



Services Partnerships:

Increased Profits and Competitive Advantage Without the Overhead

Executive Whitepaper

Executive Summary

Facing diminished capital expenditures across almost every segment of the market, manufacturers, resellers, and OEMs face the twin challenges of low growth and decreasing product margins.

In looking for alternative sources of revenue, service turns up as a key way to generate revenue after the initial sale. By making service a central business strategy, companies can achieve and maintain a competitive advantage. What's more, outsourcing services through strategic partnerships allows companies to expand their services business without a corresponding expansion in overhead.

Partnership with the right supplier lets a company focus on its core competency and strategic business objectives while presenting a single "face" to customers. Technical Services Team (TST) is one of North America's largest independent third party service organizations. With years of experience and an exclusive focus on partnerships, TST has a proven track record of consistent delivery and high performance.

Today the Focus is on Service

Today, transforming a product-centric business into a services-centric one is not a choice — it's a matter of survival. The transformation is highly visible all around us. Companies that not too long ago were considered product companies are now the world's largest services giants. In recent years, services revenue accounted for 40 percent and more of these companies' total revenues — painting a profitable picture for them in a very difficult economy.

Current economic trends are forcing manufacturers, resellers, and OEMs to look more seriously at services as a business strategy. Facing diminished capital expenditures across almost every segment of the market, manufacturers, resellers, and OEMs are dealing with the twin challenges of low growth and decreasing product margins. And they are looking for alternative sources of revenue, especially from their existing customer base. Service is a key way to generate revenue after the initial sale.

Companies are looking for ways to both reduce costs and improve service

In an uncertain economy, customers are reluctant to spend more on new equipment. However, they will spend to make sure they are getting the most from their existing investments and to extend the life of the equipment they already have. In this environment, service contracts and managed services can extend the useful life of current investments while controlling overhead cost.

Another trend opening new opportunities is the decline of customer loyalty. Customers today also have less vendor loyalty, increasing companies' opportunity to capture new customers. A study by ITSMA (Information Technology Services Marketing Association) put prior experience in *seventh* place for choosing a services vendor — behind skills and experience, resources, business knowledge, and demonstrated ability to execute.

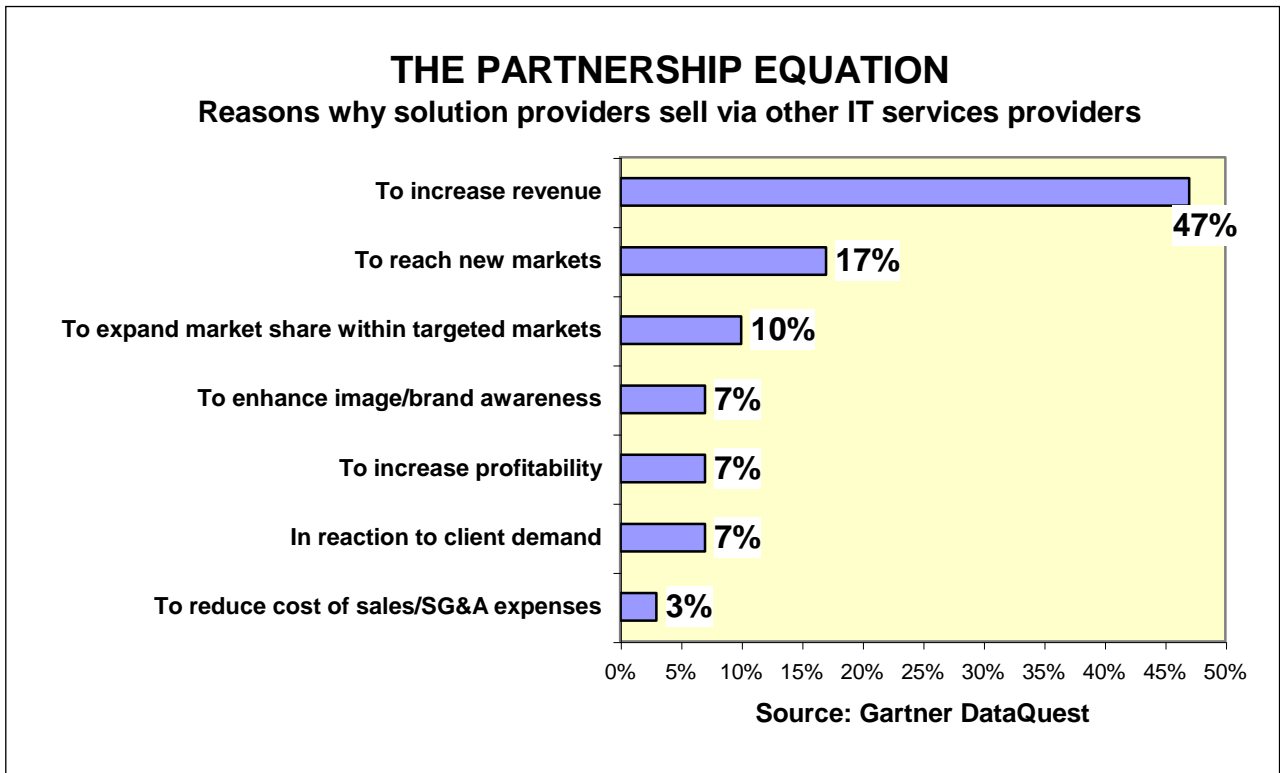
Finally, companies are looking for ways to both reduce costs and improve service. As service requirements become more complex, OEMs, manufacturers and resellers are under increasing pressure from clients to become single-source service providers. For customers, this reduces operational costs by cutting the time and effort required to manage service supplier relationships. A vendor who can't meet clients' total needs runs the risk of losing business to a supplier who can.

