

# How to Significantly Reduce Network Costs in These Turbulent Times

Jay E. Pultz

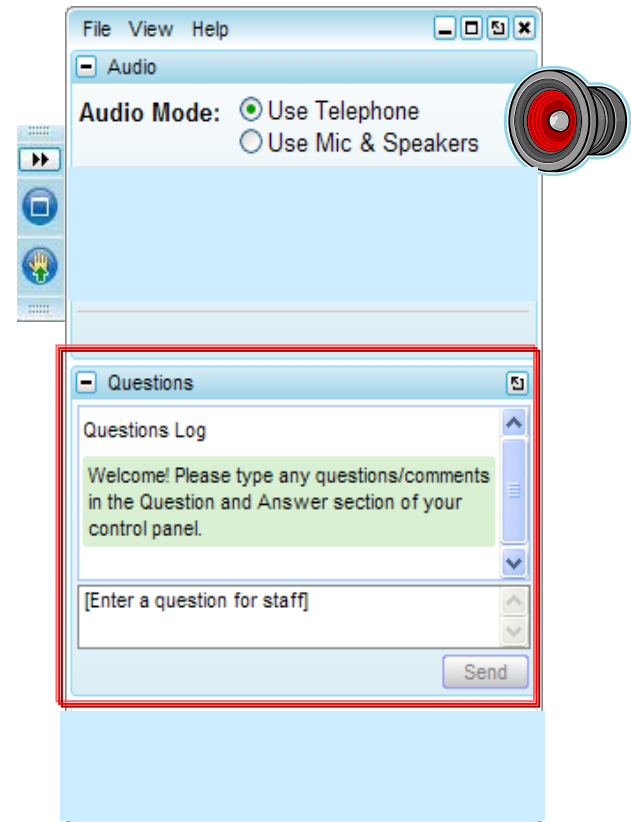
VP & Distinguished Analyst

22 April 2009

# How to Participate Today

## Audio Announcement

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# Jay E. Pultz

- 13 years at Gartner
  - Role Service Director for IT Infrastructure & Operations / Networking
  - Enterprise Network Strategies
- 35 years in the IT and networking industries
- R&D, consulting, product management, corporate IT networking/I&O
  - Bell Labs, Booz Allen, GE, JP Morgan Chase
- BS/MS Electrical Engineering, MBA, ITIL Certified

# Participant Poll Question 1:

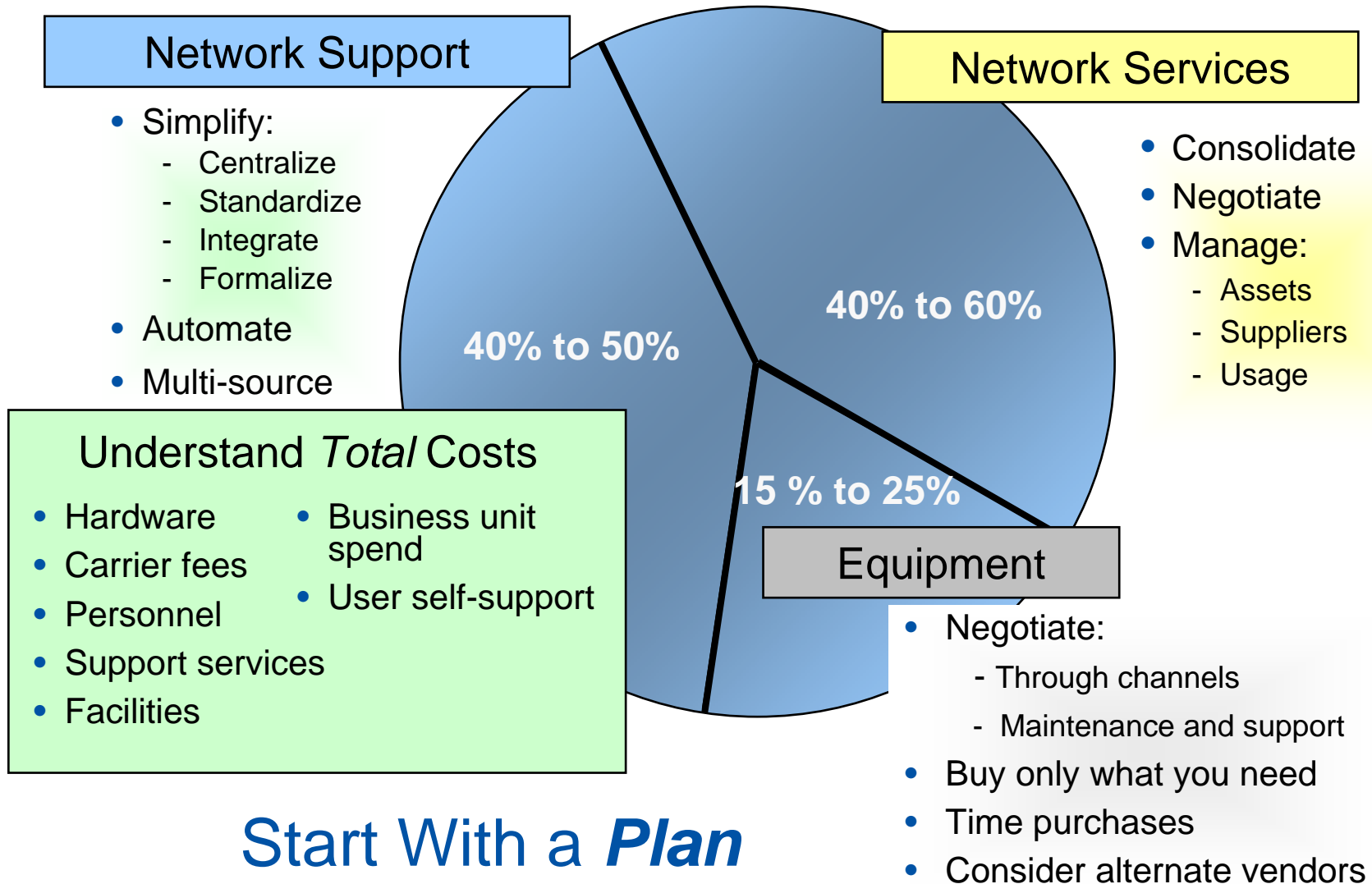
Typically, we think of an annual budget as having two major parts: OPEX and CAPEX. In terms of the constraints of your 2009 network budget, which statement best fits your situation:

- Both OPEX and CAPEX constraints are equally difficult
- OPEX is a somewhat greater constraint than CAPEX
- OPEX is a significantly greater constraint than CAPEX
- CAPEX is a somewhat greater constraint than OPEX
- CAPEX is a significantly greater constraint than OPEX.

Please select the option that best fits your situation

Responses are confidential

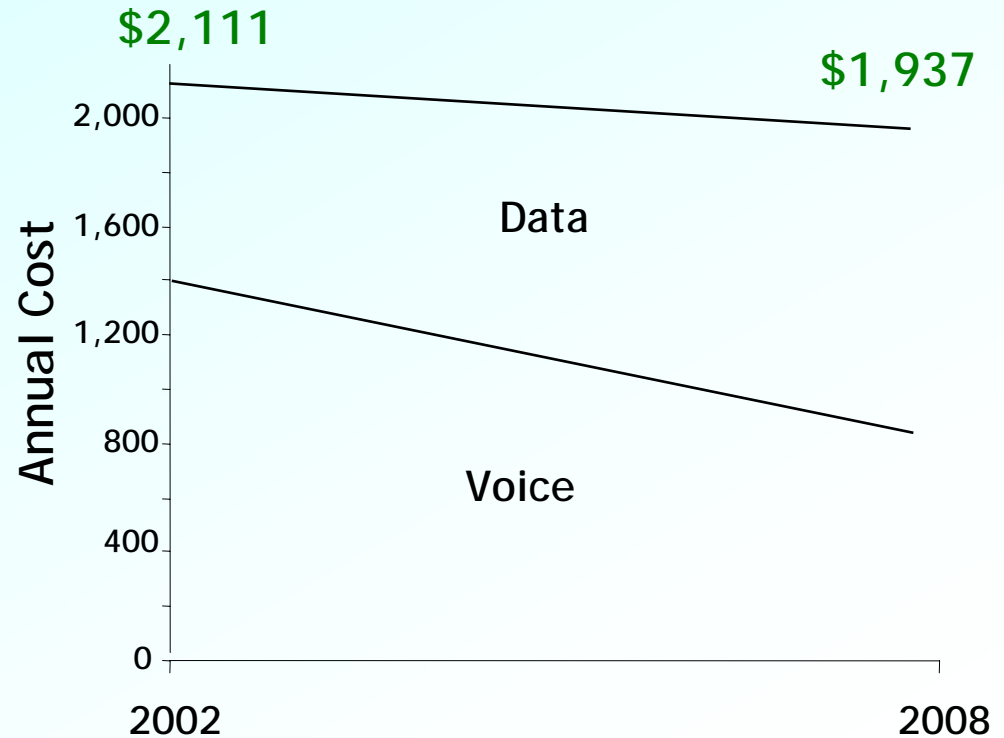
# Optimize Networking Costs



# Baseline Networking Costs

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

## Network Cost per Attached User



# Create Cost Cutting Team

- Assign some of your best staff
- Include a financially qualified professional (perhaps on loan, or on temporary contract)
- Strengthen relationship management roles
- Define cost cutting goal and a project timeline
- Establish a rapid decision go/no go criteria and approval process
- Meet at least weekly.

# Participant Poll Question 2:

To help reduce networking costs, we:

- Understand our networking TCO in sufficient detail to identify cost savings opportunities
- Baseline and compare our networking costs to peers in our vertical industry segment
- Established a cost-savings team along the lines that Gartner suggests
- None of the above

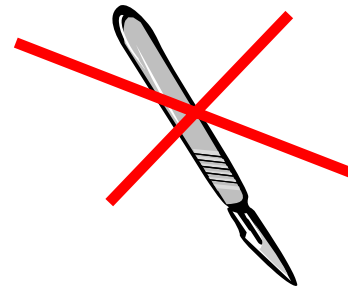
Please select the options that best fits your situation

