

Competitive Landscape: Partnering With Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization

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Analyst(s): Christine Tenneson

Technology product marketing leaders at service providers responsible for channel alliances can help clients optimize maintenance costs using a hybrid maintenance strategy. Many TPM providers seek partnerships with other providers in global regions across server, storage and network technologies.

Key Findings

- Considerable consolidation continues. Over the past year, TPM providers are actively acquiring complimentary skills, capabilities and access to new geographies, channels or customers. Private equity has been a major force in the TPM world for rolling up companies.
- Service providers are becoming more pragmatic and will accept the option to partner rather than invest their own capital expenditure to develop and build specific capabilities. The fastest-growing channel for third-party maintenance (TPM) is through commission-based partnerships with the authorized VAR community.
- Globally, the TPM market remains extremely fragmented with hundreds of providers. Few exist with more than \$100 million in revenue. Several providers tout revenue between \$30 million to \$100 million, while most generate less than \$10 million in annual TPM revenue.
- OEMs are leveraging third-party maintainers more, pushing out more expensive OEM subcontractors in outsourcing and multivendor maintenance contracts.

Recommendations

Technology product marketing leaders leading channel efforts can exploit the IT services market dynamics with TPMs by:

- Fulfilling client demand for cost optimization using a hybrid maintenance strategy that combines secondary hardware, OEM-maintenance, OEM-independent TPM and managed spares.

- Target partnerships with providers investing in remote management and service automation as these capabilities are key to improving margins and creating scale.
- Devise role-based, tactical plans to market and sell data center services to both IT and procurement roles. Both roles are very different in terms of risk, knowledge, preferences and performance measures.

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Strategic Planning Assumptions

By 2019, 80% of pure-play TPM providers with \$10 million to \$50 million in revenue will be acquired by a larger provider.

By 2020, the number of TPM-related RFI/RFPs that are multiplatform/multivendor will increase by 35% as TPM becomes more mainstream and is no longer considered a point solution for servers, storage or networking.

By 2020, instead of primarily competing against the OEMs, TPMs will compete directly against other TPMs for "greenfield" opportunities in 60% of deals.

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

By 2018, 75% of secondary hardware providers will have a formal, strategic TPM offering.

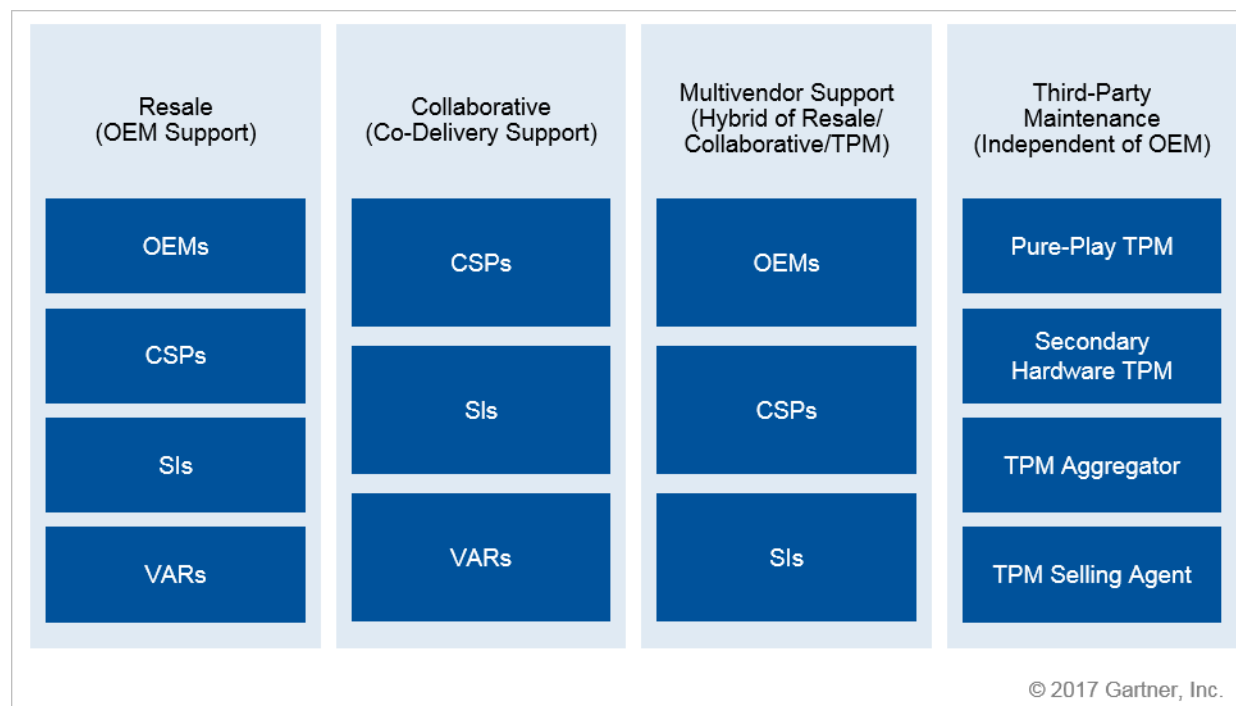
Analysis

Depending on the service level selected, hardware (HW) support service contracts may 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. TPM providers are also offering hardware support on white-box manufacturers such as Supermicro and Quanta Computer. 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.

