White Paper: WAN sourcing on a local and global basis

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2 Market Background

Telecoms service providers have somewhat of a reputation for promising much during the pre-sales phase, but then delivering something that falls short once the WAN is operational.

Contracts tend to be longer term, typically 2, 3 or 5 years, although there has been a trend for shortening the lifecycle. Either way, a WAN renewal is a relatively rare event for most organisations, and staff churn during these timescales can impact on the buying organisations effectiveness in securing the optimum deal.

Is the market such that clients can't really know what to expect until locked into a WAN contract?

WAN has been a commodity item for many years, with decreasing technology costs bringing the unit price down year on year. Yet there is still significant churn in the WAN market, with customers initially happy, but then leaving after one contract cycle, often in search of better commercial performance.

This is inefficient for the buying organisation, who must repeatedly run the overhead of a market tender exercise, then bear the cost and internal time input of transition. There is further overhead if the network change also impacts their suppliers or customers. For providers it is equally inefficient, with a higher cost of sales and reduced revenue in the longer term.

The pitches from main service providers often follow a similar format:-

- A presentation of all the features and benefits
- Emphasis on the scale and reach of the network, with features such as the undersea cables and the landing sites on beaches

However in reality, once a contract and the associated WAN is operational, it doesn't matter how great the network is if the provider is so cumbersome to deal with that they become a bottleneck.

2.1   Typical Commercial Challenges

1. Multiple contracts
Locally-procured services generally means an organisation having multiple contracts with multiple service providers, and each contract must be separately managed, often in the local language.

2. Multiple invoices
Locally-procured services are often billed locally, in the local currency and language and in a particular format which in some cases may only be read through the provider's portal or billing software.

3. Multiple commercial models
Each operator has its own commercial model, including tariffs, SLA's and service credits. Therefore, when an organisation contracts with multiple providers, they inevitably end up with services delivered across multiple commercial models.

4. Multiple management models
Engaging with multiple providers often means that each country organisation must administer its own circuits and must devote resources in each country to ordering, bill processing and fault management.

5. Fragmented spend
By contracting with multiple providers, organisations are fragmenting their spend. Some organisations fear that this could result in them paying higher prices, particularly in countries in which they have a relatively small spend, than could be the case if their total regional or global spend were considered.

3 Global Telecom Arrangements

Clients want service contracts that give them the right balance of potential cost savings and flexibility, reduced risk, and innovation.
The key success factors for best-fit telecom deals are:
1) flexible terms and conditions in the framework agreement;
2) productive client-provider communication that includes regular executive exchanges
3) joint planning by the client and the provider account management team.

Centralizing and standardizing WAN sourcing

Discussions with IT clients suggest that the wider the client's network footprint — the more sites, markets, and countries involved — and the more dynamic their operations, the greater the challenge to their sourcing teams to efficiently monitor and manage performance. As a result, clients are centralizing their WAN services planning. Most of them also are standardizing WAN services sourcing practices — for example, RFP templates, "our paper" terms and conditions, and reference SLAs.

"When I came in four years ago, the first order of the day was to centralize. We used a consultancy to help us define a global standardization strategy for the key elements. Part of it was a new WAN to support a global rollout of a single CRM platform." (Business services firm)

"Provisioning is centralized for the data network, and we use our own "paper" — standard terms written up by our contracts legal team. It helps a lot as a starting point, especially with the global players we're using except in Asia." (Mining firm)

Selective outsourcing means that multiple providers are managing your telecom tower.

Many clients regularly debate internally whether to do single-service RFPs for their converged managed MPLS WAN, for example, or alternatively do a broader, multiservice RFP that also includes managed landline voice, including desktop VoIP, Internet access, audio conferencing, remote-access VPN, telepresence, and recently, WAN optimization and one- or multi-country cellular service.

"We're reviewing our options, we think a multiprovider strategy will give the most flexibility, but single-sourcing is tempting — depending on how open our vendor is to renegotiations. We have very positive relationships with two main vendors now — a telco and a virtual network operator." (Manufacturing firm)

Single-sourcing increases your risk exposure.

There are three main reasons why clients worry about single-sourcing their telecom tower: First, they're concerned about being able to keep the provider hungry and attentive once they've signed on for three years or more.
Second, they worry about organisational change; either merger and acquisition where the provider is acquired by another one they've used in the past which lost their business, or market exit / business solvency.
Third, they have concerns about innovation — will the provider be proactive about offering new services and lower-cost technologies?