UC OPEX:
What You Don't Consider Can Hurt You

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Discussion Transcript*

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Nemertes Research annually benchmarks IP telephony total cost of ownership, and this year expanded their research to unified communications. The customer data shows that one-time capital costs are just one factor in unified communications. This podcast discussion highlights how Avaya compared to others in the research for TCO, along with how to avoid the OPEX "gotcha."

Patte Johnson: Thank you for joining us for this Webtorials Thought Leadership Discussion. I'm Patte Johnson, and I would like to introduce Gary Audin, our Webtorials Unified Communications Analyst. And he will be speaking with Dan Cardaropoli today, Senior Manager, Unified Communications Marketing at Avaya. Gary, I will turn the discussion over to you.

Gary Audin: Thank you, Patte. Our discussion today is based on a Nemertes research paper with quite a title: "Operational Cost Drives Stark Differences in First-Year Telephony and UC Costs." So, Dan, what prompted this kind of study?

Dan Cardaropoli: Great question, Gary. Nemertes Research annually benchmarks IP telephony total cost of ownership, and this year expanded the research to unified communications. In prior years, and continuing this year, the customer data consistently points out Avaya as one of the lowest-cost vendors for IP telephony and now unified communications. It is important to highlight that data comes from customers, not the vendors; so, it is real-world acquisition and operational cost data.

Gary Audin: Thanks. UC has a lot of features, but voice is an important one of them. Would you discuss the problems of implementing voice versus other UC features?

Dan Cardaropoli: Delivering real-time voice and video collaboration is more complex than delivering non-real-time applications such as email, instant messaging, and presence. There are many differences, starting with network engineering and monitoring to ensure a quality user experience. Enterprise voice is mission critical for many enterprises, which elevates the importance of survivability for WAN and site failures, as well as E911, contact centers, call recording for legal compliance, and voice features that are now part of key workflows and use cases for customers. With the huge growth in video collaboration, the most critical component is still the audio. Without clear audio, the video session is useless.

Gary Audin: This study was very interesting. Would you discuss the survey results for the first-year costs?

Dan Cardaropoli: The report provides the data based on real-world experiences of 211 companies. The results capture the actual expenditures reported by customers for acquiring and deploying a new IP telephony solution. The report captures the first-year capital acquisition of the solution, which consists of the product hardware and software and devices, the implementation costs, and the operational support costs by vendor. Nemertes Research further segments the data by size of deployment by under and over 1,000 endpoints.

The acquisition and implementation costs are well within a fairly tight range for most of the vendors. This is expected, because those costs can be negotiated upfront by customers and are easy to break down and compare on proposals by customers.

The operational costs have a significant spread among the vendors. I believe some vendors, Avaya being one of them, spend a significant amount of R&D to provide an integrated administration and management support package, which reduces the complexity to support their IP telephony and UC solutions. The vendors that don't reduce the complexity shift the burden of operational support costs to customers.

Gary Audin: That is an interesting point. What do you mean by shifting the burden of operational costs? Can you tell us about the results of the comparison between Avaya and Microsoft for enterprise voice support?

Dan Cardaropoli: The operational costs reported by customers that deployed Microsoft Lync as an IP telephony solution were up to six times higher than Avaya. The OpEx support costs consisted of four categories of expenses: internal staff, calculated as full-time equivalents using fully loaded costs; product maintenance; third party services for management; and training for internal staff.

Gary Audin: That's some real big differences. Can you provide some reasons for these differences?

Dan Cardaropoli: Sure can. The lack of voice experience creates a huge learning curve for the internal Microsoft staff in the first year. Often, most companies deployed Microsoft Lync, or in some cases OCS, for instant messaging or presence. When they add real-time conferencing and enterprise voice, this creates complexity they did not anticipate.

Typically, Lync pilots for enterprise voice are very basic deployments restricted to IT or small groups. The limited pilot doesn't take into account branch deployments, connectivity to the PSTN, and dial plans, which all add significant complexity to an instant messaging and presence deployment. The report states that customers had challenges with integration and sound quality, which drove up the need for additional staff in the first year.