Figure 1 shows the hardware support market landscape of providers.

Figure 1. Hardware Support Market Landscape of Providers



CSPs = communications service providers; SIs = system integrators; TPM = third-party maintenance; VARs = value-added resellers

Source: Gartner (July 2017)

TPM services are *delivered* by primarily two types of providers: pure-play TPMs and secondary hardware TPMs, which we define below. Both types of providers offer TPM across server, storage and networking equipment and commonly compete against each other in competitive bids. The focus of this document is on pure-play TPMs and secondary hardware TPMs.

- Pure-Play TPMs — Pure-play TPMs' primary line of business is TPM.** These independent support providers do not have a secondary hardware business. They may have field engineers, but not all do. Some pure-play TPMs only focus on providing Level 3/backline support in house and leverage partners for field engineering. All pure-play TPMs will have technical support staff, though some may leverage a specialized pure-play TPM for certain technologies, particularly enterprise storage. Pure-play TPMs have the capability of managing spare parts, including testing and distribution via central and remote stocking locations with varying degrees of sophistication. Few have remote monitoring capabilities across platforms, and some have native remote monitoring functionality within network, server and storage products. Most pure-play TPMs will also offer a suite of data center professional services.
- Secondary hardware TPMs — Secondary hardware TPMs' primary line of business is secondary hardware sales.** These independent support providers focus on secondary hardware resale business and also provide technical support for network, server and storage products. Realizing that managing parts and logistics is a key factor to success in the TPM market, many secondary hardware resellers have started TPM practices. They may have field

engineers, but few do. Most use partners or a contingent labor force for field engineering. Most secondary hardware TPMs will leverage TPM partners for Level 3/backline support, particularly enterprise storage. Few have remote monitoring capabilities across platforms, and some have native remote monitoring functionality within network, server and storage products. Most secondary hardware TPMs will also offer a suite of data center professional services.

In addition, TPM services may be *sold* by two additional types of providers: TPM aggregators and TPM selling agents. In this document, we profile a TPM aggregator. We do not profile a TPM selling agent, because there are hundreds of value-added resellers (VARs) and independent agents that sell TPM services and take a commission. The commission-based relationship is easy to set up with a TPM if you are a VAR, managed service provider (MSP) or independent consultant.

- **TPM aggregators** — Although these providers do not provide third-party maintenance directly, they sell third-party maintenance provided by others — both pure-play TPMs and secondary hardware TPMs. They do not have field engineers or technical support staff, do not own parts, and do not have remote monitoring capabilities. These can be consultants/brokers that develop commission-based relationships with the TPMs, but add value through consultative maintenance optimization engagements. They can also be vendors that have developed tools to evaluate and offer hybrid maintenance recommendations to clients and then fulfill the recommendations based on predefined partnerships with TPMs based on platform, geography and customer fit.
- **TPM selling agents** — TPM selling agents do not provide TPM services. They merely act as a sales agent, taking a commission from a TPM. These providers can be system integrators (SIs), VARs, MSPs or independent consultants.

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), MSPs, 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' Juniper Care.
- **Collaborative (co-delivery support)** — Some OEMs, including Avaya, Cisco and Dell 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 EMC, HPE, IBM, Fujitsu, Zensar and others. For example, HPE may provide a maintenance contract that includes HPE 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.

Competitive Situation and Trends

Because of these trends, the TPM market is becoming of more interest to service providers.

- Hardware maintenance is increasingly being considered as "nonstrategic IT" spending and procurement, with the result being that IT professionals are seeking low-cost alternatives to expensive OEM contracts and pricing.
- TPMs that are investing in and offering multiplatform remote monitoring and service automation will achieve a lower cost basis, greater scale and sustainability for the long term.
- To achieve greater savings, some enterprises consider TPM support, especially for postwarranty data center equipment or for networking equipment at campus or remote locations.
- Enterprises' 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.

We also identify a major shift occurring in the TPM market: 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 \$100 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 providers of different sizes, geographical focus and product/OEM focus. Many other providers exist in each global region. These providers can be discussed through the Gartner inquiry process.

The Future of Competition

Over the next three to five years, the global 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. Private equity is attracted to TPM providers' high margins and recurring revenue model, and as a result, transactions have brought high multiples and many bidders.
- **Additional secondary hardware entrants** — Secondary hardware suppliers continue to enter the TPM market.
- **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.
- **Maintenance optimization automation** — Today, SMS | Curvature and XS International (XSi) 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 versus 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 is not 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

The following competitive profiles represent a cross-section of providers in the market. The providers may include some of the largest providers in the market and smaller providers across server, storage and networking technologies. The competitive profiles list should not be viewed as a list of the top 19 providers in the market by revenue or by share.

