

# Competitive Landscape: Leveraging Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization, North America

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## Summary

Capturing share in the third-party maintenance market for hardware maintenance services begins with collective efforts from marketing, sales and channel organizations. This document identifies the key attributes for a TPM provider to be successful in three to five years.

## Overview

### Key Findings

End-user interest and demand for alternatives to OEM support for data center and network maintenance are increasing, fueled by a need for cost optimization, particularly for postwarranty and EOSL data center and network devices.

The TPM market in North America is extremely fragmented with many providers making less than \$10 million in annual revenue from TPM. Very few providers have true global scale at this time, but many are looking to build out global capabilities through acquisition and partnerships.

Eighty-five percent of the time a TPM is only competing against the OEM, not in a competitive bidding situation against other TPMs.

The fastest-growing channel for third-party maintenance is through commission-based partnerships with the authorized VAR community.

### Recommendations

Develop a focused channel strategy. TPMs must cultivate relationships with VARs.

Leverage partnerships and acquisitions to expand the opportunity for growth. Private equity is a major force in the TPM world for rolling up companies and getting access to investment funds to grow. The ability to support devices outside the U.S. will become the most critical way to differentiate versus other TPMs as all TPMs offer cost savings and flexibility over OEMs.

Focus on speed and automated intelligence in quoting processes with automated decision support tooling. This has enabled top performers to optimize prospects' potential maintenance savings with rapid turnaround.

Devise tactical plans to market and sell to both IT and procurement roles. This is a must for strategic planners.

## Strategic Planning Assumptions

By 2020, TPMs will compete against other TPMs for "greenfield" opportunities in 60% of deals.

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

By 2018, 75% of secondary hardware providers will have a formal third-party maintenance offering.

## Analysis

Depending on the service level selected, hardware (HW) support service contracts cover hardware replacement, on-site field engineering, technical support and proactive monitoring. Hardware support for data center (DC) and network equipment is available in a number of contract types. The focus of this document is on the third-party maintenance (TPM) market for data center and network support, which is maintenance provided independently from the OEMs.

Third-party maintenance is offered by independent support providers with no relationship with the OEM. This alternative to OEM maintenance is the focus of this document, and is becoming more common in the hardware support market, with a thriving ecosystem of independent support providers for server, storage and networking equipment. TPM is offered by two types of providers: traditional TPMs and secondary hardware suppliers. In this document, we profile examples of both of these types of providers.

**Traditional TPMs** — These independent support providers traditionally have had more than 80% of their company revenue from annuity support contracts, and most providers have been around for many years. Many have very recently received investment funding. Ardent Support Technologies, Essintial, Maintech, Park Place Technologies, Service Express Inc. (SEI), Systems Maintenance Services (SMS), SSCS Global IT Services, TERiX Computer Service and XS International (XSi) are the traditional TPMs profiled in this document.

**Secondary hardware suppliers** — These providers of independent support traditionally have had more than 80% of their company revenue from secondary hardware resale. Realizing that managing parts and logistics is a key factor to success in the TPM market, many secondary hardware resellers are starting TPM practices. Atlantix Global Systems, CentricsIT, Curvature and CXtec are the secondary hardware suppliers that provide the third-party support profiled in this document.

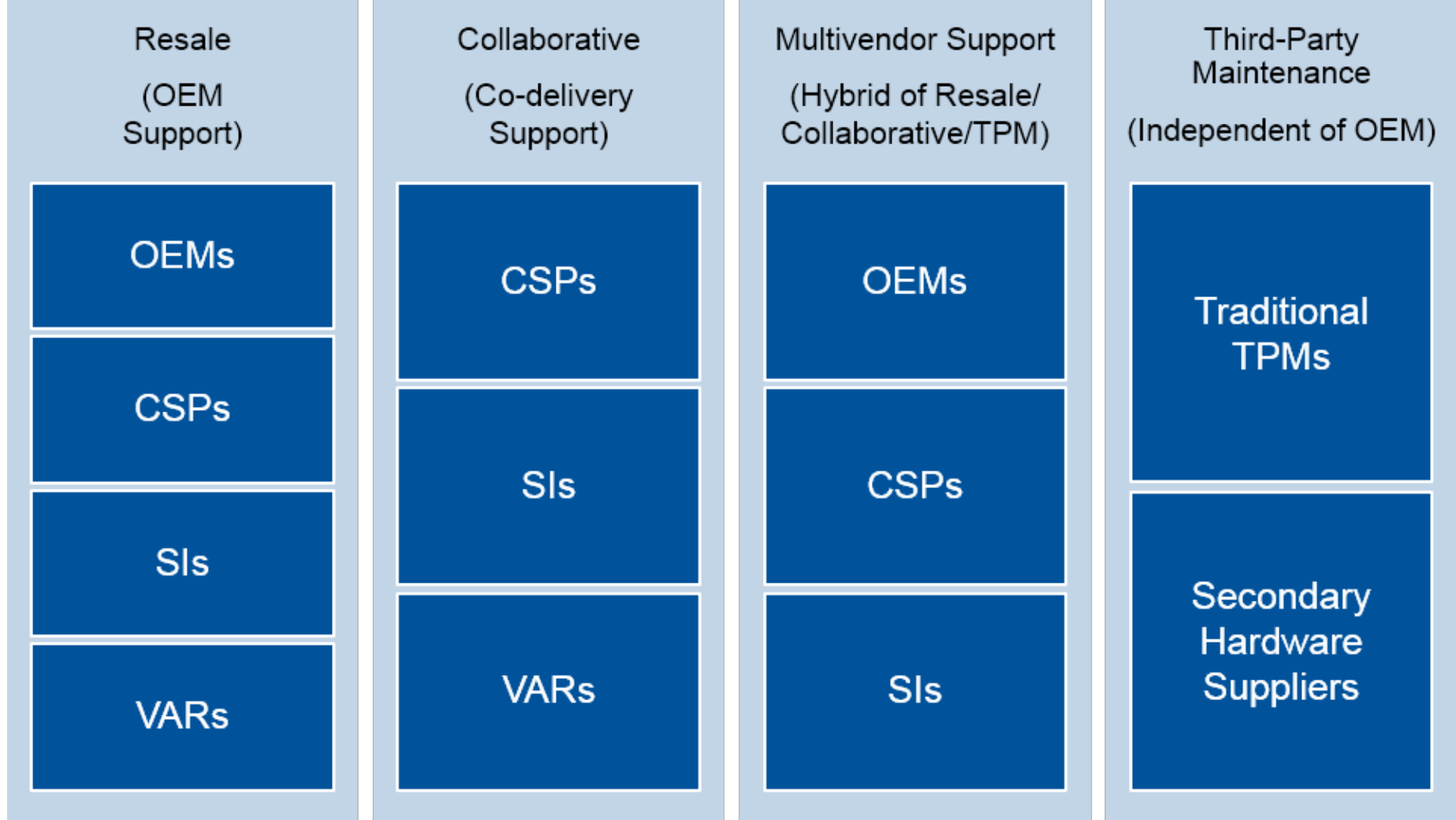
Other types of hardware support, as shown in Figure 1, include:

**Resale (OEM support)** – The most commonly purchased support is OEM-delivered support. These SKU-based hardware support packages are purchased from different sources, including the OEM itself, or from partners, including communications service providers (CSPs), system integrators (SIs) or value-added resellers (VARs). Examples of OEM support include Cisco Smart Net Total Care (formerly SMARTnet service), Hewlett Packard Enterprise (HPE) Datacenter Care and Juniper Networks' J-Care.

**Collaborative (co-delivery support)** – Some OEMs, including Avaya, Cisco and EMC, have programs to authorize channel partners, including CSPs, SIs and VARs, to provide their branded support, which is backed by the OEM. This is commonly called "co-delivery" or "collaborative" support. In these programs, the partner typically is taking Level 1 and Level 2 calls and managing the relationship with the customer, but is able to escalate to the OEM when needed. Typically, collaborative support partners are financially motivated to do more on their own, meaning, they receive a higher discount on the price they pay the OEM for support if the number of escalations to the OEM is minimized. Examples of collaborative support include Dimension Data's Uptime and IBM Managed Maintenance Solutions (MMS).

**Multivendor support (MVS) (hybrid of resale/collaborative/TPM )** – This is when a service provider combines elements of other support types. Globally, MVS contracts are typically offered by global OEMs, CSPs and SIs; for example, from Dell, HP Inc., IBM, Fujitsu, Zensar and others. For example, HP Inc. may provide a maintenance contract that includes HP Inc. devices, and end of service life (EOSL) devices from a number of other OEMs in an MVS contract. Many of these providers are featured in Gartner's Data Center Outsourcing Magic Quadrants, as these providers often provide data center services outside of multivendor support.

**Figure 1.** Hardware Support Market Landscape of Providers



Source: Gartner (March 2016)

## Competitive Situation and Trends

Hardware maintenance is increasingly being considered as a "nonstrategic IT" spending and procurement, with the result being that IT professionals are seeking low-cost alternatives to expensive OEM contracts and pricing. 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.

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 this space want to offer support across servers, storage and network. Today, there is more cross pollination between secondary hardware sales and TPMs.

Server- and storage-focused TPMs are building or acquiring network TPM practices.

Network-focused TPMs are building or acquiring server and storage TPM practices.

Secondary hardware suppliers are entering the TPM market.

Traditional TPMs are entering the secondary hardware market.

Providers in this market are changing to be able to offer both support services and secondary hardware across server, storage and networking platforms. Therefore, competition will continue to grow.

Based on end-user inquiry calls and vendor briefings with service providers, Gartner estimates that 85% of the time a TPM is only competing against the OEM. Over the next few years, this will change as TPMs will compete a much higher percentage of the time against other TPMs for greenfield opportunities and renewals.

Reasons for this include an increased overall awareness of the TPM market, increased brand awareness of individual TPM providers, increased investment in TPMs by private equity, and an increased focus by sourcing and procurement departments on researching alternatives to OEM maintenance.

TPM contracts will offer customers an average of 60% savings off of OEM support list prices. However, depending on equipment type, location and product density, Gartner has seen that the range of savings with TPM contracts is 50% off OEM list up to 95% off OEM list.

## **Market Players**

The TPM market is extremely fragmented with a few large providers having more than \$30 million in TPM revenue, and many providers with less than \$10 million in revenue from TPM, and relatively few providers in between. Only two providers have significant global scale at this time, but many are looking to build out global capabilities through acquisition and partnership strategies.

