Guide to Third-Party Maintenance (TPM)

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The New PPP for MSPs

With the new decade here, it's important to think about your managed services provider (MSP) business model. The original Payroll Protection Program funds that many MSPs received in the second and third quarter of 2020 expiring and it's time to start planning what's next for your tech firm.

One area that deserves consideration is a well-established revenue generating opportunity known as third-party maintenance (TPM). TPM is ongoing hardware support for technology equipment that acts as both an alternative and enhancement to original equipment manufacturer (OEM) support.

Here is a simple example: A data center may have a portfolio of aging data center equipment (server, storage and networking) that was sold with a three-year warranty and support agreement. At the end of year three, the support expires. Enter TPM service providers who will extend support for the equipment for a fee. Service level agreements (SLA) spell out important support functions such as response times (i.e., same day or next day) and specify minimum certification levels for the support engineers, etc

TPM agreements are relevant because they allow the customer to avoid a hardware refresh, but still enjoy the same level of operational quality. The TPM approach is also a tactic to manage or delay OEM-forced upgrades.

Why MSPs Should Consider TPM

With the economic challenges starting in mid-2020 and for the foreseeable future, the tendency is to try to extend the useful life of hardware assets (and again, avoid the cost of a hardware refresh). This is analogous to repairing your older model car instead of purchasing a new car right now. By creating your own TPM practice or teaming with a TPM organization (such as a reputable distributor), MSPs can also create a new income stream.

Portfolio Protection Program (PPP) for MSPs

Moreover, it's critical for MSPs to innovate in the "new normal" and TPM is low hanging fruit. This is your opportunity to diversify your service offering in an additive way with an in-demand service offering, i.e., protecting your portfolio. Customers and IT managers are thinking of ways to cut costs, i.e., protecting the customer's portfolio. TPM is one tactic and it's a proven winner for all parties. Frankly, a lot of MSPs haven't pushed the TPM model and this counter-cyclical offering is a way to protect your business from recession-driven revenue reductions.