Atlantix Global Systems

www.atlantixglobal.com

Market Overview

Atlantix Global Systems, headquartered in Atlanta, Georgia, is a secondary hardware provider offering third-party maintenance services. Atlantix is owned by the equity group Mill Point Capital (formerly Millstein & Co.) and Atlantix president Brian Glahn. Atlantix has approximately 155 employees and revenue of more than \$120 million. Currently, Gartner estimates that 90% of its revenue is from its secondary hardware and IT asset disposition (ITAD) lines of business. Atlantix provides support for server, storage and networking hardware.

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 provides secondary hardware to many of the third-party maintenance providers and other service providers. 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 and to channel partners. Approximately 80% of the equipment on Mindsafe contracts are from Cisco or Juniper. Support levels, including 24x7x4 and next business day (NBD), are the most common support levels. Level 3 technical support is primarily provided by Atlantix. As with other TPMs, Atlantix may have to partner with other TPMs for Level 3 or backline support for certain storage technologies. On-site field engineering is provided using a mix of Atlantix engineers and contingent labor force engineers.

CentricsIT

www.centricsit.com

Market Overview

Headquartered in Norcross, Georgia, CentricsIT is a secondary hardware provider offering third-party maintenance and ITAD services. CentricsIT is privately owned by CHC Technology, and has approximately 130 employees and total revenue of approximately \$82 million. Approximately 80% of its revenue is from its secondary hardware distribution line of business. CentricsIT provides support for server, storage and networking hardware, and TPM is the fastest growing piece of its business, with support for HPE, Dell EMC, IBM, Juniper and Cisco equipment making up approximately 70% of its support business today.

How This Provider Competes

CentricsIT competes by leveraging its capability and technical expertise as a global wholesale distributor of secondary market hardware and provides maintenance services to clients in more than 100 countries by accessing more than 160 parts stocking locations in 80 countries. Support contracts sold directly to enterprise customers, branded as CentricsIT Support Services, make up 40% of its support revenue. The other 60% is through channel partners, which include authorized VARs. As a direct support provider, CentricsIT 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 CentricsIT support model is a hybrid in that it provides all the necessary technical backline support, provides all of the fully tested spares globally, 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. CentricsIT Support Services contracts provide a guarantee that there will be no price increase for the life of the equipment.

CentricsIT provides professional services such as wireless surveys and assessments, migration, data center relocation, global logistics, installation and configuration services. CentricsIT also is able to leverage the resources of other CHC holdings, including [The Centrics Group](#), which focuses on IT staff augmentation, and [Adapture](#), which is an infrastructure-, cloud- and security-focused solution provider that is an authorized partner of many vendors, including Amazon Web Services (AWS), Dell and VMware.

CXtec

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 and its sister company Teracai, a Cisco partner, were purchased by H.I.G. Capital in August 2016. CXtec has approximately 250 employees and revenue of approximately \$90 million. CXtec's TPM revenue is approximately \$5 million.

CXtec's secondary hardware business is focused on networking and communications equipment including switches, routers, wireless components, and network optics, as well as phones, headsets and other voice technology from manufacturers such as Cisco, Avaya, HPE, Polycom, ShoreTel and Plantronics. It maintains a 70,000-square-foot facility in Syracuse with 40,000 square feet of finished goods stock. This represents an estimated \$8 million in finished goods inventory.

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.

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, 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.

All testing is performed in an electrostatic discharge (ESD) protected environment to prevent latency issues from static discharges. CXtec's process is governed by a quality management system that is ISO 9001:2008-certified. For all network hardware, CXtec uses a fully automated software process to test products at the component level, and its WAN/LAN emulator rigorously simulates production stress and load. CXtec load tests every port by passing traffic over multiple ports and virtual LANs (VLANs) simultaneously via a proprietary WAN/LAN simulation engine. This process performs traffic generation at up to 95% of the manufacturer-rated speed using trademarked traffic generators.

The equal2new warranty is a true lifetime warranty for the length of the time a customer owns the product. Advance replacement is also for the life of the product. CXtec pays for all shipping costs. The warranty is on a unit basis, not a component basis, simplifying the replacement process for CXtec's customers.

EmconIT

www.emconit.com

Market Overview

EmconIT is a pure-play third-party maintainer headquartered in Brick, New Jersey, and is a privately held company owned by CEO Michael Gnapp and private investors. EmconIT was founded in 1987 and today has approximately 40 employees and has revenue of less than \$10 million. Approximately 90% of its revenue comes from services, which is EmconIT's core focus. Of those services, 80% are focused on storage and servers, and the remaining balance is on networking equipment. NetApp, Dell EMC, HPE and Hitachi account for approximately 60% of the revenue and devices maintained. In particular, EmconIT supports HPE 3PAR and HPE EVA storage arrays. It also supports equipment from Oracle (Sun Microsystems), Fujitsu, Cisco, Brocade and others.

EmconIT is a regional U.S. provider of TPM services with 90% of its revenue based in the U.S. The company also provides consolidated, strategic support for its domestic clients with global reach.

