3RD PARTY MAINTENANCE

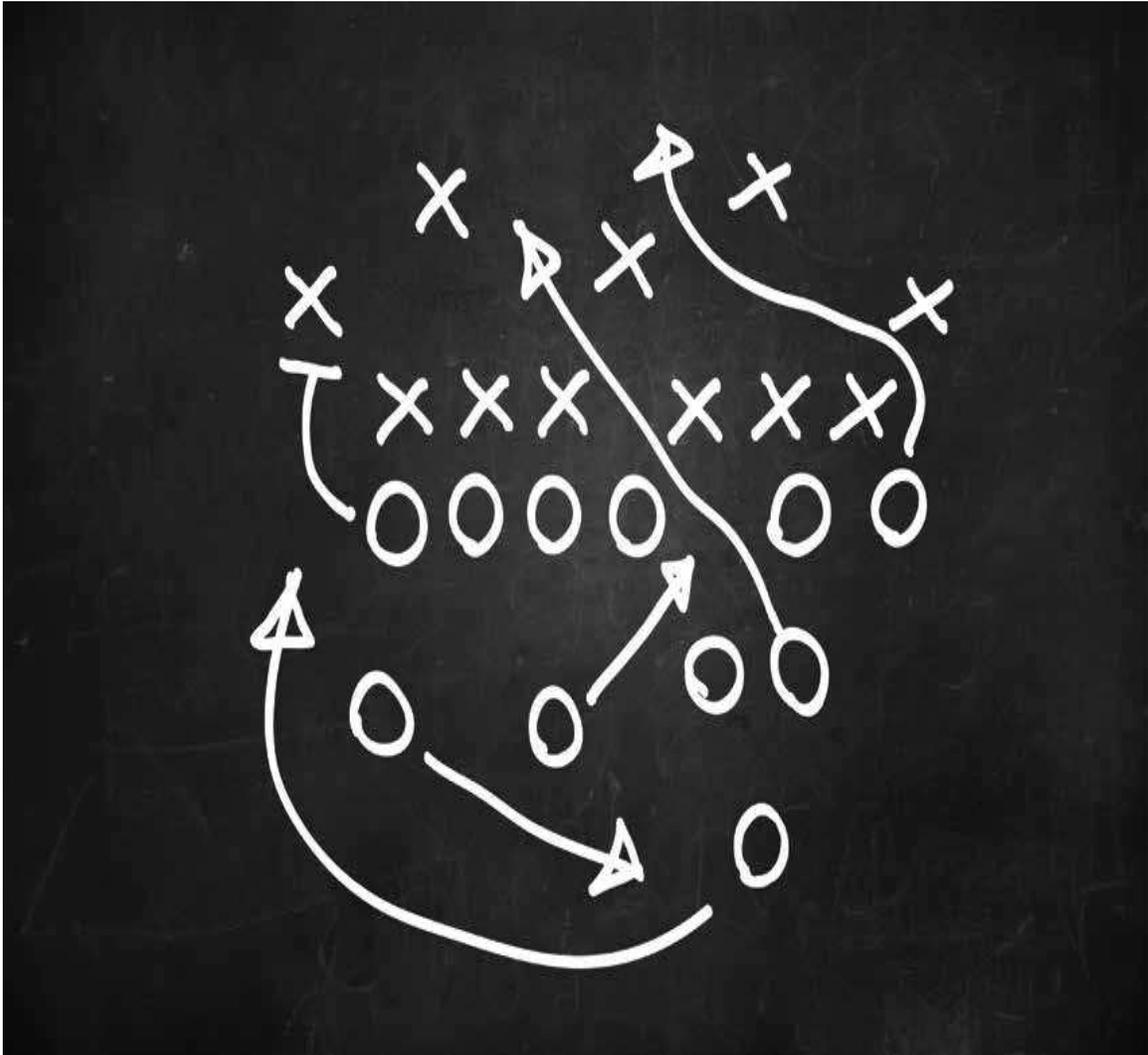## *ULTIMATE PLAYBOOK FOR I.T. SALES PROFESSIONALS*

(WHY THIS MARKET CAN BE THE GAME CHANGER FOR YOU AND YOUR CUSTOMERS)

BY

KEN PECK

Do You Have A Game Plan??

TABLE OF CONTENTS

<u>Chapter</u>   **<u>Page</u>**

WHO THIS BOOK IS FOR:

If you are an IT Sales Professional working primarily with customers and clients who need new and used IT Infrastructure Equipment, you know how competitive the equipment landscape is. You may have dabbled in providing 3rd Party Maintenance directly or indirectly or at least know that there is a market there. Maybe you hear complaints and rants from clients about the Original Equipment Manufacturers (OEMs). Or you are trying to resell their expensive, bloated and unnecessary OEM maintenance programs. Perhaps, you even have a full-blown 3rd Party Maintenance Program, but find that you are not capitalizing on this growing and lucrative market.

This book is for you. We will set up the opportunity, give you some education about the 3rd Party Maintenance Market and show you how to go for the Gold in building your business around 3rd Party Maintenance.

Chapter One:

Background and Key Observations for the 3rd Party Market from an Industry Insider

I guess the first thing I need to disclose is that I'm the Industry Insider. I'm Ken Peck and I am the President of Smart3rdParty in Atlanta, Georgia. And, I want to give you some insights from my 30+ years working with sales professionals just like you and thousands of customers.

Let's face it. This industry is not really that old. In the early years of computers and IT, we were totally reliant on big manufacturers like IBM, UNiSYS and Hewlett Packard. Our customers just needed to build their systems and infrastructure and it was kind of like the Wild West. The need for new technology, software, equipment and innovation was insatiable. Everyone felt like they needed to build a network, be competitive and always have the newest and best technology. Many millionaires were made and it seemed like this might continue forever. And, surely we still see new technologies and approaches to IT Management coming at us all the time. The Cloud and mobile technology are two of the newer issues we face.