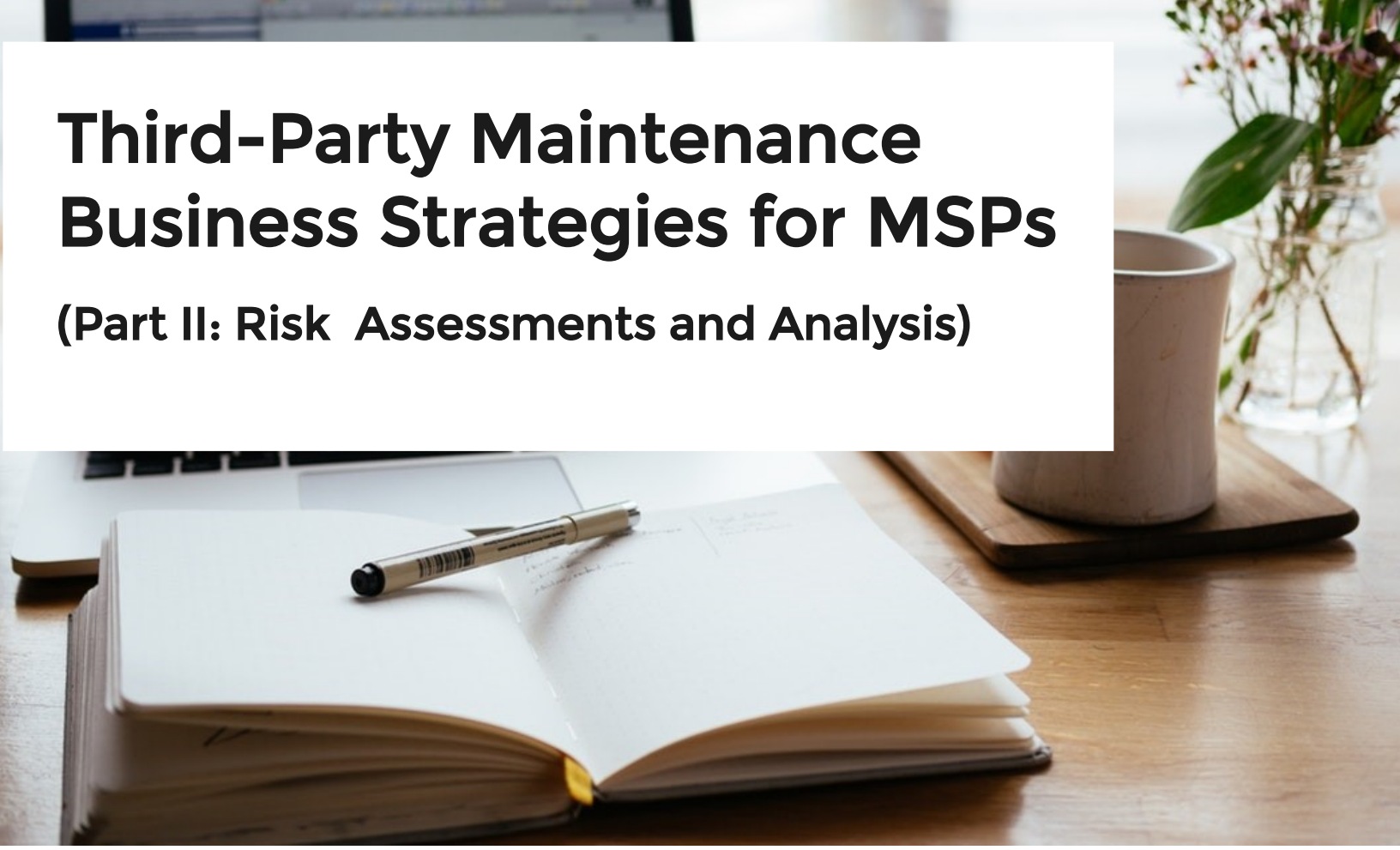
TPM Trends

The TPM market is evolving as continued consolidation and increased private equity investment in large providers has fueled mergers and acquisitions. Solution providers and enterprise leaders looking to implement hybrid maintenance coverage using a blend of OEM and TPM support must evaluate the risks and benefits of TPM, according to Rob Schafer, senior director analyst Gartner.

Occasionally, software and hardware vendors will enforce end-of-life and end-of-support deadlines for their products, in essence ensuring that customers upgrade to newer versions and generate a more consistent revenue stream. That's where TPMs can serve as a way to bridge these "deadlines" and extend the useful life of IT assets. It's a simple solution to present to your customer.

Third-Party Maintenance Business Strategies for MSPs

(Part II: Risk Assessments and Analysis)



Managed service providers (MSPs) are hyper focused on generating new sources of revenue to generate badly needed cash to survive the current economic environment. In Part 1 of this series on third-party maintenance (TPM), we painted the picture for MSPs to engage in a pandemic pivot and protect their business model "portfolio" by actively promoting TPM services and solutions (and there was also a need to protect your customer's technology assets/portfolio by extending the useful life of technology assets in a recession).

Risk Assessments

Every week MSPs ask me how to find and secure new technology services opportunities. Assuming we've already established that the TPM opportunity is real, right here and right now, let's talk business development. A long-standing trend over the past decade has been for the MSP to elevate beyond providing simple technician services and expand into adding value with business technology insights and solutions

TPM is prime for gaining new clients with technology assessments in the second half of 2020, starting today as a business development exercise. A TPM risk assessment has two components: physical and financial/business. The physical risk assessment is a natural act for MSPs who can use a number of popular tools to scan the network and report back inventory, upgrades, required patching and hardware warranty information. That provides the baseline for the MSP to engage in simple TPM analytics to create a report or dashboard showing the need for continuation warrant coverage via TPM.

> *BEST PRACTICE: Typically, the MSP would digest the information and share summary highlights with the client. However, I would discourage you from over-sharing the technical assessment information. Clients look to you to take the assessment data and create information that they can digest.*

The adage that "which we can measure we can manage" is a direct hit for the MSP seeking to go and grow a new revenue source. Once you have the above analytics, you can now work side-by-side with your client and evaluate which extended warranty via the TPM model is appropriate. There are several players, and each has different distinctive attributes.