How This Provider Competes

EmconIT competes as a TPM data center service provider focused on services to maximize savings and support efficiencies. EmconIT's model is to leverage all of its own back-end Tier 3 remote technical engineers who are qualified subject matter experts (SMEs) with complete capabilities of providing OS-related help desk issues. Back-end technical support is provided directly by EmconIT for the majority of the products it services. Spare parts and field engineers are managed internally along with additional field engineer (FE) subcontractors used in certain geographies. EmconIT maintenance is offered in customizable tiers, ranging from 8x5xNBD to 7x24x4, which allows it to tailor specific customer solutions and budgets.

EmconIT sells both directly to end-user clients and channel partners, with 55% of revenue derived from direct sales, 20% as a subcontractor to other TPMs, and the balance through OEM relationships or agent programs. EmconIT's strategy is to target midtier to large global companies. It directly services a broad range of clients, including telecom, technology sector, government agencies and the healthcare industry.

Essential Enterprise Solutions

www.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 285 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, Oracle (Sun Microsystems) and IBM.

How This Provider Competes

Essential competes as a full-service data center support provider. Essential supports its field force via an onshore 24/365 Technical Assistance Center. Support levels include 24x7x4 and NBD, and can be customized for customers, including with a two-hour, on-site response. 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 Essential LifeCycle Services (formerly PC Parts) of Harrisburg, Pennsylvania, to take on ownership of Essential's parts. This relationship 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, 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, that help it meet customer demands at the best cost.

Essential provides support contracts direct to enterprise customers, which make up two-thirds of its TPM business. It also provides support to other third-party maintainers and through OEM relationships as a subcontractor.

Evernex

www.evernex.com

Market Overview

Evernex is a secondary hardware provider TPM, headquartered in France. Evernex, formerly IB-Remarketing, rebranded in 2017. In 2015, private equity firm The Carlyle Group took a majority ownership position. The company has 400 employees and \$171 million in total company revenue for 2016. Third-party maintenance and the related "Spare as a Service" (SPaaS) revenue accounts for approximately \$72 million.

Today, the company has a presence on five continents, has 26 offices, and has 330 forward stocking locations. Evernex's strategy has been primarily organic growth, opening offices country by country. Today, Evernex has offices in Australia, Brazil, Egypt, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Poland, South Africa, Spain, Thailand, Turkey, United Arab Emirates, the U.K. and the U.S. Evernex will open offices in Chile and Romania in 2017. Evernex has performed several acquisitions over the years, including most recently France-based Nexeya Services in October 2016 to augment its maintenance service capabilities in France.

How This Provider Competes

Evernex operates four lines of business: maintenance services, secondary hardware, ITAD/recycling and new equipment financing. Evernex has expertise across all platforms, including server, storage and networking. Evernex's largest vertical end market is the telecommunications vertical.

HPE and Dell EMC account for approximately 50% of devices supported, Cisco 20%, then IBM and Oracle (Sun Microsystems) for the remainder. Evernex sells both directly to end users and through channel partners, which include system integrators, IT OEMs, telecom OEMs and VARs. Evernex maintains 10 24/7 call centers and does not outsource technical support at any level to other providers. For field engineering, Evernex may leverage local service providers, but does not leverage other TPMs. Standard SLAs are: 24/7 6-hour call to repair (CTR); 4x7x24 tech/part on-site; 8x7x24 tech/part on-site; 4x5x8 tech/part on-site; NBD tech/part on-site; or any of the previous SLAs as parts/back-end support only (removing the labor component).

Within the Evernex secondary hardware line of business (its "Spare as a Service"), all parts provided by Evernex are OEM genuine parts and approved replacements (either the identical part number or the OEM authorized alternative). Evernex has a large ITAD practice and recycling facility. Evernex holds a large stock of spare parts — more than 550,000 — all of which are tested in its testing facility in Aulnay-sous-Bois, France, prior to shipping to its deployed forward stocking location warehouses globally. Testing records are maintained in its proprietary in-house system.

ISC Group

<https://iscgroupllc.com>

Market Overview

ISC Group is a pure-play third-party maintainer headquartered in San Diego, California, with offices in Mexico City, Mexico, Monterrey, Mexico and Sao Paulo, Brazil. ISC specializes in providing storage, third-party maintenance services, and to date has had a channel strategy. ISC is privately held by Steven Bucher, Joel Chait and Ivan Fux. ISC has approximately 17 employees and has revenue of less than \$10 million. Nearly all revenue is from modular and enterprise-level data storage support; however, it is growing into the server and switch TPM business. More than 85% of ISC's TPM revenue is distributed across wide-ranging sectors that include chemical, retail, automotive, financial, telecom, healthcare, agribusiness, pharmaceutical, biotechnology, energy, manufacturing and government contracts.

How This Provider Competes

ISC competes as a TPM data center maintenance provider with a specialty in Level 3/backline storage support and remote monitoring in North America, Latin America (LATAM), Europe, and several Asia/Pacific (APAC) regions. It also has professional services capabilities, for example, decommissioning, removal, destruction and data center moves.

