

CASE STUDY

Motherboard Express Steams Ahead with White-Box Servers

Sponsored by: Intel Corporation; Microsoft Corporation

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INTRODUCTION

Motherboard Express has built desktop systems since 1995, but components have been its bread-and-butter business, accounting for more than 80% of sales. However, by 2001, despite steady component sales volumes, margins were suffering due to strong price competition from suppliers that lacked the level of service that Motherboard Express believed it should provide. With customers increasingly starting to look for finished products and requests for servers picking up, the company believed that responding to that demand would put it back on track toward profitable growth.

MOTHERBOARD EXPRESS

Based in Wauconda, Illinois, about 40 miles northwest of Chicago, Motherboard Express was founded in April 1995 as Drive Express. The company sold disk drives for personal computers, but it quickly branched out into other components and complete desktop systems. In the past two years, its business focus has changed from primarily selling components to furnishing complete systems, mostly servers and some high-end workstations.

Motherboard Express provides systems to all types of customers, including small businesses, educational institutions, and corporate clients. The company also makes private-label systems for OEMs that sell and service unique solutions such as high-speed scanners.

Early in the second quarter of 2001, Motherboard Express launched its first server product based on a dual Intel® Pentium® III configuration. Initial demand was strong, and today, since it has migrated to dual Intel® Xeon™ architecture-based processor configurations, servers are the majority of its business and account for 90% of revenue.

Intel Xeon architecture-based processors were chosen for their price/performance. Selling a complete solution enabled Motherboard Express to maintain the service levels its customers had come to expect without compromising the health of its business. Although PC price competition is becoming increasingly fierce, Motherboard Express has found that it can build and sell a quality server at a much lower price than equivalent configurations from name-brand manufacturers.

Like other companies with origins in the components business, Motherboard Express had strong technical expertise in place and had little trouble designing and building its server product line. Both Intel and Microsoft® provide extensive training to partners that need assistance in bringing their technical staff up to speed. As a result, these companies are typically building servers within a few weeks of starting out.



By June 2001, Motherboard Express had placed its first full-page advertisement dedicated to servers. The move was highly successful, yielding what is currently the company's largest customer. Since then, Motherboard Express has continued to advertise; however, it targets publications that appeal to corporate customers rather than those geared toward traditional consumer and small business-oriented publications.

Selling servers has helped Motherboard Express get closer to its customers. Because Motherboard Express provides a complete solution that companies rely on to function on a day-to-day basis, it needs to build a trust relationship. "Once that trust is established, it's easier to engage in conversations about their business direction and make recommendations about where the company should be going from a technology standpoint," says Scott Kelley, a senior account manager at Motherboard Express.

The company's dedication has paid off. In August 2001, it became an Intel Premier Provider, and its staff has grown from 18 to 25 employees based on the expansion of its server business. Most of the customers that previously bought components from Motherboard Express now buy complete systems. If the company hadn't made the commitment to building complete systems, it may well have lost those customers to other systems vendors.

BEST PRACTICES

The keys to success in the white-box server market are credibility and differentiation. Motherboard Express uses the Intel brand to gain credibility, especially when competing with name-brand products, coupling it with a three-year warranty and a reputation for service.

Service also differentiates Motherboard Express from rival white-box server builders, and competitive pricing and flexible configurations help it stand out from multinational system manufacturers. The company dedicates 30% of its resources to providing a three-year warranty and toll-free telephone support for the life of the system. "We offer a level of support, service, and customization that isn't going to be found anywhere else in the marketplace," says Kelley.

He also maintains that server builders need to know about the applications the customer is going to run in order to make recommendations on system capacity, software, and backup solutions. Kelley notes that Motherboard Express' sales force is highly solutions-oriented and advises customers on capacity issues, backup practices, and networking and storage strategies. To supplement the capacity training from Intel, Motherboard Express frequently uses newsgroups and other Web resources to bolster its position as a trusted advisor to its customers.

Many system builders do not advertise; rather, they prefer to rely on word of mouth or established relationships with customers to build their business. Motherboard Express, on the other hand, makes extensive use of advertising to attract new customers. Kelley points out that for server advertisements to be effective they must appear in different publications to the ones that worked for desktop personal computers and components.

SERVER TECHNOLOGY

System builders such as Motherboard Express have found that the Intel brand name and the reliability features of Intel's server technology have helped them overcome customers' tendency to buy from name-brand manufacturers. Under the Premier Provider program, Motherboard Express can get demonstration product and evaluation units, as well as rebates and money to support its advertising, to help build its brand image. "Intel has done tremendous amounts for our business," says Kelley.

Intel's building-block approach to servers has helped builders ramp up their server production quickly, with minimal investment. Intel provides training and support for builders, including "Tech Builder Summits" (Technical Solutions Training) that give technicians hands-on experience in building server configurations. Intel complements this training with ongoing 24 x 7 technical support. This approach has enabled Motherboard Express to build and support reliable, high-performance servers to meet today's enterprise application requirements without having to bring in outside expertise.

Kelley also feels that Microsoft has been responsive and helpful, giving Motherboard Express access to a variety of channel benefits, including technical and solutions training provided in conjunction with Intel. At present, more than 90% of its servers are shipped with, or end up running, the Microsoft Windows® 2000 Server, Advanced Server, or Small Business Server operating systems. Kelley expects Motherboard Express' relationship with Microsoft to develop rapidly as it continues to establish itself as a solutions company.

FUTURE OUTLOOK

Most system builders base their value proposition on price. The more successful builders also add value, providing better-than-average service levels in their local communities, flexibility of configuration, ease of installation, value-added services, or intimate knowledge of customers' businesses or industry. The big issues for all small builders are brand recognition and credibility — areas in which the support provided by Intel and Microsoft is paramount.

Training seminars offered by both companies, for instance, ensure that system builders are capable of manufacturing reliable systems using standard components and procedures. Branding programs such as Intel Premier Provider and Designed for Windows help ensure that customers receive a quality product that will be compatible with the software they run. Both Microsoft and Intel provided support to Motherboard Express for sales and marketing activities, adding further credibility to its message.

Motherboard Express believes that by dedicating itself to customer service, it can overcome customers' tendency to buy from name-brand manufacturers. By combining the quality and reputation of Intel's server building blocks and Microsoft's software branding with its own engineering talent and service capability, Motherboard Express believes it can provide customers with cost-effective and trustworthy systems.

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