Responses are confidential

# 2009-2010 Network Cost Containment Ideas

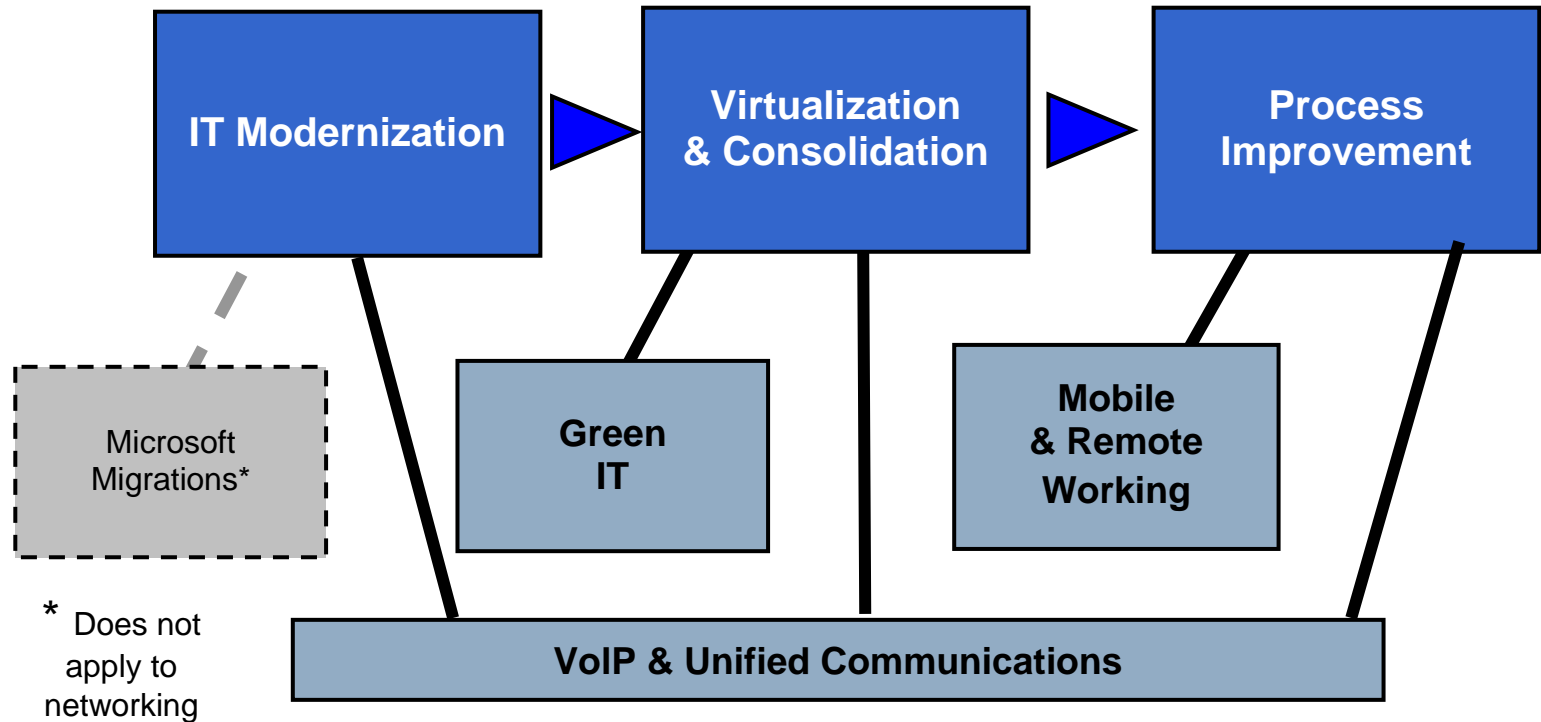
- Defer non-critical Key Initiatives that do not result in short-term payback
- Open up major contracts NOW
- Make sure you are paying for just what you have
- Make sure you have just what you need
- Consolidate networking; use networking to consolidate I&O
- Utilize networking to reduce business costs.