Many other TPMs leverage ISC as a partner for Level 2, Level 3 and backline support, and remote monitoring solutions for Hitachi-HPE, NetApp, Dell EMC and Oracle (Sun Microsystems) equipment. ISC continues to develop its remote monitoring software solution (branded as ISC-CHS), and is branching out to license the platform to global end users and partners. Technical support is exclusively by ISC; it does not have to leverage other partners for support.

ISC maintenance is offered in multiple tiers, depending on needs of the customer. For providers with their own field engineering resources, ISC will provide parts, technical support and remote monitoring. For providers without their own field engineering resources, ISC will provide parts, technical support, remote monitoring and field engineering through partners.

Maintech

www.maintech.com

Market Overview

Maintech is a multivendor service provider that supplies outsourced data center services, including third-party maintenance. Headquartered in Cranford, New Jersey, Maintech is publicly held, and after being owned by Volt Information Sciences since 1980, it was sold to Oak Lane Partners in 2017. Oak Lane Partners also acquired independent service provider DecisionOne in 2015, and as a result DecisionOne and Maintech will operate as sister companies going forward. 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 large multinational enterprises. 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.

NCE

www.ncegroup.com

Market Overview

NCE is a pure-play third-party maintainer with its U.S. headquarters in El Cajon, California, and its U.K. headquarters in Calne, U.K. NCE is privately held and backed by Rockpool Investments LLP. NCE has approximately 275 employees and revenue of \$30 million. Approximately 80% of its revenue is server maintenance, and the balance is from storage maintenance. Dell EMC, HPE and IBM account for approximately 70% of the devices under maintenance. It also supports some networking equipment.

Europe accounts for approximately 40% of NCE's business, and North America accounts for 60%.

How This Provider Competes

NCE competes as a TPM data center maintenance provider with two regional sales offices at its headquarters and 115 parts depots. NCE is largely channel-focused, with 40% of revenue derived from other TPMs, and 40% from relationships with OEMs as subcontractors. It will sell directly to enterprises, which currently accounts for 20% of revenue.

NCE's model is to leverage its own field engineers as much as possible. Some additional FE resources must be used in certain geographies, for example APAC. NCE primarily provides 24/365 technical support, similar to some other TPMs, with Level 3 or backline support escalated to niche providers for a small percentage of specific technologies. Its 24/365 call center is 100% in-house.

NCE maintenance is offered in multiple tiers, ranging from 8x5xNBD to 7x24x2. NCE also leverages two large repair center facilities (U.S. and U.K.) as well as an ITAD practice to keep part costs down.

NorthSmartIT

www.northsmart.com

Market Overview

NorthSmartIT is a TPM aggregator headquartered in Plymouth, Minnesota. NorthSmartIT is privately held by Robert Bernu and Hugh Voigt. NorthSmartIT is a division of the VAR, Northland Systems. NorthSmartIT has approximately 20 employees and \$9 million in revenue.

How This Provider Competes

NorthSmartIT competes as a multivendor IT maintenance aggregator. As an aggregator, it partners with authorized channel partners to sell OEM maintenance and with TPMs for non-OEM alternative maintenance.

NorthSmartIT does not deliver services, including technical support, field engineering, parts or remote support, on its own. It accomplishes service delivery by setting up master service agreements with TPMs across 400 technologies.

NorthSmartIT maintains direct dispatch capabilities through a multivendor portal that enables clients to manage every asset, ticket, location, OEM, service provider and budget on a single platform, regardless of who the asset was purchased from and regardless of who is providing service on that asset, even if it is not NorthSmartIT.

NorthSmartIT also offers asset management as a service (AMaaS), which provides clients with an automatic, proactive update process of the data in the portal for moves, adds and changes (MACs), as well as service and support options. NorthSmartIT's updating process allows for the ongoing management of assets, contracts, service providers, contract terms and potential cost savings across 400 OEMs on a continual basis. In addition to selling directly to enterprises, NorthSmartIT also white-labels its service to other VARs, resellers and aggregators.

OSI Hardware

www.osihardware.com

Market Overview

OSI Hardware is a secondary hardware provider, with a developing network TPM practice. OSI is headquartered in Santa Barbara, California. OSI is privately held and founded by Christian Saunders, Joey Leonard and Jordan Quivey. OSI has approximately 53 employees and total revenue approaching \$40 million per year. Approximately 95% of its revenue is currently from secondary hardware sales. Networking equipment accounts for 90% of sales, while servers and storage account for 10%.

At this time, OSI is considered a U.S. regional provider.

How This Provider Competes

OSI competes as a secondary hardware provider and TPM, selling both directly to enterprises and through channel partners. In addition to its headquarters in Santa Barbara, it has multiple sales offices, including in San Francisco, Los Angeles, Phoenix, Dallas and Denver, and an international headquarters in Amsterdam. OSI has access to more than 330 parts depots through partners.

