7.0 TURNKEY SYSTEMS OPERATORS

Skilled technicians and programmers have always been at a premium in the computer industry. As the industry has grown, several classes of specialists have emerged including the consultant, systems houses or turnkey systems operators (which will be referred to as "turnkey systems companies" from now on), the computer retail store, the software center, and the most recently recognized class of specialist, the computer "whiz". These specialists have emerged largely because of inadequacies in the education and servicing system provided by computer manufacturers. (The computer retail house and software centers are discussed in a separate section). Consultants, and lately computer "whizzes" fill a specific niche mainly where personalized computer installations and exceptional service are required. Turnkey systems companies, on the other hand, can often offer computer or peripheral manufacturers an effective market avenue. Canadian companies who intend to work with turnkey systems companies should be aware, however, that sales volume can often be relatively limited in many cases.

There are a large number of turnkey systems companies currently operating in the United States. Approximately 700 of these work in the South-western United States market territory and a number of these companies operate on a national basis. Turnkey systems companies we interviewed, however, proved to be relatively small sized establishments in the main employing only a limited number of sales personnel. Initially, turnkey systems companies begin as low overhead operations. Little or no investment needs to be made in stock. The founders of most turnkey systems companies usually have viable connections with one or more computer systems manufacturing companies or peripheral manufacturers. As companies grow, they may hold stock of some key items. Turnkey systems companies we contacted operate various sized market territories. The largest percentage (34.3 percent) of companies interviewed sell on the West Coast or operate smaller territories. Generally, turnkey systems companies operate in a market territory which is confined to one day's drive. This effectively cuts the cost of sales substantially.

Turnkey systems companies' business is usually based on selecting complete computer systems or networks generally constructed from component units supplied by a number of manufacturers. Part of the key success for the turnkey systems company is in the supply of the software system. Usually these companies develop their own specific software for the system they sell. The underlying object of the turnkey system company is to supply the potential user with a fully installed computer system complete with operating software specifically designed to meet the clients' particular requirements. Many turnkey systems companies work primarily with specific industries or professional groups.

For this study, we selected 150 turnkey systems companies. They were mailed a set questionnaire.

We determined that demographic trends play a significant role in turnkey systems companies' locations. For this reason, we mailed 43 percent to companies in Southern California and 30 percent to companies in Northern California. Mailings were concentrated on companies with a turnover of more than $1 million. It should be noted, however, that the rapid growth patterns which typify the computer industry make it possible for a turnkey systems company starting business today to achieve major status within a very short period of time.

The initial mail return was 11 percent. This return was supplemented by intensive telephone interviews bringing the final total to 25 percent. A number of companies were interviewed which were not on the initial mailing list. The full list of companies mailed is listed for reference in the Appendix. The results of the survey follow in Section 7.1.

7.1 TURNKEY SYSTEMS OPERATORS SURVEY RESULTS

Product Information

1. Do you buy direct from a manufacturer or through a distributor?

   48.6% buy direct from manufacturers
   5.7% buy only through distributors
   37.1% buy both through distributors and directly from manufacturers

2. Are you experiencing any problems with your current suppliers, i.e. in available technology, pricing, delivery, service, etc.?

   52.8% were satisfied with their current suppliers
   8.3% did not answer
   38.9% were experiencing problems with their current suppliers, of these;
   - 7.2% complained about available technology
   - 21.4% complained about pricing
   - 64.3% complained about delivery
   - 7.1% complained about service

3. What level of service support do you expect from your suppliers?

   8.6% said they do not rely upon suppliers for service support
   80.0% explained their expectations as follows:
   - 25.0% said they expect complete support in terms of full repair/replacement
   - 28.6% said they expect "prompt" or "immediate" attention (i.e. within 24 hours)
   - 10.7% said they expect suppliers to train company personnel
   - 7.2% said they expect 30 to 60 day lead times

The remaining 28.5 percent had various requirements such as on site availability, local service stations, and close consultation during installation. One company expects that products bought