I got into this industry for a few reasons. One, I loved technology and I always wanted to see if I could keep up with new generations of network

infrastructure and communication equipment. Second, I realized that the big companies always seemed to have an advantage over some of my friends and colleagues who worked with mid to smaller companies. I've always had a "soft spot" for the little guy. I saw a real opportunity to help these smaller companies. Frankly, this industry has been very good to me. Over the years I've sold hardware software and services dealing with all aspects of the industry. So, I've dealt with the large OEMs and I also know the frustration that many of my best customers had when OEMs withdrew support on equipment just a few years old. Or, they were faced with monumental management/support contracts that kind of felt like the OEMs had a gun to the heads of my customers.

Well eventually, I realized there was a better way. I didn't come up with the idea for 3rd Party Maintenance. But I realized that there were several companies offering support, service and equipment that allowed my clients to substantially reduce their costs and work more on just running their businesses instead of chasing their tails trying to stay up with the "techno-wars".

This has become my passion. To help the reseller community, small IT service companies and their clients/customers. And, I've realized that many of you may be struggling with how to penetrate this market or how to access the right services, vendors and contractors to sell 3rd Party

Maintenance in a way that helps your customers and allows you to make a very good living. That's why I decided to write this book for you.

WHY 3RD PARTY MAINTENANCE IS SUCH A HOT TOPIC

In simple terms, the environment for 3rd Party Maintenance has never been stronger. The two main drivers are:

1. IT Infrastructure Costs are under extreme pressure and typically need to be reduced.

2. Many IT Assets have useful lives that extend well beyond what the manufacturers will support or allow.

While some would like to say that our economy is roaring, the fact is that many sectors are still under extreme cost pressure. C-Level executives know that they can grow businesses and be competitive with sound IT strategies. But they pressure IT executives about the constant replacement of assets and software that appears to be working just fine. IT costs are seemingly gobbled up just to maintain the status quo, while C-Level executives are clamoring for more to help them grow and compete in a global economy. Frustration is high.

KEY DRIVERS OF FRUSTRATION

"Pain" might be a better word than frustration, but we all are caught up in it. I'm sure you can relate to the following trends I see from dealing with many customers.

1. Costs pressures mentioned above. Customers feel like the cost freight train is running them over.

2. OEMs rush the refresh cycles on IT assets well before true useful life is achieved.

3. Manufacturer support and maintenance is often quite cumbersome and confusing.

4. When a problem or support issue is identified, there can be extreme confusion working through multiple vendors, and equipment suppliers to fix the problem. Conflicting Service Level Agreements (SLAs) slow down fixes. Users pay the price.

5. Vendors and OEMs are constantly selling "new and better" when all that's wanted is "working and cost effective".

SURPRISING: 3rd PARTY OPTIONS NOT WELL KNOWN

While 3rd Party Maintenance options have been available for 25+ years, surprisingly the market penetration is really quite low. In fact, my experience tells me that less than 10% of the companies who could realistically use viable 3rd Party Maintenance do so. In fact, some industry insiders peg the market penetration at 7%. Most aren't even aware of the options or don't realistically consider 3rd Party as a viable alternative.

Why such low market penetration? I'd offer these observations:

- The OEMs like Cisco, Dell, NetApp, etc. have done a marvelous job of selling their services. They use fear or as we like to call it FUD: Fear, Uncertainty and Doubt as a major de-motivator and make it appear that working with an alternative vendor for 3rd party support may jeopardize their whole IT infrastructure.

- Against this backdrop and the pressures of keeping their IT systems up and running, IT executives have not really bothered to educate themselves on the options. They hear what the OEMs tell them and say they'd rather be "safe than sorry".

- As used equipment resellers and IT service companies, we chase some of the easier dollars and that has kept us focused on sales of used, refurbished and new equipment. Some of us have bought into the OEM story and don't want to sell against the big guys, maybe because we feel our story isn't good enough.

The good news is that all of this is changing. 3rd Party Maintenance companies have reached a level of maturity and sophistication that allows them to compete toe to toe with the big guys. And, many companies have seen tremendous benefit from working with 3rd Party vendors. There is a great story to tell. Finally, IT executives are much more receptive to our story now because of cost pressures and the frustrations we've mentioned before.

In short, you will want to study this book and find ways to add 3rd Party Maintenance to your arsenal or enhance what you are already doing in this market. It's a great place for all of us to be right now!

<u>True Story About the Early Days of the 3rd Party Maintenance Business…</u>

It was 1987 and I worked for UNiSYS which was the merger of Burroughs and Sperry. In September 1986 UNiSYS decided to enter the world of 3rd Party Maintenance which was then dominated by companies like Bell Atlantic, Sorbus and Interlogic Trace.

We had some success and were feeling pretty good about ourselves. We had just sold a maintenance contract on an IBM System 36 to a large insurance company (Liberty National).

At one of our regular weekly meetings Bill Shookmen, the UNiSys Branch Manager, revealed he just talked with the VP of Data Processing for Liberty National…. The VP said he was saving so much money that he no longer could afford UNiSYS maintenance….that's why he had switched to our 3rd Party Maintenance contract. In fact, he wanted to switch over more business to us.

The problem was that Liberty National's system had been down. We were scrambling to perform and Bill was having trouble sourcing the parts. You see, back then parts availability was an issue…. We eventually solved the problem, but it was tough and costly for us. The customer never knew and we actually sold them more business.

My point? Fast forward to 2015. Parts logistics is not an issue…. 3rd Party Maintenance is mainstream and we can perform toe to toe. Often we have better and quicker access to parts than the big guys… because that's all we do!

Chapter Two:

What IT Experts Say About 3rd Party Maintenance

Before I discuss what the analysts say, I want to mention a concept that I think can help you with your sales of 3rd Party Maintenance. It's called "Education Based Selling". Now I could write a whole book on this topic, but the main point is this: Education sells. When you put yourself in the role of a teacher or educator, you are stepping outside the normal sales role. Most people will say they don't like to be "sold". But many feel like they don't know it all and they appreciate free education. It makes them look smarter and feel more comfortable. And, teachers are "trusted".

So, be the educator and help your customers understand the 3rd Party market. To do this, you need to educate yourself. The fact that you are reading this book tells me you want to learn. So, as I dive into this chapter and throughout this book, take it upon yourself to become an expert in 3rd Party Maintenance and how to sell it. Then think of ways to position your sales materials and scripts to put you in the friendly role of teacher. You will be surprised how your customers react.