*Tools:*



# 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!***

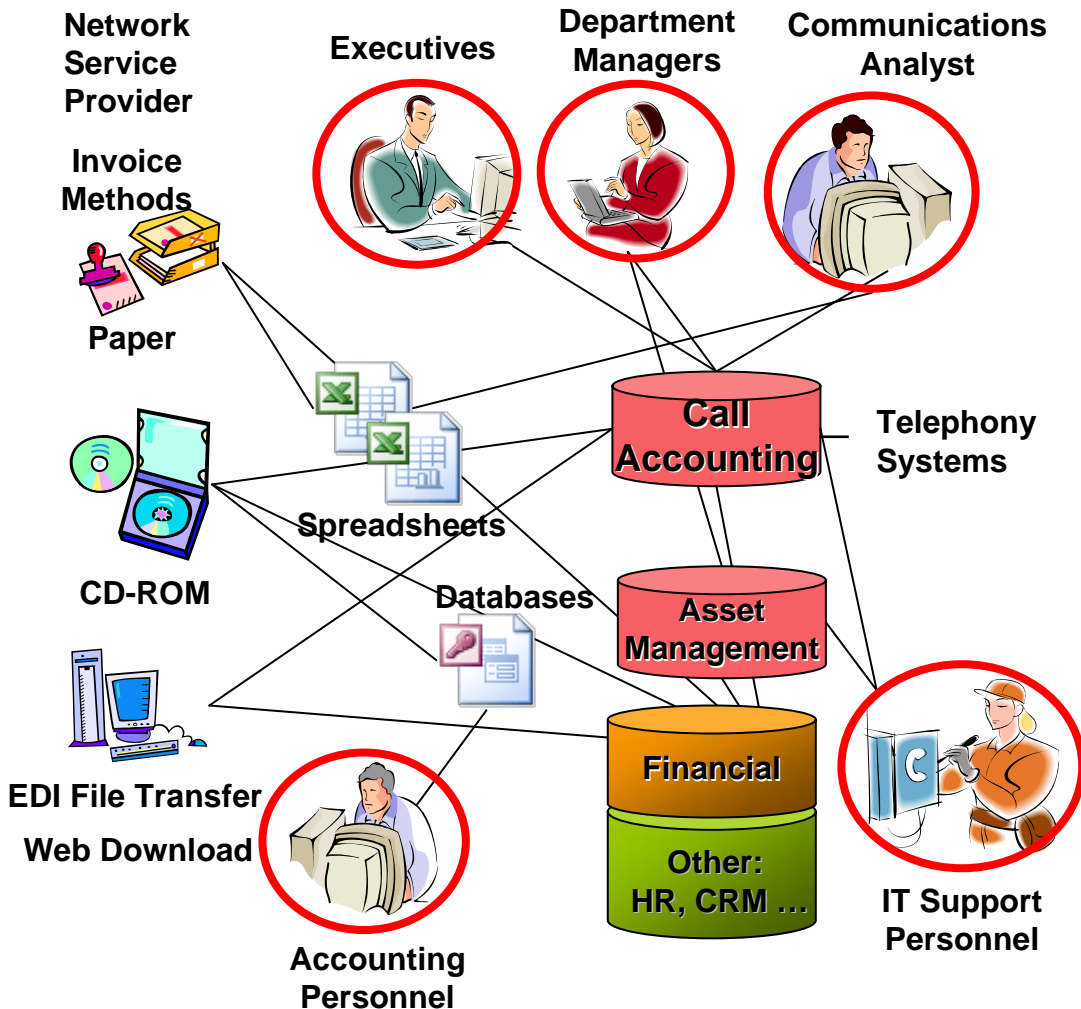
# Open Up Major Contracts NOW

- Tell vendors: “Help or non-help will be remembered”
- Often, lower market prices trigger re-negotiation
- Provide your vendors something – for example, increase term or commitment
- Ask for service credits in 2009
- Consolidate network service providers; consider “Tier 2” NSPs
- Selectively combine voice/data, wireline/wireless, WAN and MAN

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

# Make Sure You Are Paying For Just What You Have

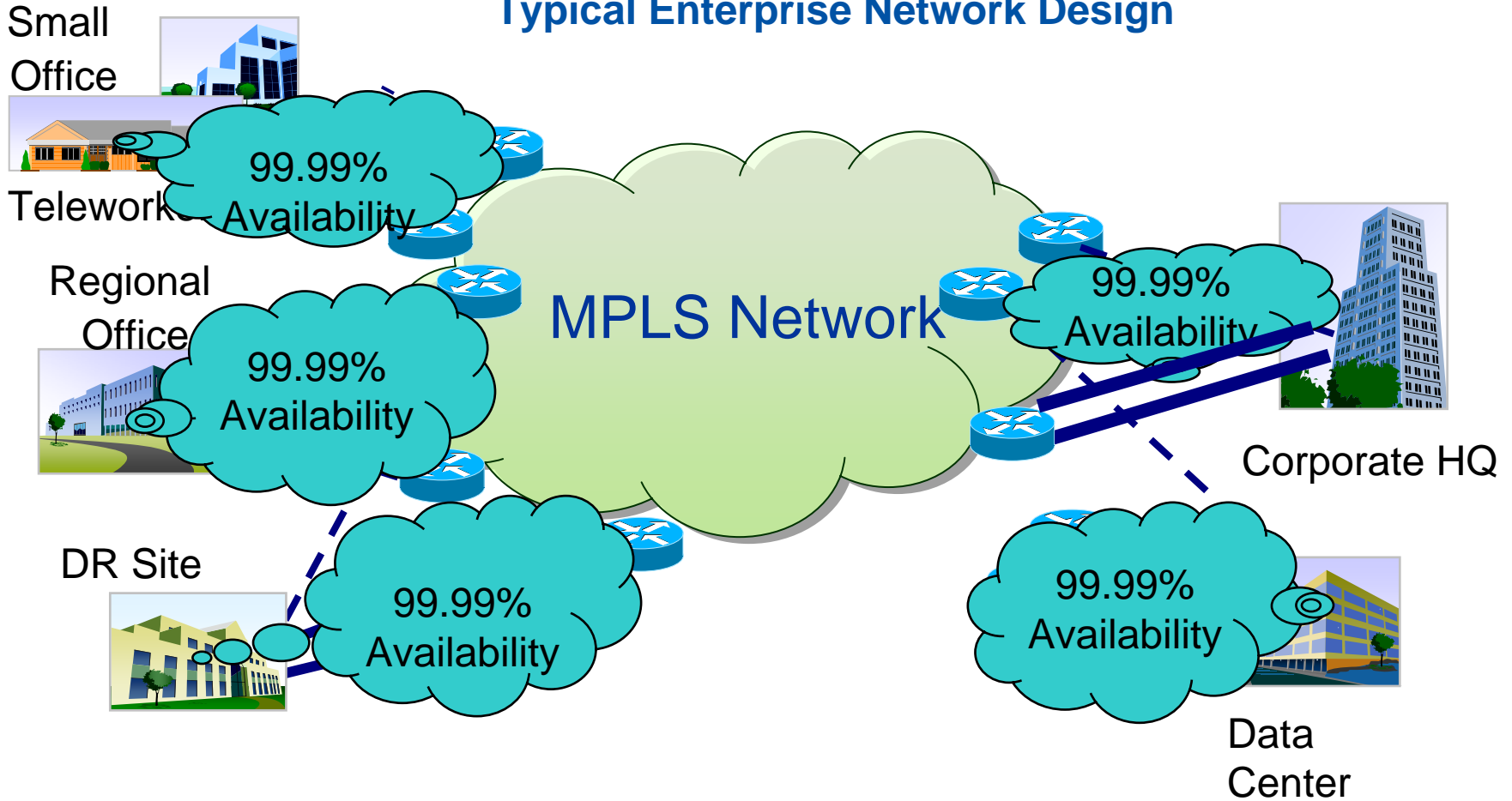
## Telecom Expense Management (TEM)



