Third-party maintenance and Sorbus' involvement

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This paper presents the third-party maintenance industry, how it operates, and the benefits it provides to users and manufacturers of data processing equipment. It also deals specifically with the role of Sorbus in the industry.

Despite its newness, the third-party maintenance industry has evolved into a multimillion dollar business, with projected 1979 revenues of approximately \$250 million.

There are two reasons for this growth, not the least of which is the growing sophistication of the end-user community. Companies that own or lease computers recognize that third-party maintenance is a cost-effective alternative to the service provided by major computer manufacturers.

Second, the number of companies manufacturing and marketing data processing systems and equipment has increased in the last 10 years. And an increasing number of these firms has discovered that a third-party maintenance specialist frees them to do what they do best: design, manufacture, and market superior products.

Despite its success to date and outlook for 25% annual growth for the near future, third-party maintenance was not always a viable concept in the electronic data processing industry.

Historically, the major computer manufacturers leased complete systems to end users and were solely responsible for providing service for every component. When a user signed up for a system, he signed for its service, too. To do otherwise was heresy.

Two changes in the industry prompted end users to rethink this standard practice: First, military, governmental, and other very large users began to contractually separate system maintenance from system acquisition. Second, independent manufacturers developed cost-effective plug-compatible peripherals for use with the major computer systems.

Computer users investigated, evaluated, decided, and the cord was cut.

END USERS ARE SOPHISTICATED

Today, most users of electronic data processing equipment are sophisticated in two ways: financially and operationally.

Financial sophistication has led to recognition that a computer system is a business tool. It can be owned and treated as an asset or leased from sources other than its

manufacturer, and its maintenance and operation can be treated separately from hardware.

Operational sophistication has given end users the confidence to select and use the most cost-effective combinations of computing equipment to meet their needs, regardless of component name plates. And multivendor systems abound as users seek to maximize results.

Prime advantages of third-party maintenance—costs that average 8%-20% less than comparable service from a major system manufacturer and centralization of maintenance responsibility—provide benefits to end users that are financial and operational, respectively. Significant dollar savings and the ability to insure system up-time through a single source provide strong reasons for the growing trend to third-party maintenance.

The service provided by such firms is a balanced combination of two types of maintenance: remedial and preventive. Most users readily appreciate the value of fast remedial maintenance. When something fails, they want it fixed immediately. Some companies, however, still consider preventive maintenance unnecessary and a waste of machine time.

Actually, the opposite is true. Preventive maintenance insures against equipment failure and helps prevent repair expenses. And in light of the sophistication of today's data processing equipment, guarding against equipment problems is equal in importance to being able to solve problems quickly when they occur.

HOW TO CONTRACT FOR SERVICE

Complexity, maintainability, failure ratio, and type of system to be serviced determine the fees charged by third-party maintenance firms, as well as the extent of maintenance responsibility assumed.

Most third-party maintenance contracts cover complete systems (all components, peripherals, auxiliary equipment, etc.).

When contracting for maintenance, the customer and the firm work together to determine the services to be provided. For example, it must be determined what equipment will be covered and service protection requirements beyond the normal workday, that is,

whether the maintenance firm should have service personnel on call 8, 12, 16, 20, or 24 h/day. Extended-hours protection carries a premium rate.

The service firm should be knowledgeable of the company's work routine to insure that preventive maintenance can be scheduled so that it will not interfere with processing deadlines.

Also, full consideration should be given to the proximity of service and support locations, each firm's average response time to service calls, the extent of spare parts on hand at service locations, the range of services provided, and the types of test and diagnostic equipment available.

The prospective customer should examine the training programs of each maintenance firm. Is training an ongoing process? Is it a high-priority activity with sufficient funding to have invested in modern training tools, such as closed-circuit television and videotape playback units? Does the firm keep pace with manufacturer changes and modifications?