Because of this fragmentation, for this document we have included a mix of the following providers of third-party maintenance services, with representative attributes/characteristics:

**Top performers:** Global. Providers with significant market share today. Solid brand awareness. Well-developed service delivery strategy. Highly automated processes. Developed channel strategies.

**Rising stars:** Multiregional, approaching global. Fast-growing providers or those that are generating "buzz," or capturing business from incumbents. Growing market share. Solid brand awareness. Highly automated processes. Developed channel strategies.

**Disrupters:** Those with innovative or disruptive products, methodologies or business models that could redefine the market's competitive dynamics in the future. May include specialty/niche providers.

**Stalwarts:** Traditional TPM providers that may not be big, fast-growing or disruptive. May be consistently on client shortlists because of a legacy in the TPM market.

**Secondary HW entrants:** Providers that are new to offering TPM services are secondary hardware suppliers looking to grow into the third-party maintenance space.

Figure 2 illustrates an overview of the types of provider segmentation and the names of providers that we have profiled in this report.

**Figure 2.** The Segmentation of Providers of Third-Party Data Center and Network Maintenance

Top Performers	Rising Stars	Disrupters	Stalwarts	Secondary HW Entrants
<ul style="list-style-type: none"><li>▪ SMS — Data Center</li><li>▪ Curvature — Network</li></ul>	<ul style="list-style-type: none"><li>▪ Park Place Technologies</li></ul>	<ul style="list-style-type: none"><li>▪ Ardent</li><li>▪ Essintial</li><li>▪ XSi</li></ul>	<ul style="list-style-type: none"><li>▪ Maintech</li><li>▪ SEI</li><li>▪ SSCS</li><li>▪ TERiX</li></ul>	<ul style="list-style-type: none"><li>▪ Atlantix Global</li><li>▪ CentricsIT</li><li>▪ CXtec</li></ul>

Source: Gartner (March 2016)

## The Future of Competition

Over the next three to five years, the North American TPM market will continue to evolve in line with the anticipated trends:

**Provider consolidation** — TPMs will acquire other providers that give them access to niche support technologies they do not have access, or to give them more geographical coverage.

**Investment activity** — There has been significant equity investment in the TPM space over the last year; investment interest will continue.

**Additional secondary hardware entrants** — Secondary hardware suppliers continue to enter the TPM market. Some secondary providers not profiled in this report include Digital Warehouse, Genesis Global Hardware, Metrocom Communications, Network Equipment Dealers, RPN Networks, Vology, Zeriva and many others.

**Increased interest to use TPM for storage hardware** — End-user interest in TPM for storage is increasing. Most TPMs leverage niche storage TPMs for support on certain storage platforms, which has created a market of niche storage providers. In addition to storage specialist Ardent Support Technologies, profiled in this report, other such providers regularly seen in the market include Computer Data Source (CDS), Symm-Care Services and Rockland IT Solutions.

**Maintenance optimization automation** — Today, top performers Curvature and SMS have highly automated, yet consultative quoting processes that make it fast and simple for sourcing and procurement professionals to collect all the information they need to make recommendations about OEM support vs. TPM support.

**Hybrid support continues** — Interest in hybrid-hardware support models, between an OEM and a TPM, has increased, with the OEM supporting newer, software-patchable hardware, and the TPM servicing aging equipment. OEM maintenance isn't going away. Customers will continue to leverage OEM maintenance and TPM maintenance together in a hybrid solution.

**Partnerships with the VARs** — The fastest-growing channel for third-party maintenance is through commission-based partnerships with the authorized VAR community. Park Place Technologies has been largely successful in partnering with the VAR community both in Canada and in the U.S. market.

**OEMs continue aggressive practices** — Policies limiting access to firmware/microcode as released by HP Inc. and IBM will continue. Letters to customers from OEMs about the risks associated with using TPMs will continue.

**Effect of cloud** — Growing adoption of alternative data-center delivery methods, such as cloud and virtualization (and better hardware reliability), is extending an enterprise's equipment life, as they find a balance between on-premises and alternative methods. There is an increased interest in TPMs to service this aging equipment.

## **Competitive Profiles**

### **Top Performer — Data Center**

#### **Systems Maintenance Services (SMS)**

[www.sysmaint.com](http://www.sysmaint.com/) (<http://www.sysmaint.com/>)

### **MARKET OVERVIEW**

Systems Maintenance Services (SMS) is a global third-party maintainer headquartered in Charlotte, North Carolina. SMS is privately held by two investment firms, Thomas H. Lee Partners (THLP) and Summit Partners. SMS has approximately 1,400 employees and revenue of nearly \$250 million. Approximately 75% of SMS's revenue is from data center/network third-party maintenance. SMS is the largest independent storage and server TPM, with nearly half of its revenue from HP Inc. and IBM support. It also has a sizeable amount of Dell and EMC under contract. Its network-focused TPM practice is growing. In 2015, it announced the launch of a secondary hardware resale line of business. SMS is a frequently mentioned provider in Gartner inquiries from end users looking for TPM for data center equipment.

### **HOW THIS PROVIDER COMPETES**

SMS competes as a data center maintenance specialist with more than 100 service centers, 40 of which are located outside of North America. After North America, Asia/Pacific is SMS's largest geography, with a strong presence in China. It has an aggressive expansion strategy in Asia/Pacific. In Europe, SMS has been growing and has been making investments in acquisitions over the past few years. In 2013, it acquired U.K.-based Olympic Support; in 2014, it acquired Careitec A/S in Denmark to provide additional support in Scandinavian countries; in 2015, it acquired Prob-Solve Solutions and GMT360 in the U.K. SMS is looking to continue its global expansion organically, and also through continued targeted acquisitions.