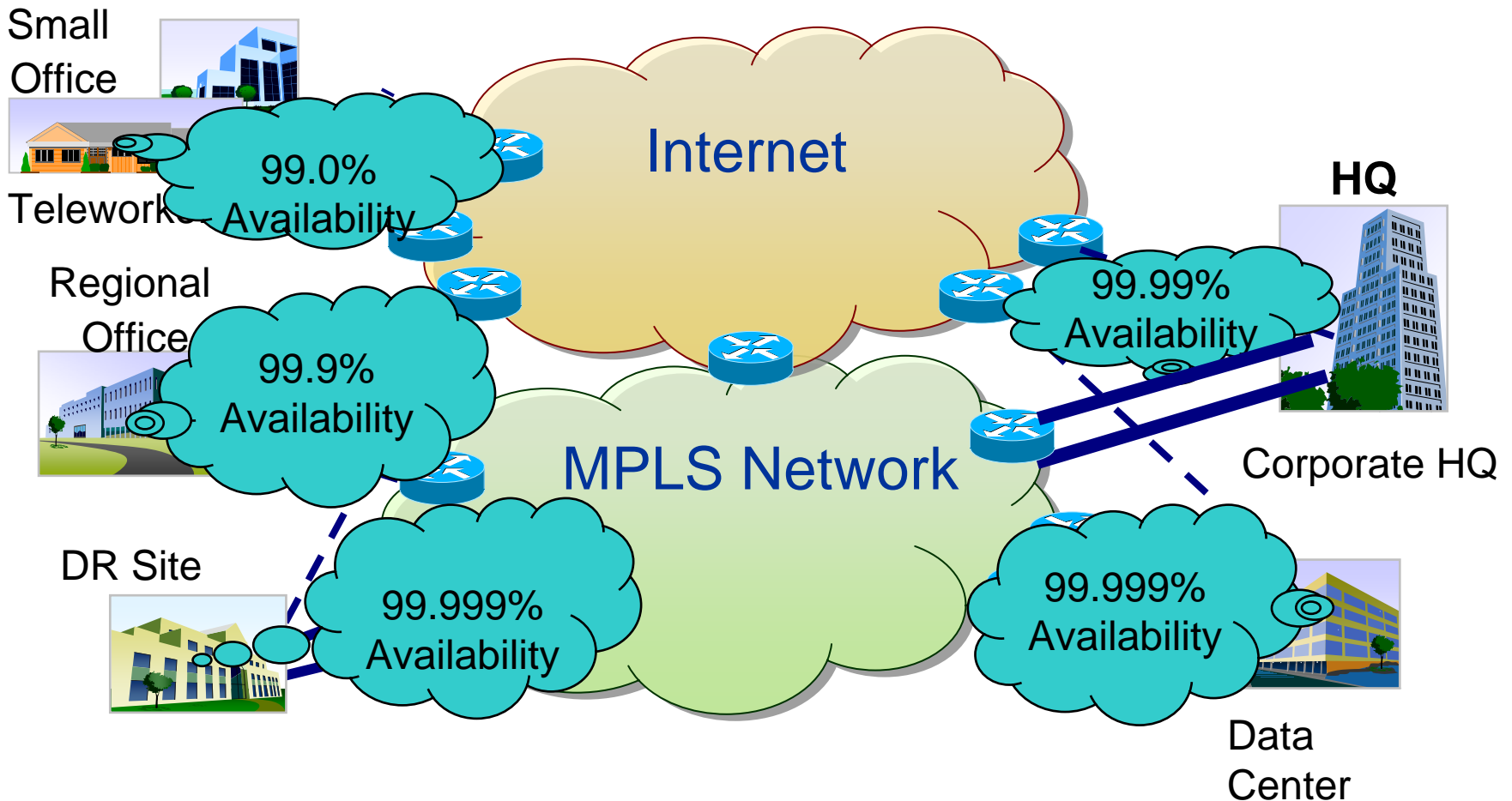
**TEM**  
software/services  
can reduce affected  
costs 10%+

# Make Sure You Have Just What You Need (1a)

## Typical Enterprise Network Design



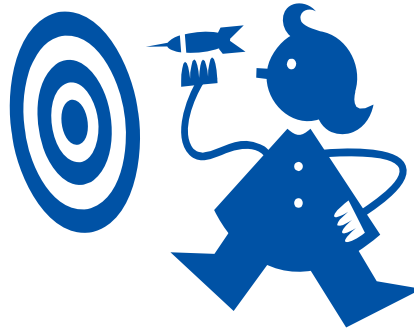
# Make Sure You Have Just What You Need (1b)



***Hybrid Net with “Rightsized” Availability Can Reduce Net Service Costs By 50%!***

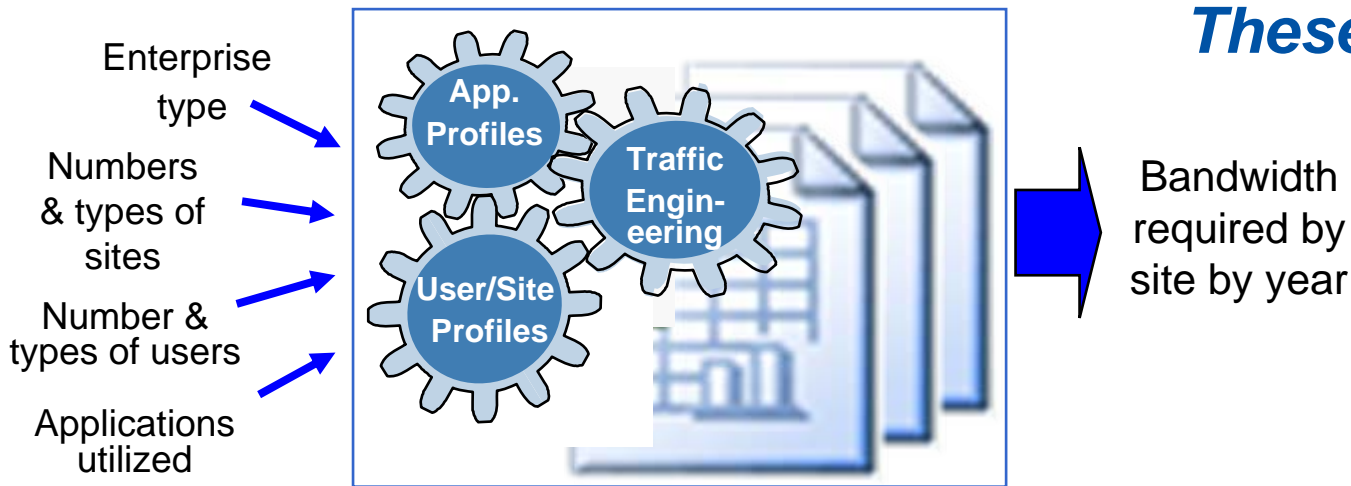
# Make Sure You Have Just What You Need (2)

