



White Paper

Considerations for Alternate Product and Support Sourcing—Gray Market and Unauthorized Third-Party Maintainers

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Executive Summary

Lower price options, provided by emerging noncertified third-party vendors, often strip away cost and price that may be considered unnecessary. The more mature and commoditized the product, the more prevalent and broad these options become. Assessing the risks and rewards of these options is critical to a prudent buying decision. The implications for the health and performance of your IT organization depend on the quality of that decision.

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1 The Business Drivers for Reassessing Traditional Purchase Pathways

As technologies, markets, and customers mature, the options and opportunities for redefining purchasing pathways, support models, and business relationships expand. IT buyers and decision makers continually evaluate and reassess their buying decisions and look for new means of optimizing their budgets.

1.1 Expanding Options in a Maturing Market

With technologies becoming more stable, dependable, familiar, and increasingly pervasive, the depth of the workforce capable of assisting in support increases dramatically. While markets begin to identify dominant themes and move toward a defined and agreed upon paradigm, support options expand beyond basic vendor-based remedial offerings to emerging third-party sources and differentiated service offerings.

1.2 Tightening Belts

As well, during periods of economic stress, corporate focus shifts from the unmatched growth seen during the boom periods of the 1990s and the 2000s to an era of increased scrutiny over IT spending and management.

1.3 Acquisition and Vendor Selection as Levers

Lastly, as alternate ownership and delivery methods become available, not the least among them the shift of some functions to the cloud, a review of support acquisition and investment is a natural and prudent move. Companies increasingly ask, “How can I most effectively spend my support dollars and is my traditional relationship in my best interests given my needs and capabilities?”

Vendor selection and degree of support are two prominent levers in managing cost and redirecting spend.

Note

This paper is designed to provide a framework for IT professionals beginning the discovery process toward an alternate sourcing decision. It is not intended to provide answers; those are as varied as the number of IT departments on the planet. Rather, this paper seeks to establish a process and model for each company to craft those answers for itself, looking at the cost centers, risks, and rewards of alternate product and support providers.

2 Pathways: Established and Emerging

2.1 Manufacturer

The original manufacturer, along with its community of partners, is always a customer’s shortest route to problem resolution. Original manufacturers produce the devices; develop or license the software and evolving portfolio of updates, upgrades, and bug fixes; develop the knowledge base used to support the hardware and software; and manufacture the spare parts needed to keep the equipment running throughout its lifecycle. Manufacturers provide the warranties and licenses that allow customers to buy with confidence.

2.2 The NetApp Community of Partners

The NetApp community of partners provides the assurance of a stable business relationship and the enabling programs that go along with being an authorized partner. It also provides a range of value-added capabilities to address needs beyond those of the manufacturer. NetApp partners include:

› Alliance Technology Partners	Industry-leading IT infrastructure and application technology partners develop and deliver integrated enterprise storage solutions.
› Global System Partners	Integrate NetApp® Data ONTAP® technologies, products, and services into their own business solutions, which they sell under their own brand or under the NetApp label.
› Resellers	Build and sell their own offerings based on NetApp's products, solutions, and services.
› Service Providers	Deploy differentiated and profitable enterprise-class services based on low costs and predictable service levels, from design through selling.
› System Integrators	Integrate NetApp products into solutions for large enterprises, including managed services and outsourced solutions.
› Vertical Solution Integrators	Integrate NetApp products and services into vertical solutions that meet specific industry needs.

2.3 Unauthorized Resellers and Noncertified Support Organizations

Increasingly, a growing population of unauthorized companies or individuals is promoting its products and services to potential customers. Some operate legitimately within the boundaries of legal performance; others do not.

Understanding the risks/rewards balance when transacting business with these entities requires investigation, rigorous documentation, and scrutiny. Although there are instances in which the decision to buy products or services from these organizations might be a wise business move, it is often the source of frustration, performance issues, and legal battles.

