

The Managed Services Conundrum

*De-Mystifying Conferencing
Managed Services*

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What are Conferencing Managed Services?

Managed Services are rapidly becoming one of the most important elements in the rich media conferencing and collaboration industry. The term “managed services” has been around for well over a decade in the telecommunications and data communications industries, where it describes a wide variety of services ranging from help desk support to operations management, consulting, on-site technical assistance, and even project management.

At its heart, however, a managed service exists when a supplier undertakes to support a customer’s facilities and infrastructure, leaving the customer himself to focus on his core business. Rich media conferencing, videoconferencing and collaboration are becoming more complex, in part because they increasingly are expected to be integrated into customer organizations’ workflow and are more dependent on customers’ LAN and WAN networking strategies. As a result, enterprises have begun to look for a new type of expert, one who can help them implement conferencing solutions that will help them save costs and be more efficient. That expert is the Managed Services Provider (MSP).

In earlier times, conferencing and collaboration users had two primary choices: purchase equipment (customer premises equipment or CPE) and run it themselves, or use an external conferencing application services provider (CASP – or CSP in previous nomenclature) who would own and operate all the equipment and typically charge the user on a per minute basis. The advantage of the CPE approach is that monthly costs remain relatively flat and security is high, although an upfront capital outlay is required and additional personnel may be needed. The advantage of the CASP strategy is that no capital expenditures or additional human resources are required, and the conferencing infrastructure is operated by expert people for whom conferencing/collaboration is their main business.

A Managed Service, in which the customer (typically, but not always) owns the equipment while the MSP supports and operates the equipment, is a strategy that can provide the best of the two worlds – security, expertise, and reliability, with minimum total cost of ownership – and a strategy that can drive wide-scale adoption in the enterprise. In addition, some MSPs have innovative buyback/lease programs to give customers greater fiscal flexibility. Managed Services can provide for centralization of network and application planning, management, and administration. Furthermore, in addition to removing the burden of technical concerns from an enterprise, MSPs provide a mechanism for predictable and regular payments and the security of contractually guaranteed service levels.

Managed Service Providers are part of today’s spectrum of conferencing services, neatly spanning the gap between an external application service provider and self-hosted equipment and support personnel. Remote managed service providers (RMSP) typically manage equipment located on the customer’s premises or sometimes at a third party co-location facility. RMSPs operate at an *operational* level, providing technical support as well as scheduling, operating, and managing conferencing and collaboration resources.

Ownership typically, but not always remains with the enterprise. RMSPs may provide lease-purchase plans as well.

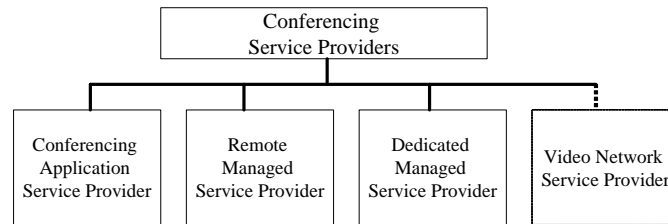


Figure 1 Types of Conferencing Service Providers

Dedicated Managed Service Providers (DMSPs) offer experts on-site and typically operate and manage on-site equipment owned by the end user. In addition to providing *operational* support, DMSPs can provide two additional important levels of services. At an *integrated* level, the DMSP is involved in conferencing and collaboration convergence with enterprise applications, provides overflow services when additional capacity is needed, and may also support internal audio/visual facilities. At a *strategic* level, the DMSP is also involved in conferencing resource planning, utilization analysis, and network migration strategies as well as in helping the client implement collaboration policies and driving adoption. On-site experts not only provide advice on operating today’s conferencing and collaboration solutions, they can help the customer plan for future deployments and for integrating rich media conferencing benefits into the larger enterprise workflow environment.

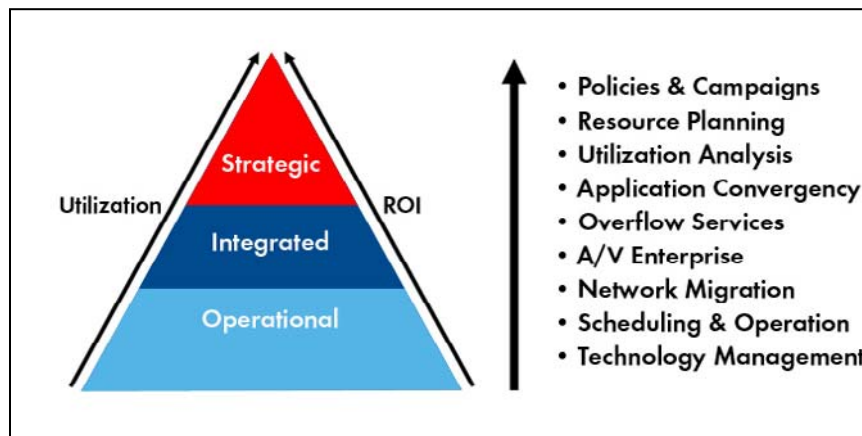


Figure 2 Three Classes of Service for MSPs

Are Managed Services Right for Me?