Seventy percent of SMS's business is direct to the end customer. The largest direct verticals for SMS are healthcare, retail and financial services, but the company has a client base across all vertical industries. SMS also has a well-established affiliate network for channel sales.

SMS's ClearView tool provides prospects and customers with a consultative approach to support by providing specific recommendations to optimize maintenance strategy. SMS's tool provides organizations with customized recommendations for support, such as what devices to keep on OEM maintenance, and what devices to move to SMS.

The SMS support model is to provide most of its own back-end support, and maintain local control of its parts stocking. Some technical support for networking devices and storage software is augmented with capabilities from other partners. On-site field engineering services are provided by SMS employees 95% of the time in North America. In Europe, SMS primarily leverages partners for field engineering except for in the U.K. and the Nordic countries. In Asia, it primarily delivers directly, with the exception of with India and Australia. In Central and South America, and the Middle East and Africa, SMS leverages partners for field engineering.

Service levels for TPM include 7x24x4, 5x9x4 and next business day (NBD) options, dedicated on-site support, and will leverage complimentary technical services in the context of the relationship. In addition to HP Inc., IBM, EMC and Dell, SMS supports equipment from Cisco, Hitachi, NetApp, Oracle (Sun Microsystems), Lenovo and Quantum. SMS also has a client device support division.

SMS's customer-facing portal is branded as singlePoint, which is a live incident management system that lists inventory of assets under contract. Customers have the ability to manage contracts online and track assets not under contract with SMS.

In addition to TPM, SMS provides remote monitoring services and professional services, including data center installations, moves, adds and changes (IMAC)/remote hands, relocations, migrations/consolidations, secondary hardware sales, and IT asset disposition (ITAD) services.

## **Top Performer – Network**

### **Curvature**

[www.curvature.com \(https://www.curvature.com/\)](https://www.curvature.com/)

## **MARKET OVERVIEW**

Curvature is a secondary hardware provider offering third-party maintenance services headquartered in Santa Barbara, California. Curvature is privately owned by a private equity company and has approximately 665 employees and total revenue of approximately \$300 million. In 2015, approximately \$44 million of its revenue was from its third-party maintenance line of business with \$60 million projected for 2016. Curvature is the largest independent provider of Cisco third-party maintenance globally, with 85% of its TPM business being on Cisco equipment. Curvature is a frequently mentioned provider in Gartner inquiries from end users looking for TPM on a Cisco kit. Curvature has embedded a highly consultative approach in its third-party maintenance business, which is branded as NetSure. Curvature is moving more into providing support for server and storage platforms, both by growing organically and through acquisition. In



2014, it acquired CSU, a server/storage-focused, New York-based TPM with revenue at an estimated \$15 million at the time of acquisition. Curvature is an authorized reseller with some OEMs, including Arista Networks, VMware and Dell.

## **HOW THIS PROVIDER COMPETES**

Curvature competes as a secondary market hardware globally, and provides parts to many third-party maintainers. Curvature's secondary hardware is sold with a lifetime warranty.

Seventy-five percent of Curvature's devices under maintenance are in North America. Curvature is strong in Europe, and also is growing rapidly in India, Japan, Southeast Asia and China.

Curvature's primary sales strategy is direct-to-enterprise customers. As a direct support provider, Curvature focuses on midsize to large enterprises, in particular multinationals, with many branches and typically a concentration of Cisco kit. Curvature is a solid choice for enterprises with a concentration of TPM-supportable Cisco models, such as 2811, 2960, 3750 and 6509, or for TPMs looking for a global partner to subcontract Cisco TPM to. Curvature also has partnerships to sell through, which include authorized SIs/VARs. Curvature also provides subcontracted services to some other third-party maintainers that leverage Curvature for its networking parts and technical support competencies.

The Curvature support model is to leverage its own parts for all sparring in a 1:1 sparring model. It uses its own technical support resources for networking and servers. For storage, it will primarily use its own technical support resources for some products; for example, Clarion, but it does need to outsource for some other storage platforms; for example, VMAX. Its model globally is to subcontract all field engineering resources to partners. All contracts include 24/7 phone support, with on-site parts response times varying according to selected service levels.

Curvature provides prospects and customers with a consultative approach to sales, by providing quotes with specific recommendations to optimize potential maintenance savings. Curvature's quoting tool provides organizations with personalized recommendations for support about what devices to keep on Smart Net Total Care, and what devices to move to NetSure. These quotes also provide details about on what devices customers can access software updates from Cisco with no maintenance contract, and on what devices Cisco is no longer actively issuing updates, for example.

## **Rising Star**

### **Park Place Technologies**

[www.parkplacetechnologies.com](http://www.parkplacetechnologies.com/) (<http://www.parkplacetechnologies.com/>)

## **MARKET OVERVIEW**

Park Place Technologies is a pure-play, third-party maintainer headquartered in Cleveland, Ohio. Park Place is privately held by Chicago-based investment firm GTCR. Park Place has approximately 375 employees and revenue of \$100 million. Park Place is a storage and server TPM, with 80% of its revenue from EMC, HP Inc., IBM and Dell support. Its network-focused TPM

practice is growing. Most devices Park Place currently supports are in North America; however, it does provide support for some U.S. customers with devices located in Europe and a smaller number in Asia/Pacific. Park Place has coverage in Canada that was bolstered by its acquisition in 2014 of the Data Center Maintenance Services division of Cycom Canada, an Ontario-based IT service provider.

