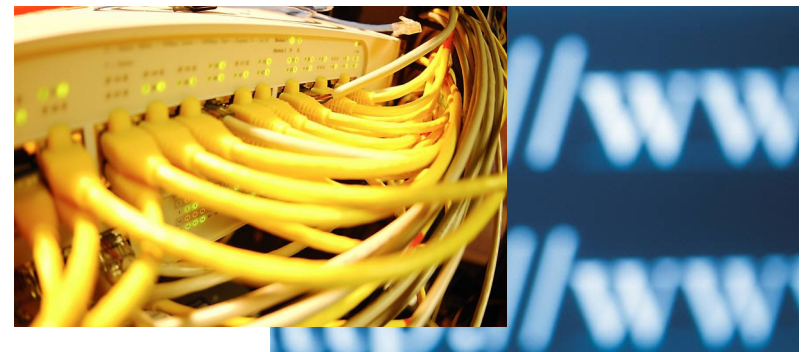




Communications Services Trends

Nemertes Research

Robin Gareiss
Executive Vice President &
Sr. Founding Partner
robin@nemertes.com





Agenda

- ⊕ Nemertes Overview
- ⊕ Budgets, Bandwidth, and Salaries
- ⊕ What are They Adopting?
- ⊕ Negotiations & Procurement



About Nemertes

- ⊕ Research advisory firm focused on analyzing business value of emerging technologies
- ⊕ Key differentiator: Real-world, real-time benchmarks of 1000s of leading-edge enterprise organizations
 - ⊕ Telecom, WANs, security, data centers, UC/VOIP/convergence in 2003, 2004, 2005, 2006, 2007, 2008, information stewardship & more
- ⊕ No sponsored research! 100% objective
- ⊕ Factual data captured from real enterprises
- ⊕ For “Advanced Communications Services” benchmark, spoke with 83 enterprises across a range of vertical industries. Augmented benchmark with a survey comprising 527 responses, each rating primary & secondary providers



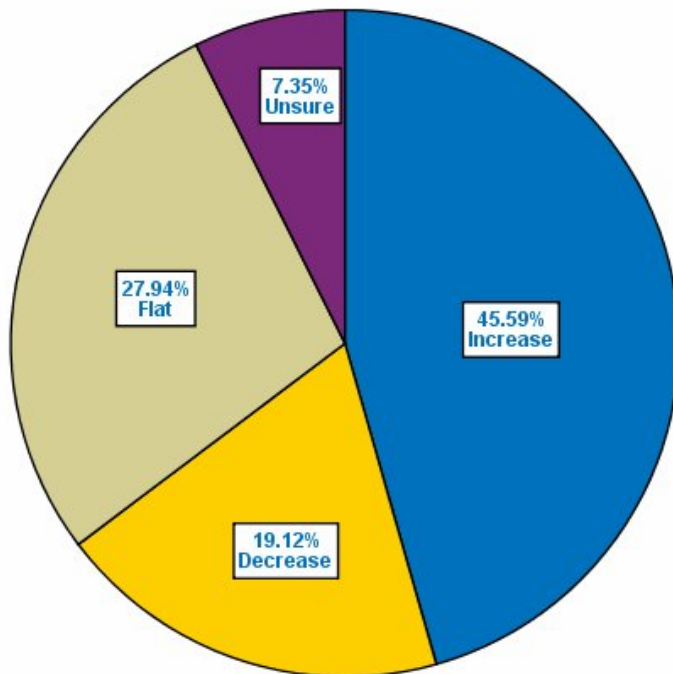


Budgets, Bandwidth, and Salaries

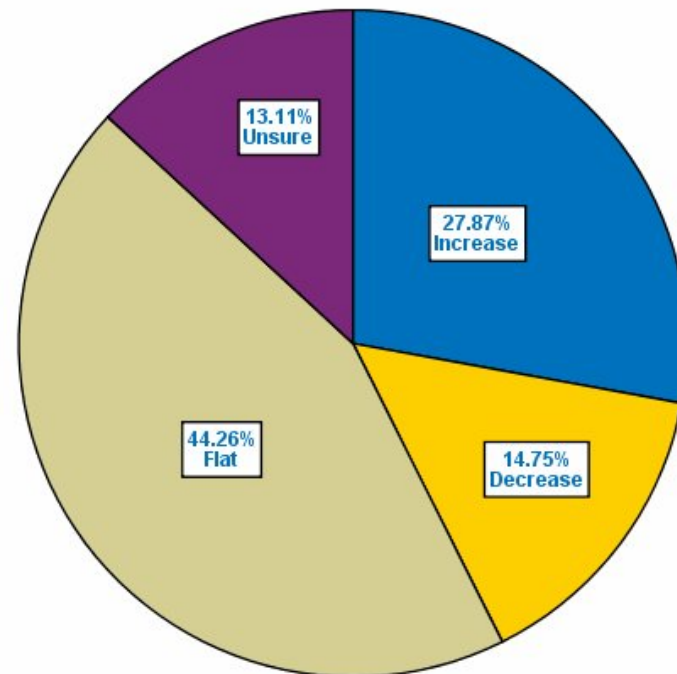


IT Budget Change, 2008/2009

Change in IT Budget--2008



Change in IT Budget--2009



Change in IT Budget 09

- Increase
- Decrease
- Flat
- Unsure



Change in Communications Budget, 2009

Average spend:
\$2,228 per employee



How Are Salaries For The Communications Group Changing?