It is important to note that each approach to service delivery has its positive points, and managed services may not be for every organization. The ‘conundrum’ of managed services is that what might seem like an easy selection process quickly

A significant number of enterprises accustomed to managing their own CPE-based networks or using CSPs for overflow, could find managed services advantageous from the perspectives of deployment efficiencies, increased utilization, and ROI.

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can become quite complex. The choice often lies between deciding whether to go with a CPE, CSP, or MSP strategy – or a hybrid strategy that draws on combinations of services. But Wainhouse Research believes that a significant number of enterprises accustomed to managing their own CPE-based networks or using CSPs for overflow, could find managed services advantageous from the perspectives of deployment efficiencies, increased utilization, and ROI. The following table highlights the thinking that can go into determining if managed services make sense for an organization.

Top Level Considerations

Issue	Consideration
Internal resources and conferencing expertise	If internal resources are abundant, and expertise exists on conferencing and collaboration applications, a CPE approach may be most suitable.
Capital budgets	If capital expense budgets are limited, then using a CASP may be most appropriate – this strategy may involve no capital outlays, but users will pay for each minute of use. An MSP may offer a plan to bundle equipment costs within a fixed monthly payment that includes many levels of support.
Expected growth in functionality	Customers contemplating rolling out enhanced services over the future, on integrating rich media conferencing within the enterprise portal or within enterprise workflow applications will benefit from an intimate relationship with an MSP who can provide the advice, guidance, and implementation support to make this strategy most successful.
Expected growth in usage	At low levels of use, an outsourced CASP strategy is the lowest cost solution. At very high levels of use, owning and operating the equipment yourself is the lowest cost option. The irony is that most enterprises are not able to achieve high levels of use without the support, integration, and advanced knowledge skills of conferencing application experts. An MSP can drive reliability of service delivery and support services to help enterprises maximize usage, and hence maximize the benefits of rich media solutions.

Table 1 Top Level Considerations

The Economics of Service Delivery

One major reason managed services are increasingly attractive to enterprises is that their IT and telecom organizations are constantly forced to do more with fewer resources. Going “outside” with an MSP can not only provide additional resources, but also lead to improved delivery and increased utilization. The following chart illustrates the general relationship between various cost, utilization, and strategy options; it does not serve as an exact method for calculating financial returns but it does serve as a model for understanding how different deployment strategies can impact costs.

The Economics of Service Delivery

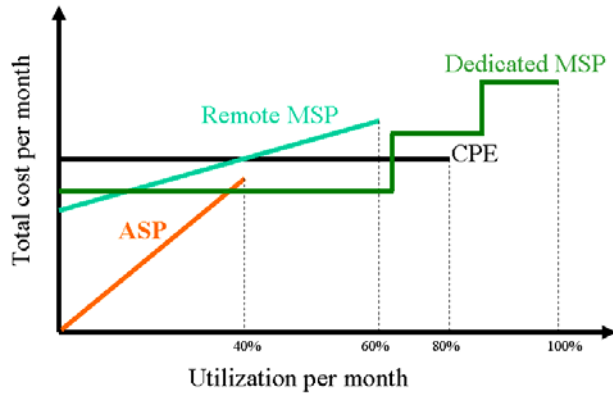


Figure 3 The Economics of Service Delivery

As shown above, at lower levels of utilization the Conferencing ASP strategy is the lowest cost for an enterprise. However, experience indicates that with this strategy, most enterprises are not able to drive utilization of conferencing and collaboration applications above the 40% level, thereby achieving less than optimal results. A Remote MSP strategy can help the enterprise drive utilization to a higher level. The CPE strategy typically involves a higher cost per month, including equipment and personnel expenses, but leads to a flat-rate expense line and (in general) stable usage. At high levels of usage, the CPE strategy is the low cost solution, but again, experience indicates that the CPE strategy can drive usage to the 60-80% range, but not necessarily to 100%. The Dedicated MSP approach, with operational, integrated, and strategic levels of support often deliver the most value and drive utilization to the highest levels. The following chart demonstrates another way to view the relationships between the different types of service delivery – and in effect how they impact ROI, not just costs.