These entities may simply be product owners choosing to recover some of their expense as they retire a device and sell it through emerging gray market channels. Though this is an approved commercial transaction, please refer to section 3, below, to understand the limitations on what these entities can sell and what you can use. Typically, they are unable to offer any support.

Other entities operate as commercial ventures within the law but without full capabilities to support your purchase. These resellers may have acquired their goods legitimately through distress sales, close-outs, acquisition of systems that are reaching their end-of-support dates, insurance company salvage sales (damaged or reconditioned gear), or other mass-quantity purchases, but they are limited in terms of the rights they can transfer and the capabilities they can offer for support. Though often low-price leaders, they are significantly limited in terms of their support capabilities. They may also have preexisting conditions that may ultimately result in failure or being determined unfit for a service contract. Or, as in the case of end of support, the supply of replacement parts may be of limited availability, limiting the long-term value of the system. Refer to section 3 to better understand those limitations.

3 Limitations and Risks

3.1 Software Licensing

Although used equipment may be sold, the software license entitling the user to operate any installed software is not transferrable. Before operating the equipment, the buyer is required to buy new licenses.

As well, NetApp's current End User License Agreement precludes access to NetApp software by third parties without prior written consent of NetApp. Third-party vendors are precluded from installing bug fixes, patches, and the like without NetApp's prior written approval.

3.2 Warranty

All NetApp products are sold with robust warranties. Current warranties exclude coverage for:

- Claims arising from unauthorized third-person's misuse, neglect, improper installation, or testing; attempts to repair; or any other cause beyond the range of the intended use
- Hardware component that is installed as an add-on to or replacement for the original Hardware, without NetApp's prior written approval
- Software that is modified, except as authorized in writing by NetApp

3.3 Additional Support or Recertification for Purposes of Purchasing Support

NetApp has no obligation to, and will not, either support such Hardware or Software or certify the same to enable such support, except in specific circumstances in which NetApp has previously agreed in writing to provide such support (as documented by Customer providing a NetApp Certification Letter on NetApp letterhead and signed by an authorized NetApp employee), or as otherwise required by local law.

NetApp's published policy is explicit with regard to products acquired from unauthorized parties: any entity that acquires NetApp Hardware and/or NetApp Software from a non-authorized third-party broker or NetApp reseller does so with the understanding that NetApp's Terms and Conditions of Sale do not apply with respect to the acquisition of such Hardware and/or Software. As a result, NetApp is not obligated to provide any level of support, nor are we obligated to recertify the Hardware, per the terms specified in our Terms and Conditions of Support, except under very limited circumstances. Recent requests to support/recertify Hardware and/or Software or to purchase through these unauthorized means have prompted NetApp to remove any statement regarding recertification of used equipment from the NetApp Support Site (formerly known as NOW[®]). Recertification by NetApp may be a function performed in connection with a lease financing partner's remarketing efforts.

3.4 Additional Risks

Unscrupulous vendors may also operate outside the law. Problems may include counterfeit or stolen gear or inadequate stocking of replacements to fulfill promised service levels. Authorization carries with it manufacturer scrutiny and enforcement of legal obligations. Without such backup, customers are on their own to enforce contracts.

4 Mitigating Risk

4.1 Third Parties as a Legitimate Choice

Despite the risks, the decision to purchase goods or services from a reputable third party can make business sense. Noncertified third parties are able to operate at a lower cost by eliminating the backup of the original vendor from their expenses. In some cases, that may be a low-risk decision.

When the technology is being used in noncritical, redundant situations and a failure is not considered a threat to business operations, a low-cost solution may be the right choice. For customers who have a low-complexity environment operating stable releases of software, the limitations on bug fixes, updates, and upgrades may not be a major risk. When purchasing mature products that have been in the market for some time, but are not yet at end of sale, then a ready supply of replacement parts may be available. Customers who practice self-support, and do not need to rely on diagnostics from the seller, may not need the expertise provided by certified partners. As well, customers seeking a short-term/stop-gap measure may find the risk is mitigated by a small window of usage.