Standard Bandwidth  
“Guestimating” Approach



**Vs.**

Gartner Bandwidth Estimation Model (BEM)

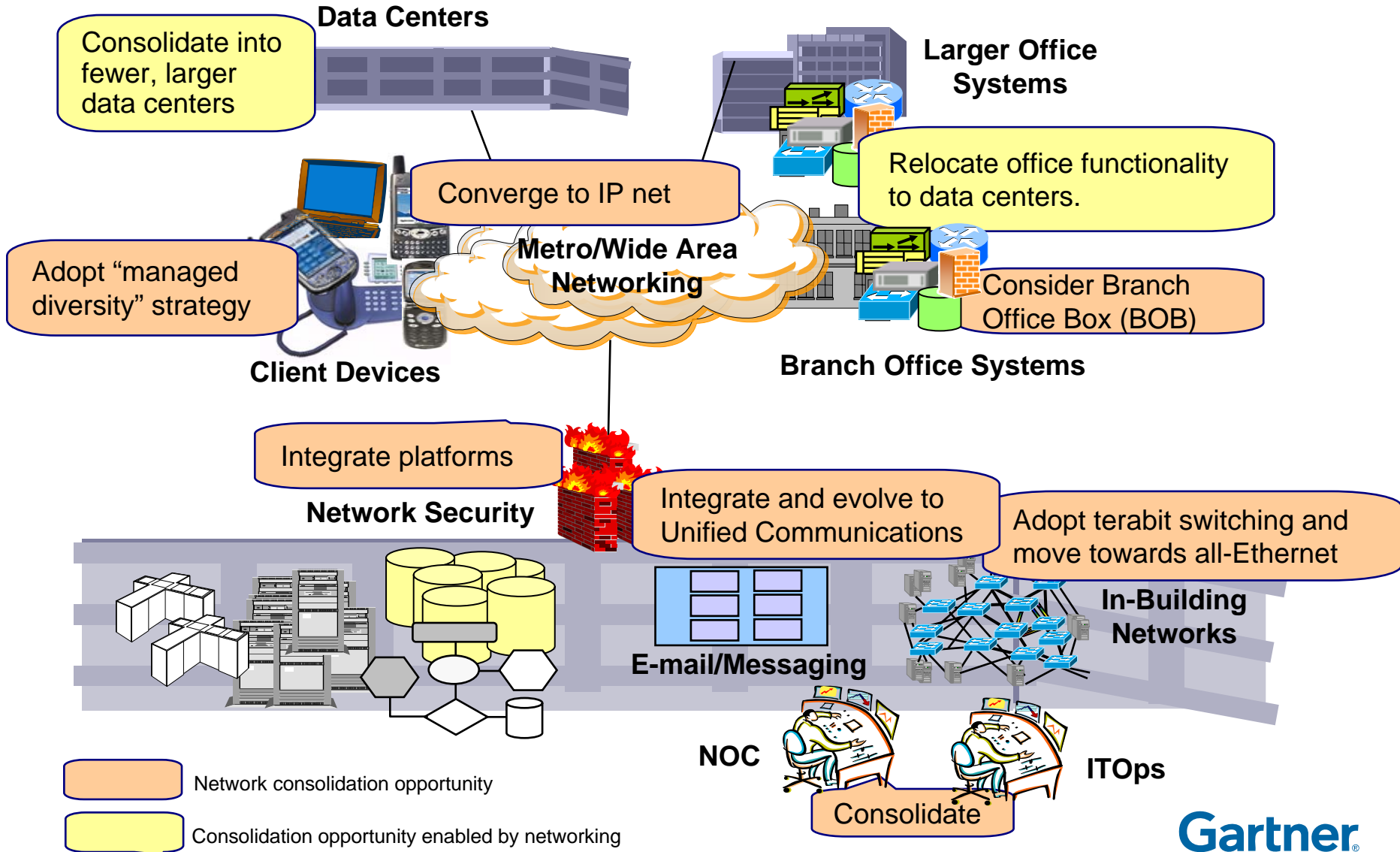


***Refining Bandwidth  
Estimates Can Reduce  
These Costs 15%!***

***Available to IT Leader clients: May 2009***

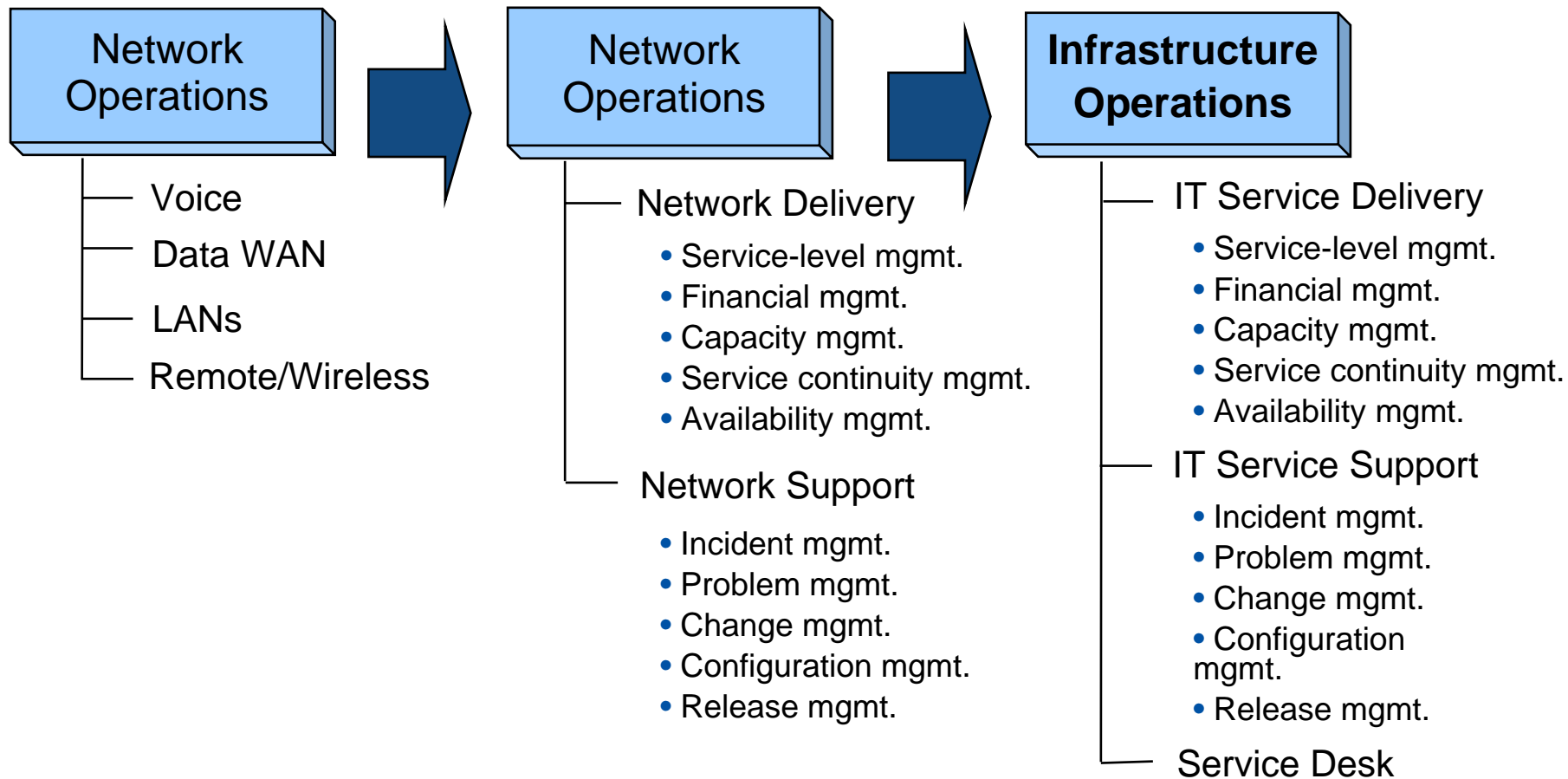