Services Spell Profitable Advantage

Leading companies have demonstrated the profit potential of making services a differentiator in an increasingly competitive market. As a result, manufacturers, resellers, and OEMs now view services as a significant opportunity for growth while channel partners see an opportunity to increase margins and establish their value-add. Services offer manufacturers, OEMs, and resellers chances to create unique service solutions that dovetail with customer requirements. Services also provide an ongoing window for maintaining a visible presence with customers.

Most important, services translate into competitive advantage:

- ▶ **Profitability:** Services deliver a renewable revenue stream and margins that typically far exceed those on the products themselves. While new hardware or software can't be sold into an account every day, services offer an ongoing “annuity” — a predictable revenue stream that is all the more essential in an uncertain economy. In addition, successful service relationships can drive long-term strategic business.
- ▶ **Customer retention:** It's common knowledge that services play a key role in customer satisfaction and future buying behavior. Ongoing service relationships also increase interaction with the customer and supply input for future product development. And of course, every contact is an opportunity for additional products and services sales.
- ▶ **Customer satisfaction:** With increased product complexity, customers recognize the importance of services in realizing maximum benefit from their investments and reducing the risk of failed implementations.



By making it a central business strategy, companies can use services to achieve and maintain a competitive advantage.

The opportunity is clear. The question is why this opportunity is not being exploited. Some industry analysts suggest that 50 percent or more of potential service contract revenue is left sitting on the table.

Why? Here are some of the reasons:

- ▶ **First-rate service is expensive to provide.** Support systems are costly and require high inventory investment in both the warehouse and service vehicles. Distributed computing extends requirements for geographic coverage. Ongoing training is costly, too.
- ▶ **Finding and keeping skilled staff is difficult.** Even if companies find the skills they need today, there is no guarantee that they will have the expertise in place that they will need tomorrow.
- ▶ **Increased technical complexity makes service more challenging.** Servicing today's sophisticated products requires more costly parts repair and training efforts. In addition, service levels and the complexity of providing services are growing more demanding.

A solution that allows companies to expand their services business without a corresponding expansion in overhead exists: **Outsourcing / subcontracting services through strategic partnerships.**

Strategic Service Partnerships Optimize Investments

Making the decision to partner with a services provider comes down to practical considerations: What is the company's core capability? Where are your company's resources best spent? What is the opportunity cost of adding a new area of focus?

Today many best-in-class companies sub-contract non-core activities and support functions in order to free resources for their core business. This transforms the linear supply chain into a flexible supply network where partnerships with best-in-class suppliers are the name of the game. Services partnerships make sound business sense in light of overall goals to increase efficiency, reduce the duplication of effort, and improve delivery consistency.

Partnering offers cost efficiencies, effectively supports technology requirements, and addresses skills shortages by providing access to requisite talent — all without the need to pay, train, and provide benefits. For IT, strategic service partnerships reduce the number of vendors to manage and minimize questions of accountability. Partnership with the right supplier — one who can supply a comprehensive spectrum of services and technologies — lets a company focus on its core competency and strategic business objectives while presenting a single “face” to customers.