OSI maintenance is branded as Systain and is offered in multiple tiers, ranging from 8x5xNBD to 7x24x4. OSI's TPM offering today is extremely network-focused, with Cisco and Juniper equipment accounting for nearly all TPM revenue. OSI's model is to leverage other providers for field

engineering services. Technical support on networking equipment is primarily provided by OSI. As OSI grows its TPM practice into the server and storage space, it will have to partner with other niche TPMs for Level 3 or backline support for certain technologies.

OSI secondary hardware comes with a lifetime warranty.

Park Place Technologies

www.parkplacetech.com

Market Overview

Park Place Technologies is a pure-play TPM, headquartered in Cleveland, Ohio. Park Place is privately held by Chicago-based investment firm GTCR. Park Place has approximately 600 employees and revenue of \$150 million. Park Place is a storage and server TPM, with 85% of its revenue from Dell EMC, HPE and IBM support. Its network-focused TPM practice is growing. Most devices that Park Place currently supports are in North America; however, it does provide support for U.S. customers with devices located in Europe and a smaller number in Asia/Pacific.

How This Provider Competes

Park Place competes as a data center maintenance specialist with its global headquarters in Cleveland, and regional offices in the U.S., Toronto, Canada (Canada and Latin America), London (EMEA), and Singapore (Asia/Pacific), with additional parts distribution and sales/service offices located throughout each region. Park Place's global operations/technical center is located in Marlborough, Massachusetts.

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

Park Place has an aggressive acquisition strategy. In 2016, it acquired Ardent Support Technologies, a pure-play, third-party maintainer headquartered in Dover, New Hampshire. Ardent focused as a storage specialist, with two-thirds of its revenue from EMC, HPE and NetApp support. Ardent provided Level 3 support on equipment that many other TPMs do not support, but still take on a contract and outsource to a provider such as Park Place. Examples of such equipment include EMC (VMAX, Isilon, DMX, Data Domain), HPE (3PAR, XP) IBM (XIV) and Hitachi (USP, USP/V, HUS, AMS).

Park Place's acquisitions also indicate a focus on the European market. It acquired Com-Com, a London-based data center TPM, in 2016. In 2017, it acquired Prestige Data Centre Solutions, also a U.K.-based provider.

Park Place has been the most successful TPM in growing channel relationships not only with OEMs, but also with authorized channel partners (VARs) in the U.S. and Canadian markets. 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. Gartner has seen successful partnerships between some of the largest VARs and Park Place.

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 all of its own back-end support and maintain control of its parts stocking. On-site field engineering services are provided by Park Place employees 95% of the time.

Service levels for TPM include 7x24x4, 5x8x4 and NBD options. In addition to Dell EMC, HPE and IBM, 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 is aggressively moving to provide multiplatform remote management, monitoring, and data center optimization services for server and storage products, and 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 data center services over the next few years.

Procurri

www.procurri.com

Market Overview

Procurri is a secondary hardware TPM that offers third-party maintenance and other professional services in 90+ countries. With its global headquarters in Singapore and its U.S. headquarters in Norcross, Georgia, Procurri has 15 global offices, more than 380 employees and close to 800 global forward stocking locations. Total 2016 company revenue was \$135.8 million Singapore dollars, of which about 16% came from TPM. This figure is expected to increase with revenue contribution from Congruity for 2017 onward (see below).

In 2016, Procurri acquired EAF Supply Chain Holdings Limited, a TPM provider in Europe with customers that include large OEMs such as HPE, IBM, Dell EMC and Fujitsu. Additionally, Procurri recently opened a new office in India to cater to its channel partners that want to grow their global footprint into Asia/Pacific.

In January 2017, Procurri and Congruity announced a joint venture which consists of Procurri purchasing a 51% stake in Congruity's third-party maintenance and preowned hardware business units. Procurri has an option to purchase the other 49% in the future. Note that Congruity did not sell its VAR business or data center in Fall River, Massachusetts; the data center is privately held by Congruity360, a solution provider for complete data life cycle management.

How This Provider Competes

Procurri's model is to sell its products and services through its channel partners, instead of directly to enterprises. Primary customer targets are VARs, OEMs, MSPs, system integrators, cloud providers, communications service providers and hardware brokers.

Fifty percent of devices under TPM are in North America, 30% in APAC, and 20% in EMEA. Dell EMC accounts for 40% of its TPM revenue, with IBM, NetApp, Hitachi, HPE and Cisco accounting for the remaining 60%.

Procurri has its own network of field engineers, as well as leveraging a partner network. For technical support, it mainly uses its own Level 3/2/1 engineers, which includes Congruity.

Service Express

www.serviceexpress.com

Market Overview

Service Express is a pure-play third-party maintainer headquartered in Grand Rapids, Michigan. Service Express is privately held by Pamlico Capital, and has 400 employees and revenue of \$100 million. Service Express' focus is support for multivendor mainframe-, midrange- and Intel-based server and storage and network environments, with HPE, IBM and Dell EMC accounting for approximately 85% of devices under maintenance. Service Express has been considered a regional U.S. provider. Until 2016, all of Service Express' growth was organic. With recent investment into the company, Service Express 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. In April 2017, it announced it acquired Delta Computer Group, a New York-based third-party maintenance provider.