Gary Audin: It sounds like there are hidden costs here. Are the hidden costs sometimes overlooked?

Dan Cardaropoli: The costs of monitoring and troubleshooting IP telephony solutions are overlooked, especially if many third party applications and phones are required to make it a complete solution. Microsoft Lync requires a fair number of third party applications, each with its own unique administration and monitoring tools. Updating for compatible versions of software across the third party applications may also impact upgrading or replacing the phones, which adds complexity and cost of support.

Gary Audin: Dan, the OpEx can be bigger for UC than enterprises expect. Why is it important for the enterprise to focus on the hidden costs of operating and supporting a UC solution?

Dan Cardaropoli: Typically, enterprises purchase an IP telephony solution via an RFP that compares product pricing and technical evaluations, but not real-world data on implementation and operational costs. The product costs, which are negotiated by customers upfront, are known and fairly consistent across the vendors, as pointed out in the report. Operational costs can vary widely across vendor solutions, as shown in the report, from a low of 45%, to 500% of the product costs annually.

Customers are going to be supporting the IP telephony solution for many years. As customers expand their deployment for unified communications to audio, web, video conferring, and mobility applications on BYOD, the vendor that offers integrated support and management tools across the applications and devices will significantly reduce the expense of support. Having separate management stations and monitoring tools across different vendor solutions, makes it much more complex to troubleshoot, maintain, or provide software updates across the solution set.

Gary Audin: Dan, would you compare the complexity of risk of deploying Avaya versus Microsoft?

Dan Cardaropoli: The results speak for themselves: up to six times higher first year OpEx costs, directly related to the complexity of Microsoft Lync. The learning curve is steep, and the lack of integrated support tools contributes to the high cost.

Gary Audin: That brings up another point. Are there troubleshooting and testing issues with Microsoft Lync that may not be apparent to the implementing enterprise?

Dan Cardaropoli: The customer is required to integrate not just Microsoft Lync, but third party vendors for phones, video endpoints, applications for E911 and call recording, gateways for branch survivability and PSTN connectivity, or session border controllers for SIP trunking. That is a lot of complexity to manage and troubleshoot for the customer or qualified Microsoft VAR which may be new to voice.

I would recommend that customers deploy a comprehensive pilot for enterprise voice and conferencing, with all the third party hardware and applications required, to understand the cost of support before making a purchase decision. It is a little more work to replicate their existing production deployments; but the potential cost avoidance is well worth it.

Gary Audin: That brings up another point. How does Avaya ensure that new product releases are interoperable? And then, would you compare the Avaya approach to what might be encountered with Microsoft Lync implementation with third party hardware and software?

Dan Cardaropoli: The idea of testing for interoperability is pertinent to new product releases, but also patches for bug fixes and security. Avaya provides an integrated IP telephony and conferencing solution for enterprises. Avaya tests the applications for inoperability across the solution components before making available new software releases or updates. The coordination of software releases and testing across the IPT solution components from Avaya minimizes the complexity and risk for customers.

With Microsoft Lync IP telephony deployments, Microsoft must first release the new software or patch. Then the customer must wait for the third party hardware and application vendors to release their compatible updates-- which can add weeks to months. Next, the customer or VAR must install the updates respectively on the third party components in a lab to verify no issues with interoperability, which takes resources and adds time. If all goes well, then the software updates are implemented into the production environment. In this scenario, all the risk, complexity, and cost shifts to the customer.

Gary Audin: Well, I think it should be apparent that anyone listening to us should go to the Nemertes report. Thank you very much, Dan, for your time; and thank you, Patte.

Patte Johnson: Well, thank you, Gary and Dan. It was a very informative discussion. We invite all of our listeners and readers to continue this interactive discussion

and share your thoughts, opinions, and questions at the Webtorials website. Thank you.

* The discussion has been edited slightly for clarity and length.