Average salary increase 4%

Junior level: \$35-\$70K

Senior level: \$80-\$100K



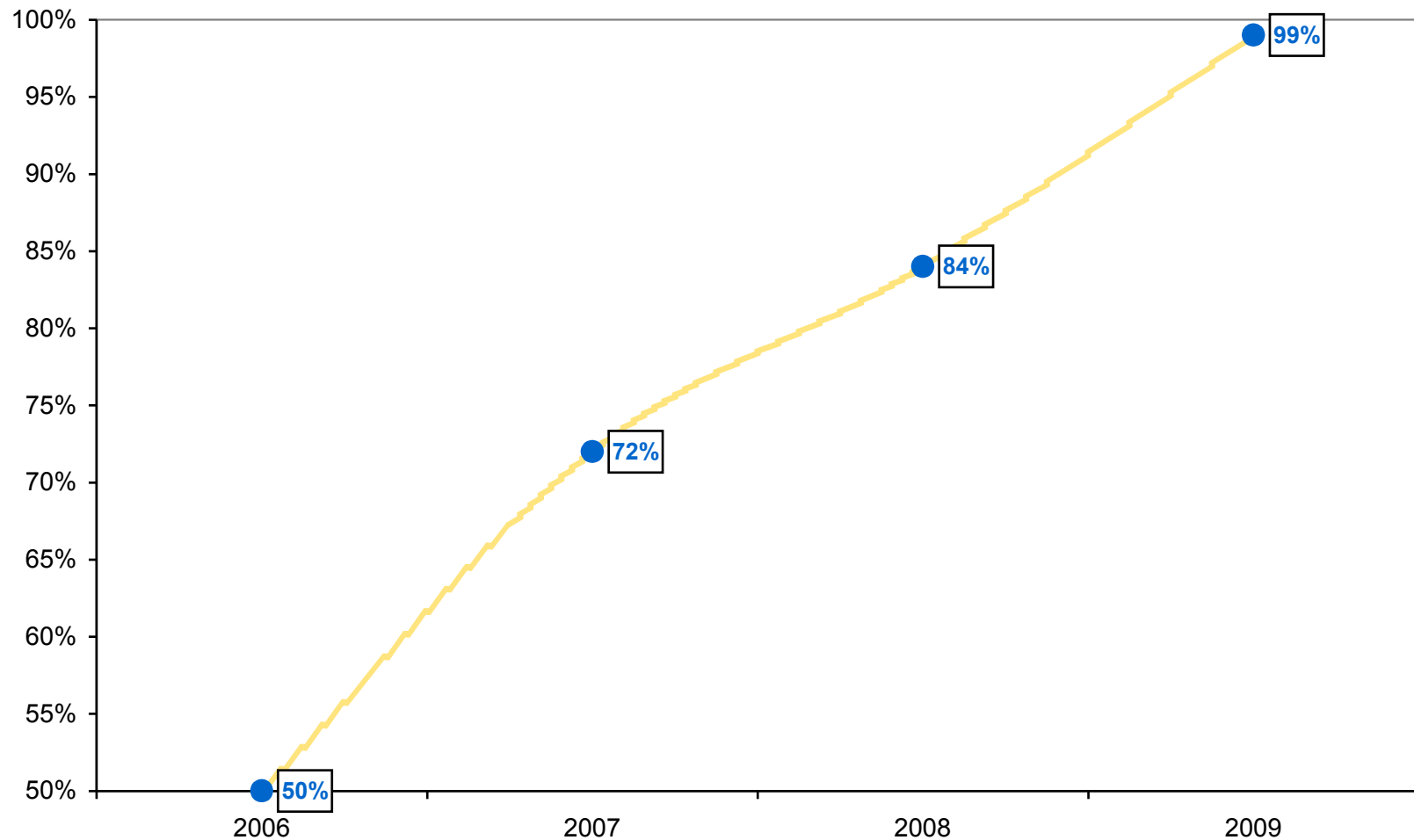
Service Adoption Trends



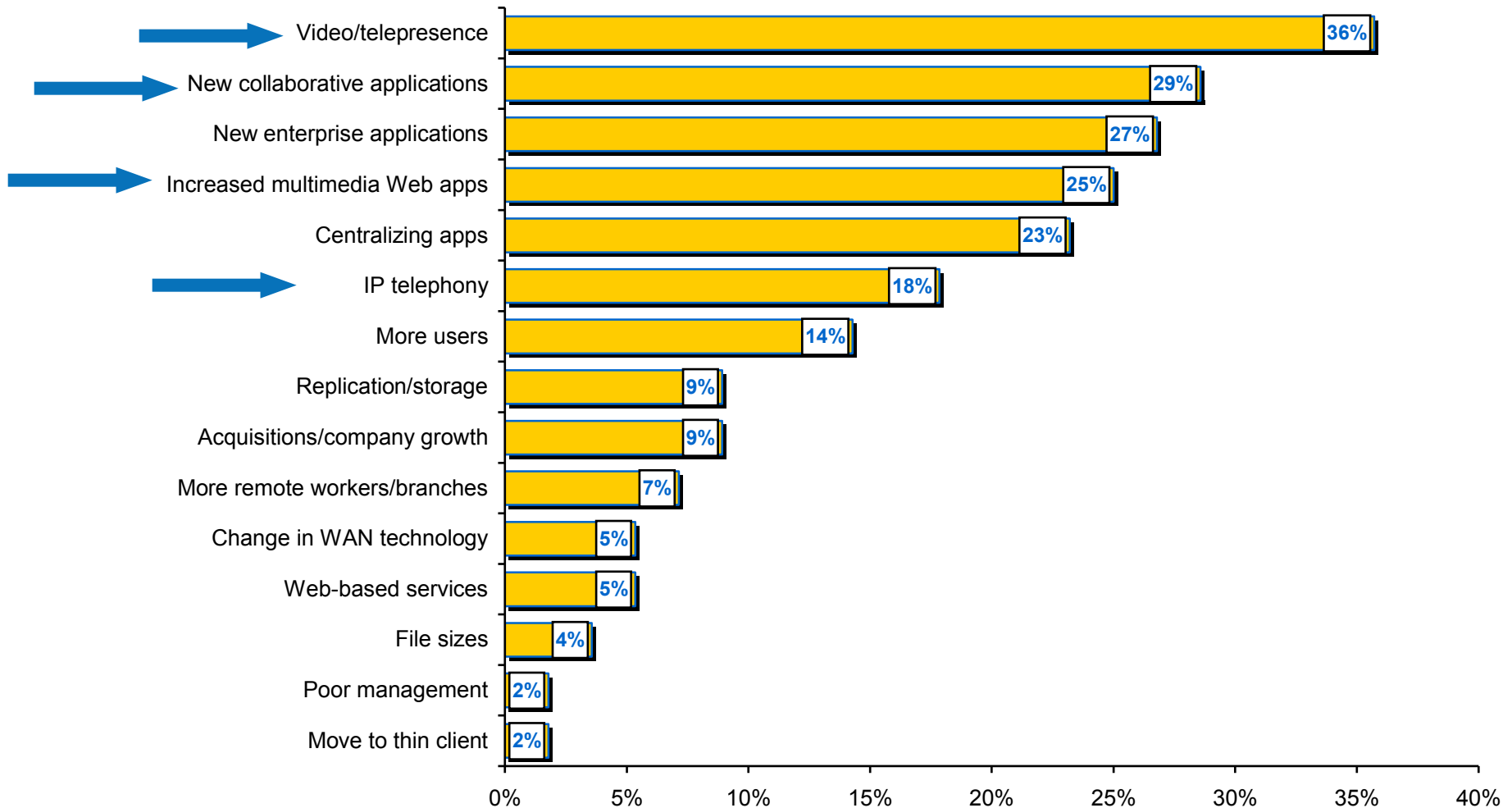
WAN Trends

- ⊕ Bandwidth Demands Continues to Rise
 - ⊕ But, more companies are using, evaluating optimization
- ⊕ Average Access Speed to Branch Increasing
 - ⊕ Fractional T1 (min 256) and T1 make up 63% of branch connections
 - ⊕ T3 and faster make up 21% of branch connections
- ⊕ More companies relying upon managed services at the branch
- ⊕ Reliance on multiple advanced services from carriers
- ⊕ Greater demand for reliable performance
 - ⊕ To support voice, video, and centralized applications

