Data Center and Network TPM Trends and Opportunities

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Third Party Maintenance: Current State

TPM began driving towards *mainstream* in 2015:

Over 7 million DC/Network devices under TPM

Over **200** providers – fragmented market

SME and Large enterprise customers

More interest from MNCs

Most frequent hardware support related inquiry topic from end users and investors

Drivers:

Cost optimization exercises

Sourcing and procurement

Increased access to investment funds

Branding/social media/marketing

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 post-warranty 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.

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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.
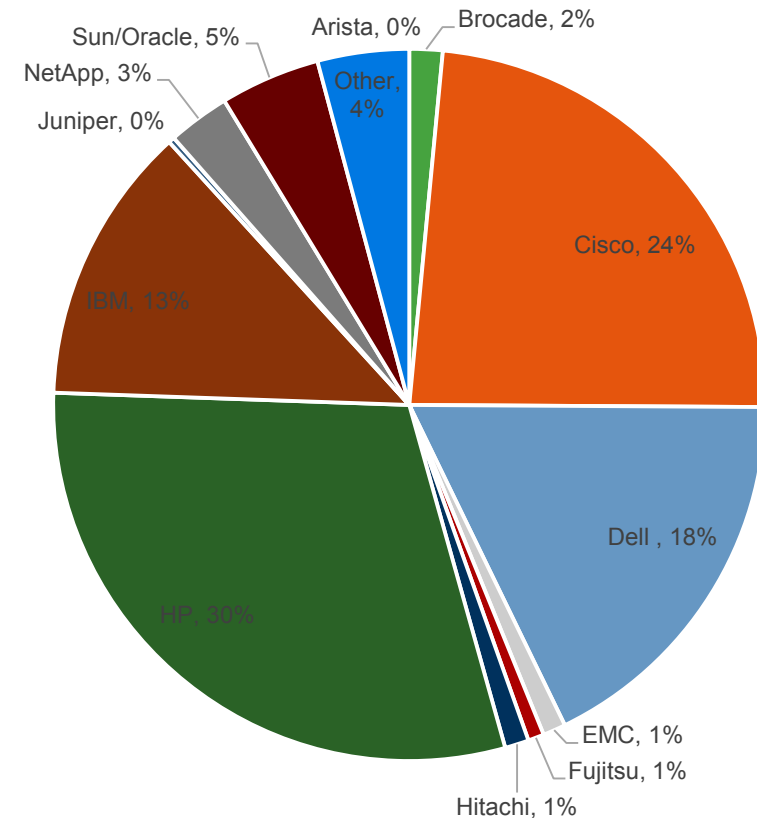
By 2020, the number of TPM related RFI/RFPs that are multi-platform/multi-vendor will increase by 25%.

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Most Commonly Supported

Over 1 million devices under TPM:

- HP – 30%

- Cisco – 24%

- Dell – 18%

- IBM – 13%

- If you look at data by Server/Storage/Network Equipment Under TPM by Revenue by OEM the Percentages Change, with Server and Network decreasing and Storage increasing.

Server/Storage/Network Equipment Under TPM By Number of Devices by OEM Percentage of Total, 2015

Sun/Oracle, 5%
NetApp, 3%
Juniper, 0%
Arista, 0%
Brocade, 2%
Other, 4%
Cisco, 24%
IBM, 13%
Dell , 18%
HP, 30%
EMC, 1%
Fujitsu, 1%
Hitachi, 1%