Important Industry Studies You Can Use

I'm sure we are all aware of Gartner, perhaps the top IT industry analysts. They continue to research various components of the industry and issue forward looking studies and surveys to help us understand key trends, problems facing the industry, opportunities for growth, etc.

The primary study to focus on from Gartner is titled "How To Reduce Network Equipment Maintenance Costs" published May, 2014. Just the fact that they have issued this study tells me how much our industry is coming into its own.

To keep this simple, I will quote from the summary at the beginning of the report:

> "Each year, maintenance costs swallow 15% to 25% of total enterprise IT budgets, and network managers must constantly reduce and control these expenses. Gartner has identified four ways to decrease network maintenance and support costs that can be applied to all types of networking equipment."

My comments on this: Note that this is a major issue. Maintenance is a large cost for most organizations and one that they probably overlooked. One reason it is so high is because of the insistence by OEMs and resellers that their exorbitant and sometimes ineffective support

contracts are necessary. You can be a real hero by showing an alternative that is cost effective and meets service needs.

More from the Gartner Study. This is such valuable information:

Key Challenges (per Gartner):
• Selecting the same level of service for all equipment is a common practice; however, it results in wasted and/or suboptimal expenditures.
• Enterprises don't usually focus as heavily on negotiating best prices for support and maintenance contracts as they do on purchasing network equipment.
• Because managing and controlling network maintenance contracts with different providers and expiration dates is difficult, the renewal process is tedious.

Recommendations (per Gartner):
• Negotiate initial maintenance prices at the same time you negotiate equipment purchase prices.
• Ensure that your network equipment has the appropriate maintenance service level, based on business risks, type of equipment, age of equipment and the equipment's relative importance to the business.
• Co-terminate and centrally manage your maintenance contracts by using inventory and contract management software tools or a service provider for inventory management services.
• Take advantage of limited lifetime warranties for less critical and more stable parts of your network.

So, my editorial comments about this. First, note how Gartner identifies that many of these suggestions are not current business practice.

And, yet they identify many opportunities for 3rd Party Maintenance. The types of information and inventory tools they mention are typical of what 3rd Party providers offer. Gartner is recommending that these issues be addressed at an early stage and that here are many factors to consider, primarily based on business risk factors compared to the age and functionality of the equipment.

The report goes on to analyze the various options from using the OEM Support, Reseller support, 3rd Party Maintenance and Self Support. The main recommendation is that there are advantages and business risks to each. A hybrid approach is recommended, which allows us to be a part of the team as 3rd Party Providers. They highly recommend that 3rd Party Maintenance alternatives be considered at the time of equipment purchase. This is not usual in my experience and represents a major opportunity for us.

Finally, the report shows the potential cost savings from various service levels and use of outside vendors. There is a wide range of service levels from Next Business Day (NBD) 8 PM to 5 PM all the way to 24/7 with 2 hours support on site. The costs can vary dramatically, so we can help our customers analyze what they really need from a business risk and tailor a program for them.

(If you want a copy of the full report, just email me at kenpeck@Smart3rdParty.com and we can email it to you.)

I also want to mention a second Gartner report from August, 2012 titled, "Know When Its Time to Replace Enterprise Network Equipment". The report summary is:

> Four primary factors determine the useful life of network equipment: market innovation, vendor end of-life policies, operating life and operating cost. Failing to properly assess the EOL of equipment will result in premature equipment replacement or increased risks for the organization. *(EOL=End of Life)*

So, obviously the main issue here is useful lives of assets. You can't rely on OEMs to dictate these lives. Mean Time Between Failures (MTBF) is relevant here. Gartner notes that MTBF is often 4-10 years beyond what the manufacturers allow with their replace policies. In any event, this report, with other industry analysis, shows us a playbook where we can be true partners with our clients in planning their IT strategy. I wanted to share a chart from this report which really depicts what the issues can be:

(See next page)
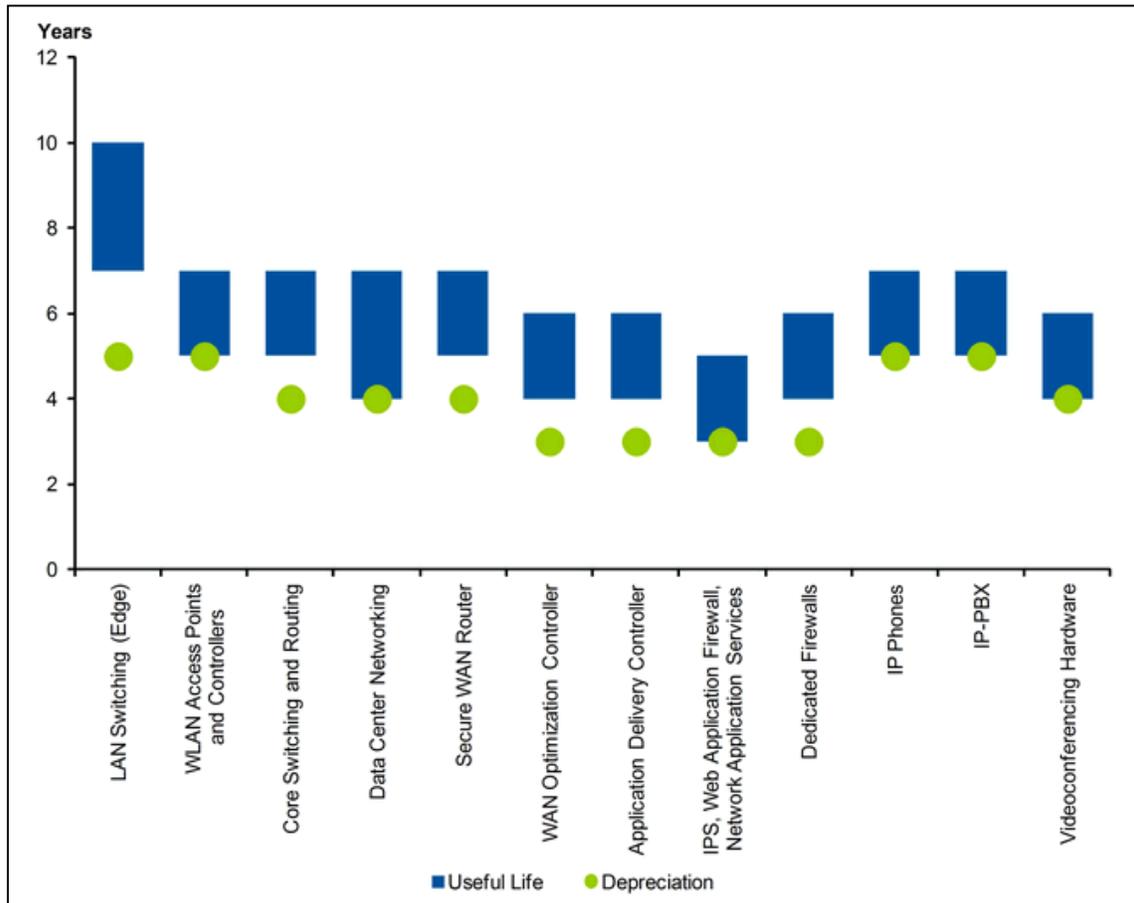
Useful Lives vs. Depreciable Lives of Selected IT Infrastructure Assets