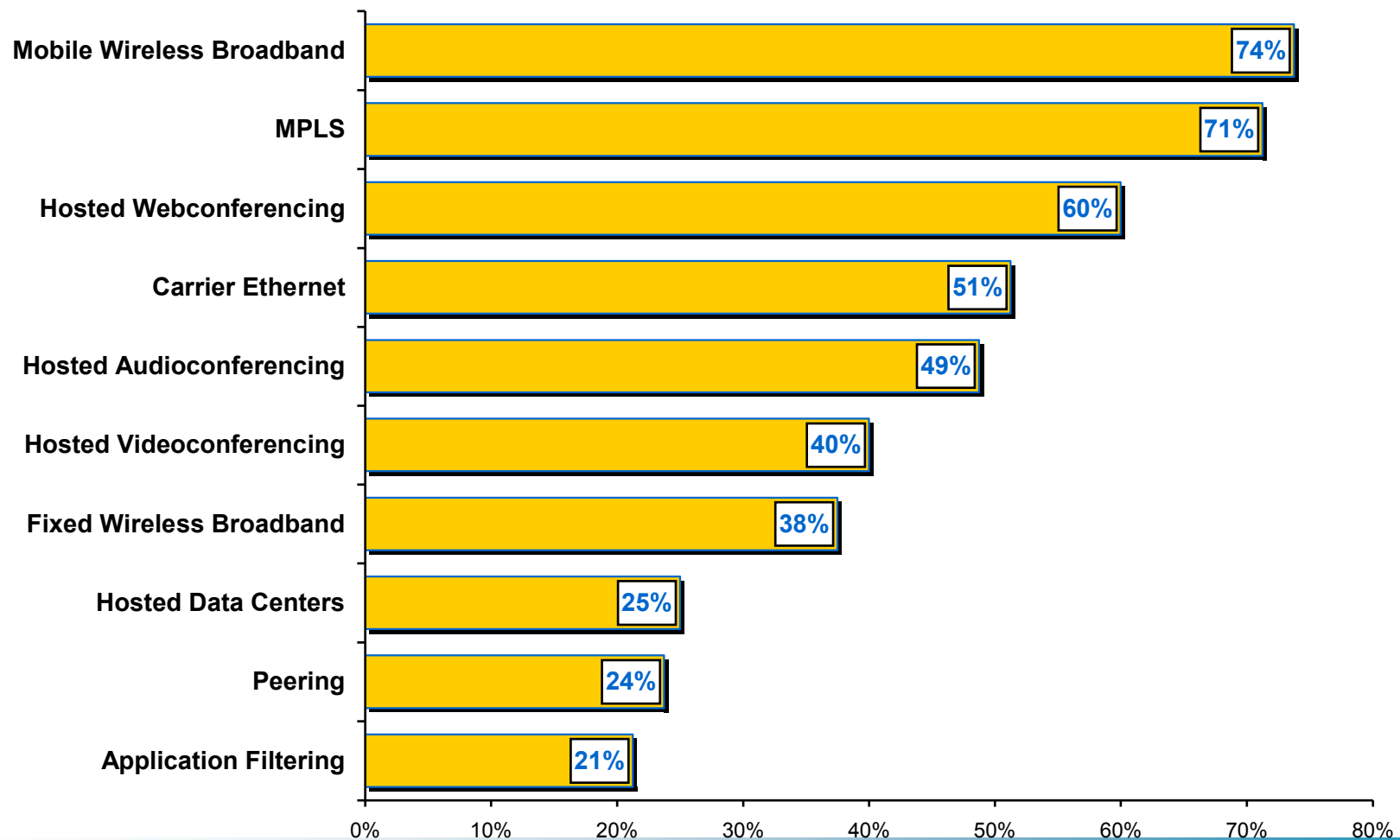
Total Corporate Bandwidth Growth, by Year