The Impact of Service Strategies on ROI

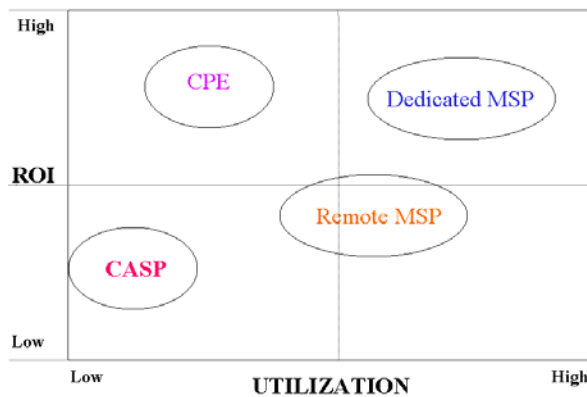


Figure 4 The Impact of Service Strategies on ROI

Another way to view the relationships between the different types of service delivery is to examine how they impact ROI, not just costs. Conferencing ASPs and Remote MSPs typically will show some, but relatively lower ROI, based on the fact that they are recurring expenditures with no particular means of being leveraged. (Remote MSPs may nonetheless help drive higher utilization than Conferencing ASPs.) Where it gets interesting is when CPE deployments are viewed, with very high ROI (but less opportunity for maximizing utilization). Finally, Dedicated MSPs, by virtue of the combination of onsite and dedicated as well as remote resources and the strategic value add they offer, often can provide customers with the highest returns on investment.

Reasons for an MSP Strategy

Here are the top reasons your organization might consider moving to an MSP strategy for your conferencing and collaboration applications:

1. You expect or desire rich media usage in the organization to increase. Growth may be assumed based on current usage trends or desired based on an understanding that increased utilization can drive a number of cost, productivity, and competitive benefits.
2. You need to support complex challenges that go beyond internal expertise. Placing responsibility for your collaborative network onto an MSP leverages the MSPs investment in training and R&D, and its focus on the technologies you need to deploy.
3. You need the high reliability services an MSP can provide through “24 x 7,” “follow-the-sun” types of support, as well as service level agreements (SLAs).
4. You are contemplating a converged network strategy but want to make sure you make the transition smoothly.
5. You are concerned about the security of information conveyed in conferencing and collaboration sessions. An MSP can provide this through onsite and remote support and dedicated networks.
6. Your capital budget is constrained and you want to avoid up-front investments in equipment.
7. You anticipate that your rich media conferencing and collaboration needs will shift over time and you want to keep abreast of what is available in the market and what solutions will best meet your emerging and changing user requirements. You want to insure that your collaboration strategy keeps you on the cutting edge.
8. You anticipate integrating rich media tools into a wide variety of enterprise applications ranging from training, e-learning, and ERP/CRM to general purpose meetings, presentations, and collaboration sessions.

How Should I Select a Managed Services Provider?

While many companies are claiming to be in the conferencing managed services market, not all of these vendors are capable of providing the same range of services. Some MSPs have optimized around the remote model, with centralized resources and expertise that are shared across multiple customers. These MSPs typically focus on remote device management and control, call setup, and scheduling services – and may or may not deliver on-site “break/fix support.” Other MSPs provide remote services while also

delivering dedicated resources that can work intimately with an enterprises internal planning and implementation staff. Questions you may want to ask potential vendors when selecting an MSP include:

- Can you supplement remote management with on-site experts?
- Can you work with my audio/visual team to integrate with collaboration applications?
- Can you deliver and support endpoint devices as well as bridges and servers?
- How do you handle break/fix and normal device maintenance implementations?
- Can you deliver 24 x 7 support?
- What service level agreements can you provide?
- Can you work with my network team to develop a short term and long term strategy for network migration while supporting audio, video, and web conferencing services?
- Can you help with billing and reporting issues?
- How can you assist with our long term integration strategy for rich media tools?
- What R&D does your company do and how does that R&D help me?
- Can your team customize software according to our needs?
- What programs have you implemented that will help my company drive utilization inside my enterprise?
- What tools do you offer to help my transition to IP, integrate audio, video, and web conferencing, and manage resources and usage?
- What experience do you have in providing MSP services? Can you provide existing customer case studies that show your MSP offering can be customized to differing customer needs?
- How do you find, train, and maintain experienced personnel?

The answers to these questions will vary from provider to provider, but can be used in the RFI/RFP process to help gain focus and direction.

How are Others Benefiting from Managed Services?

State of North Carolina Information Highway

The North Carolina Information Highway (NCIH) is a dedicated statewide network providing data and videoconferencing services. Video applications which are supported over the network include distance learning for K-12 and higher education, state agency meetings, statewide training activities, emergency response assistance, public hearings, and community connectedness. Currently, the NCIH supports approximately 100 video sessions daily and over 15,000 yearly. Virtually all the major players in the state -- the Governor's Office, Controller's Office, University of North Carolina System, Community College System, Department of Public Instruction, state agencies, and local governments -- have a Statewide Connectivity Strategy and lean heavily on NCIH to achieve that strategy.