Source: Gartner, August 2012

You can study these working useful lives versus the lives possible. But I would just point out the first one, LAN switching. The life extends to 10 years. Compare this to refresh or replacement cycles from OEMs like Cisco, which may dictate depreciation lives of 3 to 5 years! This is why there is so much concern and frustration.

What the OEMs Tell Us
(That Isn't True…)

Many myths and language gymnastics will make it seem that there are huge risks associated with using a 3rd Party Maintenance company instead of the OEM. I've read internal pronouncements and fear inducing documents from the big OEMs to my clients. Cisco with their SmartNet Maintenance is perhaps the biggest gorilla in this zoo and they go to great lengths to maintain a posture that customers must deal with "authorized" partners and resellers for service, replacement equipment, spare parts, etc

In fact, there are very few limited situations where that is true.

And, there is a robust market for genuine Cisco equipment and spare parts and for all the major OEMs. Reputable 3rd Party Providers have access to all of these parts and equipment. They can verify using trade associations that police vendors for counterfeit parts/equipment and also hold them to high ethical standards in delivering services.

While the details need to be investigated for each potential customer, the vast majority of needed maintenance does not require a direct relationship with the OEM or its resellers. Qualified 3rd Party Vendors can

provide the services, assurance and documentation to attain risk free support for you and your customers.

The point is not to let the OEMs dictate how customer networks are maintained. Because eventually this will come back to haunt our customers with higher costs and reduced service levels while sadly replacing assets that can last for several more years.

Chapter Three:

Winning the Gold in 3ʳᵈ Party Maintenance

Now that we know a little bit about this attractive market and what some of the concerns are for our customers, I'd like to go into more detail about how to make it all happen. What do you need to do to mine the gold for 3ʳᵈ Party Maintenance?

Who Can You Sell?

I see two major mistakes that most IT Service companies and used equipment resellers make when they jump into or attempt to expand this market.

First, they look for the big Kahuna type client because they think they are the only ones who will have substantial maintenance costs. And, who doesn't like to chase the big dollars?

Even if you feel like you have a great story to tell and have some "in" with the big guys, I'd put them on the back burner. Why? Because as much as we like to criticize the big OEMs, they got there for a reason. They have sales and service relationships with big companies. Even if their margins are excessive and you can find a way to save them 40% to 60% or more on

maintenance, the OEM or reseller sales execs are not going to let these accounts go easily. And, in some cases, they offer side benefits, trips and perks that keep the IT buyers loyal. They have a huge promotion budget and great incentives for keeping these big customers and you cannot underestimate this.

Chances are the customer will also have some seeds of doubt about you as a smaller competitor and there is also a great chance they will let the OEM or their reseller or sales person know about your attempts to steal (In their opinion; we refer to it as win.) this business. Then they will use you to get costs reduced or other benefits added into the contract. In short, you may spend much time and money chasing a deal with little chance of success.

Once you've built a great book of 3rd Party business, you can always go after the whale. However, if you feel confident in your story and do want to land a whale my recommendation is ask for some help.

Second, I see salespeople spending lots of time going after colder prospects that don't really know you or trust you. You may be out in the market selling 3rd Party Maintenance to this great prospect list, when the best prospect is the customer you already have.

In general, the ideal customer then is a middle sized company with multiple locations. If you can get a sense of how big their network is and how much they spend on maintenance that will help evaluate the opportunity. Generally, we want someone who has a large IT Infrastructure, a level of sophistication and who is under pressure to reduce costs. When you peel it back, you will find another driving factor is a level of tension or frustration with the OEM or their reseller.

So, given this ideal prospect profile, my hit list would be in this priority:

1. Customers and clients you are already selling to in some fashion. They trust you and will have reason to know that you will have their interests at heart. And, if you approach them in an educational fashion as I mentioned before, you can be a winner with them.

2. Referrals from current customers. We all know this, but new customers get comfort in being referred from someone they know. To them it feels like the risk is being reduced. And, even if you aren't successful in selling 3rd Party Maintenance to one of your customers for various reasons, they may be willing to refer. Certainly, if you are already providing great 3rd Party services, this

can be a great source of new referral business. Be comfortable and strategic about seeking out these referrals.

3. Prior customers. Yes, this group is often overlooked. And, the truth is the primary reason most prior or lost customers aren't doing business with you, is because you forgot about them. So, maybe you lost their last refurbished equipment deal for a pricing issue, but they liked doing business with you. What better way to get back in bed with them, than by sharing the opportunity in 3rd Party Maintenance?

So, this is the low hanging fruit. Current customers, referral customers and prior customers. No need to go off on some big prospecting campaign until you work these three internal lists first. My point is that I want you to find the quickest way to success/money/profits.

What Should You Sell Them?

What we want is a great long-term relationship with the customer that will result in recurring sales over a period of time. So, don't think of just one transaction, the trap we can fall into if we have been selling just equipment. So, that's the main mindset we need to have. How can we start the dollars flowing and then build from there?