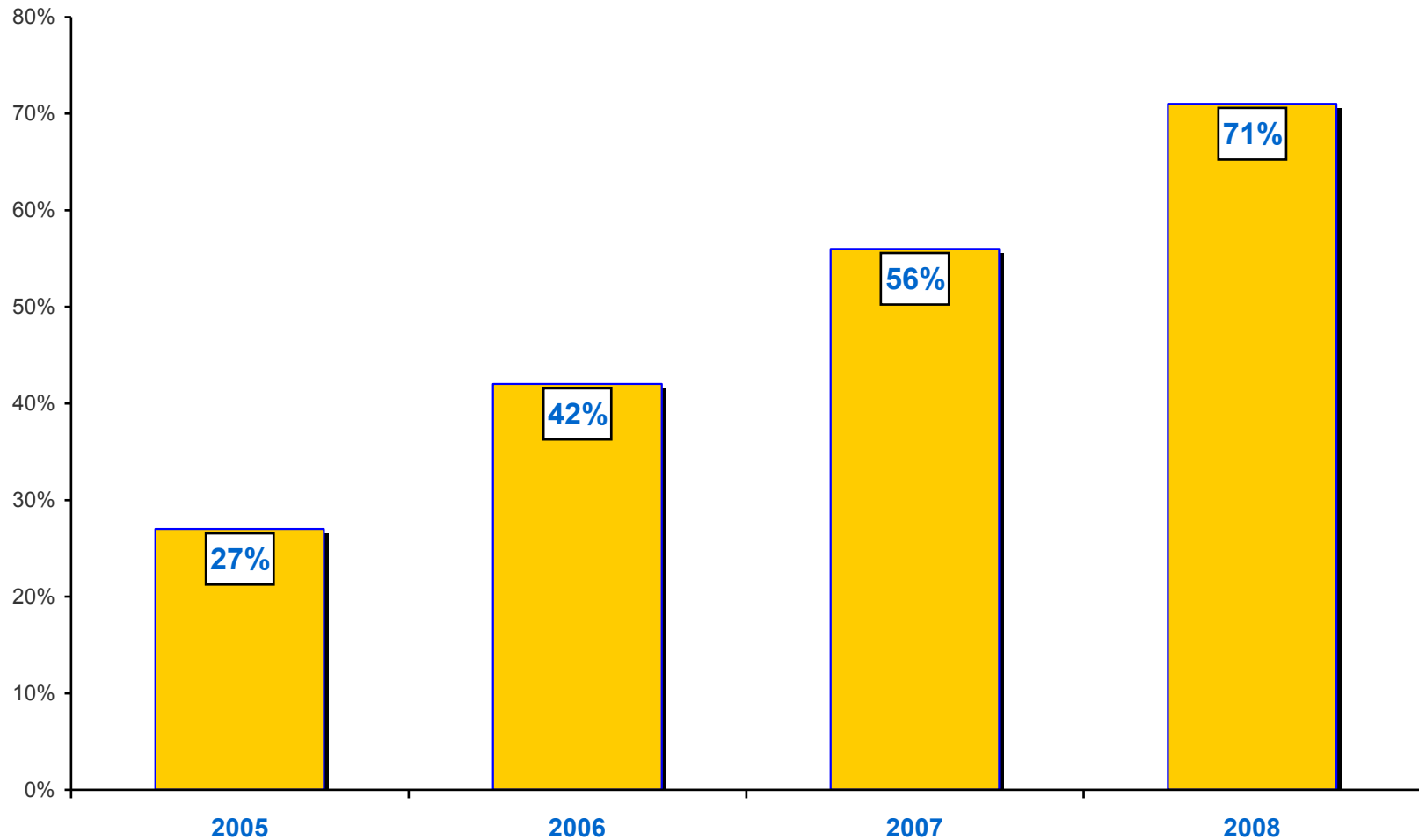
Reasons for Bandwidth Growth



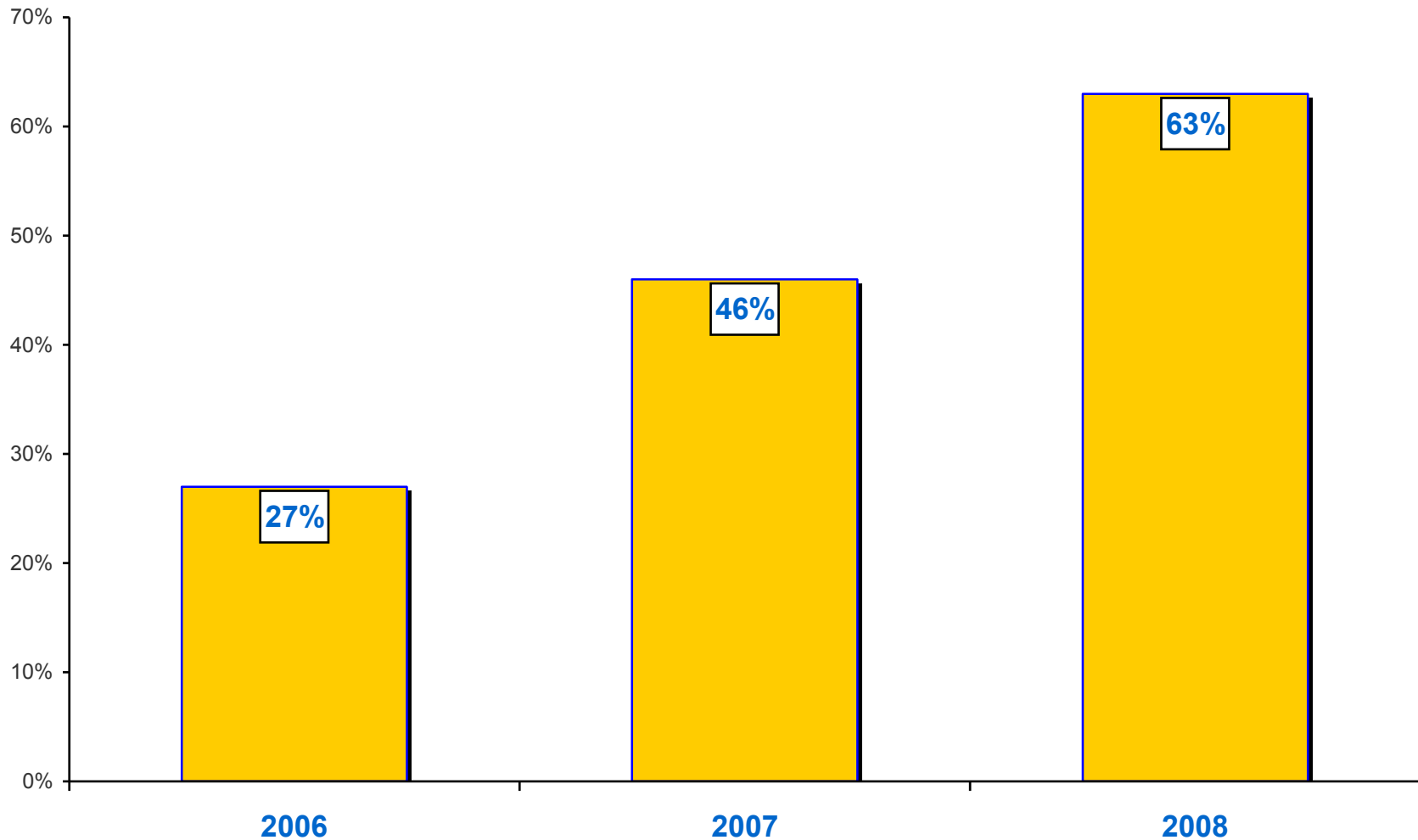
Top 10 Advanced Services in Use



MPLS Adoption, 2005-2008



Managed Services at the Branch





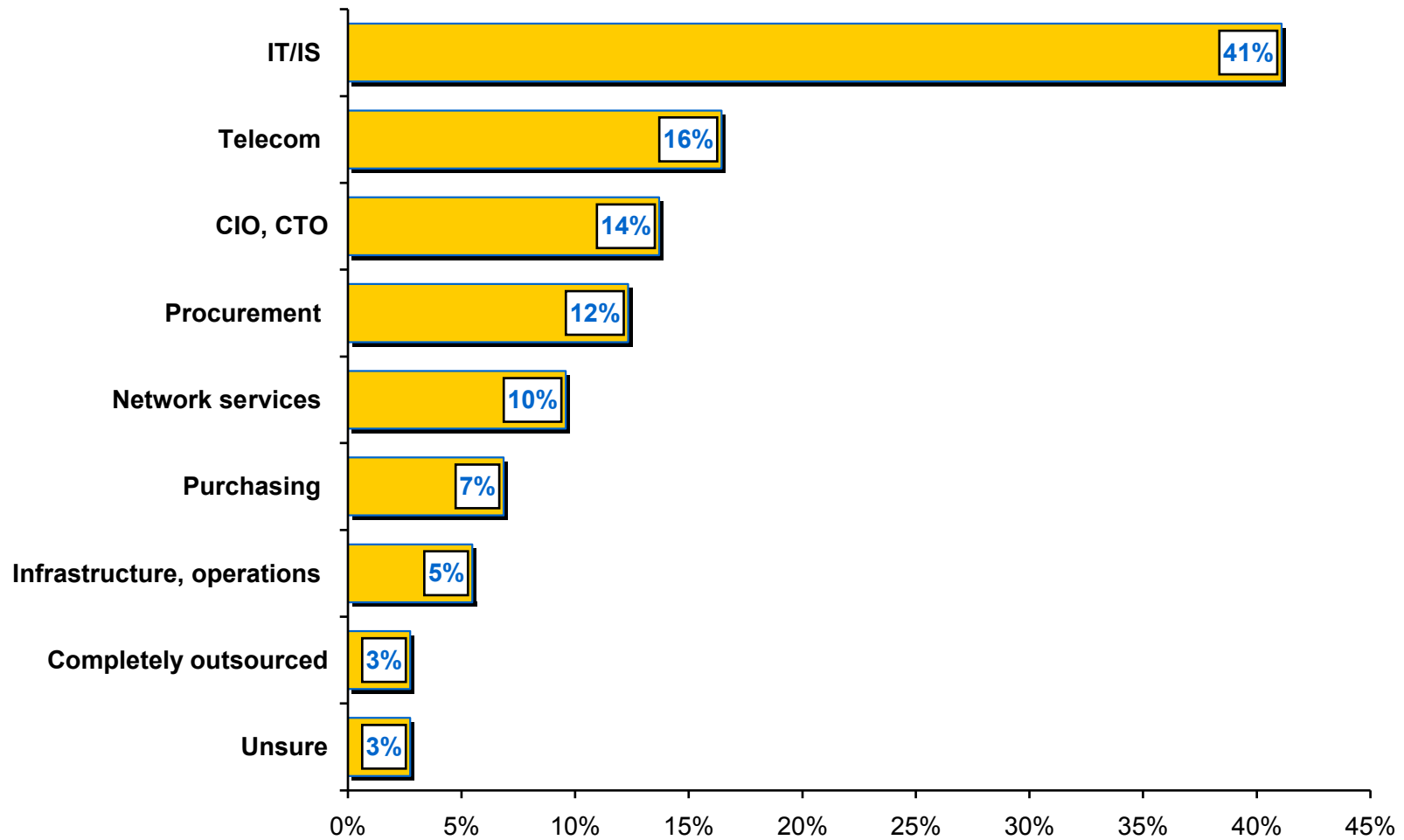
Use of Optimization in the Branch

Correlation between companies with no bandwidth increase or flat bandwidth, and those using optimization.