## **HOW THIS PROVIDER COMPETES**

Park Place competes as a data center maintenance specialist with sales offices in the U.S.; Toronto, Canada; and in London, which is a combined operations center/sales center that was opened in 2015. It also opened a parts center in the Netherlands in 2015.

Park Place has been largely successful in growing channel relationships not only with OEMs, but with authorized channel partners (VARs) in the U.S. and Canadian markets. For this reason, Park Place is a rising star in the TPM space. Authorized VARs are not typically permitted to sell unauthorized TPMs. Because of client interest and demand for TPM, and their preference for how they procure products and services, many VARs are now forging commission-based relationships with TPMs to support their client bases. Park Place has been successful with these relationships, with the channel accounting for nearly 50% of its revenue. On Gartner inquiries, clients frequently ask about using Park Place, both directly and through authorized VARs. Examples of VARs Gartner has seen success working with Park Place include CDW, SHI International and Softchoice.

The largest direct verticals for Park Place are manufacturing and healthcare, but the company has a client base across all vertical industries. The Park Place support model is to provide most of its own back-end support and maintain control of its parts stocking. Some technical support for networking devices and specific storage platforms is augmented with capabilities from other TPMs. On-site field engineering services are provided by Park Place employees 95% of the time.

Park Place is looking to expand globally, organically, through partner relationships and by continued targeted acquisitions.

Service levels for TPM include 7x24x4, 5x8x4 and NBD options. In addition to EMC, HP Inc., IBM and Dell, Park Place supports equipment from Cisco, Hitachi, NetApp, Oracle (Sun Microsystems), Brocade, Juniper, and legacy systems by Digital Equipment Corp. (DEC) and Data General.

In addition to TPM, Park Place provides remote monitoring services and limited professional services, including data center installation, implementation and relocation, and ITAD services — including on-site drive erasure/shredding and logistics services. These professional services are largely opportunistic in nature for existing clients, but will be key to Park Place's strategic growth as a global provider of DC services over the next few years.

## **Disrupters**

**Ardent Support Technologies**

[www.ardentsupport.com](http://www.ardentsupport.com/) (<http://www.ardentsupport.com/>)

## **MARKET OVERVIEW**

Ardent Support Technologies is a pure-play, third-party maintainer headquartered in Dover, New Hampshire. Ardent is a privately held limited liability company (LLC) by its two co-founders, with approximately 30 employees and revenue of less than \$10 million. Ardent provides support for server and networking hardware, but its focus is as a storage specialist, with two-thirds of its revenue from EMC, HP Inc. and NetApp support. Ninety percent of devices supported are in the U.S.; however, Ardent does provide support for devices located in Western Europe, India and Asia.

## **HOW THIS PROVIDER COMPETES**

Ardent Support Technologies competes as a high-touch storage specialist, and for this reason, it has the potential to be a disrupter. The Ardent model is to provide all back-end support in-house, while maintaining control of its parts stocking. It leverages qualified partners for on-site field engineering support to work in tandem with their in-house engineers. This enables Ardent to drive down operational costs and provide customers with cost savings.

Ardent sells its support contracts, branded as "In Touch," direct to enterprise customers, and also provides support to other major third-party maintainers. NDB and 24x7x4 are the most common support levels supported.

As a direct support provider, Ardent focuses on midtier to F500 accounts. As a partner to other TPMs in the market, Ardent is able to provide Level 3 support on equipment that many other TPMs do not support, but may still take on a contract and outsource to other providers. Such equipment includes:

EMC: VMAX, Isilon, DMX (3 and 4), Data Domain

HP Inc.: 3PAR, XP

IBM: XIV

Hitachi: USP, USP V, HUS, AMS

Essential Enterprise Solutions

[www.essential.com](http://essential.com/) (<http://essential.com/>)

## **MARKET OVERVIEW**

Essential Enterprise Solutions is a third-party maintainer headquartered in Mechanicsburg, Pennsylvania. Essential is privately held by The Gores Group with approximately 350 employees and revenue of \$50 million. Essential operates five TPM lines of business: data center, retail, printer/personal systems, banking and project solutions. Data center is the largest business at approximately \$20 million. Essential's footprint of data center devices under support is exclusively North America. Sixty percent of devices supported include HP Inc., Dell, Sun and IBM.

## **HOW THIS PROVIDER COMPETES**

Essential competes as a high-touch data center support with a significant level of automation and innovation built into its support model. Because of this innovation, Essential is a disrupter.

Essential provides all of its own technical support. It is highly supportive to organizations with a high percentage of end-of-life devices. The Essential parts model is to maintain control of its parts stocking, but not to own the inventory, using a pure usage model. In 2015, it began an exclusive relationship with PC Parts to take on ownership of Essential's parts. This leaves Essential with no carrying costs for inventory, but gives it access to inventory, at which time it pays for the parts. All inventory is prepositioned in Essential forward stocking locations (FSL) backed by a strategic alliance with FedEx Global Supply Chain Services in accordance with minimum and maximum thresholds managed by Essential.