Sure, we are selling 3rd Party Maintenance and the customer may have a huge network, but we don't need to have the whole business to start. So, here are a few ideas to get you thinking:

- Consider starting with maintenance on components of the network that are not mission critical. Many customers will balk at turning over all maintenance to a new firm. So, you may recommend that they stay with the current OEM support contract for core mission-critical operations like the Data Center. You can offer to support edge network communications or off-site remote locations. This can build a comfort level and introduce them to your reporting systems and call follow up.

- Or, they may be most comfortable working with you on just one type of asset. An associate just closed a major health care deal with multiple hospitals. For now, the hospitals are sticking with their current OEM vendor for the data hub and communications network, while switching to 3rd Party support for hundreds of servers and storage devices. The long-term goal is to offer more services as trust is built with the client and they see the full range of capabilities.

- Try to get on bid lists for new equipment. Certainly there may be opportunity to supply that equipment. If so, a strategy to bundle your third party support, call center and tracking system with the equipment purchase may be attractive. And, even if you don't get the equipment deal, make sure to offer 3rd Party Maintenance. By locking this in upfront there can be substantial savings for the customer and you will be their partner going forward.

- Perhaps the client's in-house support personnel are finding it hard to hire the right talent or keep up with all new deployments, acquired business units, equipment replacements, etc. You can offer the opportunity for them to outsource all or part of this to you. Maybe just a few locations or asset types.

- Finally, there may even be an opportunity to just offer call center and inventory tracking/reporting services. Often clients will find that dealing with so many different vendors and OEMs is a real burden. A pure service contract like this without maintenance support can be an opportunity to build a relationship for the future.

I will point out that the process of going through the alternatives above with the prospective customer can plant seeds for the future. Engaging

in an educational and strategic sales approach can only build goodwill to help them consider you for deals down the road.

Chapter Four:

Insider Secrets for Making the 3rd Party Sale

What I've learned is that two important virtues are necessary for making the 3rd Party sale. They are patience and persistence.

The sales cycle can be much longer than you might be used to if you have been focusing on reselling used equipment equipment. So, you need to take a long-term approach staying in front of your prospects regularly. An initial "No" often means "No, not now", so take it that way. You can't be a pest, but if you have positioned yourself as the friendly educator and partner, just stay in front of your prospects with regular communication.

- Send a brochure.
- Clip an article about their company.
- Email a summary of an industry study.
- Call to check up on their latest installations.
- Tell them about some success stories with current customers, with a case study.
- Put them on your customer newsletter list.
- Invite them to an event.
- Send a book or small, fun gift.

- Refer some business to them.

- Use their services, if it's possible.

- Etc.

And, do this regularly. Have a contact reminder system. Don't let too much time lapse between contacts. Don't worry about the quick sale. Like I said, be patient and show persistence. They will understand that you are a serious player and, when the time comes for "maybe", you will be there to respond.

The "Emotional" Aspect of the Sale

Although we are operating in the Business to Business (B2B) sales environment, we have to remember all the time that we're selling to people. People make the decisions and consider what we are selling them. So, we need to consider emotions.

This means that one size doesn't fit all. And, there are three main types of buyers who have different concerns and emotions reacting to your sales pitch. Briefly, they are:

1. The Economic Buyer- their primary issue is cost (your price). They will be influenced by showing a significant reduction in cost. Results

of the sale in terms of performance, long term savings, extended asset lives, long-term capital expenditures, etc. Think CEO, CFO, Purchasing and often the CIO/CTO. They will usually be your biggest ally in the sales process.

2. <u>The Technical Buyer</u>- Here the concern is about performance, reliability and compatibility. Certainly the CIO/CTO, Engineers or an IT Department Director will be concerned about this. In the end, their butt is on the line for performance of the system, downtime, problem resolution, etc.

3. <u>Operations Leaders/Users-</u> Really all they care about is does my IT network and workstation function the way it's supposed to and is it easy to use? Can I get my questions answered and problems resolved? Think plant manager, sales manager or COO.

Why do I mention these three personality types and their emotions? Because you may need to deal with or respond to all three.

As you may have guessed, price is a major issue and, virtually all of the time, it comes down to price. You may remember the old saying in presidential politics about "It's the economy, stupid". Well, we may not like it, but most of the time we need to know **"It's the price, stupid".**

And, there is definitely an art to presenting price; apples to apples, holding something in reserve, payment terms, ROI, SLA Flexibility, etc.

But, I want you to know that you can have the best price and not make it to a sale if you don't consider whether your buyers or decision makers are coming from the technical or end user side. You just need to anticipate that even if you've sold the Economic Buyer, he or she may need to bring along the Technical Buyer and End User. Some decisions are made by committee or there are political considerations.

Just don't be surprised if technical or end-user issues come to the fore. Don't be a one-trick pony.

What You Need To Make The Quote

So, let's get down to some nitty-gritty. We need some information from the prospect to make a viable quote.

Ideally, you would have the following:

- Company strategic plan summary or company goals.

- IT Short-term and Long-term Plan

- IT Network Map or Configuration

- Complete asset list

- List of maintenance/warranty contracts with expiration dates/terms.

You can be most responsive and understanding of their needs and wants if you have all of the above. But, you can make a reasonable quote to get the ball rolling with just the asset list. You will need asset descriptions, manufacturer, model numbers, serial numbers and location of the asset.

And, if you only get a partial list, that is fine. Maybe they just give you a subset of one type of assets, like servers. Or, they give you all assets for one plant. 3rd Party Maintenance Vendors are skilled at analyzing this data and making a reasonable quote. And, often, the savings on just this portion of the assets will be enough to generate interest and move to further discussions.

So, get the asset list some way and you will be off to the races!

Brainstorming Idea for You: I've just said above how important the asset list is to making the sale. Nothing happens without a quote and there is no quote without the list.

What can you do when it's hard to get the list or to incentivize prospects to give you the list sooner? Offer some type of incentive?

What about a guarantee? Something like, if you give us the list I will have your quote in your hands within 48 hours and promise you will be pleased with the numbers. This will verify the fact that you are currently being overcharged for maintenance and support and if our costs are not at least X% less than your current costs, we will donate $X to your favorite charity or your employee fund.