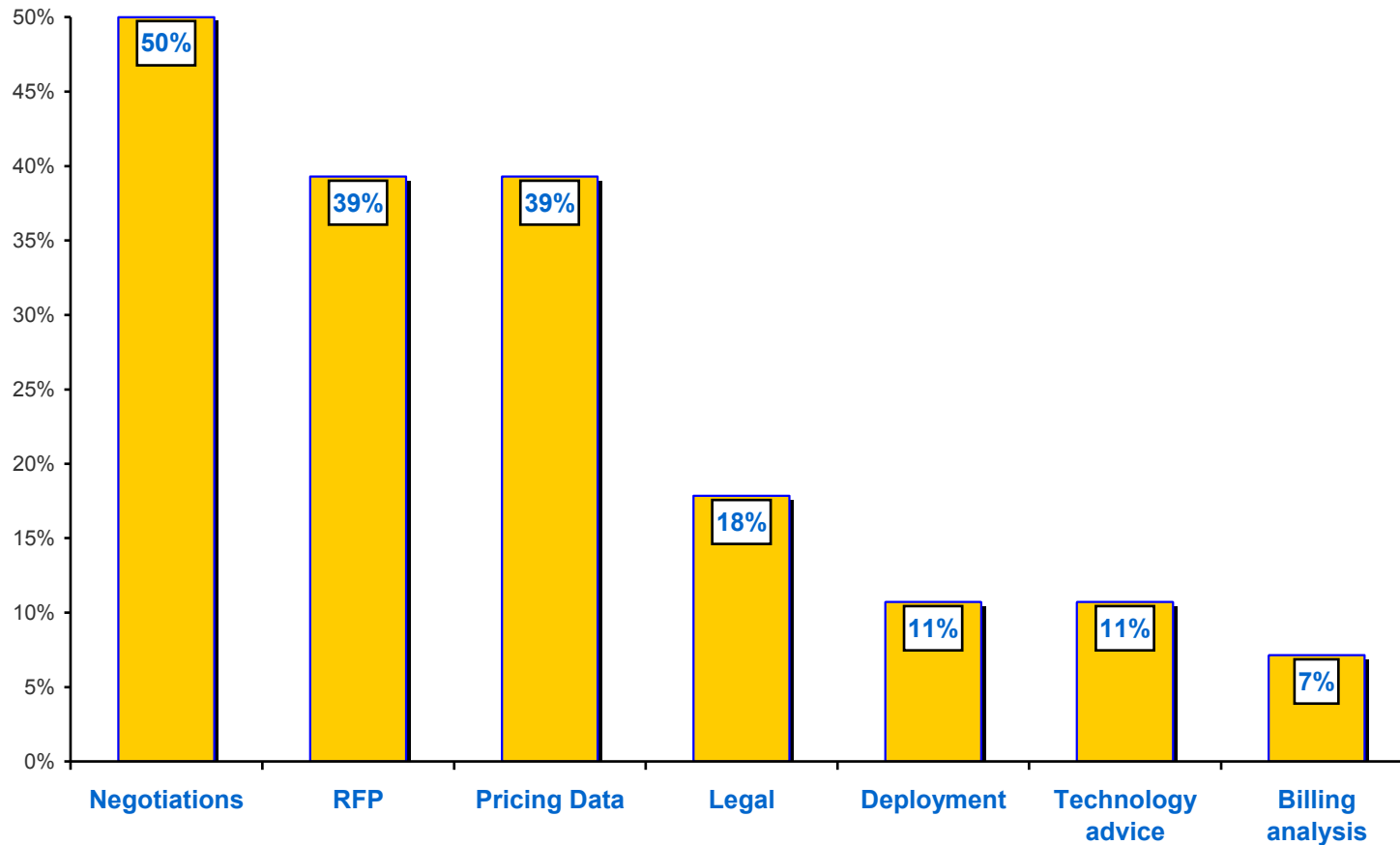


Negotiations

Who Leads Contract Negotiation & Procurement?



Outside Help for Contracts: What Do They Do?



85% satisfied or very satisfied

Satisfaction With Contract Term

How many years is an ideal contract term?	
Want contracts:	Ideal Term/Mean
Longer	5.00
Shorter	1.68
Just right	2.89
Uncertain	5.00
Total	2.72

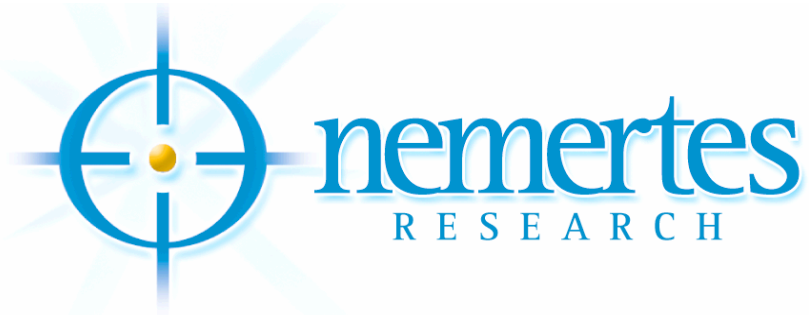


RFP or RFI

Among those dissatisfied
with their negotiations,
67% did not use
RFPs/RFIs

Closing Comments

- ⊕ Nemertes ACS PilotHouse Awards
 - ⊕ For carrier insight & selection
- ⊕ Budgets tight; opportunity for carrier/enterprise partnerships
- ⊕ Bandwidth demand & growth will not slow.
- ⊕ Management & monitoring tools are crucial.
- ⊕ Robust, reliable, high-performance networks are key.



