

How to Significantly Reduce Network Costs

Jay E. Pultz

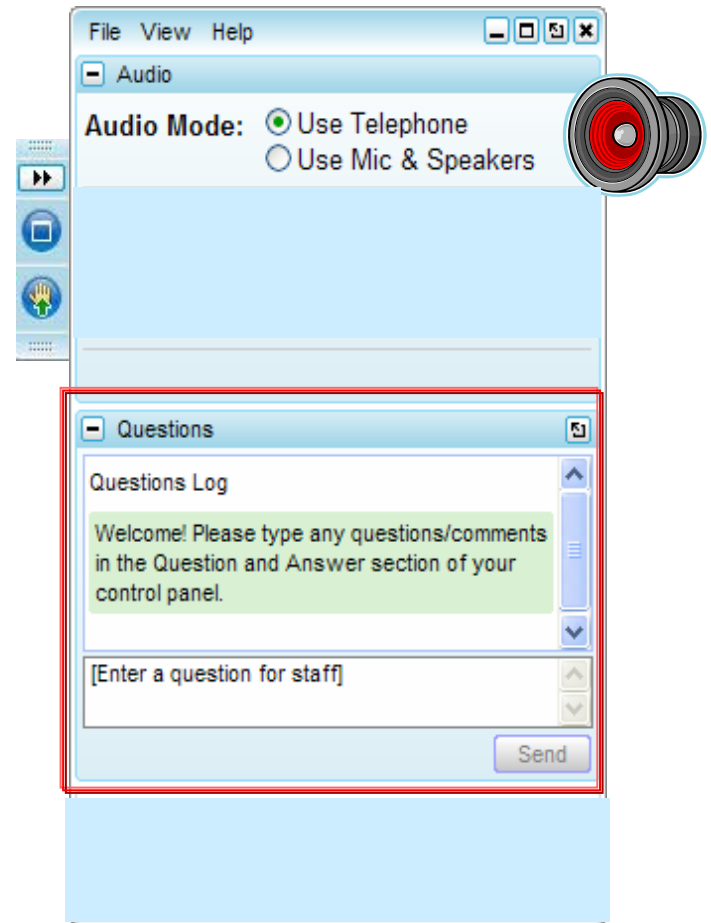
VP & Distinguished Analyst

4 November 2009

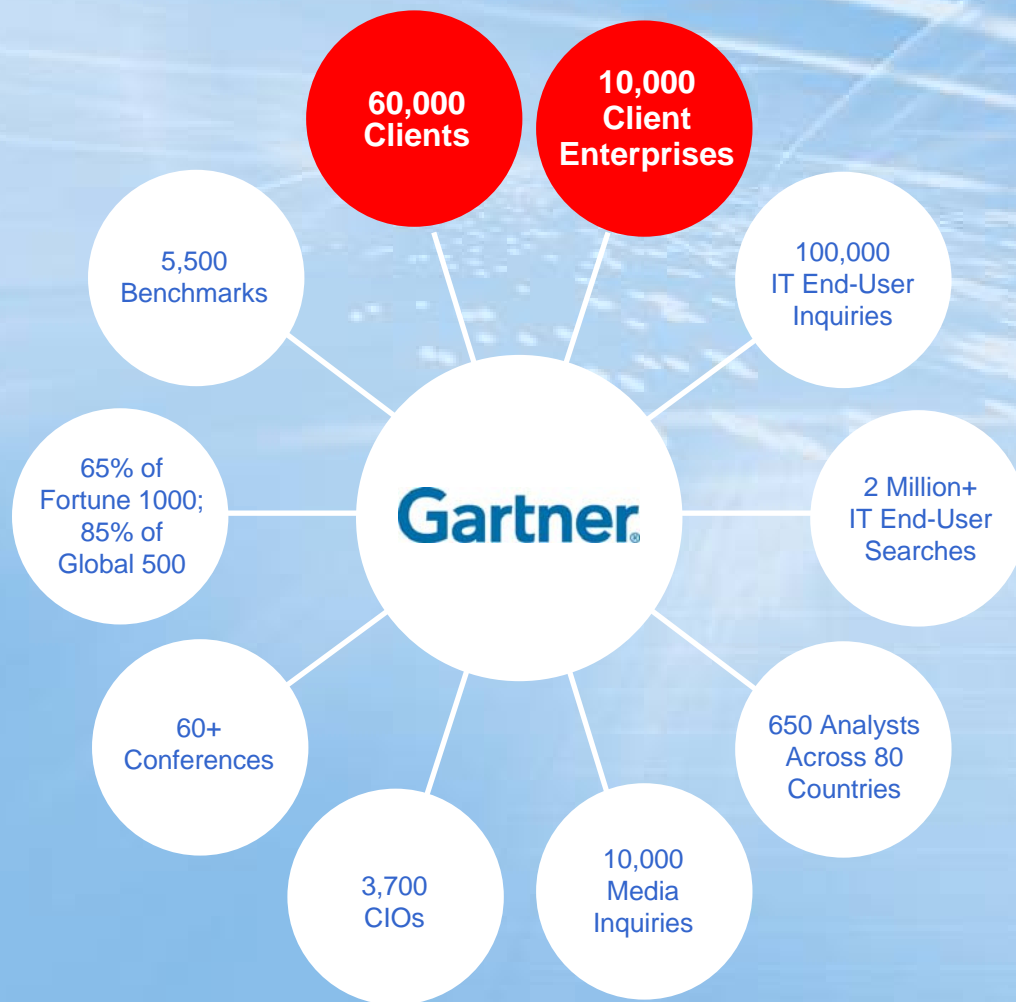
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- You can listen to the presentation using your computer's speaker system as the default (VoIP).
- Or dial the conference line by selecting Use Telephone in the webinar audio pane.
- Have a question for the presenter(s)? Type it into the Questions pane—we will answer as many as time permits.
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- Please note you may be polled during the webinar; only aggregate answers will



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Participant Polling Question #1:

When do you expect that your networking budget will return to pre-recession levels?