None of this should be anything that would be considered off-color or shady. Just an idea to make something happen.

You Can Build Your Business Around 3rd Party Maintenance

Perhaps you think it is bold of me to offer this idea. But, as an insider in IT sales for 20+ years, I have come to understand how important relationships are. So, here is what I want you to consider as you build your own business, whether you are a sales professional or owner/operator of an IT Sales and Service Organization:

- 3rd Party Maintenance solves a huge irritant and cost problem for your customers and clients. The days of the big OEMs ruling the IT maintenance world are coming to an end. Service from OEMs has also been a huge issue because of their arrogance and focus on new equipment sales. So, you can offer lower cost and better service. This will make your customers value you.

- The nature of this business puts us in the middle of all IT strategy. Any new assets, acquisitions, major new operations, cost reduction programs, lay-offs, etc. These all have an effect on the IT network and you will be in the middle of managing all of it and adjusting to the customer's business priorities. What a great position to be in, where you can anticipate needs for new assets and sell those to them. Or assist with out of service equipment. You can help them find a buyer and recover some costs (with a commission to boot).

- You really become a long-term business partner with your customer and you should think of it this way. You can afford to invest more of your time and money in maintaining this relationship and feel good about it.

- Finally, I really have come to love recurring revenue. I started my career in the world of IT hardware equipment sales and it is a noble

business. But, each transaction really stands on its own. Recurring revenue provides you with stability. Stability equals peace of mind and also is associated with more profitable and long-lived businesses. Whether its just your personal book of business or the long term viability of your company, 3rd Party Maintenance revenue can add so much value.

What this can all look like…Anatomy of a real deal.

I've done thousands of 3rd Party Contracts and I know you may wonder what this could look like for you and your company. Here's a recent case we worked on.

A large household name in the financial services sector was frustrated in dealing with multiple vendors for maintenance and support for servers and storage. They were multi-platform and multi-location. They were tired of paying the OEMs escalating maintenance and support fees and referred to those fees as "an escalating sales Tax". They were also frustrated in having to deal with multiple vendors for support and the constant finger pointing between vendors.

They were spending $ 1.8 Million and wanted a significant reduction in cost. The frustration and the cost were the drivers. They didn't share their cost goals because the Request For Quote (RFQ) was sent to fourteen 3rd Party Maintainers with a goal of maximum savings.

The vetting process was achieved utilizing a committee of five which is typical in large enterprises. The process after RFQ response was to take the quotes and hold an open online bidding process in an effort to drive down costs. (We could not see who the competitor was only the lowest open bid and we would have the option to go lower.)

After the open bidding process the customer selected four finalists that were given an opportunity to present their solution to the customer. Part of what they wanted presented was onsite sparing strategy due to the fact the OEM had missed a number of critical SLAs.

In the presentation the customer made two interesting observations or comments.

First in regards to using a mix of internal staff, contractors and partners in execution and delivery... "based on their research they viewed IT support as a giant Eco-system and every OEM as well as 3rd parties were utilizing the same resources of the the Eco-system". In other words, they

exploded the myth that the OEM is the only vehicle that can provide problem resolution by delivering: 1. 24x7 Help Desk 2. Parts Logisistics x4 #. 3. Field Engineer Onsite

The second comment was (we were the low bid on 2 of 3 categories) ... "some of your competitors have stood here and we asked them about their price being higher. The competitor stated "our value stands on its own; we do not have to justify our higher price"... which the customer stated to the competitor unfortunately "we view you All The Same"..... meaning once you made it to this point in the process the winning ticket was PRICE. (Note that we did have to provide credentials and proof that we could provide parts, a call center, inventory tracking and nationwide response.)

The end result: they were able to reduce cost by more than $1 Million and resulted in end sales revenue of $726,000 for our winning team. The client was very pleased. Our partner was happy. We were happy. And the sales person earned a very nice commission!

Chapter Five

Putting It All Together…Grabbing Your Share

If you've stayed with me for this long, you are probably convinced that there are more sales and profits to be made. The question is how do you grab your share of this growing market?

By the way, how big is the market? According to IDC MarketScape: Worldwide Data Center, hardware support services account for $63.2 billion. As an example of how much revenue a big fish like Cisco Systems generates in service they, had $47 billion in total sales last year with about 23% or $11 billion in maintenance/support services. I guess we could refer to this as a "Cash Cow" or better as one customer put it Cisco's "reoccurring sales tax". The 3rd Party vendors are making great inroads into this market, so know that there is plenty of business and plenty of pain with your prospects.

Here is a suggested plan:

1. **Evaluate your current 3rd Party Program**- Do you already have a robust 3rd Party program and just looking to grow it? Do you have the full-range of offerings that most ideal customers want…

- Nationwide support,

- 24/7/365,

- call center,

- problem resolution protocols,

- flexible and accurate SLAs,

- inventory management,

- robust reporting,

- client portal,

- access to top tier engineers for the full-range of infrastructure assets typical for your market,

- Etc.

See where you have holes or where you may need to joint venture with companies like ours who can offer the full range. You will find that you can maintain or enhance a good deal of your current revenue base, while adding joint venture services that allow you to work with larger and more regional customers. 3rd Party Maintenance Providers are used to dealing with local or regional IT Service companies as partners because they realize that most loyal relationships are local.

2. **<u>Set some goals</u>**- You need to take a look at your own company or your sales territory and make some realistic goals. Are you already doing 3rd Party and just looking to grow it? Do you have an untapped list of clients,

former clients and former referrals? How quickly can you ramp up any joint venture relationships?

Then, set some goals as to new 3rd Party business in terms of number of new customers, sales revenues, timing, etc.

3. **<u>Identify specific prospects</u>**- Whether it is just you and your own territory or if you are the sales manager with multiple sales personnel, start to identify key prospects. Use the criteria here in this book to find the low hanging fruit.

If you are using 3rd Party Partners, invite them as part of your sales team. They will have capabilities of doing joint sales calls, assessing the opportunities, providing sales materials and getting involved in webinars, white board presentations, conference calls, etc. You may even wish to sponsor an educational seminar or breakfast briefing to a group of key prospects. Bring 3rd Party representatives in to present.