Successful services partnerships help businesses focus staff and resources on the company's core mission while enhancing the brand image. By leveraging the resources of partners to provide services, companies can bring products to market more effectively and grow revenue and market share more quickly. It's a solution for operating more flexibly and efficiently.

Services Partnerships Reduce Expenditures

Partnerships also offer an effective way to reduce the costs of delivering services:

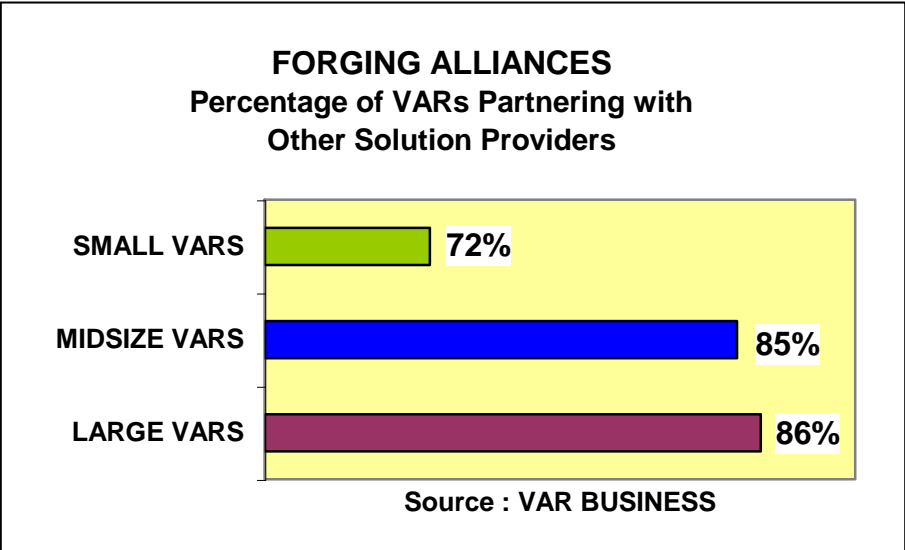
- ▶ First, business can avoid infrastructure investments and planning — companies pay only for the service that’s needed. Capital expenditures for standard tooling, test equipment and vehicles are eliminated and management layers can be reduced or even eliminated.
- ▶ Next, manufacturers, OEMs, and resellers can all minimize spare parts inventory by taking advantage of higher inventory levels that a partner can support through a high volume business. At the same time, a partner’s economies of scale lead to better prices and faster delivery.
- ▶ Third, partnerships allow companies to extend geographic “reach” and to scale quickly to address new opportunities and customer needs. While it may only take six months to develop a new product, it can take three times that to put the service and support infrastructure in place. A services partnership can help to accelerate product roll-out for faster market growth and profitability. At the same time, a dedicated service provider can deliver higher quality service that increases customer retention.
- ▶ Finally, partnerships enable smaller organizations to compete directly with larger companies. Partnerships can also significantly reduce risks for new ventures by leveraging the skills and resources of a proven service provider. In addition, a single point-of-contact for all services simplifies management for customers.

The Right Partner is Critical

Increasingly, partnerships are becoming a key business strategy in the services sector. According to a recent study conducted by AFSMI (Association for Services Management International) and Business Advancement Inc., alliances and partnerships represent a substantial proportion of many companies net business — representing on average one third of deals valued at \$+1 million or more across companies of every size.

Subcontracting and partnering is on the increase for resellers as well. According to a research report by VAR Business, partnering is up more than 25 percent.

It’s not just a matter of simply reengineering support processes. Today’s model is based on strategic alliances — connecting with the best partner for competitive advantage. However success takes more than simply handing over the services function to a partner.



Partnerships first of all must be built on the unique requirements of the client and vendors. Partners not only need superior technical skills and core competencies. They need a mindset and shared purpose as well — an outlook that says “we’re all in this together.” A partner’s core business should complement — not compete with — the company’s business. So what questions should you ask to test for the ingredients of a successful partnership? The list includes attitude, quality, vendor certification, responsiveness, experience, coverage, and flexibility.