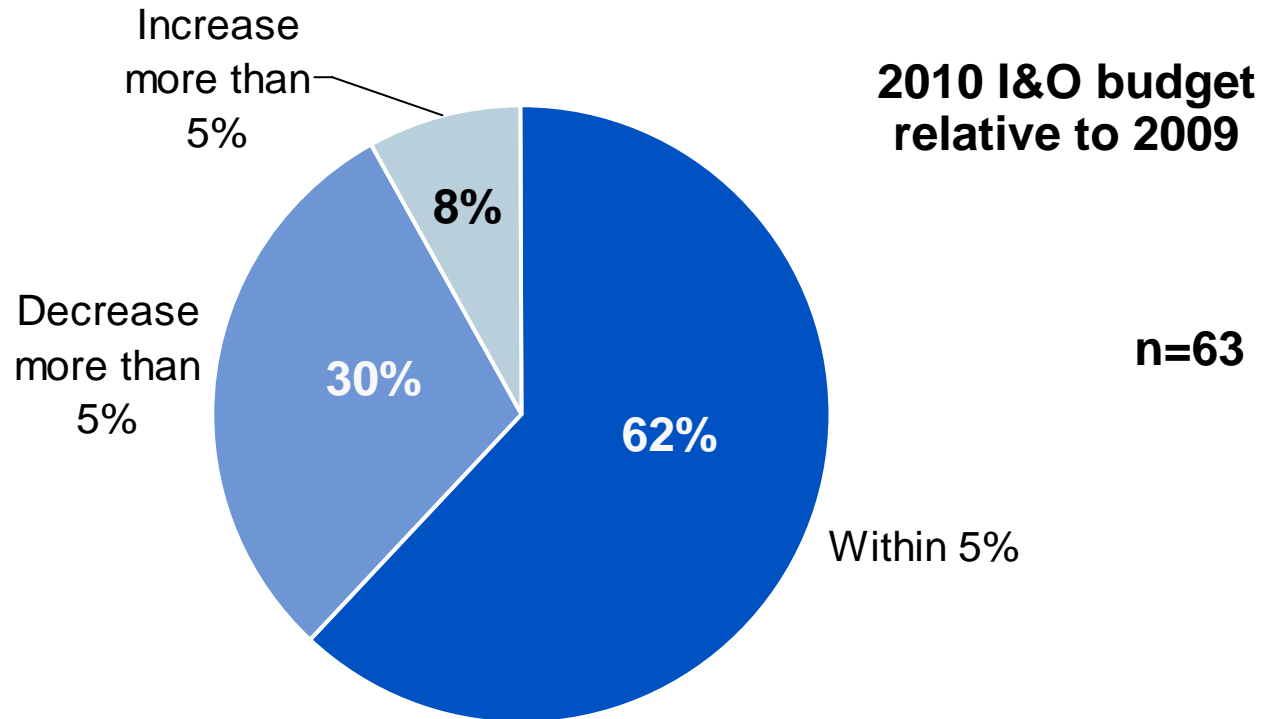
- 2010
- 2011 or 2012
- Beyond 2012
- Never
- We weren't significantly affected by the recession

Please select the option that best fits your situation

Responses are confidential

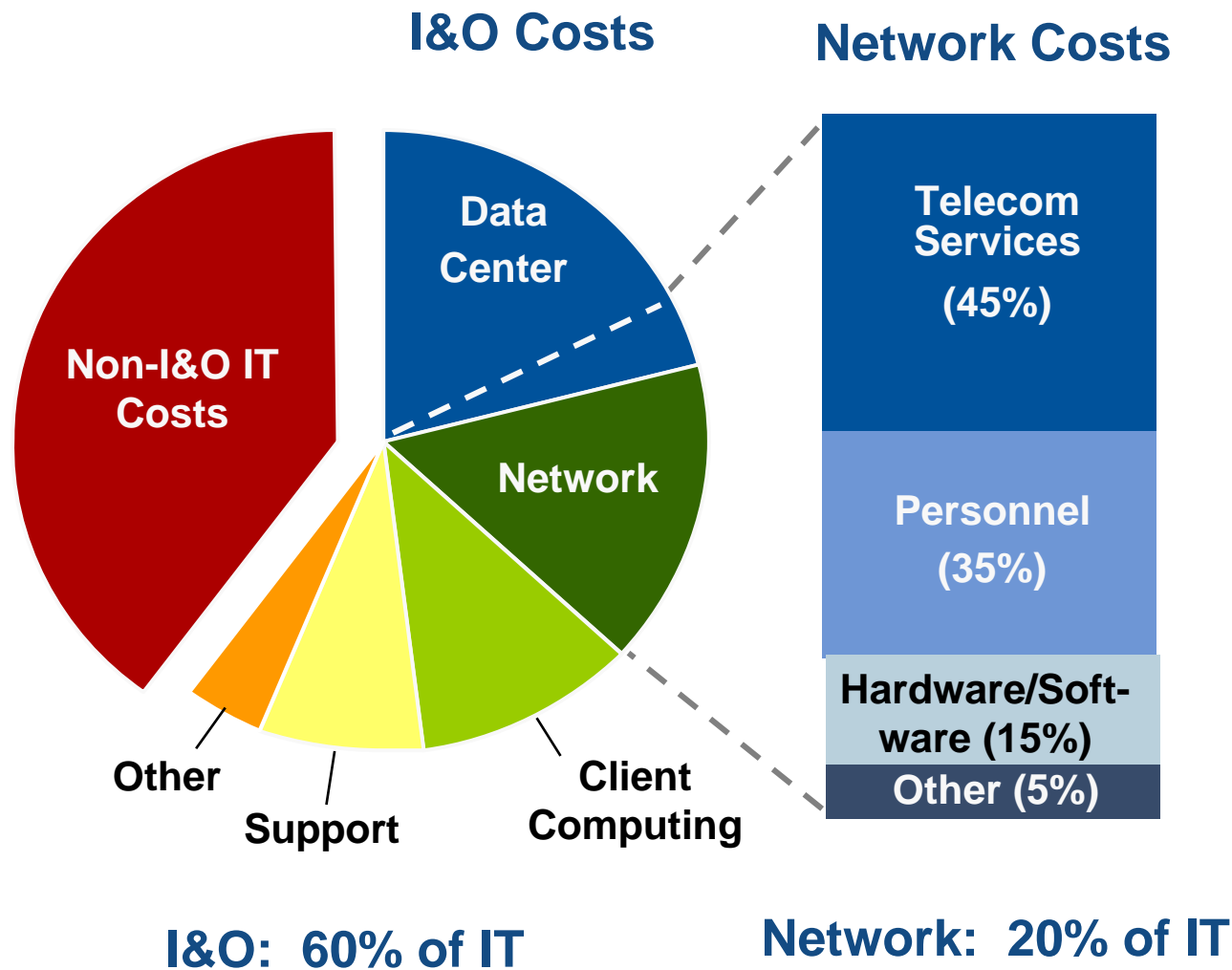
No, You Are Not Done Yet

- 65% of I&O leaders: '09 budgets down 5% or more compared to '08
- 30% of I&O leaders: '10 budgets down 5% or more compared to '09



Only 32% of respondents say they will be substantially complete with cost-savings projects in 2009

