reason is that they may feel they have 'topped out' in selling to their existing services to their existing customers and it may be easier to sell new, or adjacent services to these same customers.

Mergers & Acquisitions

There has been a definite trend toward industry consolidation among both IT and medical service providers. This has raised questions among members as to what is driving this trend and whether it will continue. In fact, two SIA board members have had their companies acquired by larger, publicly traded companies in the past 12 months.

Some important reasons for this M&A trend discussed were:

- Substantial cash sitting on sidelines looking for a place to be invested – since treasury cash returns are low why not acquire an additional strength or capability?
- Limited number of investment opportunities – shareholders continue to demand high returns so having cash sit on the balance sheet isn't attractive to investors. Microsoft's \$3 per share dividend announcement is an example of shareholder thinking on the subject.
- Needs of the big providers to identify "lower cost to market" companies to allow them to continue to reduce their cost of service delivery to meet the competitive price pressures of the market

Summary

The Roundtables continue to be excellent venues for executives to openly discuss challenges and opportunities with their industry peers. At the conclusion of the Chicago Roundtable a cocktail and dinner event followed allowing participants to get to know the SIA board of directors and one another better in an informal environment.

The next Roundtable is planned in San Francisco on December 9 at The Grand Hyatt on Union Square in conjunction with the SIA's December board of directors meeting.



The next Executive Roundtable will be December 9 in San Francisco—we will be coming to an area near you soon. For interest in an invitation contact headquarters

2005 Executive Summit for Services LeadersAgenda as of November 17, 2004

Future look at Service – ServiceTrends 2010

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This is a Futuristic high-level Strategic Summit and it will look at Service, Technology, The Economy and Security in the future and how they will affect Service and more importantly on day two we will discuss how to deal with those changes coming in 3 – 5 years which will affect our Service Industry.

March 13, 2005 – Sunday

12:00 Annual Golf Tournament - SIA and AFSMI

6:30 p.m. Welcome and Networking Reception with Exhibitors

March 14, 2005 – Monday

7:00 a.m. Continental Breakfast with Table-top Exhibitors

8:00 a.m. Welcome by presidents of SIA & AFSMI

SIA Exec. Dir., Claudia Betzner, Summit Moderator
AFSMI CEO, John Schoenewald – Participating Moderator

8:15 a.m. Keynote Address – **A Noted Futurist**

9:15 a.m. Break

9:30 a.m. **Keynote: The Future of the Outsourcing Industry – Punita Pandey (confirmed)**

Ms. Pandey will share her perspective on “the future of the outsourcing industry including its potential, opportunities, and risks.

NetCustomer CEO, Punita Pandey. She can also share her entrepreneurial experience in founding netCustomer. She will discuss challenges and key lessons learned from her experience. In addition, Ms. Pandey will share her perspective on the future of the outsourcing industry. She will highlight its potential, opportunities, and risks.

10:30 a.m. Break

10:45 a.m. **Breaking the Mould: The Catalysis of Radical Innovation – Wolfgang Grulke (not confirmed)**

Wolfgang Grulke: **“Breaking the mould: The catalysts of radical innovation”**

Or **“Changing the Game: Don’t change the rules- change what you are.”** Or **“Strategic Thinking and Strategic Action: A process to make your radical future a matter of choice”**

Innovation has become the economic religion of the 21-century.

With today’s markets changing at warp-speed, no existing business believes it has a future without strong focus on innovation.

They need visionary individuals who are passionately proud of what they do.

These business radicals are the activists who rock the boat, ruffle feathers and make a difference.

Or **“Ten lessons from the future”**

12:00 Lunch (During lunch questions will be gathered for the panel)

1:00 p.m. Strategic Challenges – A view from those measuring & tracking the industry Gartner, IDC, A.D. Little (not confirmed)

2:00 p.m. Break



How will the Service Industry look in the year 2010? What are the ServiceTrends? What’s in the Future - Technology, the Economy, Security

2:15 p.m. Future Strategies: Panel Discussion
Moderator/Facilitator:
Participants:

Wolfgang Grulke (not confirmed)
Two Service Industry Experts (practitioners)
One Technology Expert (e.g. Microsoft)

5:30 – 6:30 P.M. Vendor Forum – 4 – 6 simultaneous in Exhibit hall

6:30 p.m. Reception and Networking Social – Attendees with Exhibitors
Book signings

March 15, 2005 – Tuesday

Day Two will begin breaking down what the Futurist predicted on Day One with discussions of how to deal with Changes and what the Industry Leaders believe those changes will actually be affecting the Service Industry

8:00 a.m. Continental Breakfast

8:30 a.m. Introduction by Industry Expert

9:00 a.m. Roundtable Discussions discussing yesterday's keynote presentations – We will identify the changes discussed and begin to narrow alternatives for handling these changes that will affect the Service Industry

11:15 a.m. Break

11:30 a.m. Service Delivery Session – How to deal with Changes

12:30 p.m. Lunch

1:30 p.m. Executive Summary (wrap up) of Executive Summit
Presenter highlights 1) what was heard, 2) what was said, 3) conclusions, and 4) potential action.

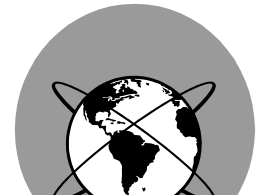
2:30 P.M. SIA Annual Meeting
Topics

- State of the Association
- Industry Issues – Legal and Service
- Open Access Committee
- Walt Gasparovic Survey & Award

4:30 P.M.

- The Annual Town Hall meeting of SIA Members. This is your opportunity to discuss open issues in the service industry

6:30 p.m. Grand Finale – Dinner and Networking Social – Cruise (Included in registration – spouses or guests can attend with a purchase of a ticket at \$100)



How will you deal with all the changes expected. The three Keynote Futurist will tell us of their vision but you as a service executive must decide how those changes will affect your company and what other executives will do

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THE NETWORK FOR
HIGH TECHNOLOGY
SERVICE PROMOTING
CUSTOMER CHOICES

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Service Industry Association is a non-profit organization made up of high technology service companies promoting customer choices.

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The spirit of America is Great!