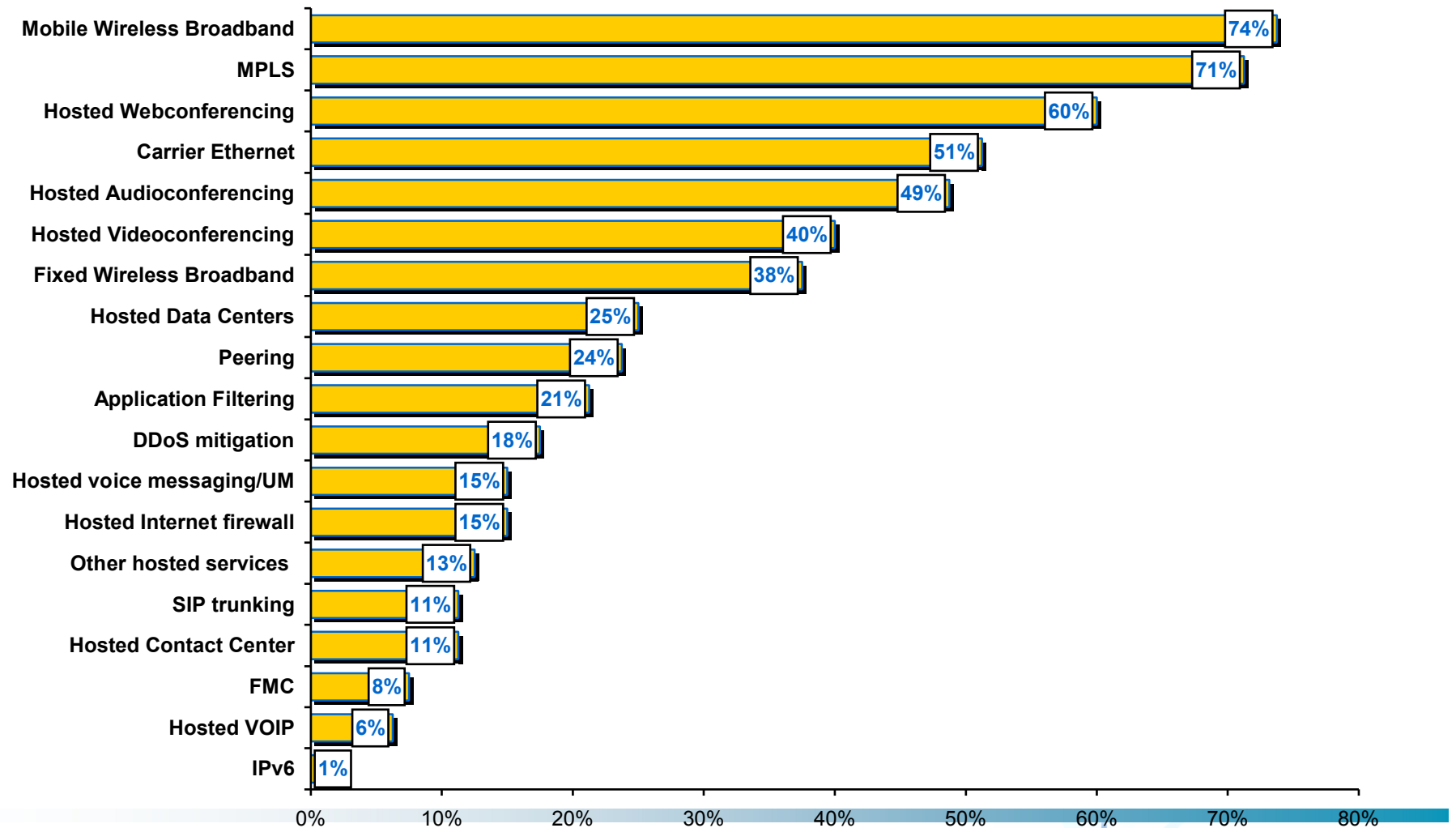
Thank you!
Slides w/ details in
Appendix available.
robin@nemertes.com



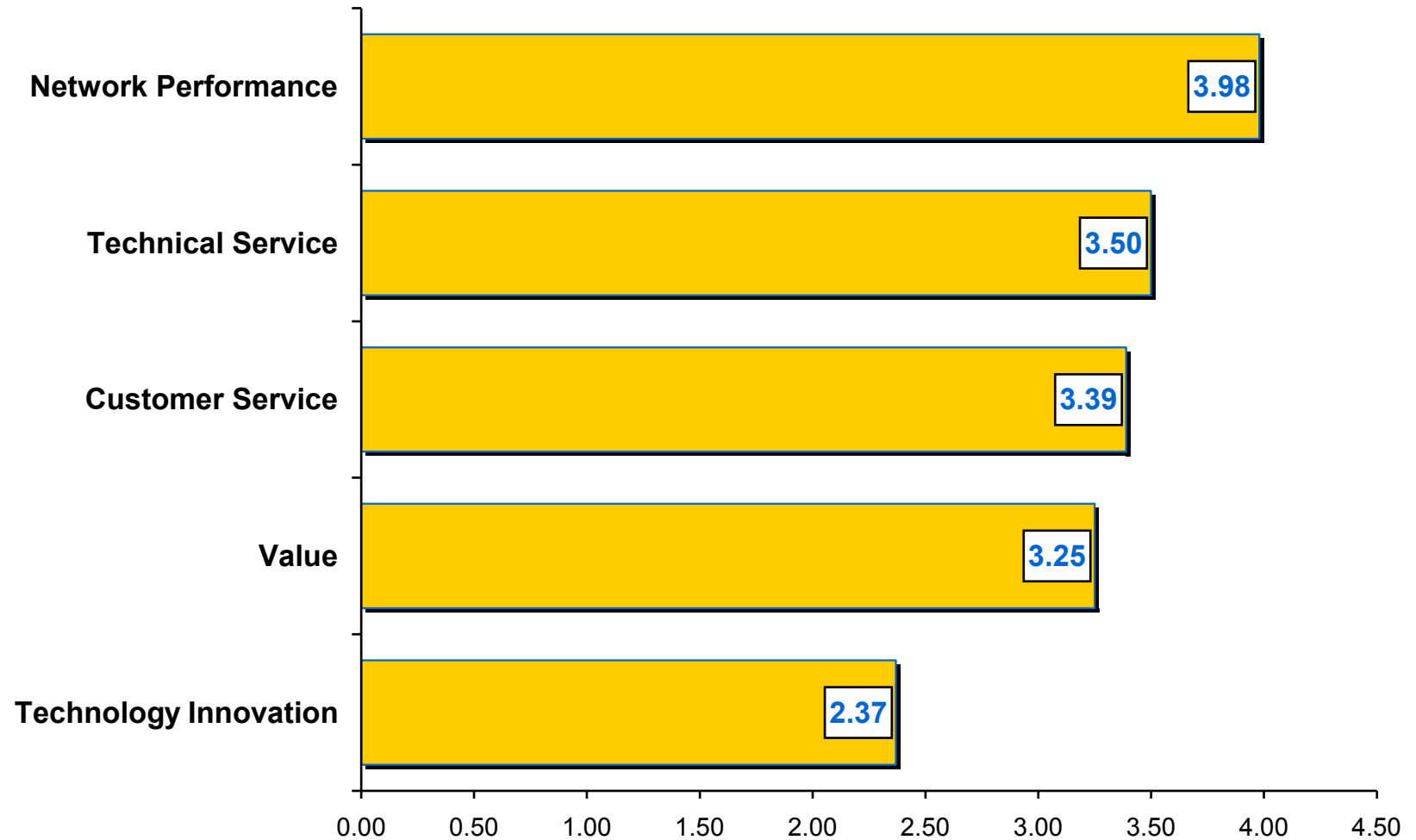


Are Applications Centralized or Distributed at the Branch?

