Customer Case 2: Streamlining the Organization or Converging Networks and OSSs

Our customer is a small- to medium-sized US data communications provider that recently acquired a network and network operations organization in Europe. The European organization deploys a frame relay and ATM network from Vendor N with around 270 customers and 1,280 active ports. The networks are managed in separate work centers.

The US provider also deploys a frame relay and ATM network that are considerably bigger; however these networks are from two different equipment vendors than the European networks, S and A, and are managed in a common US work center. The company needed to streamline the organization to lower operational costs and decided to manage everything from the US work center using the US-installed OSSs (two EMSs, two NMSs, and an integrated service management system, trouble ticketing, inventory, reporting and billing system).

The provider had two options to choose from:

- A network migration solution, where he could remove all networks and OSS equipment in Europe, replace them with the equipment from the US vendor, and migrate customers to the new platforms. The result in this case is high initial costs and labor-intensive effort, both of which would impact all European customers. However, the TCO is immediately reduced.
- A mediation solution, where he could keep the European network equipment and migrate customers once equipment became obsolete, but where he could manage everything using the US-based OSSs and people. To integrate with the US OSSs, the European network infrastructure required a complete mediation solution. This solution would allow for an incremental migration every time equipment becomes obsolete, so therefore customer service would not be interrupted or changed. In the short term, this mediation solution would already lower the TCO due to common management staff and systems, but the network equipment would still require support. Also, maintenance costs for the existing equipment would be lower than the additional maintenance costs due to new equipment.

The provider decided to implement the mediation solution because of the very considerable financial advantages.

Customer ROI Conclusions

Cost Savings Factor A—Running Costs

The provider saved around $4.3 million in annual running costs by closing the European work centers. However, seven additional people were required in the US to support the European network and the mediation solution. **The annual net cost savings in running operations were thus calculated at $3.5 Million.**

When the provider would have implemented the network migration solution, the running cost savings would have been similar. Less additional people would have been needed in the US work center, but the higher annual maintenance for the new equipment compensates this.

Cost Saving Factor B—Project Implementation Costs

Development and implementation costs for the network migration solution cost $14.7 million ($7.5 million for the frame network, $6 million for the ATM network, and around $1.2 million in project costs) excluding the annual 18% maintenance. (If the European network were bigger, costs would have grown in equal percentages.) Assuming all equipment costs can be capitalized, this implies first-year costs of $4.5 million and $3 million for the three following years.

Developing a complete M*Ware mediation solution costs $5.7 million, excluding 20% maintenance. Because only a part can be capitalized, the first year costs are $3.1 million, and the costs for the three following years are $900,000. As long as the mediation is necessary, maintenance costs for the following years will be $64,000.
M*Ware reduced the initial project costs by $8.5 million, or more than 60%.

Cost Saving Factor C—Cost to Expand Business or Automate

Every time the service provider decides to expand service offerings and implement changes in the European network equipment, the mediation-based solution bears additional costs, incurred on average twice per year. Service feature changes and OSS upgrades occur in both cases. Using similar cost assumptions as before, M*Ware still produces an annual cost savings in change management of around $30,000.

If the provider decides to add an additional network or to acquire another operator, or if the provider decides to merge with another internal work center, the cost savings using M*Ware become enormous. Using the network migration solution for another network of similar size implies similar costs of $14.7 million. Using M*Ware for another network means adding an additional network interface, and costs would be below $3 million—a difference of more than $11 million, or 75%!!

Cost Savings Factor D—Shorter Time to Market

M*Ware provides additional cost savings because of the decreased time to market for automated solutions. The total project implementation time for replacing network equipment and migrating customers was originally calculated at 18 months—Vertel M*Ware reduced the project time to nine months, or three quarters of annual revenue.

Assuming some of the existing and new customers will want to use the combined network infrastructure, the provider's increased revenue is 75% of the annual revenue from this market segment.

Cost Savings Factor E—Customer Satisfaction

M*Ware's effect on customer satisfaction in this case is considerable. Because the provider choose to implement the mediation based scenario, the network equipment in Europe does not need to be replaced, service interruptions and a change of service and network characteristics for all European customers **can be completely avoided.** For customers using data services for their corporate application traffic, this was a very important decision because introducing a new network and a new service would have implied changing network performance characteristics. This requires a lot of attention from the customer's IT department, because applications may need to be retuned.

Impacted Cost and Profit Areas

*M*Ware*	A: Running Cost	B: Project Implementation	C; Expanded Offering	D: Decreased Time to Market	E: Customer Satisfaction
Converge and streamline	$ 3.5 M /annum	-60 %	-20 K for service changes	-50 % of project	+60 %
		$ 8.5 M	-11 M in case of additional network	Three Quarters of annual revenue	Only for european customers

Project ROI without M*Ware (based on A) =		4 years
Project ROI using M*Ware	=	1.5 years
M*Ware cost savings: first full year		$ 1375 K
following three years		$ 2385 K
M*Ware costs after this period:		$ 640 K

Figure 1—Cost savings achieved by using M*Ware in network convergence projects

Your Vertel account manager can show you in detail how these numbers where gathered. A similar automated spreadsheet can be used to calculate costs and savings, which can help you draw your own conclusions in the process automation project you are planning.

About Vertel

Vertel is a leading provider of Mediation, Network Integration and Management and B2B Exchange Solutions.

Since 1995, Vertel has provided solutions to over 300 companies, including telecom infrastructure vendors, operators and service providers such as Alcatel, Nokia, Siemens, Motorola, Lucent, Nortel, NTT, Samsung, AT&T, BT, Deutsche Telekom, Cingular and Williams Communications.

Vertel's in-depth knowledge and commitment to industry standards, combined with experience of working with many different equipment types, allows the creation of high performance solutions that enable customers to quickly overcome technological barriers.

Vertel's mission is to make its customers successful by enabling them to reduce operational costs and introduce new services, networks and OSSs whilst maximizing existing investments.

Vertel's Professional Services organization in USA, Europe and Asia develops communications software solutions tailored to individual customer requirements and offers project management, systems analysis and other technical services.

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