<u>A caution here</u>. Don't chase too many prospects. Make it manageable and quickly evaluate whether some prospects seem too tied to the current OEM or don't have urgency about making a change. Maybe there isn't a cost issue in their industry or company. You can keep in touch with them, but really working a list of 10, 20, 50…whatever is manageable… will yield better results if you stay focused and in touch on a regular basis.

4. **<u>Get the lists!-</u>** As I mentioned before, from the start, the issue should be to let the prospect know that it all begins with the list. Perhaps some are in such a state and have learned enough about the 3rd Party market that they are willing to give it to you right away. Or you may need to gently nudge them to get part of the list as I described earlier.

   We need the list to show them results. Remember, <u>the number one selling factor will be your ability to deliver cost savings via your lower prices</u>. We can't demonstrate that without the list!

5. **<u>Deliver the quotes and stay in touch-</u>** The environment our customers live in can be harried. While our quotes and contracts may be the main priority for us, it may not be for them. They may be understaffed, going through mergers, have operational problems, or have upper management pressures.

   While the savings and improved service we offer may seem inviting to us, they are living day to day and just trying to keep their networks up and keep users happy. Remember, this sale will be made with persistence and patience.

   When they finally get ready to make a decision, you will be there for them. And, then you will be their strategic partner for many years to come.

6. **<u>Close the deals and initiate service-</u>** Until you finalize the contract and start service, the deal is still at risk. If the OEM or current vendor gets a sniff of this, they may become desperate. Make sure your process to onboard the client is smooth. You and your 3rd Party partner will need to work together. Stay close to the customer. Make sure their expectations are met, point out new benefits and keep in the loop. Poor communication at this stage can be deadly.

7. **<u>Stay engaged-</u>** Remember what we said about how important 3rd Party Maintenance can be for your long-term relationship. Whether it is your service personnel or you personally, stay engaged. Know what is happening with the customer's network and their business. Is there an acquisition coming where we will need to quote on equipment or add new assets to the contract? Do they need to dispose of some assets and don't have the time or knowledge to make it happen? Are there other maintenance contracts and warranties that will provide more opportunities? And, finally, assuming that you have done all your best work, who can they refer you to?

Some Final Thoughts….

This has been a great business for me over the years. I've made many friends within the IT Service community and my many customers. I have also seen the evolution in technology, the economic pressures, the growth of various new sectors and the contraction or death of various business models.

So, I am thankful for the success and also for the opportunity to serve. This book is a small contribution aimed at helping you improve your business. I also want to help customers and clients struggling to keep ahead of all this. They are on the front line every day. It is a confusing and changing world. I am convinced that 3rd Party Maintenance Providers offer a great service and an alternative that heals pain, while reducing cost.

Ours is an industry that is here to stay and I hope this book helps us all grow it.

Certainly if you'd like to offer comments, give insight or just chat about this business, please email me at kenpeck@Smart3rdParty.com or call me at 404-395-9199

Appendix-Cheat Sheets

We know this is a competitive sales environment and you are always strapped for time. So we put together the following quick hitter tools and summaries on the next few pages that you can copy and carry along to speed up your sales preparation and effectiveness. Our "Cheat Sheets" for you…..

The Overall 3rd Party Planning Process: Just a reminder: Here's the process we suggested for getting your 3rd Party Program off the ground. See Chapter Five for more details:

1. Evaluate your current 3rd Party Program-
2. Set some goals-
3. Identify specific prospects-
4. Get the lists!-
5. Deliver the quotes and stay in touch-
6. Close the deals and initiate service-
7. Stay engaged-

Lead Follow Up: Assuming you've used the process above and identified leads. You've been in touch with them and now you are in position to make the sales presentation. Preparation is certainly what's needed to show you are a real professional.

- How much do you know about the company and the person you are calling on?
- What is their company size and business model? Where are their operations located?
- How much do you know about their IT Infrastructure?

- Who are decision-makers?
- Do they already use 3rd Party Maintenance or the OEMs?

Now moving to the sales call or presentation. One great structure to remember is called **Problem Agitate Solve (P.A.S.).** So you could structure your questions and format of meeting in this fashion:

Problem-What are their problems with IT Maintenance, if any?

Agitate- Keep searching for their pain, what's keeping them up at night, where the pressure is coming from. Turn the knife a little.

Solve- Be prepared to show them why your 3rd Party Program can solve their problems.

Sample Questions to Get at PAS:

1. What do you like the best about your current IT maintenance provider?
2. On a scale of 1 to 10 how would you rate your current provider?
3. What do you like the least with your IT maintenance provider? (opportunity to drill price)
4. Why have you not taken action to correct that yet?
5. What is your evaluation process for vendor selection?
6. Who besides yourself would need to be involved to pull the trigger on something like this?
7. What if anything is in your budget for a support program like this?
8. Would you be able to come up with "X" number of dollars in order to earn "XXXX" number of dollars' over the next six months?
9. What are the biggest driving factors that brought you to looking into making a change in providers now?
10. What is the 1 thing you would like to change the most with your current support and maintenance?

11. What if I could show you a way to save up to 60% on your current IT Maintenance Costs with superior service? Would that be of interest?

<u>Ultimate Cold Call Script for 3rd Party Maintenance</u>

We realize that some of you may not be able to generate sufficient leads from other systems or may not have lead generations systems in place. Or maybe you just feel more comfortable moving to Cold Calling. Here is a suggested script:

Hello ------- I'm John with ABC Company. Could you please help me identify the right person in your organization?   If XYZ Company had a chance to drastically reduce your spending on IT maintenance and support for servers, storage or networking who should I talk to? I have a free E-book (whitepaper or information etc.) written by a 3rd party maintenance insider that details how companies just like xxx slashed their costs and minimized their risk while enjoying a substantial savings….
Whom do you feel in your organization might benefit from this information?

At this point the person has 3 options 1. Express no interest 2. Says they are interested 3. Give you the name of the appropriate contact.

Obvious in case 1 you say thank you and move on.