The NCIH provides a large set of data services to its constituents and has supported more than 180 ISDN-based videoconferencing sites since 1998. By summer of 2004 it had investigated how to deliver IP-based videoconferencing to its almost 2,200 IP customers. Understanding the complexities of introducing IP-based conferencing and the potential impact on data services, the NCIH knew that it needed to draw on operational, integrated, and strategic support.

The State's solution was to bring in AGT – sponsor of this white paper – to help manage the shift to IP conferencing and the introduction of an entirely new menu of services, including H.323 conferencing, gateway services, and H.323 bridging. AGT provides onsite staff with remote backup support, and supports an array of products, from a Polycom MGC MCU, PCS, WebOffice to a Ridgeway firewall and NAT traversal server. AGT essentially supplements the NCIH Video Network Services team, providing staff that – to the team – are the equivalent of employees. The AGT staff conducts backups, firewall configurations, documentation and training – and are just a phone call away from even deeper technical support at AGT's network operations center.

Moving to IP has meant more than just adding the 30+ sites that currently use IP videoconferencing. It has allowed the ITS VNS group to respond to its users, who were asking for a menu of services from which to choose.

One very important component of AGT's value was the willingness to place staff onsite, which helped address data security issues. This also has provided AGT with a better understanding of the organization and its culture, as well as its network architecture.

Moving to IP has meant more than just adding the 30+ sites that currently use IP videoconferencing. It has allowed the ITS VNS group to respond to its users, who were asking for a menu of services from which to choose. IP-based sites can now "buy" services based on hours of usage or on unlimited usage plans; the flexibility the IP-based network offers has resulted in *lower cost of entry* and a more minimal investment for users. At the same time, those sites now can access the existing ISDN-based network through the gateway for classes, meetings, and other applications that already were in place. The plan is to move all of the ISDN-based sites to IP over time, while offering new services such as web conferencing.

Major Global Telecommunications Products Manufacturer

One of the world's key suppliers of equipment for the telecommunications industry – with a presence in more than 140 countries – decided to introduce managed services to its U.S. operations, with a plan to gradually add Canada, Mexico, and Brazil to the mix down the road. The company selected AGT to manage all of its conference room audio/visual equipment and its MCU's even as it began to convert its mixed IP/ISDN network to an all-IP network. AGT placed two to three staff in each of several of the 20 video-enabled sites in the U.S.

The goal was to make every room consistent in the hopes of improving end user satisfaction and driving increased utilization. AGT did a thorough overhaul of conference room equipment and created a complete ecosystem for the conferencing environment, from consistent touch panels being introduced to upgrading software and equipment. The dedicated managed services provider now monitors all aspects of operations on the client-owned MCU, as well as the operations of the 20 video-enabled sites, from onsite, with the AGT home office serving as backup.

The net result has been “more equipment in more rooms.” As the company told Wainhouse Research, “Here at headquarters usage has gone up and people are having a better experience; everything is now more user friendly, and everything works now. We did an RFP and got the best price for the services we were seeking. We wanted to go with someone who would not sub out the work, which most of the other bidders would have done.” The company has projected that it will save approximately \$450,000 annually by outsourcing management of its audio/visual and videoconferencing equipment and management of conference rooms in its offices throughout the U.S.

“Here at headquarters usage has gone up and people are having a better experience; everything is now more user friendly, and everything works now.”

The key conclusion that can be drawn from these two examples is that such conferencing managed services can improve the quality of the end user experience, and drive increased overall usage. What the two examples – one governmental entity, one corporate – share in common is their use of a mix of onsite and offsite resources provided by a Dedicated Managed Services Provider. Wainhouse Research believes these examples show that DMSPs can offer a net result of increased usage and greater availability of options, which ultimately help increase ROI.

Appendix A

About Applied Global Technologies (AGT)

Applied Global Technologies (www.appliedglobal.com) is an innovative IP technologies company that partners with its customers to transform organizations from restless technology buyers to confident technology consumers. AGT engages technology and end users to produce bottom line productivity for its customers. In the area of IP conferencing and collaboration solutions, there is no other company providing the breath and depth offered by AGT.

About Wainhouse Research

Wainhouse Research (www.wainhouse.com) is an independent market research firm that focuses on critical issues in rich media communications, videoconferencing, teleconferencing, and streaming media. The company conducts multi-client and custom research studies, consults with end users on key implementation issues, publishes white papers and market statistics as well as a variety of research reports, and delivers public and private seminars as well as speaker presentations at industry group meetings. The company also publishes a free newsletter, *The Wainhouse Research Bulletin*, covering the conferencing and collaboration industry, and offers the PLATINUM end user subscription service at www.wrplatinum.com.

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