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# Consolidate Networking; Use Networking to Consolidate I&O (1)



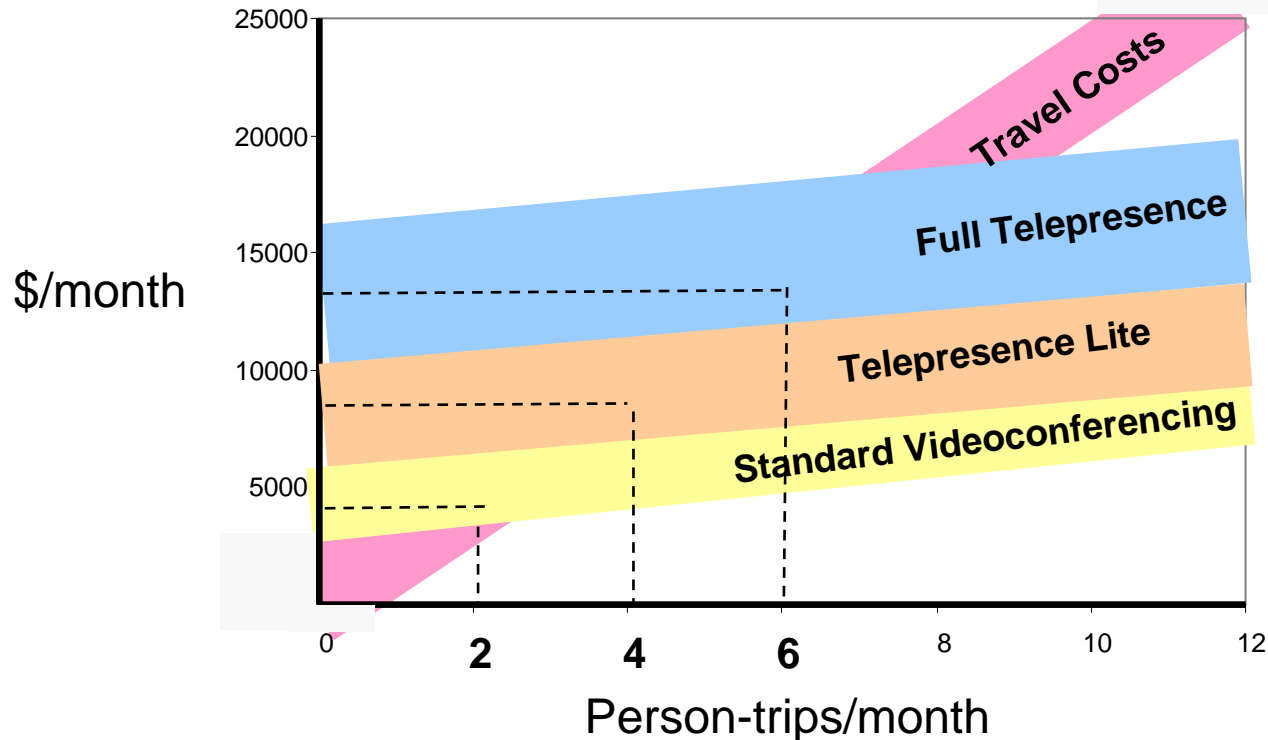
# Consolidate Networking; Use Networking to Consolidate I&O (2)

