

## Why Are Service and Extended Warranties Important?

Conventional wisdom has it that extended warranties on many consumer items (for example, cars, appliances, computers) are not a cost effective investment. This leads many business customers to the mistaken idea that maintenance agreements for telecommunications equipment are not necessary or at least not cost effective. Such an idea can quickly become a costly mistake.

It is important to approach this subject with the proper frame of reference. In the case of consumer goods, the cost of a maintenance agreement is often a substantial fraction of the original equipment cost. Additionally, if the equipment fails, it is usually a simple matter to arrange repairs or purchase a replacement. In the case of the business telephone system, though, much more is involved. For most businesses, the telephone is a lifeline to customers. A system that is out of service means significant customer inconvenience at a minimum. In the extreme case, it can mean many thousands of dollars in lost revenue.

Maintenance agreements generally provide several important advantages:

- **An Ongoing Vendor Relationship** – Customers who have maintenance agreements have the specific details of their system, as well as business hours and business practices recorded at the vendor site. That way, when problems arise, the vendor is well prepared to handle the issue, whether it is a simple question or a major system failure.
- **Priority Treatment** – When a system failure occurs, customers who hold maintenance agreements are scheduled ahead of other customers.
- **24 Hour Coverage** – Many equipment vendors will only service customers without a maintenance agreement during normal business hours (8 a.m. to 5 p.m., Monday through Friday). Customers with a maintenance agreement can obtain emergency service around the clock in most cases.
- **Customer Training** – Many agreements include provisions for free or deeply discounted training for new employees, feature additions and system upgrades.
- **Interface with the Telephone Company** – Often it is not clear whether a problem is the fault of the system or the telephone company. If the first call is placed to the telephone company, and the problem is not a phone company problem, the customer is charged \$30 to \$100 by the telephone company for the call, and the problem is not repaired or even referred to the equipment vendor. The maintenance agreement customer can place the call to the equipment vendor who will diagnose the problem at no additional charge and if necessary refer the problem to the phone company. Some equipment vendors will even arrange to pay telephone company charges if the phone company is notified in error.
- **Cost Savings** – Most maintenance agreements include routine maintenance as part of the agreement. Often the cost of this preventive maintenance alone justifies the cost of the agreement.
- **Disaster Recovery** – In the event of a major failure, including those cause by fire, flood, or natural disaster, the equipment vendor can react on a priority basis to place the customer back in service because customer records, parts and personnel are readily available to handle such situations. With a maintenance agreement, service might be restored in a day or two. Without one, the wait could be weeks.

A good maintenance agreement should include the following:

1. Response time of no more than 1 business day for routine trouble calls (problems affecting less than 20% of the system). Response time of no more than 4 hours regardless of time of day or day of week for emergency calls (Total system outages or problems affecting more than 20% of the system).
2. Coverage during your hours of operation. Most standard agreements provide service from 8 a.m. to 5 p.m. Monday through Friday. Service during other times may carry an additional cost, but it's a small price to pay for piece of mind and the continued operation of your business.
3. A "cap" on year to year increases. You should insist that cost increases be limited to no more than the cost of living increase for the prior year.

Service and Extended Warranty Agreements are important tools in managing your telecommunications system. Used wisely, they can save your business many times their cost.