Networking: Major Cost Optimization Opportunity

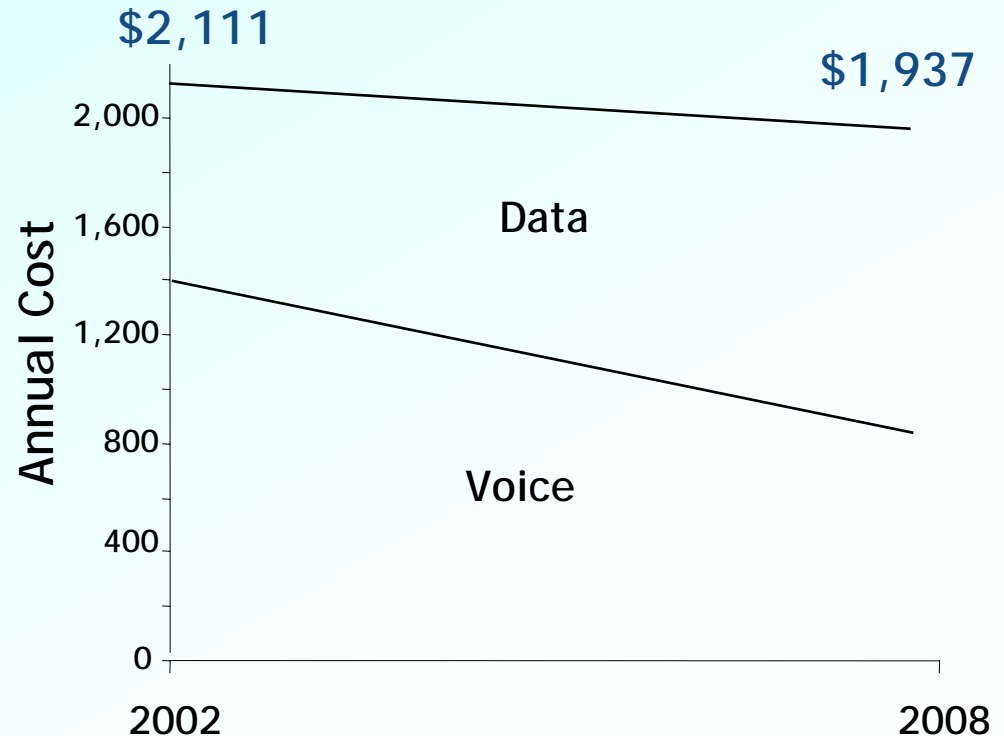


Baseline Networking Costs

- Gartner ITKMD provides peer comparisons.
- Network bandwidth continues to grow ~ 30% / year.
- Network service rates still trending down ~ 10% / year.

Note: Excludes wireless data, call centers ...

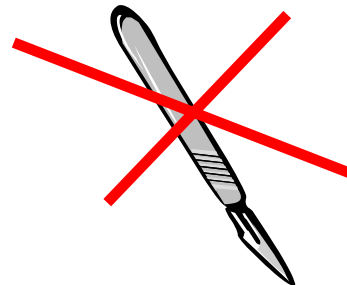
Network Cost per Attached User



2010 Network Cost Containment Actions

1. Defer non-critical Key Initiatives
2. Optimize telecom service contracts
3. Pay for just what you have
4. Buy just what you need
5. Consolidate networking; use networking to consolidate
6. “ITIL”-ize, automate and integrate the NOC
7. Utilize networking to reduce IT and business costs

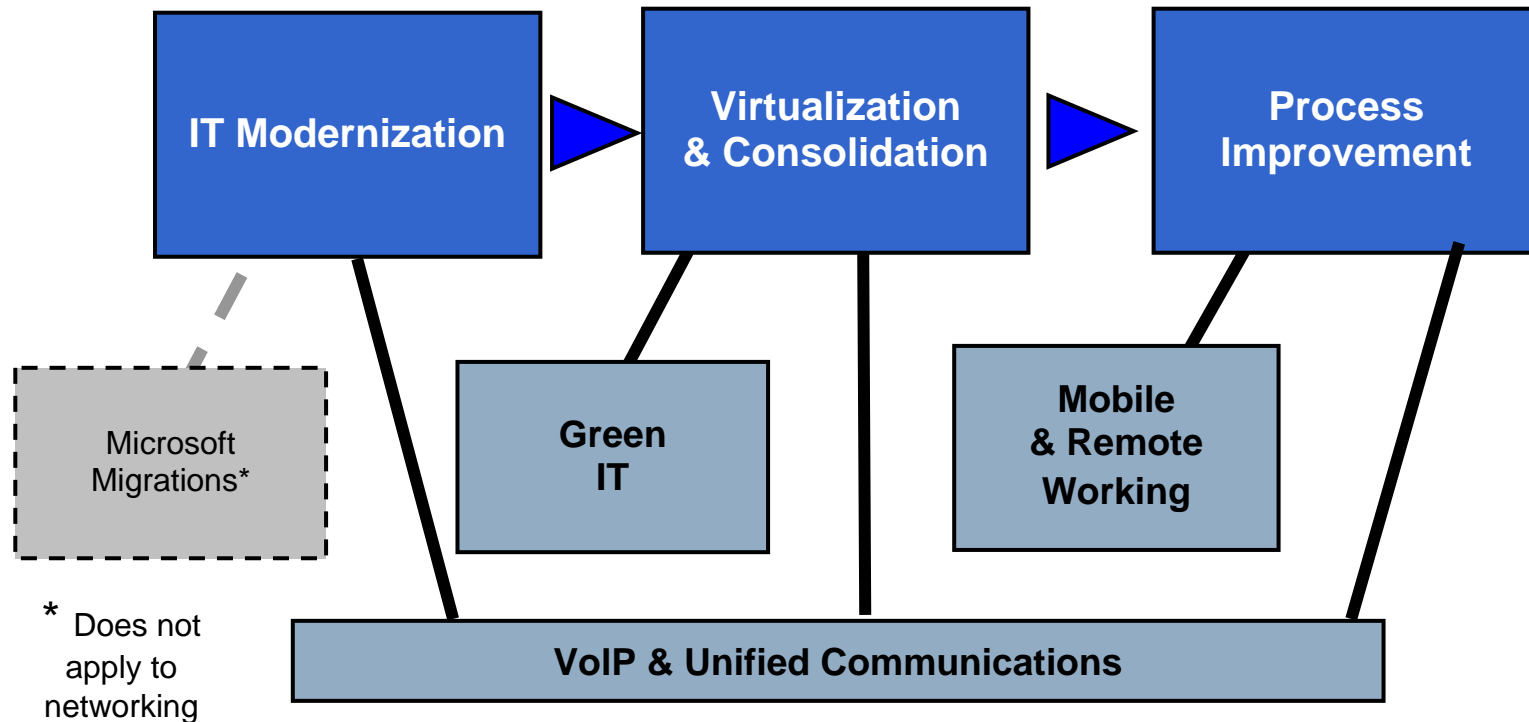
Tools:



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1. Defer Non-Critical Key Initiatives

I&O/Networking Key Initiatives



Is the KI needed by the business NOW? Does the KI reduce costs within 18 months? If NO, Don't do it!