Finally, much has been written about whether your risk assessment should be provided complimentary to your potential client or should you charge for this valuable service as an MSP? This is an ongoing debate with viable arguments on both sides of this matter. I suggest you perform a simple search to read some of the analysis by thought leaders and make your own decision.

Risk Analysis

Which leads us to the decision about choosing a TPM service to engage. This is where I'd suggest that you need to think about who you partner with to secure a TPM contract. One potential concern: partnering with a TPM provider that is private equity-backed. Why? They may have direct access to your client information and there's a possibility that, without proper terms and conditions set in the agreement, the TPM provider could take your client upon renewal or other milestone and eliminate your revenue stream.

Hedge Strategy

There is a simple answer to protect your MSP business portfolio in a TPM scenario: use reputable technology distributors that have proven to be channel friendly, have a long-running business with plenty of referrals and with whom you may already have an existing relationship. Distributors will never directly solicit or steal your client. Case closed!

Third-Party Maintenance Business Strategies for MSPs: (Part III: Trusted Parties and Capstone)

One of the greatest opportunities for resellers, network service providers and MSPs in the current economic climate rests with the speed and efficiency that third-party maintenance (TPM) agreements can rapidly be sold and implemented for enterprise and small and medium business (SMB) clients. That's the fast path to cash, as we discussed in Part I (Protect Your Portfolio) and Part II (Risks Assessments and Analysis) of our TPM series.

This third installment underscores the importance of partnering with the best (and most trustworthy) TPM service providers. The golden rule is to find or transition to a TPM partner that you can trust. And drum roll please—who is on the short list of trusted partners? It's a partner you've had since nearly day one of your technology practice: your tier-one distribution partner!

While other private equity-backed firms are in the TPM game, all major distributors have had your back from day one and you can be guaranteed not one of them has ever taken your customer direct and they never will. In most cases, these are billion-dollar global giants that dwarf even the largest players in the TPM industry. All major distributors have a services division and most offer channel friendly TPM programs that guarantee a non-compete partnership.

Climb Channel Solutions

Dale Foster, president of Climb Channel Solutions, weighed in on TPM. "From our point of view and that of our partners, it's about efficiencies and entanglement." Foster shared. "C*limb Lifecycle Solutions (CLS)* simplifies the entire TPM process with a special shoutout to the quoting module. The TPM motion creates customer stickiness in the areas of software, hardware, and maintenance. Bottom line is that MSPs and partners want to be the 'end all' for customers while also protecting their customer relationship."

GC Micro

There's nothing better than hearing from a real customer! GC Micro is a technology solution provider with a focus on the defense and aerospace sectors. William Holcomb, account manager, shared the following in an interview.

On a scale of 1 to 10, how do you like the white labeling, using a third party for maintenance services?

White labeling is one of the most important factors in working with our TPM partners. It solves the complexity and streams it down to just GC Micro (even though we might have several different companies we are orchestrating in the background). Gotta roll with a 9 or 10 on the satisfaction score.

Do you feel the "cost" is acceptable and of real value?

Absolutely the cost is of real value. We've been comparing our partners' approach to other providers and the costs are very competitive.

details, it would be devastating if that were abused.

Bottom Line

So, what do you do to protect yourself and enjoy the new future of TPM? Go back to your oldest and most trusted partner: distribution.

Figure 1: William Holcomb, GC

ABOUT THE AUTHOR

Harry Brelsford is the founder of SMB Nation (www.smbnation.com) from Bainbridge Island, Wash. He is a long-time SMB channel partner who has served customers and mentored other partners (SMB Nation has over 45,000 members who are Managed Services Providers (MSPs) and SMB technology consultants). He oversees the popular SMB Nation workflow including marketing analytics, content and events (webinars, workshops and multi-day conferences).

He holds an MBA in Project Management from the University of Denver (and numerous certifications such as MCSE, MCT, CNE, et al) and is the author of 23 books on technology and business topics. His 20 years of SMB technology experience were supplemented by teaching 12+ years at night as an adjunct professor at Seattle Pacific University and other higher-learning institutions. He served as the Dean in the Graduate School of Technology at Aspen University (where he was awarded a PhD in Letters).