How This Provider Competes

Service Express competes as a high-touch, multivendor postwarranty server data center (server, storage and network) specialist. The largest verticals for Service Express include manufacturing and healthcare, but the company has a client base across all vertical industries. The Service Express model is to provide all back-end support for server data center environments and maintain control of its parts stocking. For a majority of its contracts, Service Express has its own engineers, but outside of its service area, Service Express leverages a contingent workforce for on-site field engineering services. Service Express does maintain partnerships to support some storage environments, for example, EMC Symmetrix/VMAX. Service Express 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 Service Express' revenue stream.

SMS | Curvature

www.sysmaint.com and www.curvature.com

Market Overview

In 2017, Curvature and Systems Maintenance Services (SMS) merged to form SMS | Curvature, with Switzerland-based Partners Group as the majority investor. The company will maintain two headquarters, one in Charlotte, North Carolina, and one in Santa Barbara, California. This merger created the largest provider of secondary hardware and third-party maintenance (TPM) globally with more than 2,000 employees, \$545 million in revenue, 600 parts depots and a combined 1.25 million devices under support.

Systems Maintenance Services (SMS) is a global third-party maintainer headquartered in Charlotte, North Carolina. Prior to the merger, SMS had approximately 1,400 employees and revenue of nearly \$250 million. Approximately 75% of SMS's revenue was from data center/network third-party maintenance with nearly half of its revenue from HP Inc. and IBM support. It also has a sizable amount of Dell and EMC under contract. Its network-focused TPM practice was also growing.

Curvature is a secondary hardware provider offering third-party maintenance services, branded as NetSure, headquartered in Santa Barbara, California. Prior to the merger, Curvature had 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.

How This Provider Competes

Despite some overlapping coverage in the U.S., the merger overall is geographically advantageous for both firms. Curvature has invested most heavily in the Netherlands, France, Japan, Singapore and India, while SMS has invested in other areas of Europe such as Denmark and the U.K. as well as in Singapore, Hong Kong, Malaysia and Thailand. SMS also has more than 300 associates in China.

Curvature's model was to use subcontracted field engineers while SMS's model leverages its own on-staff field engineers heavily. As a combined entity, Gartner expects the company will further leverage its own field engineers, while maintaining an ecosystem of subcontractors for on-site service at times.

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, including as a subcontractor to OEM firms such as HPE. Curvature has been more of a direct support provider, focused on midsize to large enterprises, in particular multinationals, with many branches and typically a concentration of Cisco equipment. As a combined entity, Gartner expects the company will continue aggressive end-user sales of both secondary hardware and TPM direct to end-user clients. Prior to the merger, both vendors had developed tools to provide prospects and customers

with a consultative approach to support by providing specific recommendations to optimize maintenance strategy. SMS's tool is branded as ClearView, while Curvature's tool was unbranded. Both tools provide organizations with customized recommendations for support, such as what devices to keep on OEM maintenance and what devices to move to TPM. Both are primarily developed to help clients consider a hybrid maintenance approach with SmartNet and TPM maintenance.

Service levels for TPM include 7x24x4, 5x9x4 and next business day (NBD) options, and dedicated on-site support, and these service levels will leverage complementary technical services in the context of the relationship. The combined firm support HPE, HP Inc., IBM, Dell EMC, Cisco, Hitachi, NetApp, Oracle (Sun Microsystems), Lenovo and Quantum. SMS | Curvature also has a client device support division.

For storage, SMS | Curvature will primarily use its own technical support resources for some products (for example, EMC CLARiiON/VNX, VMAX; NetApp Filer; Hitachi RAID storage), but as with other TPMs, it does need to leverage some Level 3/backline support from niche storage software vendors.

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 | Curvature 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.

On 17 July 2017, SMS | Curvature will be rebranded under the name "Curvature" as a newly integrated company.

Solid Systems Global

www.solid-global.com

Market Overview

Solid Systems Global is a pure-play third-party maintainer that is headquartered in Derby, U.K. It has offices in Dubai, United Arab Emirates; Riyadh, Saudi Arabia; Johannesburg, South Africa; and Ahmedabad and Bangalore, India.

Solid Systems Global is privately held by its CEO and founder, Paul Lalli. Solid Systems Global has approximately 200 employees and revenue of \$25 million. Approximately 90% of its revenue is from servers and storage, and the balance is from networking equipment. HPE and Oracle (Sun Microsystems) account for approximately 50% of the business. It also supports equipment from IBM, Dell EMC, and NetApp and other equipment manufacturers.

Europe accounts for approximately 42% of Solid Systems Global's business, the Middle East and Africa account for 33%, and APAC accounts for 18%.

How This Provider Competes

Solid Systems Global competes as a TPM data center maintenance provider with four regional sales offices and 70 parts depots. Solid Systems Global is almost exclusively channel-focused, with 65% of revenue derived from other TPMs, and the rest of the revenue coming from relationships with OEMs, subcontractors and commission-based relationships with VARs.