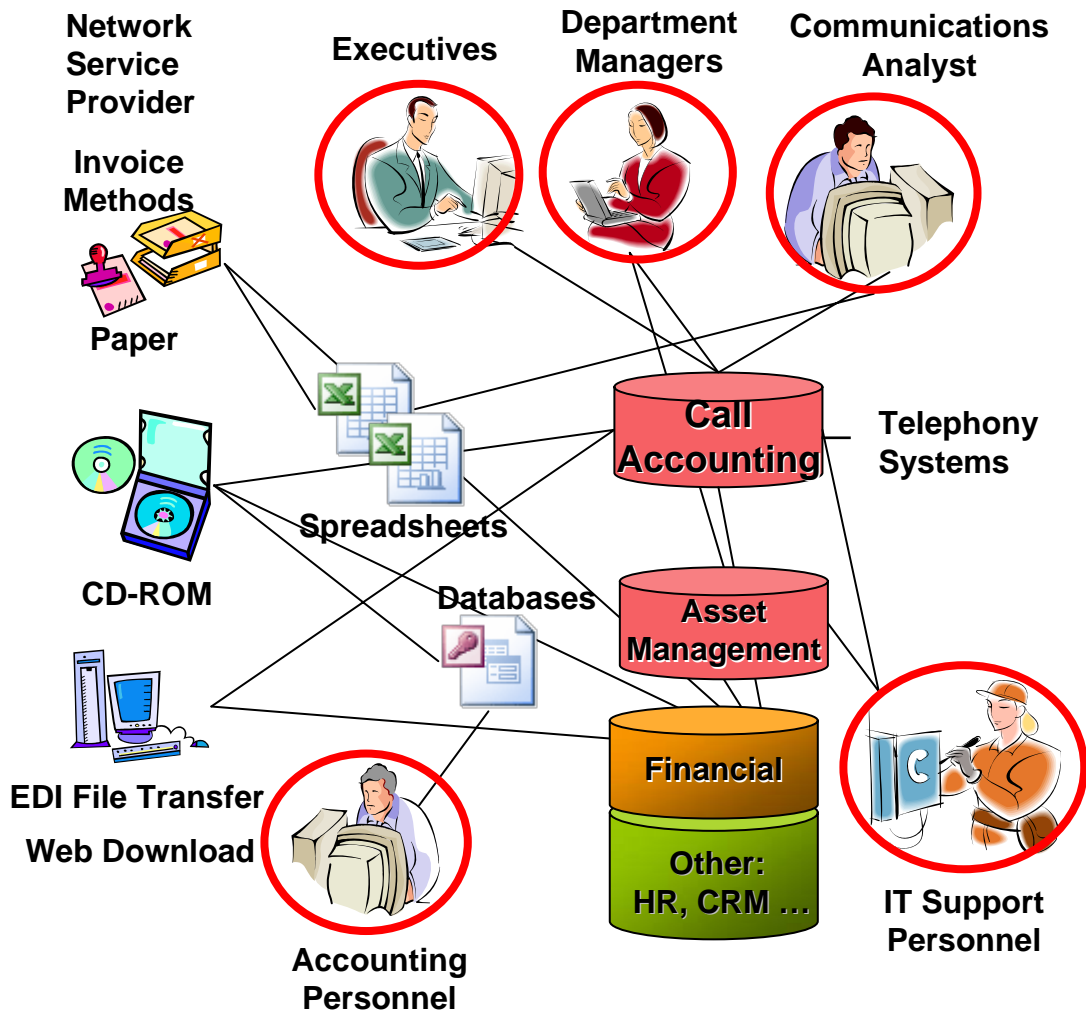
2. Optimize Telecom Service Contracts

- Tell providers: “Help or non-help will be remembered”
- Often, lower market prices trigger re-negotiation
- Provide your vendors something – for example, increase term or commitment
- Consolidate network service providers; consider “Tier 2” TSPs
- Selectively combine voice/data, wireline/wireless, WAN and MAN
- Ask yourself: “Have I done all that I can contract-wise to significantly reduce networking costs?”

***Gartner reviews client contracts --
typically reducing costs 10-20%***

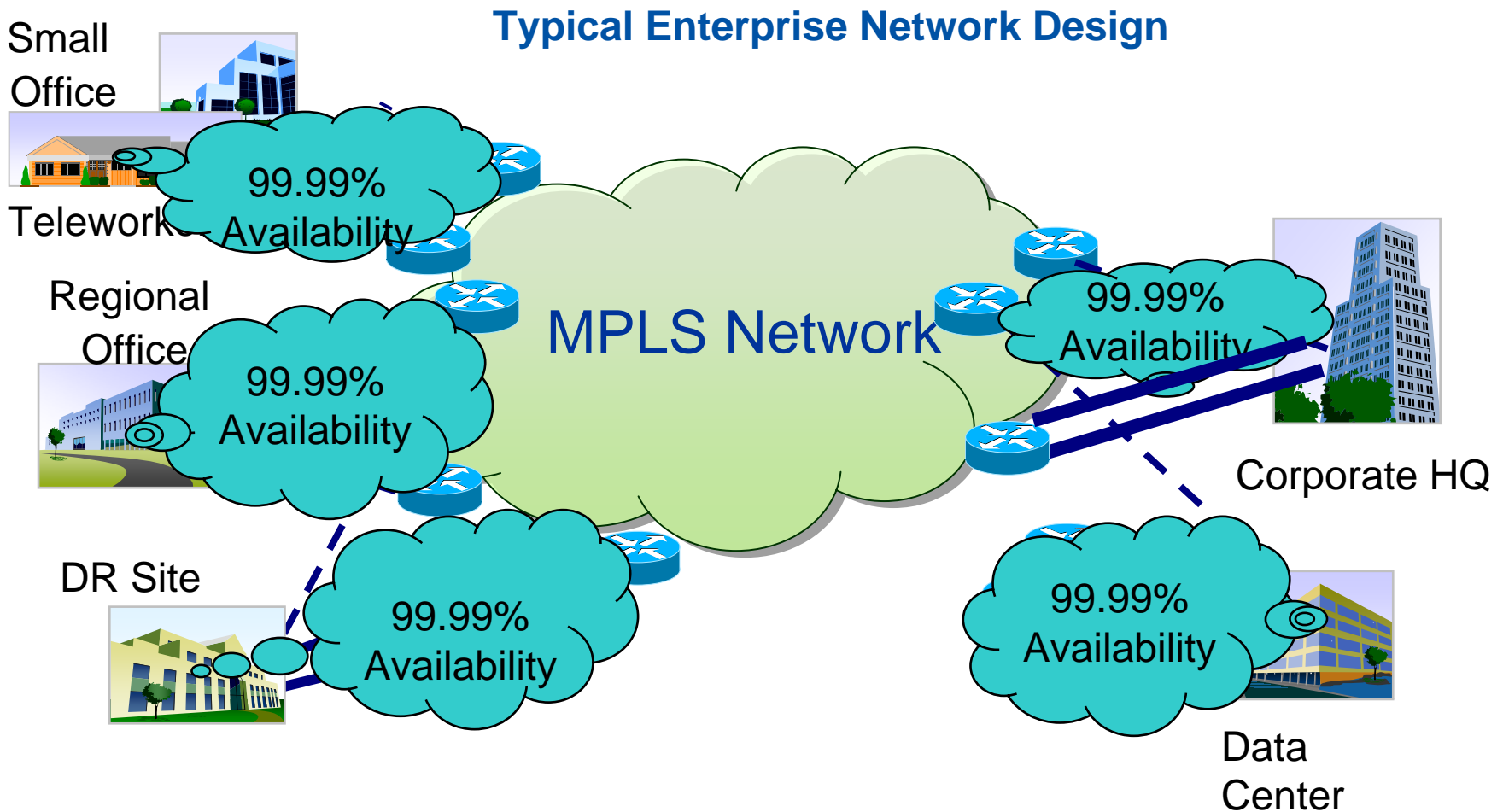
3. Pay For Just What You Have

Telecom Expense Management (TEM)