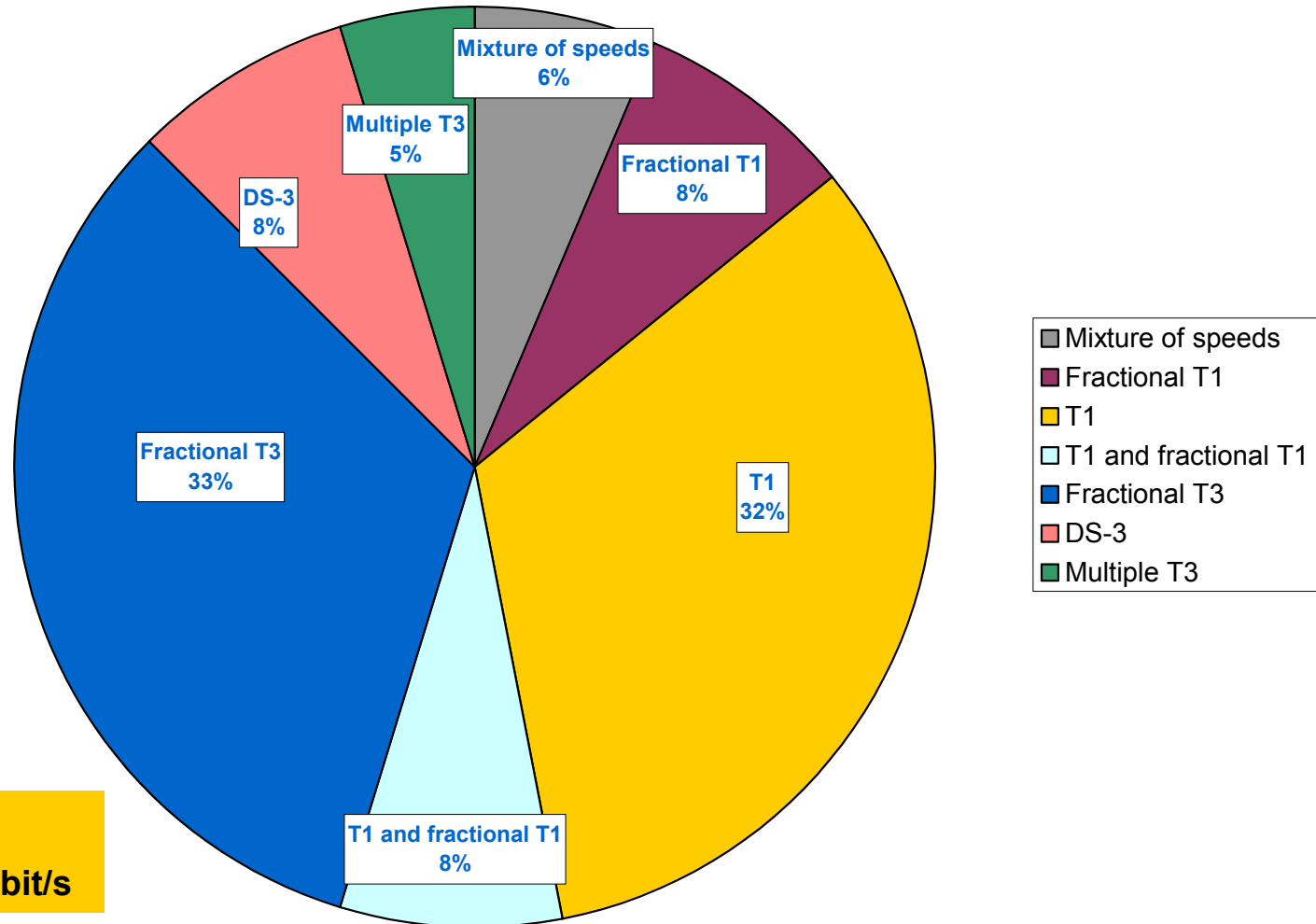
Advanced Services in Use



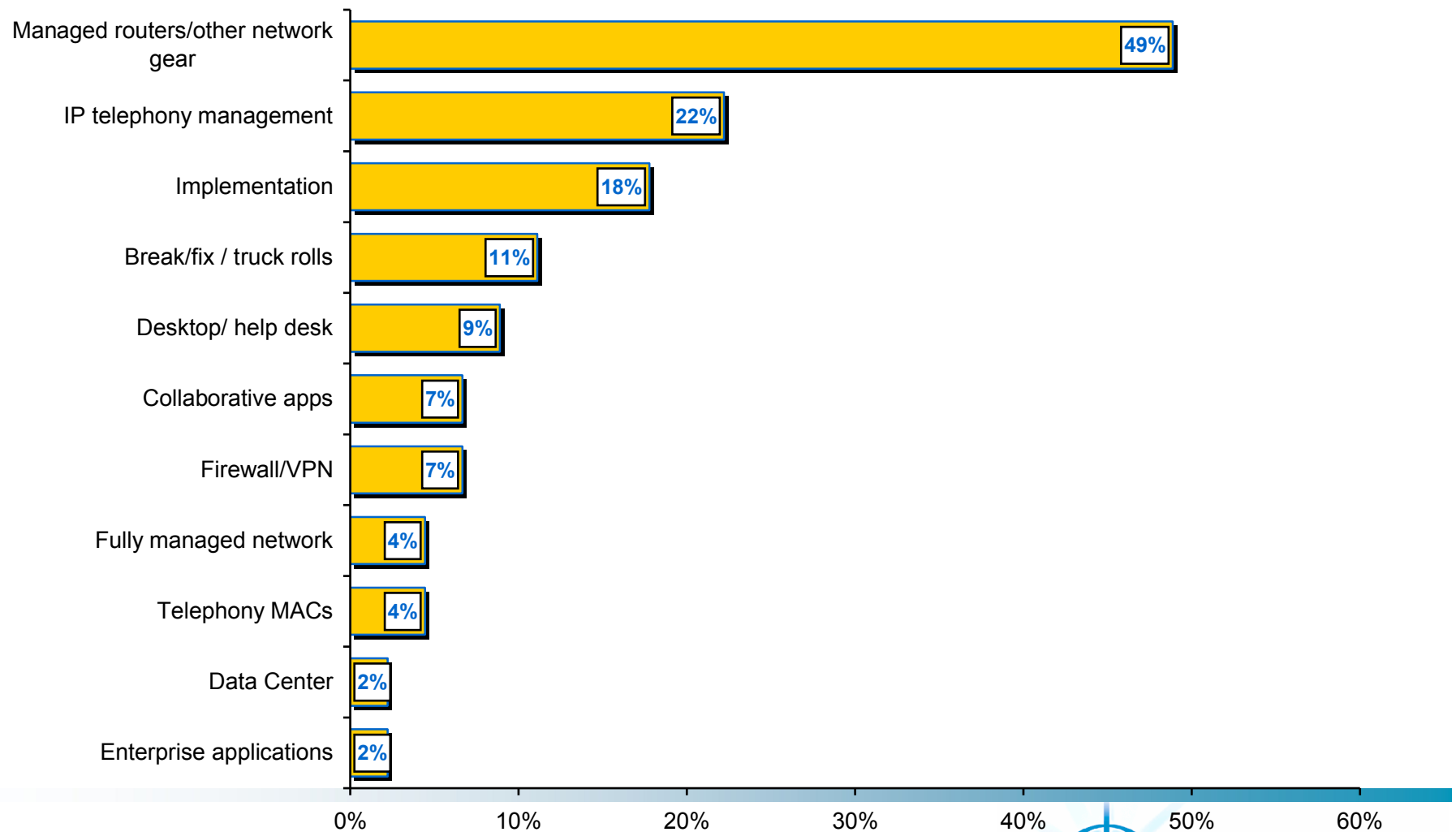
Buying Criteria for Communications Services



Average Speed to Branches



Type of Managed Services at the Branch



Negotiation Tactics and Best Practices

Successful negotiations don't just happen. They're the results of a well-engineered, well-planned negotiations strategy that includes:

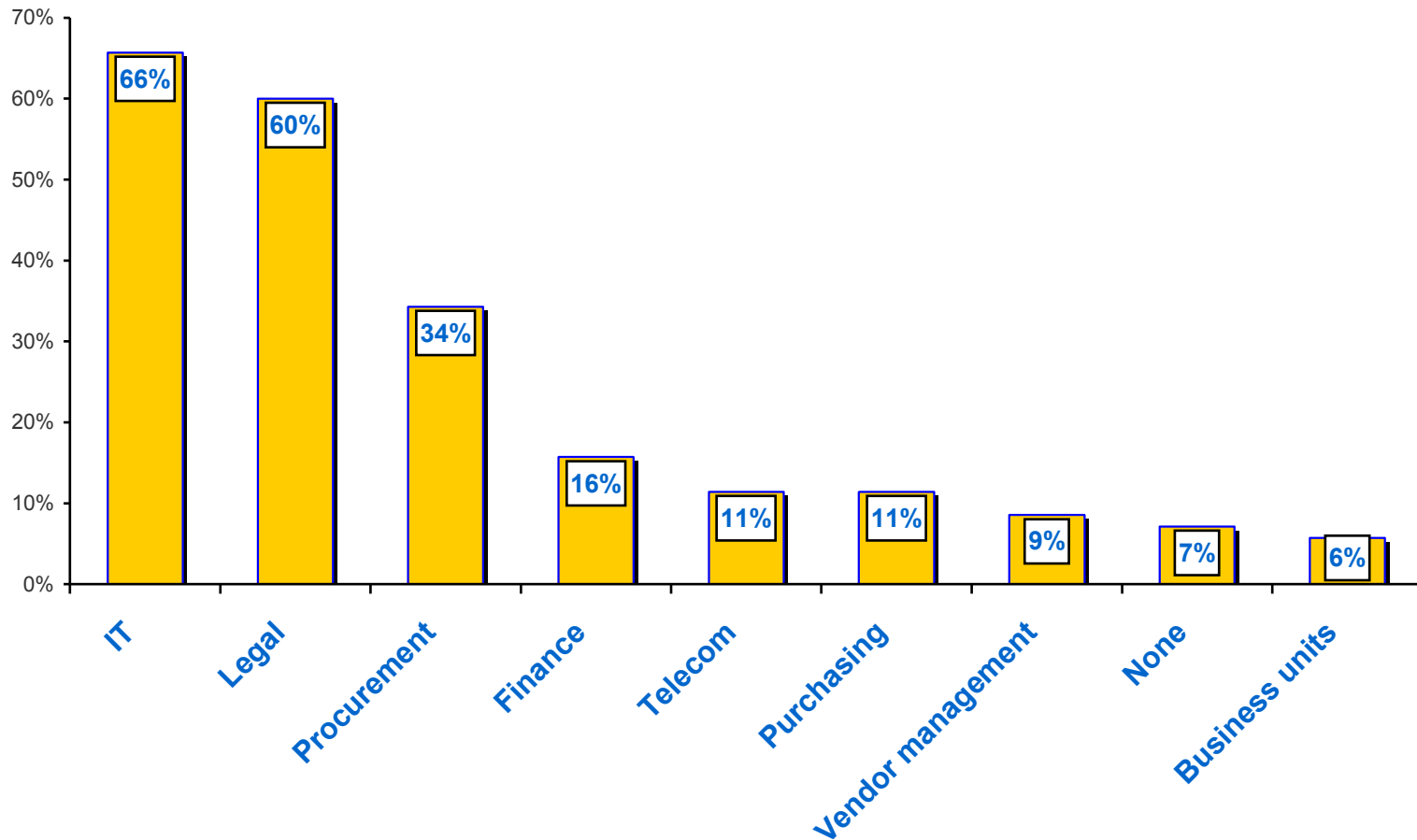
- ⊕ Timing
- ⊕ Scoping
- ⊕ Communicating
- ⊕ Focusing on a “win-win” as the only acceptable outcome.



Organizational Best Practices

- ⊕ Select *the* person who is responsible for the negotiation & procurement.
 - ⊕ Typically best if the same person oversees both
 - ⊕ But members of the group and the individuals who fulfill tasks along the way will change.
- ⊕ Select a team that is cross-functional
 - ⊕ Telecom
 - ⊕ Network/infrastructure
 - ⊕ IT
 - ⊕ Applications development
 - ⊕ Security
 - ⊕ Business units
- ⊕ Evaluate third-parties

Groups Involved With Negotiations/Procurement



Timing

- ⊕ Plan well in advance—ideally, 18 months before your current contract expires
- ⊕ Design a “negotiations timeline” that is more compressed than your real timeline
 - ⊕ Include ample time for re-negotiations, but do not explicitly share this with carriers
- ⊕ Plan for at least a quarter between “deal close” and “implementation begins”—you’ll need it!
- ⊕ Time your “deal close” to coincide with end of the quarter (better still, the year)





Months to Negotiate Contracts

Average: 5.7%

Scoping

- ⊕ Scope the project as broadly as possible; providers pay more attention to a \$10 million project than a \$1 million one
- ⊕ However, be clear about what's “nice-to-have” and “need-to-have” in your RFP. Be ready to jettison inessential elements.
- ⊕ Stay open to alternative suggestions from providers (particularly with emerging technologies)
- ⊕ Include networking, apps, and end-users in your negotiations team
- ⊕ Provide as much detail as possible around your requirements





Satisfaction With Negotiations Among Those That Used Third Parties



Matrix RFP/RFI: Example

Service	North America	AsPac	MidEast	LatA M	Africa
MPLS					
Carrier Ethernet					
No preference					
Internet					
Mobile services					
Managed services					
Etc. (be comprehensive!)					

Communicating

- ⊕ Provide as much detail as possible around your requirements
- ⊕ Share with prospective providers as much “color commentary” around your goals as possible
- ⊕ Engage internal stakeholders (procurement, legal) as early as possible, and be prepared to educate them about the issues
- ⊕ Rule of thumb in communicating effectively: Say it, send it, confirm it.
 - ⊕ Explain (verbally, in person) what you mean
 - ⊕ Back up verbal explanation with email
 - ⊕ Confirm that recipient has received *and understood* your message!



Must-Have Contract Clauses

- ⊕ Eschew credits. Instead, preserve the right to terminate the contract without penalty.
- ⊕ Situations in which should be able to invoke this clause:
 - ⊕ Mergers, acquisitions, divestitures (yours or the provider's)
 - ⊕ Serious or acute network-wide outage (be sure to define)
 - ⊕ Chronic network failures (ditto)
 - ⊕ Chronic lateness in deployment
 - ⊕ Technology refresh
 - ⊕ Failure to be found competitive during rates/SLA benchmarks (if present)
- ⊕ Define SLAs. Make them an integral part of the contract (do not leave up to procurement or legal)
- ⊕ Define escalation policies *and* people
- ⊕ Maintain right to request and receive specific support staffers (or minimally, have them replaced)

Focus on “Win-Win”

- ⊕ Keep the bidding competitive (give yourself plenty of options)
- ⊕ Be prepared to walk away from the incumbent
- ⊕ Go back to the table at least three times! In the last stages of a deal, carriers will often be willing to revisit issues that were previously closed.
- ⊕ Get it in writing. If it’s not in the contract, it’s not agreed upon.
- ⊕ Maintain your honesty and integrity. It’s easier to ask providers to treat you fairly if you’re treating them fairly.
- ⊕ Remember: the definition of a “win-win” is a deal you’d be happy to be on either side of