However, the business relationship that authorized partners have established with NetApp creates opportunities for collaboration, knowledge transfer, and enablement that thrive within a formal business partnership. Unauthorized third parties, regardless of their investments, will always be challenged to match that level of unified support.

4.2 Best Practices for Managing Risk

But how can you assure that same degree of confidence from a noncertified vendor?

Replacement Parts

Replacement parts, unlike some other aspects of support, can be purchased on the open market with limited restraints. However, the more layers between you and the manufacturer, the greater the chance that you will experience stock availability problems when parts are needed or even be supplied with gray market or counterfeit parts.

Vendor selection is critical. For your parts vendors, there are additional questions.

- Where and how do you procure your spare parts?
- Are the parts tested and certified?
- How do you stock and deliver parts locally, if at all?
- How many parts depots do you have and where are they located?
- Are the parts depots operating 24/7/365?
- Are the parts depots periodically “purged” (update spares firmware, engineering revisions, and so on)? If so, how often?

Technical Support

Third-party vendors often have developed large, robust support staffs to help their customers in multivendor environments. Many have established global or multinational support models that can address the availability needs of their customers.

However, their lack of a direct relationship with the original vendor limits their access to intellectual property beyond the software patches and updates previously mentioned. Without access to the extensive knowledge bases built on years of experience, and without the ability to draw data from diagnostic tools built into today’s technology, these vendors may be challenged to diagnose and provide remedies. As well, adopters of newer technologies may find that their noncertified vendors have not yet been trained or built up sufficient experience to support recent installations.

Before contracting with a noncertified vendor, consider and ask the following questions:

- Can you provide a list of other customers who utilize your support for the devices I’m going to be covering?
- How long have you been supporting these platforms?
- How much support experience do your technical and field staffs possess for these technologies?
- Does your support team have experience in analyzing data output such as AutoSupport™ reports?

- What forms of preemptive and predictive support do you offer?
- Do any or all of your tech support engineers specialize in these platforms?
- What accreditations and certifications does the technical support staff possess?
- How many of your technical support staff are dedicated to this platform?
- If you can't resolve a problem, then what process do you have to engage the manufacturer's support to assist you?
- Are you able to escalate a support call to the manufacturer on a priority basis? If yes, is this contractual? What are the manufacturer's SLAs?
- What is your average case resolution time for these platforms? Do you have targets for case resolution?
- What does the typical hardware/software support call process look like?

Do your due diligence. Get references from other customers. Check on the company's credit and business performance ratings. Require indemnification from the reseller from any legal complications arising from purchase or use of the equipment. If you have concerns, check with the original manufacturer and be prepared to provide serial numbers.

4.3 Considering Other Budget-Friendly Alternatives

If reducing cost is your reason for looking beyond traditional purchasing pathways, consider alternate solutions. Options include remaining with your current relationship but:

- Purchasing lower-end products
- Lowering the level of service on existing contracts to match service needs
- Reevaluating your support contract and purchasing a lower-cost support option
- Moving some portion of your operation to a cloud solution
- Leasing or financing

Lastly, investigate purchasing end-of-lease equipment. NetApp gear that has reached its end of lease may legally be sold a single time, with all remaining warranty and software licenses transferred.

Best Practices

The market for counterfeit or other questionably sourced equipment is large and growing. A few best practices can help verify that you get legitimate and reliable spares.

- Study up on gray market risks.
- Develop processes for evaluating sellers and products when buying from unauthorized vendors.
- Develop and enforce compliance standards for all employees involved in the buying process.
- Establish and rigorously follow processes for validating and approving equipment prior to purchase.

When in doubt, check first with the original manufacturer. Document serial numbers and model numbers. If unauthorized vendors hesitate to provide the information required to validate authenticity, reconsider the risks and hidden costs of doing business with them.

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