Essential leverages its Managed WorkForce methodology for on-site field engineering services, which is a combination of full-time employee and contingent labor resources. Essential invests in analytics and automation such as technical routing software, which helps it meet customer demands at the best cost.

Essential provides support contracts direct to enterprise customers, which makes up two-thirds of its TPM business. It also provides support to other third-party maintainers and through OEM relationships as a subcontractor. Support levels include 24x7x4 and NBD, and can be customized for customers, including with a two-hour, on-site response.

## XS International (XSi)

[www.xsnet.com](http://www.xsnet.com) (<http://www.xsnet.com/>)

### **MARKET OVERVIEW**

XS International (XSi) is a third-party maintainer headquartered in Alpharetta, Georgia. XSi is a privately held LLC by Bone International Holdings, which also owns AvarSYS (<http://www.avarsys.com/>), a Historically Underutilized Business Zone (HUBZone)-certified small business that provides maintenance and professional services to government entities. It also owns a Latin America (LATAM) ITAD business. Together, Gartner estimates the consortium has approximately \$20 million of revenue and 57 employees. Gartner estimates XSi accounts for revenue of approximately \$10 million. A large percentage of devices supported are in the U.S.; however, XSi has a growing number of devices supported outside of the U.S., in Europe, Asia/Pacific and Latin America.

### **HOW THIS PROVIDER COMPETES**

XSi has some unique differentiators, which make it a disrupter. First, it competes as a multivendor network maintenance specialist in the federal government vertical. Second, its focus on being a multivendor network specialist is different than other TPMs. XSi provides some support for server hardware, but its focus is as a multivendor network specialist, with 75% of its revenue from third-party Cisco support. It also supports devices from Juniper, Brocade, F5 Networks, Riverbed Technology, Blue Coat and others. Lastly, its ability to act as a subcontractor in LATAM for other providers is also a differentiator.

XSi also has clients outside of federal; for example, in the education, telecommunications, business services and retail verticals. The XSi model is to provide all back-end support and maintain control of its parts stocking. XSi's model is to outsource all field engineering services. Some TPMs leverage XSi for technical services in LATAM.

XSi does have approximately 50% of its business in direct sales, and half of sales through channel partners. These channel partner relationships include a subcontract for the large government-focused system integrators.

In the Cisco space, XSi markets a "hybrid" model of support where it puts together a Smart Net Total Care solution from an authorized channel partner and a TPM solution from XSi. This provides customers with access to OS from an authorized channel partner of Cisco.

## **Stalwarts**

## **Maintech**

[www.maintech.com](http://www.maintech.com/) (<http://www.maintech.com/>)

## **MARKET OVERVIEW**

Maintech is a pure-play service provider that supplies outsourced data center services, including third-party maintenance. Headquartered in Cranford, New Jersey, Maintech is publicly held, and has been owned by Volt Information Sciences (\$1.8 billion in annual sales, NYSE: VISI) since 1980. Volt recently announced it is pursuing buyers for nonstrategic entities, including Maintech. Maintech has approximately 575 employees and total revenue of \$92 million. Maintech operates four lines of business: IT as a service (ITaaS), data center services, desktop services and project services. Data center services account for 85% of its revenue. Ninety percent of devices supported are in North America; however, Maintech does provide support for some Europe and Asia/Pacific headquartered companies, and for some U.S. customers with devices located in both Europe and Asia/Pacific.

## **HOW THIS PROVIDER COMPETES**

Maintech competes as a full service data center outsourcing company, specializing in the financial services vertical. Its primary target customer is banking and brokerage firms with global data centers. Outside of banking and brokerage, its secondary vertical focus areas are manufacturing, telecommunications and distribution.

Maintech provides some support for networking hardware, but its focus is as a mainframe/server specialist, with 70% of its TPM revenue concentrated on HP Inc., IBM and Dell. Maintech is able to offer customers a range of data center services, including ITaaS, moves, migrations, remote monitoring and staff augmentation.

The Maintech model is to provide most of its back-end support and maintain control of its parts stocking. It leverages some partners for technical support for some storage and networking devices, as well as for some on-site field engineering services. Maintech has four Network

Operation Centers (NOCs): one in Orange, California; one in Wallington, New Jersey; one in Cranford, New Jersey; and one in Bangalore, India.

Maintech sells its support contracts directly to enterprise customers and through reseller channels targeting F1000 multinationals. Maintech also provides support to other third-party maintainers and to OEMs as a subcontractor to support OEM third-party maintenance offerings. Support-level SLAs are highly customizable depending on client needs.

## Service Express Inc. (SEI)

[www.seiservice.com](http://www.seiservice.com) (<http://www.seiservice.com/>)

### **MARKET OVERVIEW**

Service Express Inc. (SEI) is a pure-play third-party maintainer headquartered in Grand Rapids, Michigan. SEI is privately held by Pamlico Capital, and has 314 employees and revenue of \$60 million. SEI's focus is support for multivendor mainframe-, midrange- and Intel-based server and storage environments, with HP Inc., IBM and Dell accounting for approximately 85% of devices under maintenance. SEI is a regional U.S. provider, with a presence in 15 states, but focusing primarily in the Midwest states, including Michigan, Ohio and Wisconsin. At this time, SEI is not servicing clients outside of the U.S. Until this year, all of SEI's growth has been organic. With recent investment into the company, SEI will be looking to expand deeper into the U.S. market, both organically and through targeted acquisitions. In January 2016, it made its first such acquisition, Compu-Fix, a small Pennsylvania-based TPM.