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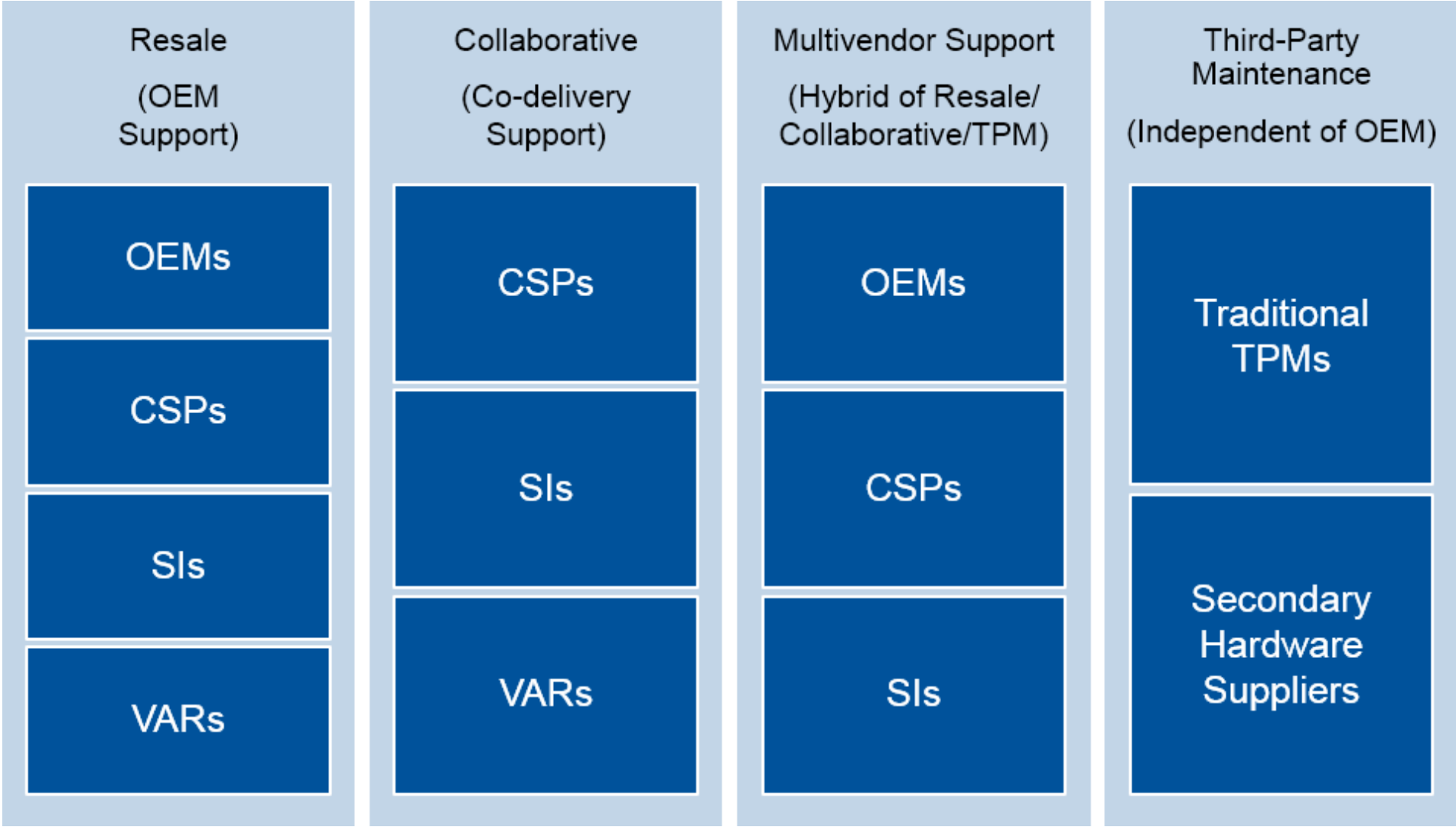# Short List Stage - Discussion of Benefits and Work-Throughs

Benefits

- Cost savings – ability to save on OEM hardware contracts 50-60% is typical, but for contracts with significant product density can be up to 95% savings

- Contract length flexibility – ability to enter into a month to month contract – not as much pressure to lock in for multiple years

- Contract terms flexibility – ability to terminate at any time without penalty

- Pricing methodologies – many OEMs don't give the benefit for having product density. TPMs price on product density and therefore you can leverage that more with a TPM than with most OEMs.

- Escape the significant post-warranty increases – with some OEMs, there are significant increases as equipment ages. With TPMs, they price more on NPV.

- Leverage - to drive down spending with OEMs, keep VARs on their toes

- "Optimize" support spend – some TPMs are very good at consulting with you (at no charge) about what to cover, at what level, what not to cover, and what you might consider sparing.

Risks

- Few large providers – many are regional in nature, the market is fragmented and can be cumbersome to navigate. There are many "small" providers that operate without having parts/logistics and engineers so due diligence around and RFI is suggested to ensure you are with a viable provider. Reference check for the specific vendors' equipment you are looking to maintain (in other words, talk to references for a TPM that is supporting EMC, specifically, if that is what you are looking to support).

- Difficult to analyze financials – all are privately held companies

- Lack of clarity/uniform messages in information regarding sw access rights can be confusing

- "SW only" bids for firmware/microcode can be very expensive, if needed down the road

- OEMs can implement a recertification fee/relicensing fee if decide to go back to OEM maintenance

- Inability to escalate to the OEM, or can be very costly T&M to escalate to the TPM.

- Can be more difficult to manage contracts because of knowing who to call for what. Some TPMs have good portals to manage this for customers, or will be a "first point of contact" and manage everything".

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Hardware Support Market Landscape of Providers

Resale (OEM Support)	Collaborative (Co-delivery Support)	Multivendor Support (Hybrid of Resale/ Collaborative/TPM)	Third-Party Maintenance (Independent of OEM)
OEMs	CSPs	OEMs	Traditional TPMs
CSPs	SIs	CSPs	Secondary Hardware Suppliers
SIs	VARs	SIs	
VARs			

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TPM and Secondary Hardware Market Will Converge

- 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.

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TPM Market Segmentation

- **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.