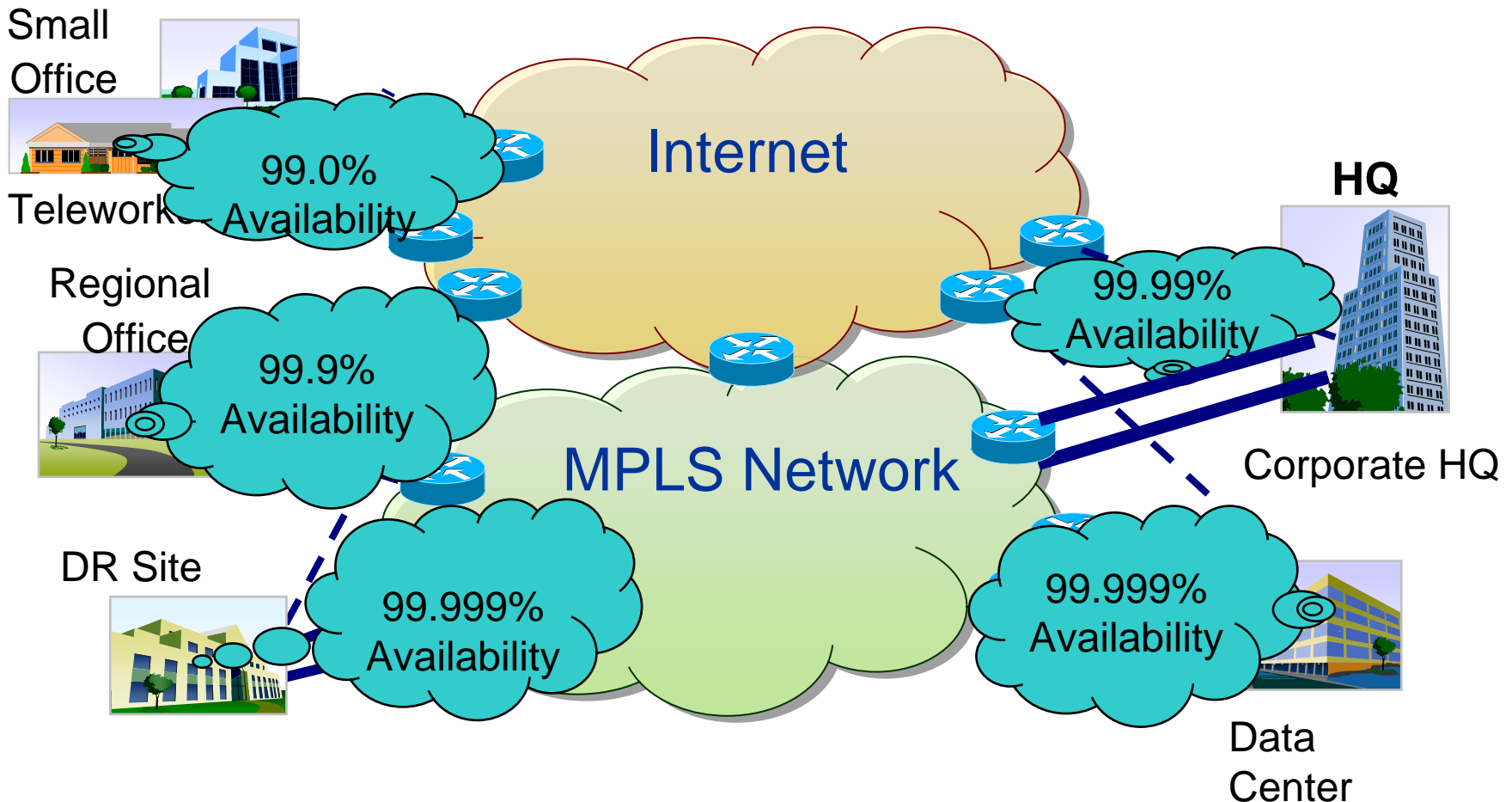


TEM
software/services
can reduce network
costs 5%+

4. Buy Just What You Need (1a)



4. Buy Just What You Need (1b)

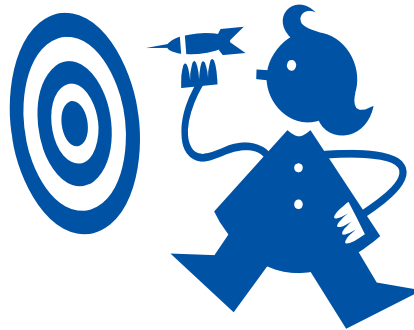


Hybrid Net with “Rightsized” Availability Can Reduce Network Costs 10%+

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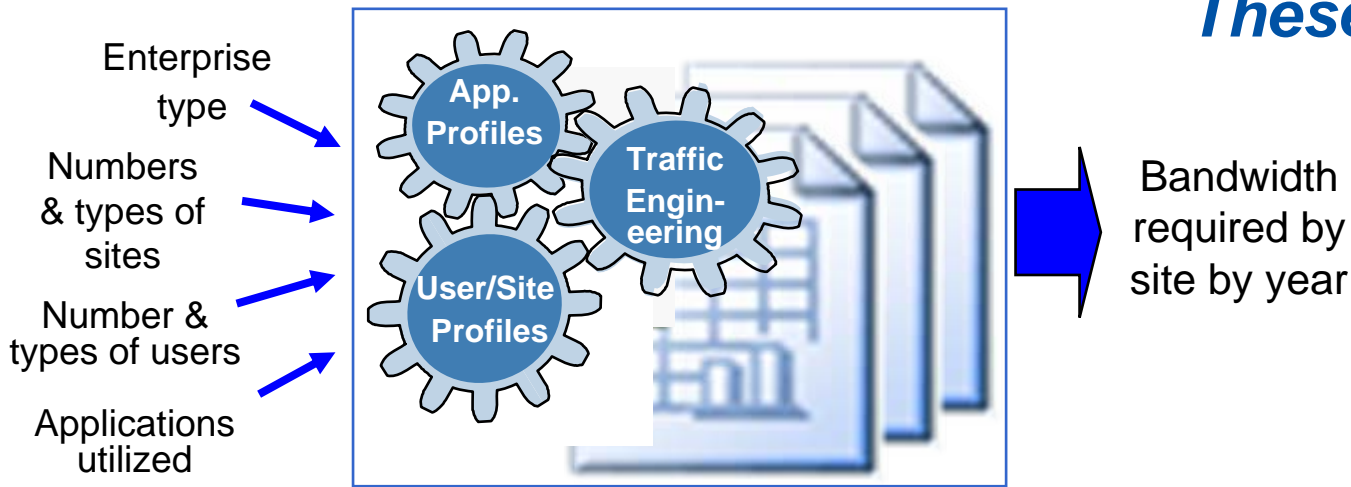
4. Buy Just What You Need (2)

**Standard Bandwidth
“Guestimating” Approach**



Vs.