### **HOW THIS PROVIDER COMPETES**

SEI competes as a high-touch, multivendor postwarranty server specialist. The largest verticals for SEI include manufacturing and healthcare, but the company has a client base across all vertical industries. The SEI model is to provide all back-end support for server environments, and maintain control of its parts stocking. For a majority of their contracts, they have their own engineers, but outside of their service area, they leverage a contingent workforce for on-site field engineering services. SEI does maintain partnerships to support some storage environments; for example, EMC Symmetrix/VMAX, and for networking products such as Cisco.

SEI sells its support contracts direct to enterprise customers. At this time, it does not provide support as a subcontractor to OEMs but has about 7% of their business through channel partners. Support levels include 24x7x4 and NBD.

Additional services include data center relocation services, OS support, and virtualization and hardware sales, which collectively make up 14% of SEI's revenue stream.

## SSCS Global IT Services

[www.sscs.com](http://www.sscs.com) (<http://www.sscs.com/>)

### **MARKET OVERVIEW**

SSCS Global IT Services is a pure-play, third-party maintainer headquartered in Houston, Texas. SSCS is privately held by the president and vice president (founders) of the company. SSCS has approximately 140 employees and revenue of \$30 million. Approximately half its revenue is from support for HP Inc. and Cisco devices. It also supports IBM, EMC, Fujitsu, Juniper, Sun, Hitachi and NetApp, among other vendors. About 45% of devices supported are in EMEA, 40% in North America and the rest mostly in Asia/Pacific, with a small percentage in Central America and Latin America.

### **HOW THIS PROVIDER COMPETES**

SSCS competes as a TPM data center maintenance provider with sales and support offices in the U.S., the U.K., Germany, the Netherlands, Malaysia, Brazil, Finland, Singapore, Russia and Japan. SSCS has approximately 50% of its revenue from direct sales, and the other half from subcontract relationships with OEMs. Target customers for SSCS include multinationals with a large amount of legacy servers and/or storage concentrated in a small amount of data centers, and many small remote locations spread around the world.

The largest verticals for SSCS are telecommunications and manufacturing, but the company has a client base across all vertical industries. The SSCS support model is to provide most of its own back-end support and maintain control of its parts stocking. Some technical support for specific storage platforms, for example, VMAX, is augmented with capabilities from other TPMs. Some on-site field engineering services are provided through partner relationships.

Service levels for TPMs include standard SLAs: 24x7x4, 9x5x4 and 9x5xNBD. Custom SLAs that include guaranteed restore times are available.

### **TERiX Computer Service**

[www.terix.com](http://www.terix.com/) (<http://www.terix.com/>)

### **MARKET OVERVIEW**

TERiX Computer Service is a pure-play, multivendor third-party maintainer headquartered in Sunnyvale, California. TERiX is in its 19th year of operation and is privately held by its founders. TERiX has approximately 110 employees, 35 outside of the U.S. Revenue is approximately \$30 million. TERiX competes as a TPM data center maintenance provider supporting server, storage and networking devices. Approximately 75% of its revenue is from support of Sun, IBM, HPE and Dell devices.

### **HOW THIS PROVIDER COMPETES**

TERiX competes internationally through its four related international entities (Canada, India, Japan and Singapore) and a select international partner network providing support in another 44 countries. Its annuity revenue model offers mission-critical, on-site support with flexible SLAs. TERiX relies on its own distributed parts-stocking network.

TERiX's proprietary-developed cloud applications provide customers with real-time access to the TERiX service ticket system, including the ability for customers to open service tickets, check status, escalate a ticket's priority, review the service call history, contract status and supported devices. Other TERiX proprietary tools include system monitoring and auto-ticket generation tools. Bidirectional electronic data interchange (EDI) interfaces into the TERiX service ticket system are also used by customers. Multiple call centers are staffed with TERiX employees 24/7. TERiX's focus on complex enterprise and midrange devices necessitates almost exclusive use of their own highly trained full-time engineers, rather than a flexible contingent workforce.

Channel sales include support offerings to those OEMs that offer multivendor support, VARs, hardware resellers and other TPMs. About 20% of contracts are held directly with end users. Largest market verticals for TERiX are information technology, telecommunications, financial services, pharmaceutical and entertainment. Specific models supported by TERiX include:

EMC: CLARiiON, DMX, Isilon

NetApp: Filers, V-series

Hitachi: AMS, 99xx USP/V, VSP/M VSP

HPE: Superdome, 9000 servers, 3PAR, XP

IBM: x, i and p series servers, XIV

Oracle (Sun Microsystems): M9000, StorageTek SL8500, T-series

Dell: Wintel servers and storage

Cisco: UCS blades, networking

## **Secondary Hardware Entrants**

### **Atlantix Global Systems**

[www.atlantixglobal.com](http://www.atlantixglobal.com/) (<http://www.atlantixglobal.com/>)

## **MARKET OVERVIEW**

Atlantix Global Systems, headquartered in Atlanta, Georgia, is a secondary hardware provider offering third-party maintenance services. Atlantix was formerly a subsidiary of Presidio, but in October 2015, it was sold to the equity group Millstein & Co. Atlantix has approximately 155 employees and revenue of more than \$120 million. Currently, more than 80% of its revenue is from its secondary hardware and ITAD lines of business. Atlantix provides support for server, storage and networking hardware, and TPM is a growing piece of its business.