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Providers - Third Party Maintenance Providers

Top Performers	Rising Stars	Disrupters	Stalwarts	Secondary HW Entrants
▪ SMS — Data Center ▪ Curvature — Network	▪ Park Place Technologies	▪ Ardent ▪ Essintial ▪ XSi	▪ Maintech ▪ SEI ▪ SSCS ▪ TERiX	▪ Atlantix Global ▪ CentricsIT ▪ CXtec

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The Future of Competition

- More RFPs for multi-platform/multi-vendor

- Asia grows in importance

- Provider consolidation

- Investment activity

- Additional secondary hardware entrants

- Increased interest to use TPM for storage hardware

- Maintenance optimization automation

- Hybrid support

- Partnerships with the VARs

- OEMs continue aggressive practices

- Effect of cloud

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Future of TPMs as Independent Systems Integrators
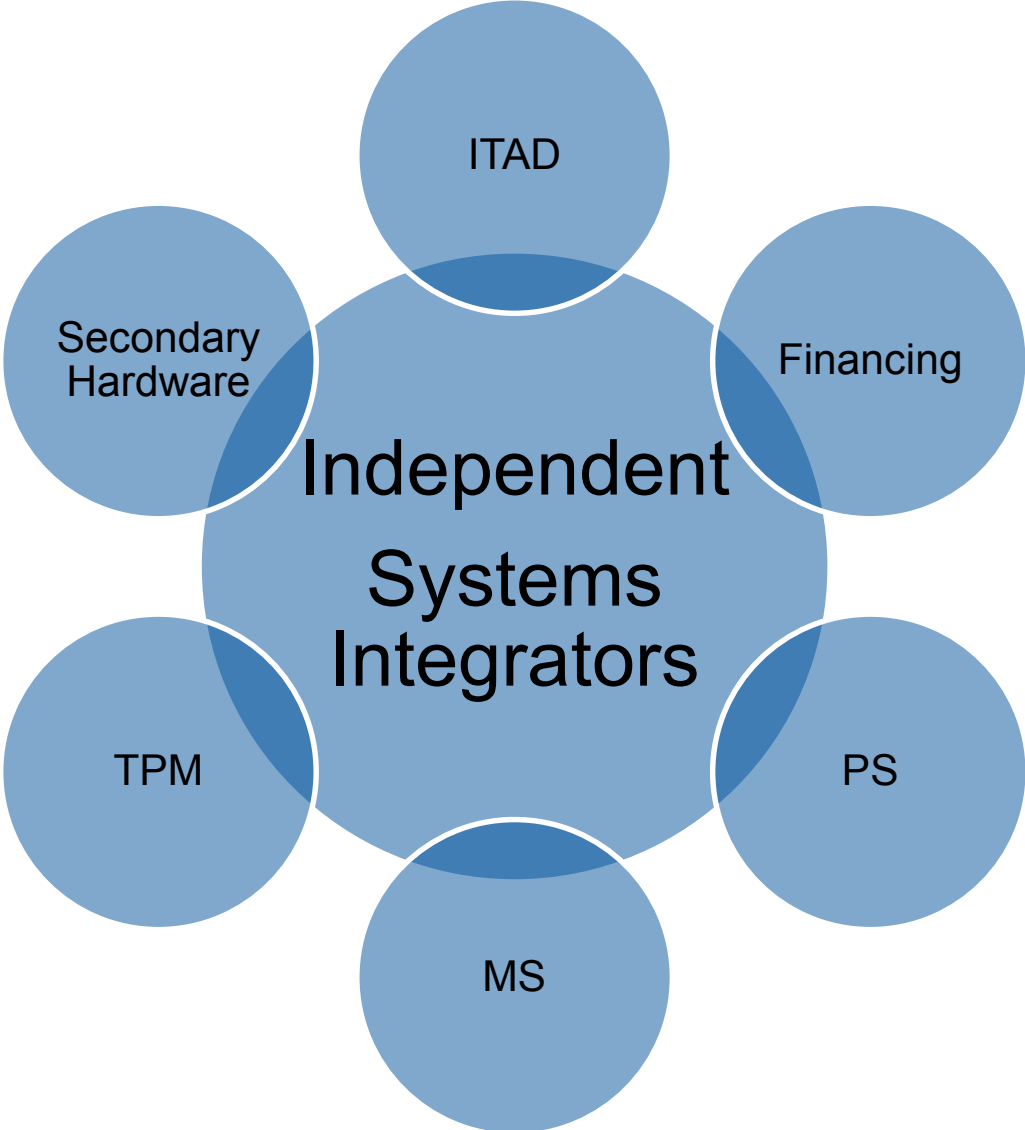
Strategic Planning Assumption:

2020, the number of TPM related RFI/RFPs that are multi-platform/multi-vendor will increase by 25%.

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Recommendations

✓ Develop a focused sell-through and/or sell-with channel strategy. TPMs must cultivate relationships with VARs. Hire a channel development exec.

✓ Leverage partnerships and acquisitions to expand the opportunity for global growth. 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.

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Recommendations

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

✓ Invest in analytics, particularly for channel, marketing, sales.

✓ Continue to support the right to repair initiatives.

✓ Increase focus on APAC as a growth area.

✓ Private equity is a major force in the TPM world for rolling up companies and getting access to investment funds to grow.

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Recommended Gartner Research

Related research published:

- Competitive Landscape: Leveraging Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization, North America (G00294372)

- Used-Hardware Resellers Offer Hardware and Support Cost Savings (G00270507)

- Forecast Overview: Product Support Services, Worldwide, 2015 (G00277029)

- Performance Roadmap: Best Practices for Shaping Service Provider Business Strategy for Product Support Services (G00261859)

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