TYPES OF CONTRACTS AVAILABLE

There are basically four approaches used by the maintenance companies in contracting for maintenance: (1) Contracts may be made with the manufacturer whereby the maintenance company is the agent and provides labor-only support to the user. In this case, the manufacturer supplies and is responsible for all parts necessary to fulfill the contract. A user of equipment may be a purchaser; however, he is usually on a lease. (2) Contracts may be made with users for both parts and labor maintenance, whereby the maintenance company has purchased parts from the manufacturer. (3) Contracts may be made with the user for labor only (the user-owner provides the parts). (4) Arrangements may be made for time and material maintenance whereby there is no contract, and the user is billed on each particular incident at the maintenance company's prevailing rates. In most cases, all but the latter type of arrangements cause the maintenance company to commit to response times on calls placed during normal working hours. As it is difficult for the maintenance organization to properly staff for the uncertainties of time and material maintenance, no commitment is generally made.

SORBUS FIT

Sorbus, Inc., a wholly owned subsidiary of Management Assistance, Inc., is the largest independent third-party maintenance supplier in the industry and as such offers all of the types of contracts mentioned above. Basically, Sorbus is located in 160 cities in the United States, with approximately 950 service technicians. These technicians are supported by an in-place field administration and management of approximately 250 people.

Addressing the concerns mentioned earlier, when choosing a maintenance company, consideration should be given to the fact that Sorbus has three distinct levels of technical support beyond its first-level technician. These levels consist of product specialists, district specialists, and region specialists.

Sorbus has a 16-person training department, which, on a full-time basis, keeps Sorbus employees updated in the latest technologies and thoroughly trained on all products maintained by the company. The training department is also responsible for the video training programs that are carried on throughout the field in 50 locations, using video playback units. These units are invaluable in providing training on less complicated equipment, as well as updates to the current work force.

Sorbus is especially proud of its field inventory system (FIS), which is a nationwide parts-tracking system consisting of seven Basic Four® computers with 1 billion bytes of on-line storage and 70 terminals located throughout the United States. This system has the capability of tracking the organization's entire inventory at any given moment, even to the parts being carried by service representatives in their automobiles. Within a matter of moments, the entire Sorbus field inventory can be scanned to determine where various materials are located, and, if necessary, items can be shipped coast to coast.

Last, and equally as important, is Sorbus' attitude toward service. As Sorbus' only source of revenue is service, the company's financial stability is dependent on satisfied customers. We believe that our level of customer satisfaction exceeds that of many organizations. This is supported by the recent surveys conducted by Datamation, Data Communications, and Computer Decisions, whereby Sorbus was ranked first in technology, pricing performance, service organization, and business relationships.

SUMMARY

Third-party maintenance companies are a viable alternative to the manufacturers and users in today's fast-growing and complicated data processing industry. The third-party approach allows manufacturers to sell and provide equipment to the user in areas that they will not or cannot service. Second, the enlarged equipment knowledge of the third-party maintenance organization that is gained through its many involvements keeps service technicians current in the industry. Third, the ability to grow in an area through many product involvements, thereby going beyond the single maintenance technician who cannot be available at all times of the day and night, allows greater flexibility and support to the user. Fourth, depending on the product and its reliability, third-party maintenance can provide a savings to the user in the range of 8%-20% over the manufacturer's maintenance cost. Fifth, third-

party maintenance companies provide a single source of maintenance. This is extremely important in today's mixed environment. Finally, the maintenance of these companies is effective, for in order for them to compete, they must provide maintenance equal to or better than the manufacturer.

Whether or not a satisfactory arrangement can be reached for both the customer and the maintenance

company can only be addressed on a case-by-case basis. There are areas that prevent third-party involvements, areas such as parts availability, density, and/or training.

In almost all cases, the maintenance company's decision to enter into a contract is made at the local level. Contacting the maintenance company in your particular city is the appropriate first step in investigating the possibilities and advantages of this service.