Solid Systems Global also has developed direct OEM support capabilities where it is positioned to provide technical support to the OEMs' channel partners as an authorized support provider. These OEMs include D-Link, Solarflare, DDN, Huawei, Supermicro and Intel.

Solid Systems Global's model is to leverage its own field engineers as much as possible. Some additional FE resources must be used in certain geographies or on certain devices, particularly for networking. Technical support is primarily provided by Solid Systems Global, similar to some other TPMs, with Level 3 or backline support escalated to niche providers on certain technologies. Solid Systems Global maintenance is offered in multiple tiers, ranging from 8x5xNBD to 7x24x4.

Underpinning the Solid Systems Global service delivery process is its call center and help desk. This team provides Level 1 and Level 2 technical support, with escalation to Level 3 when required. The team is multilingual, servicing more than 10 languages. Solid Systems Global uses call tracking software and provides a 24/7 service. The service can be Solid Systems Global-branded or white-labeled by partners.

SSCS Global IT Services

www.sscs.com

Market Overview

Founded in 1988, SSCS Global IT Services is a pure-play, third-party maintainer headquartered in Houston, Texas, providing support to 65 countries. SSCS is privately held by the president (Gahlen Carpenter) and vice president (William Olund) of the company; they are the founders of the company as well. SSCS has approximately 140 employees, its own U.S.-based 24/365 English-speaking call center and revenue of \$30 million. Approximately half its revenue, from 81,000 assets under support, is from HPE and Cisco devices. It also supports NetApp, Dell EMC, Hitachi (Hitachi Data Systems), IBM, Quantum, Fujitsu and Oracle/Sun/STK. About 50% of devices supported are in North America, 35% in EMEA and the rest mostly in Asia/Pacific, with a small and growing percentage in Central America and South 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, Finland, Russia, Malaysia, Singapore and Brazil. SSCS is currently focused on organic growth. It has made significant investments in human resources, technology infrastructure and spare parts holdings — currently valued at \$7 million to \$8 million.

SSCS has approximately 95% of its revenue from direct engagements with end-user IT organizations and approximately 5% from subcontracted support to OEMs. Its target clients are enterprises or service providers supporting multinational IT organizations 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 (including healthcare, financial/banking, energy, retail and business/consumer services). The SSCS support model leverages directly employed field staff, internal Level 3/Level 4 technical support, and a comprehensive (parts and parts analytics) logistical operation that preplaces spare parts and components to address locally supported equipment. There are specific cases where technical support is augmented by niche support organizations. Some on-site field engineering services are provided through partner relationships, particularly where there is a lower quantity of hardware assets.

SSCS third-party maintenance is branded as Solid Care and is offered in three levels: Solid Care Critical is 24x7x4, Solid Care Urgent is 9x5x4, and Solid Care Select is 9x5xNBD. Custom SLAs that include guaranteed restore times are available under SSCS's Intensive Care program.

TERiX Computer Service

www.terix.com

Market Overview

TERiX Computer Service is a pure-play, multivendor third-party maintainer headquartered in Sunnyvale, California. TERiX 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.

Oracle and TERiX were involved in litigation concerning the provision of support services for Sun and Oracle equipment. The litigation has been resolved and resulted in no restrictions to the provision of hardware break-fix services by TERiX on Sun and Oracle equipment.

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. The 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), and Cisco (UCS blades, networking).

XS International (XSi)

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](#), 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, the consortium has approximately \$15 million of revenue and 34 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 provides some support for server and storage 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, Extreme Networks and others. XSi is ISO 9001 certified. XSi competes as a multivendor network maintenance specialist in the federal government vertical, servicing 40 federal clients. Its direct coverage in LATAM and its ability to act as a subcontractor in LATAM for other providers are also differentiators, as few TPMs have coverage in the LATAM market.

In the Cisco space, XSi markets a hybrid model of support where it recommends 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. In 2017, XSi developed a service contract analysis tool to provide prospects and customers with a consultative approach to support by providing specific recommendations to optimize life cycle maintenance strategy. Few TPMs have such a tool. XSi's LifeCycleSavings Tool provides organizations with customized recommendations for support, such as what devices to keep on OEM maintenance and what

devices to move to TPM. This helps clients consider a hybrid maintenance approach with SmartNet and TPM support.

XSi also has clients outside of federal; for example, in the healthcare, energy, insurance, entertainment, aerospace, telecommunications 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.

XSi does have approximately 70% of its business in direct sales, and half of sales through its 65 channel partners. These channel partner relationships include large prime contractor government-focused system integrators.

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.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Differentiating Attributes of Customer Rebate Programs"

"Used-Hardware Resellers Offer Hardware and Support Cost Savings"

"SMSCurvature to Emerge as Largest Secondary Hardware and TPM Provider"

"Performance Roadmap: Best Practices for Shaping Service Provider Business Strategy for Product Support Services"

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GARTNER HEADQUARTERS**Corporate Headquarters**

56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters

AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

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