Gartner Bandwidth Estimation Model (BEM)

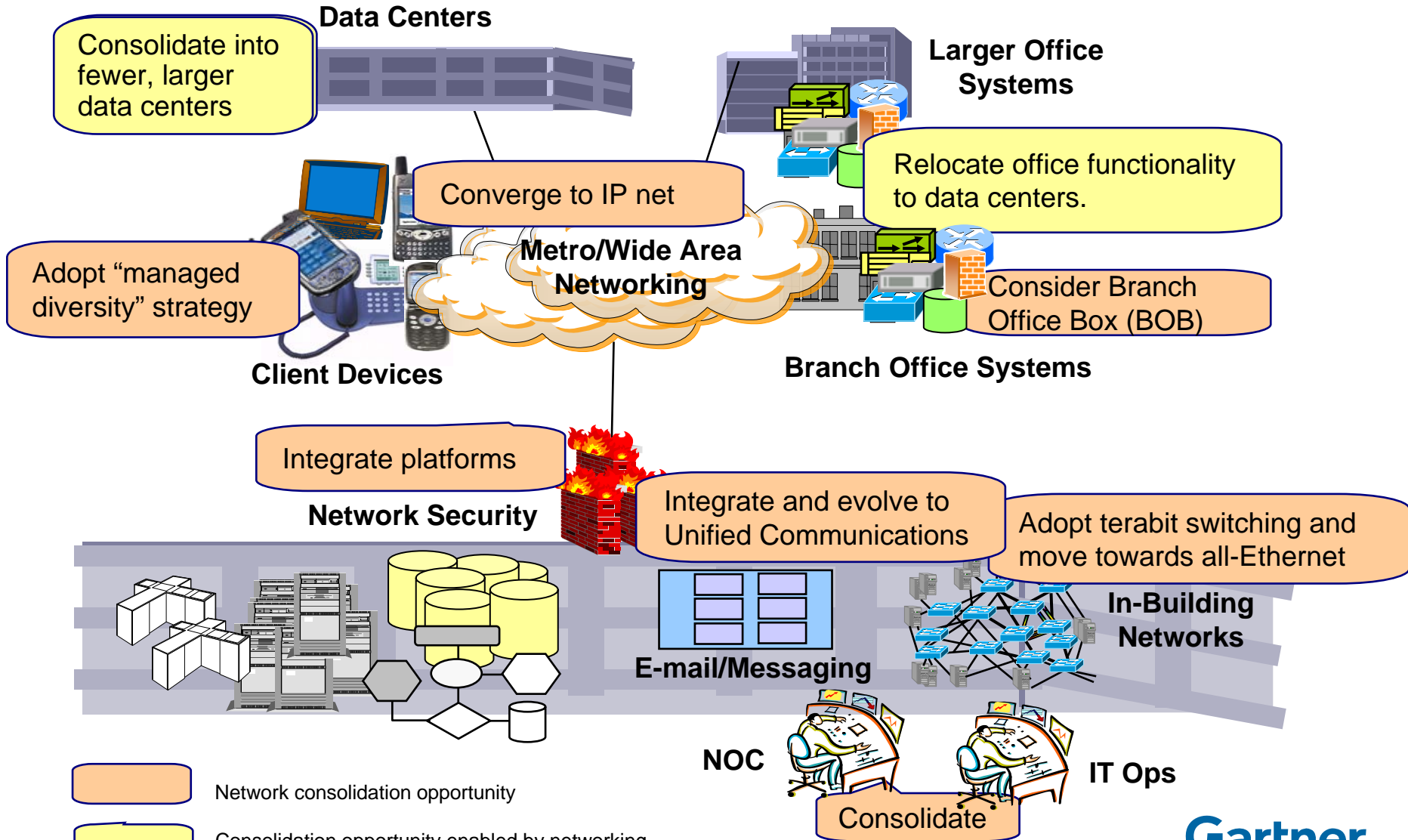


***Refining Bandwidth
Estimates Can Reduce
These Costs 15%!***

***Available to IT Leader clients: NOVEMBER 2009
(Watch for it!)***

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5. Consolidate Networking – and Use Networking to Consolidate



Participant Polling Question #2:

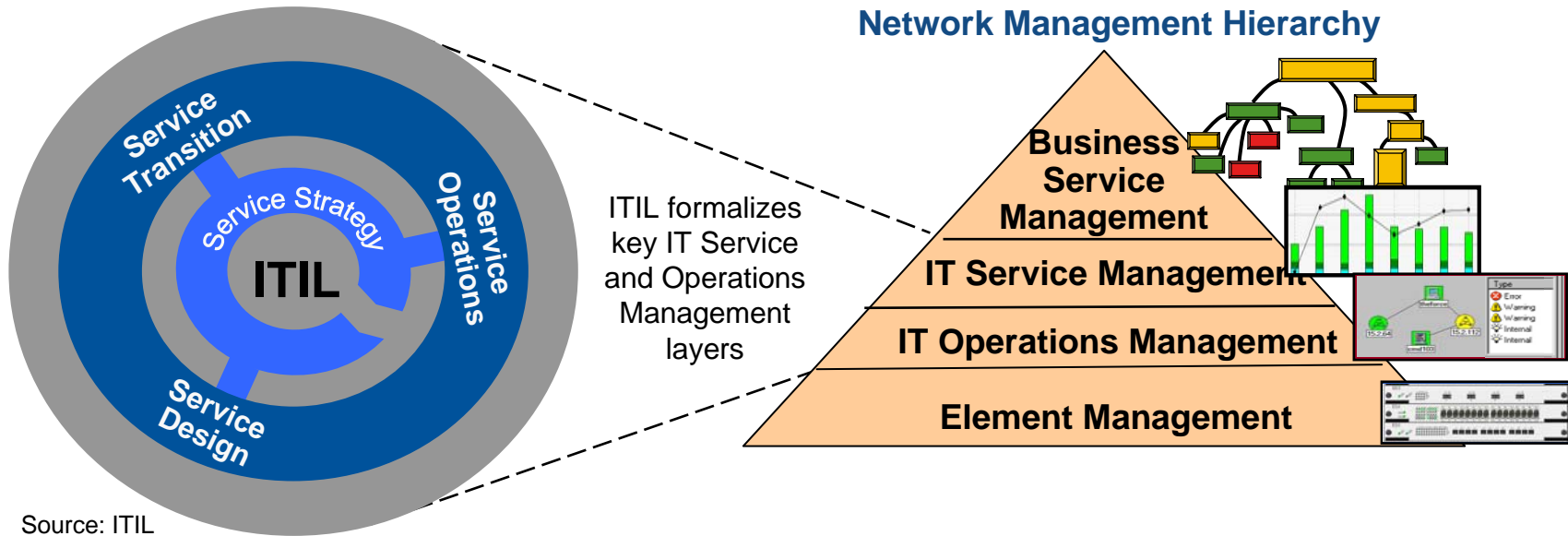
Of the following networking consolidation opportunities, which have you substantially completed (80%+ implementation level)?

- Voice and data (VoIP)
- Voice and data (IP WAN)
- Email and messaging (UC)
- Terabit switching in the Data Center
- NOC and IT Ops

Please select the options that best fits your situation

Responses are confidential

6. "ITIL-ize", Automate and Integrate the NOC (1)