## Consolidate the NOC with IT Operations



# Utilize Networking to Reduce Business Costs

## Lower Travel Costs with Telepresence



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

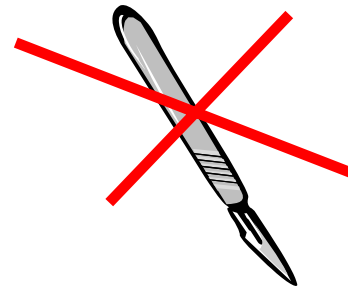
# Reducing Network Costs: Further Thoughts

- Move to corporate liability for wireless services
- Deploy VoIP – but don't invest in fancy IP phones
- Use IP trunks instead of PRI lines
- Don't “future-proof” your network equipment investments
- Selectively utilize managed services, outsourcing, cloud services and other alternative delivery models.

# 2009-2010 Network Cost Containment Ideas

- Defer non-critical Key Initiatives that do not result in short-term payback
- Open up major contracts NOW
- Make sure you are paying for just what you have
- Make sure you have just what you need
- Consolidate networking; use networking to consolidate I&O
- Utilize networking to reduce business costs.

*Tools:*



## Participant Poll Question 3:

Of the following networking cost savings actions recommended, which of the following do you feel you have reasonably completed (70%+ completion level):

- Renegotiated major vendor contracts
- Make sure you are paying for just what you have (e.g., TEM)
- Make sure you have just what you need (e.g., net design, BEM)
- Consolidate networking; use networking to consolidate I&O
- Utilize networking to reduce business costs

Please select the options that best fits your situation

Responses are confidential

# Recommended Gartner Reports and Tools

## Gartner Research

Cost Cutting Using Top Strategies to Reduce Spending on Wired/Wireless Services G00157481

Cost Cutting in Enterprise Telephony G00155153

Hybrid WAN Connectivity Using MPLS and IPSec Virtual Private Networks

Cost Cutting by Rightsizing Network Reliability - G00155940

The Big Picture for Enterprise Telepresence G00161950

Virtualization Changes Virtually Everything G00156488

## Gartner for IT Leader Toolkits

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

Toolkit: Use Best Terms and Conditions in Cellular Negotiations to Save Millions of Dollars G0015849

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

***Please contact your Gartner Account Executive***

# Want to Learn More?

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- New this year: special network “track” added
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- Interactive, web-based research product that brings everything Gartner has to offer to help you be successful in your role.

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# Gartner Reduces IT Cost in Four Distinct Ways



## FEATURED VIDEO

### Four Levels of Cost Optimization

Kurt Potter, Research Director

Research Director Kurt Potter discusses the use of Gartner's Four Levels of Cost Optimization framework as a planning and communication structure.

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Dialogue

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## GARTNER IS UNRIVALED WHEN IT COMES TO HELPING YOU REDUCE YOUR IT COSTS

### 1. Get the *best pricing* and terms for your IT purchases

- Gartner ensures you get the best value from your IT purchases. Gartner analysts and consultants review thousands of vendor contracts and proposals each year. That expertise helps you:
  - Receive the best pricing and terms for products and services
  - Buy only what works and what you need, from functionality to service level
  - Avoid hidden costs and risks

### 2. Identify major *cost-saving opportunities*

- Leveraging our proprietary data, Gartner shows you exactly where your spend is high relative to best-in-class peers. We also quantify the financial benefit and help you prioritize initiatives appropriately.
  - Our IT Key Metrics Data (ITKMD) provides a comprehensive and granular database that helps you identify where you have the biggest opportunities.
  - Our benchmarking services are leveraged by more than 5,000 organizations every year. They compare your spend to the ITKMD, distilling implications and actionable recommendations for your unique situation.

### 3. Implement *cost-saving technologies*

- Gartner ensures your success in implementing priority technology initiatives. Working with 10,000 organizations around the globe, Gartner analysts and consultants know which technologies truly deliver savings, in what time periods and with what risks. Our definitive expertise includes:
  - Virtualization
  - Application rationalization

### 4. Implement *cost-saving process improvement*

- Gartner is your vital partner in achieving hard-dollar savings from process improvement. In the last year alone, we answered thousands of critical client questions, authored hundreds of groundbreaking documents and engaged directly with clients to deliver cost savings. Our definitive expertise includes:
  - Project prioritization or portfolio management
  - Offshoring or outsourcing
  - Asset management
  - Workforce optimization

## Cost Optimization Fundamentals

### Key Issues for Cost Optimization, 2009

Kurt Potter

### Preserving Your Investments When Your IT Vendor is in Financial Difficulty

Debra Logan

Visit [gartner.com/economy](http://gartner.com/economy) now to see exactly how Gartner takes cost out of IT

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# Thank you for Participating!

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