In the case of 2 and 3 you get the information to the appropriate party and start your sales process.   What we are doing here is attempting to soften the blow of cold calling by offering free information.   This has a perceived value if the potential customer is interested in reducing the cost of IT maintenance and support. Plus by asking for help to identify the appropriate person you have created a double whammy; you soften the blow taking the pressure off the person you engaged on the phone… But more importantly, if he gives you a name, he is in essence referring you to the person. Now you have a referral!

In this cold call scenario we are identifying the cherries or people who have a need for our service and want to cut costs. Once the suspect receives the information they have raised their hand and said "I am a prospect". At this point you engage the prospect guiding them through the sales process.
(As a note, you can create your own E-book, whitepaper, report, etc. That is great if you have those capabilities. However, if you are struggling to do so, contact us at by phone or email and we can help to provide a tool.)

About the Author:

My name is Ken Peck, and I'm president of Smart 3rd Party, an IT equipment maintenance support company that holds the philosophy that our customers deserve high quality service without the high costs that some companies attach to it. Our company is based in the Atlanta, Georgia area, which is where I grew up. I'm a graduate of the University of Alabama with a Bachelor of Science Degree in Finance.

Smart 3rd Party provides high quality hardware support through its maintenance programs available at a low cost. The programs focus on reducing problem diagnosis and problem resolution timeframes by eliminating all of the confusing layers of technical support and escalation. We are currently growing at a 40.75% rate over last year.

Our 3rd party support and maintenance for IT equipment consisting of networking, storage, and servers is available as an alternative to manufacturers to save the customer money.

As the company president, I lead day-to-day overall operational functions, create and execute go-to market strategies, the sales and marketing growth plan, and ensure that the right people are in place to support the growth plan.

I previously served this industry with Stratiscom of Alpharetta, Ga. which was founded in January 2010. We were a 3rd Party Hardware Support Company and the ownership is now operating their 3rd Party Hardware Support business as Noble1

When I joined the company in July, 2011, Stratiscom/Noble1 had total revenues of $88,943 in their year and a half of existence, which averaged $4,681 per month in revenue. In my first month after starting, I generated $62,779 in sales, an increase of 1,297 percent over the previous monthly sales average for the history of the company.

During the last five months of that year, the resulting sales were $805,352, an increase of 805 percent over the company's historic total, and the monthly average grew to $161,070 vs. the $4,681 average recorded previously. In 2012, I was responsible for 95.4 percent of the company's total sales, growing to $1,172,671, a 1,218 percent increase from Stratiscom/Noble1's total revenue since January 2010.

I also worked with ServiceKey which was founded in 2003 to provide hardware maintenance solutions. ServiceKey is an independent service and maintenance organization and Master MSP. For Service Key, I sold 3rd party support and maintenance for which I was recognized as the No. 1 sales representative from 2008-2011.

Among my accomplishments while with Service Key, I created a marketing campaign that targeted resellers from a highly focused list. I sent 316 resellers a high-impact letter that resulted in 21 positive responses, a 6.7 percent response rate, far exceeding the average. Of the 21 responses, seven resellers signed on as partners generating $752,000 in new revenue over a six-month period.

The letter outlined for potential customers how to get out from under the budget-busting renewal fees for a manufacturer's maintenance contracts with a much more budget-friendly 3rd party alternative maintenance solution. I rounded the letter out with an endorsement and a guarantee.

My most recent positions followed 30 years in IT sales hardware, software, and services companies including Unisys, Motorola, London Bridge Group, and Syntax. I was consistently the sales leader exceeding my assigned quotas.

My first entry into IT 3rd party maintenance was in 1986 at Unisys.

About Smart3rdParty:

We're **Smart 3rd Party**, an IT equipment maintenance support company that holds the philosophy that our customers deserve high quality service without the high costs that some companies attach to it.

As Amazon founder Jeff Bezos said, "There are two kinds of companies. Those that work to try to charge more and those that work to charge less. We will be the second."

☑ At Smart 3rd Party, we also want to be that second kind of company. We focus on reducing expenses so we can be the low-cost leader because the customer expects everybody in our space to deliver a certain degree of quality support. What makes us stand out is price.

Along with a lower price, we provide excellent customer service because we want to establish long-term relationships with our customers built on trust and on doing the right thing.

☑ One customer engaged us in a $900 contract, but because the particular batteries were no longer available for the system, his existing system could not be restored to its original state. Although the agreement did not require us to perform a complete upgrade, we spent $9,000 to take care of the customer. That is part of being committed and simply doing the right thing.

Two quotes with a lot of truth in them are by high school football coach Bob Ladouceur and Spanish sea captain Hernan Cortes.

☑ Ladouceur, who has more wins than any other coach in history said the key to success is "Commitment. Accountability. Perfect Effort." Cortes upon landing in Mexico, said

"Burn the ships" before beginning a campaign. If his expedition failed, they couldn't retreat. That's commitment. And, these truths are dear to us at Smart 3rd Party.

Smart 3rd Party hardware maintenance programs offer high quality IT infrastructure support at a low cost.

We are based in Atlanta, Georgia and offer nationwide service. Our principal owners have over X years in the IT Industry and Smart3rdParty has been in business for almost a dozen years.

Our programs put the emphasis on reducing problem diagnosis and problem resolution timeframes. We do this by eliminating all of the confusing layers of technical support and escalation.

We offer flexible service levels to fit your business and budgetary requirements from 'mission critical' support 7 x 24 x 365 to 'next day' service.

Our mission

Smart 3rd Party will never outsource your support to another company or country. All support is provided by highly skilled tier 3 level engineers with direct access to our world class lab facility. Our technical support engineers possess many years of manufacturer experience, training and certifications.

All major systems and operating systems under contract with Smart 3rd Party are replicated in our lab for problem recreation and diagnosis and spare part quality assurance. Let our investment in lab infrastructure work to your advantage.

If you need to perform testing or need to integrate new products, our lab is available to you 24x7.

Contact info

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> *"We have a long standing partnership with S3P and they are our trusted go to 3rd Party Support company when Recurrent offers 3rd Party Support." Rahul Pinto, Director of Services <u>Recurrent Technologies, Inc.</u>*

> *"I have worked with the team at S3P for close to 10 years always experiencing great results." Spencer Drury, Vice President, <u>Atlantix Global Systems.</u>*