- ▶ **What is the partner’s approach to the relationship?** A partner should treat partnering as a central business strategy — the primary way the company does business. It goes without saying that a partner should be trustworthy in managing client relationships. Trust can be built early in the partnership by developing structured commitments that clearly define the relationship and the expectations of each party.
- ▶ **Does the partner have the right quality standards and measures in place?** The quality standards of the service partner should match those of the client organization. This requires a clear definition of how quality will be measured as well as documentation of services methods and trouble-shooting tools. Training and certification should be updated on a regular basis. Documentation systems are needed to clearly measure performance objectively through measurements like repeat call rates, customer satisfaction surveys, and references from other current clients. Ensuring high quality service also includes an evaluation of a potential partner’s security measures, financial health, and infrastructure.
- ▶ **Is the partner certified or authorized by the vendor?** High quality service requires access to first quality parts, expert technical support, and engineering support if needed. For all these reasons, a service provider should be endorsed by the manufacturer. Service engineers should be trained by the vendor and the company should be certified to prove that it has demonstrated expertise to support and repair the products. A solid investment in training and certification demonstrates reliable commitment to the products and technologies — and high quality service customers can count on.
- ▶ **Does the partner supply a high level of responsiveness and availability:** The right partner will have resources in place to provide extended service availability. In addition to availability, demonstrated performance in meeting commitments shows in the time it takes a company to respond to a service request, both by phone and on-site. The partner should also be accessible for frequent communications and informal calls as well as regular structured meetings.
- ▶ **Does the partner have broad coverage and experience?** Working with a partner who can provide a wide range of services and technologies standardizes processes and helps clients manage service relationships more efficiently. A single source supplier must have a solid infrastructure for services delivery that includes call center support, on-site repair, depot repair, and spare parts. The ability to perform all types of service on a broad spectrum of equipment in many different user environments is essential.
- ▶ **Can the partner adapt the service offering to meet unique customer needs?** In today’s market, one-size-fits-all contracts are not acceptable. A partner should be capable of providing customized solutions and adapting to changing requirements.

TST: A Premier Services Partner for Manufacturers, Resellers, OEMs and Service Providers

Technical Services Team (TST) is one of North America's largest independent multivendor third party service organizations, delivering a variety of on-site repair and support services throughout the US and Canada . Utilizing years of experience providing printer, forms handling, and AIDC (Automatic Identification Data Collection) focused service, TST has a proven track record of consistent delivery and high performance.

TST's sole focus is on partnerships. ***Service is our only business.*** As a result, clients don't have to worry about product sales conflicts. Resellers, OEMs, and manufacturers maintain account control. TST's operations are structured to protect the confidentiality and integrity of the relationships between our customers and their end-users.

TST's superior service begins with automated service dispatch and delivery to ensure prompt response and escalation of unresolved problems — to an Area VP if necessary. TST operates 24 hours a day, 7 days a week, 365 days a year to ensure service and support whenever and wherever it is needed.

We can assure clients of high quality service to their customers. TST's factory trained and certified customer service engineers have an average of 16 years experience. TST is certified to service most major brands of printers, barcode/auto-ID products, and forms handling equipment. We also maintain ongoing training programs and a formal launch program to support new equipment releases. TST's "Spare-in-the-Air" repair strategy provides overnight-or-sooner replacement of parts.

TST has the flexibility to structure partnerships to meet exact requirements. We offer:

- On-site service
- Response time options
- Preventative maintenance
- Installation
- Technical support services
- Flexible billing options

On-Site Response Time Options

- Next Business Day
- 24 X 7

. We offer a variety of service options to meet your end-users exacting needs.

Partnership Benefits Add Up to Better Business Performance

Manufacturers and their channel partners can gain a predictable and lucrative revenue stream by making service a key business strategy. And by leveraging partnerships to deliver a comprehensive range of services, companies can create important market differentiators and increase profitability — *all without increasing costs*. With the right partners, companies can expand productively and cost-effectively.

Strategic partnerships for services can supply the essential ingredient to keep a business at the head of the pack.

Choosing the right partner based on solid, definable criteria maximizes success. Done right, it can increase customer satisfaction, loyalty and bottom line profits without compromising account control.

In today's global economy customers can shop globally at the click of a mouse. Average performance is not enough. To thrive, companies must excel in their core markets. Strategic partnerships for services can supply the essential ingredient to keep a business at the head of the pack.

TST is committed to excellent and guaranteed customer satisfaction through a quality process that leads to better service and higher value for the customer. Our business success is firmly grounded in continuous improvement and customer satisfaction. For more information about how a partnership with TST can complement your business strategy, visit us on the Web at www.tstservice.com or call us at 800-365-8340 .



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