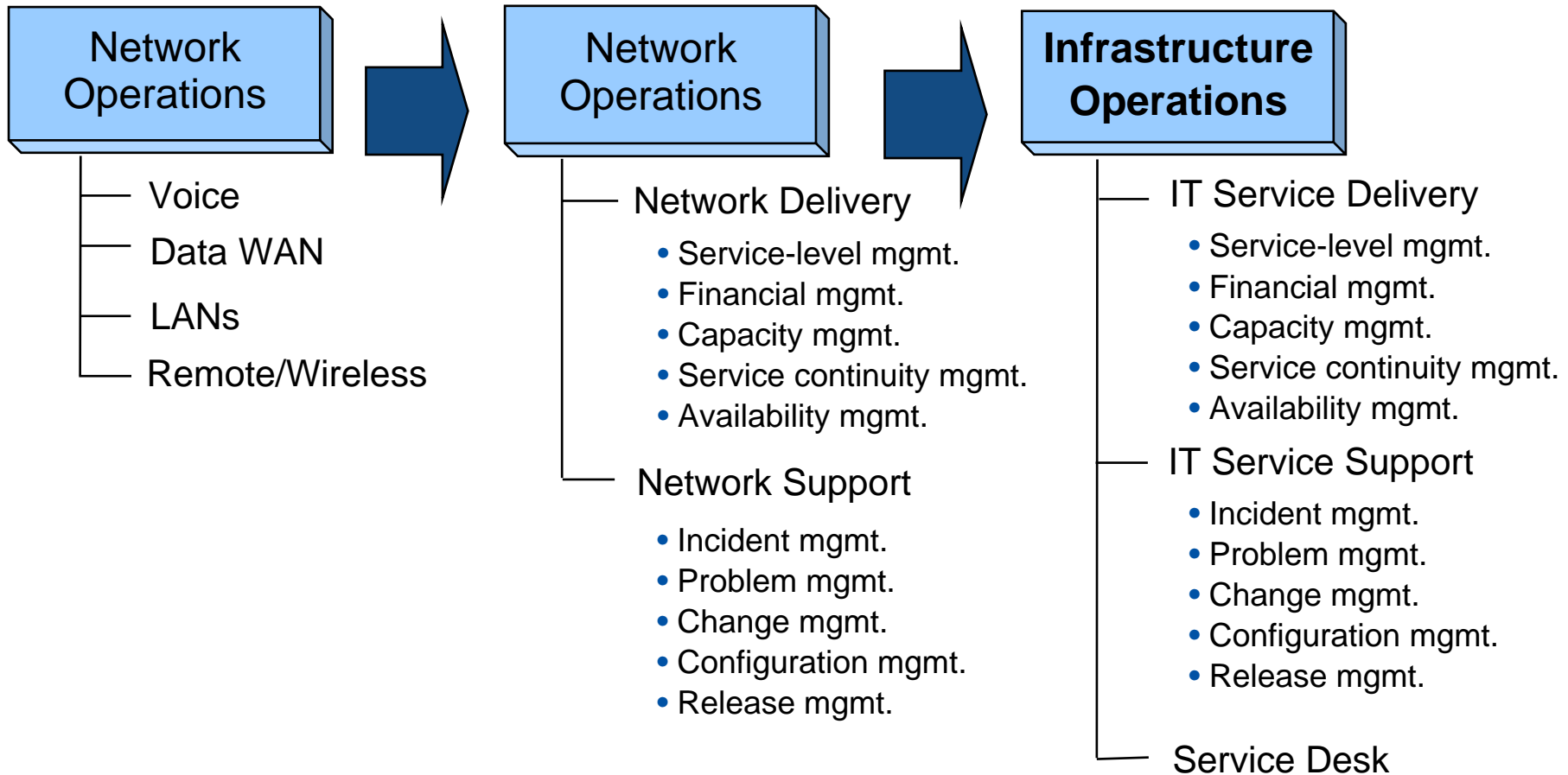


Focus efforts on these tools:

- End-to-end response-time monitoring
- Network service-level management and reporting
- Network root cause analysis
- Multivendor element configuration and change control managers
- Configuration management database (CMDB)
- Run book automation (RBA)

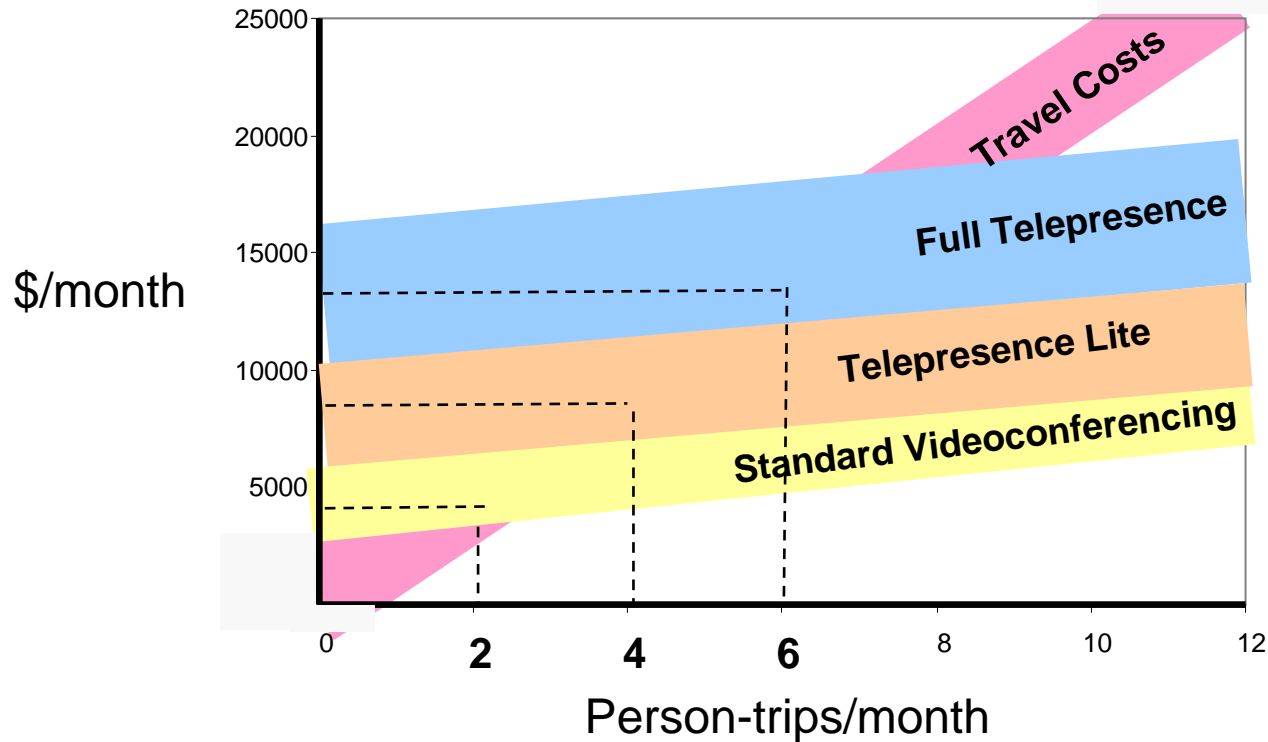
6. "ITIL-ize", Automate and Integrate the NOC (2)

Transitioning NOC to Process and End-to-End Service Focus



7. Utilize Networking to Reduce IT and Business Costs

Lower Travel Costs with Telepresence



Payback: A low 2-6 person-trips per month!

Reducing Network Costs: Further Thoughts

- Move to corporate liability for wireless services
- Deploy VoIP – but don't invest in fancy IP phones – but do use IP trunks (vs. PRI lines)
- Lower network/server costs and improve performance with Application Delivery Controllers and WAN Optimization Controllers.
- Don't “future-proof” your network equipment investments
- Selectively utilize managed services, outsourcing, cloud services and other alternative delivery models.