## **HOW THIS PROVIDER COMPETES**

Atlantix competes as a global wholesale distributor of secondary market hardware in 80 countries, with a high-volume ITAD business. Atlantix offers a one-year warranty on hardware sold. Because of the size of its parts distribution globally, Atlantix has the potential to grow as a



third-party maintainer. Atlantix has a number of relevant industry certifications, including ISO 14001:2004 and ISO 9001:2008, OHSAS 18001:2007 for safety and R2:2013 for electronics recycling.

Atlantix sells its support contracts, branded as Mindsafe, direct to enterprise customers. Approximately 80% of the equipment on Mindsafe contracts are from Cisco or Juniper. Support levels, including 24x7x4 and NBD, are the most common support levels. Technical support is provided by Atlantix. On-site field engineering is provided using a mix of Atlantix engineers and subcontracted engineers.

## CentricsIT

[www.centricsit.com](http://www.centricsit.com/) (<http://www.centricsit.com/>)

### **MARKET OVERVIEW**

Headquartered in Norcross, Georgia, CentricsIT is a secondary hardware provider offering third-party maintenance and ITAD services. Centrics is privately owned by CHC Technology, and has approximately 160 employees and total revenue of approximately \$75 million. Approximately 80% of its revenue is from its secondary hardware distribution line of business. Centrics provides support for server, storage and networking hardware, and TPM is a growing piece of its business, with support for HP Inc., Dell and Cisco equipment making up approximately 90% of its support business today.

### **HOW THIS PROVIDER COMPETES**

Centrics competes as a wholesale distributor of secondary market hardware in more than 100 countries, and provides parts to many third-party maintainers. Support contracts sold directly to enterprises customers, branded as Centrics Support Services, make up 50% of its support revenue. The other 50% is through channel partners, which include authorized VARs. As a direct support provider, Centrics focuses on midsize to large enterprises and has solid coverage in both Canada and the U.S. To support its global growth and its customers with data centers in more than one geography, it is investing in Latin America and Europe.

The Centrics support model is a hybrid in that it uses mostly its own field engineering resources in the U.S. and Canada, and partners for on-site field engineering outside of North America. All contracts include 24/7 phone support, with on-site parts response times varying according to selected service levels. Centrics Support Services contracts provide a guarantee that there will be no price increase for the life of the equipment.

Centrics provides professional services such as wireless surveys and assessments, migration, and configuration services. Centrics also is able to leverage the resources of other CHC holdings, including The Centrics Group (<http://www.thecentricsgroup.com/>), which focuses on IT staff augmentation, and Adapture (<http://www.adapture.com/>), which is an infrastructure-, cloud- and security-focused solution provider that is an authorized partner of many vendors, including AWS, Dell and VMware.

# CXtec

[www.cxtec.com](https://www.cxtec.com/) (<https://www.cxtec.com/>)

## **MARKET OVERVIEW**

CXtec is a secondary hardware provider offering third-party maintenance, ITAD services and professional services such as installation, staging and configuration. CXtec is headquartered in Syracuse, New York. CXtec is privately owned by William G. Pomeroy. Pomeroy also owns Cisco partner Teracai (<http://www.teracai.com/>). CXtec has approximately 250 employees and revenue of approximately \$90 million. CXtec's TPM revenue is approximately \$5 million.

## **HOW THIS PROVIDER COMPETES**

CXtec operates three lines of business: equal2new, which focuses on secondary hardware sales; CABLExpress, which focuses on cabling; and RapidCare, which is its TPM offering. The equal2new limited lifetime product warranty is three years after the OEM end of sale with advanced replacement for the first year. During the first year, CXtec does not require the defective product to be sent back prior to sending out the replacement unit at any point during the warranty. The warranty is on a unit basis, not a component basis.

CXtec's RapidCare provides NBD advanced replacement TPM support for network devices, primarily Cisco. It also provides support for other networking products, including 3Com, Aastra Technologies, Adtran, Aruba Networks, Avaya, Mitel, Nortel Networks, Polycom, ShoreTel, Transition Networks and Brocade. At this time, CXtec does not provide support for server and storage platforms. CXtec works to remediate network production issues in its fully functional lab environment, where it recreates customers' production issues and provides root cause analysis.

## **References and Methodology**

For this research, Gartner conducted vendor briefings with all of the providers included in this research using a formal agenda guide. Topics covered on the briefings included service capabilities, investments, case studies, go-to-market strategies and service differentiators.

Gartner also conducted a survey of these providers via a detailed questionnaire. Topics covered on the survey included general company overview, financials, market vision, device counts (by OEM), SLAs, marketing, sales and channels.

In addition, Gartner conducts hundreds of inquiries each year with end-user organizations looking for alternatives to OEM maintenance. From these inquiries, Gartner is able to collect data about market demand for TPM, drivers and inhibitors for adoption of TPM, service providers being considered, and, ultimately, service providers selected. Because many of these end-user inquiries result in providing a review of a TPM's quote, analysts are also able to continually gauge market pricing.



(<http://gtnr.it/1KsfgQX>)

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