Evaluating Cost Reduction Actions

	Defer Key Init	Optimize Contracts	TEM Svc/Software	Optimize Net Design	Consolidate	NOC Actions	Savings Outside of Net
Cost Savings	ST 2%	2%	3%	2%	2%	1%	0%
	LT 0%	5%	5%	10%	10%	5%	0%
Cust Impact	Green	Green	Green	Yellow	Yellow	Yellow	Yellow
Pay-back	Green	Green	Yellow	Yellow	Red	Red	Yellow
Org Risk	Green	Green	Yellow	Yellow	Yellow	Red	Yellow
Tech Risk	Green	Green	Yellow	Yellow	Yellow	Green	Yellow
Invest Level	Green	Green	Yellow	Yellow	Red	Yellow	Yellow

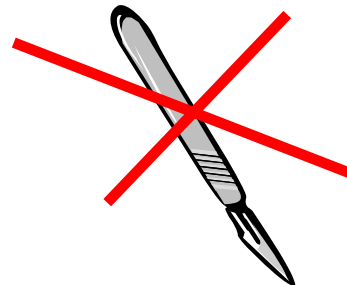
Potential Network Cost Improvement:

10%+ by 1/1/11; 30%+ by 1/1/13

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Tools:



Participant Polling Question #3:

Thinking about ALL network cost containment actions presented today, how far along do you estimate that you are to FULL implementation?

- 0 to 10 percent
- 11 to 25 percent
- 26 to 50 percent
- 51 to 75 percent
- 76 to 100 percent

Please select the option that best fits your situation

Responses are confidential

Recommended Gartner Reports and Tools

Gartner Research

Ten Ways to Cost Optimize Your WAN G00165865

Cost Cutting in Enterprise Telephony G00155153

Use Carrier Contracting and Management Best Practices to Build Competitive Leverage G00169841

Cost Cutting by Rightsizing Network Reliability - G00155940

MarketScope for Video Telepresence Systems G00168717

MarketScope for Telecom Expense Management G00167407

Gartner for IT Leader Toolkits

Toolkit: Use Best Terms and Conditions in Wireline Contracts to Maximize Savings G00162090

Toolkit: Best Terms and Conditions for Cellular Services, 2009 G00169845

Toolkit: Bandwidth Estimation Model G00150419

Toolkit: RFP Template for Managed MPLS WAN Services G00163614

Toolkit: Best Practices to Consolidate IT Infrastructure G00149463

Toolkit: Vendor Influence Curve Self-Assessment Tool G00160027

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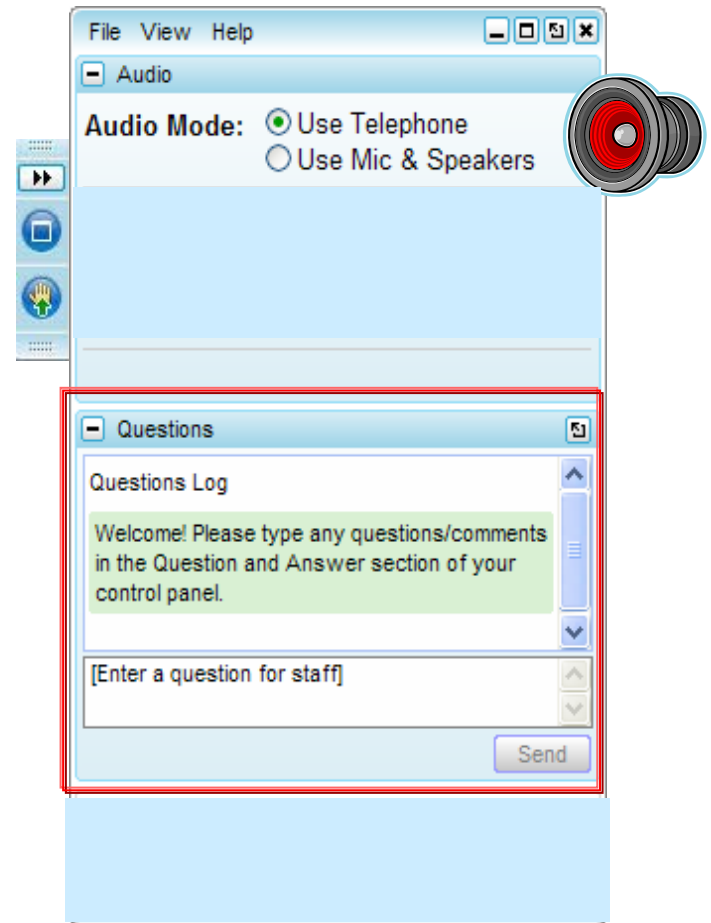
- Exclusive, pragmatic, “how-to” research and Toolkits
- Access to Gartner’s benchmarking data
- Peer Connect links you to clients who have faced a similar situation that you now have.
- Interactive, web-based research product that brings everything Gartner has to offer to help you be successful in your role.

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Thanks for participating!

Do you have any questions?

- If you haven't done so already, please type your questions into the Questions pane.
- We will answer as many of your questions as time permits.



Gartner can take the cost out of IT in four ways

The screenshot shows a Gartner website page with the following content:

- Header:** Gartner logo and a search bar.
- Main Title:** IT and The Economy Cost Optimization.
- Featured Video:** "Four Levels of Cost Optimization" by Kurt Potter, Research Director. The video description states: "Research Director Kurt Potter discusses the use of Gartner's Four Levels of Cost Optimization framework as a planning and communication structure."
- Cost Optimization Spotlight:** "Method to the Madness: Applying a Methodological Approach to Cost Optimization" by Ken McGee. The text describes a methodological approach to cost optimization.
- Cost Optimization Fundamentals:** "Cost Cutting in IT: When to Use Zero-Based Budgeting" by Ken McGee.
- Key Issues for Cost Optimization, 2009:** "The Receding Vista: Beware of the Vendor Is in Financial Difficulty" by Debra Logan.
- CEO Concerns 2009: Dealing With the Downturn:** "How to Modernize IT While on a Budget" by Jorge Lopez | Mark Raskino.
- Actions You Can Take Now:** A list of four actions:
 - 1 Get the best pricing and terms:** "Gartner ensures you get the best value from your IT purchases. Gartner analysts and consultants review thousands of vendor contracts and proposals each year." [Read More](#)
 - 2 Identify opportunities to reduce IT costs:** "Leveraging proprietary data, Gartner shows you exactly where your spend is high relative to best-in-class peers." [Read More](#)
 - 3 Implement cost-saving technologies:** "Gartner ensures your success in implementing priority technology initiatives in conjunction with the business." [Read More](#)
 - 4 Redefine, improve processes, innovate:** "Partner with Gartner to advance your technology initiatives to the next level." [Read More](#)
- Webinars:** "How to Modernize IT While on a Budget" (13 May 2009).
- Join the Dialogue:** Social media icons for Twitter, LinkedIn, Facebook, and YouTube.
- Stay Connected:** "Gartner analyst Lydia Leong: 'Enterprise class' cloud" and "Gartner: Crg's must monitor IT service providers' actions to increase their flexibility and avoid bankruptcy".
- Stay Up To Date:** "Outsourcing & IT Services Summit 15-16 June 2009 London - UK" and "IT Infrastructure, Operations & Management Summit 23-25 June 2009 Orlando, FL".
- Set up Email Alerts:** "IT and the Economy", "Reducing or Controlling Costs", "Budget Management", "IT Spending", and "Optimize IT Investments".

- Get the best pricing and terms for your IT purchases
- Identify major cost-saving opportunities
- Implement cost-saving technologies
- Implement cost-saving process improvement

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