



Create ongoing Economic Benefits with your Managed Services using Automation and Virtualization

A Customer Case Study with Cisco Virtual Managed Services (VMS)

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Objective of this Webinar



Using Cisco VMS as a Case Study

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Headlines from the press

No business case for SDN

Where's The SDN Business Case?

📁 **The Business Case Challenge for NFV**

Why SDN, as a business case, is not quite there... yet

Service Provider Market Transformation and Technology Evolution

Service Provider Business Challenges



Transformation

- My customers are demanding service innovation, flexibility, lower costs, and they want it now.
- How do I pivot to digitization to satisfy these needs?



ROI

- My budgets get cut every year, and I need payback on my investment in less than a year.
- How can I launch new services with minimal investment?



Complexity

- I need to reduce time to market and simplify my operations.
- How do I reduce the complexity with my vendors and eliminate friction?

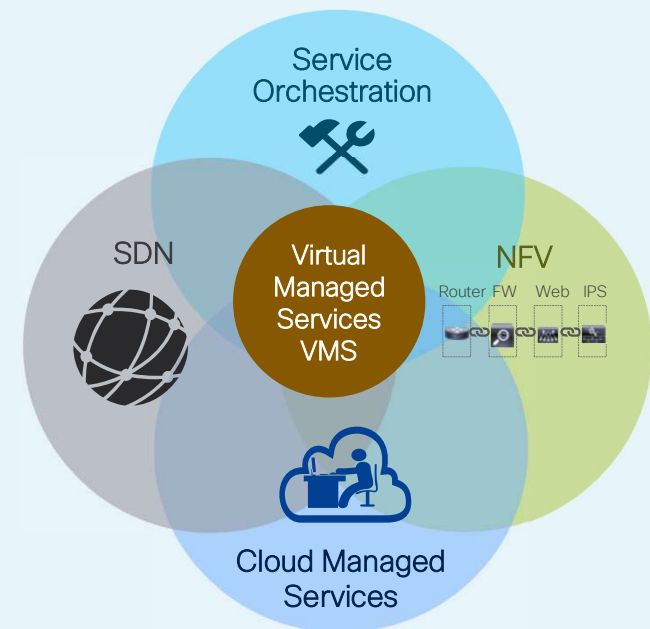
Desired Business Outcomes



1. Profitable Growth
2. Service Agility
3. Reduced Total Cost of Ownership
4. Simplicity of Operations
5. Improved Customer Experience

Technology Evolution addressing SP Challenges

Orchestration	Efficiency through automation and self-service fulfillment
Network Functions Virtualization	Flexibility with the transformation of solution architectures and operations
Cloud	Agile service delivery via cloud-enabled solutions
Software-Defined Networking	Dynamic market services via tight application and network interaction



Convergence of multiple disruptive technologies has created massive opportunity

What are the challenges with adopting these Technologies

Listed below are the 10 most common challenges that service providers have encountered when implementing NFV/SDN technology, based on STL Partners' research with 14 service providers worldwide in 2016.

1. Disseminating cultural/mindset change across the organization

2. Shortage of virtualization knowledge and software skills across the organization

3. Organization involved in NFV/SDN-led transformation product development full of siloes

4. Communicating the proposition to the customer

5. Moving to a new development and operational model

6. Facing regulatory challenges

7. Vendor lock-in

8. Unclear Business Case

9. Managing the transition from legacy networks

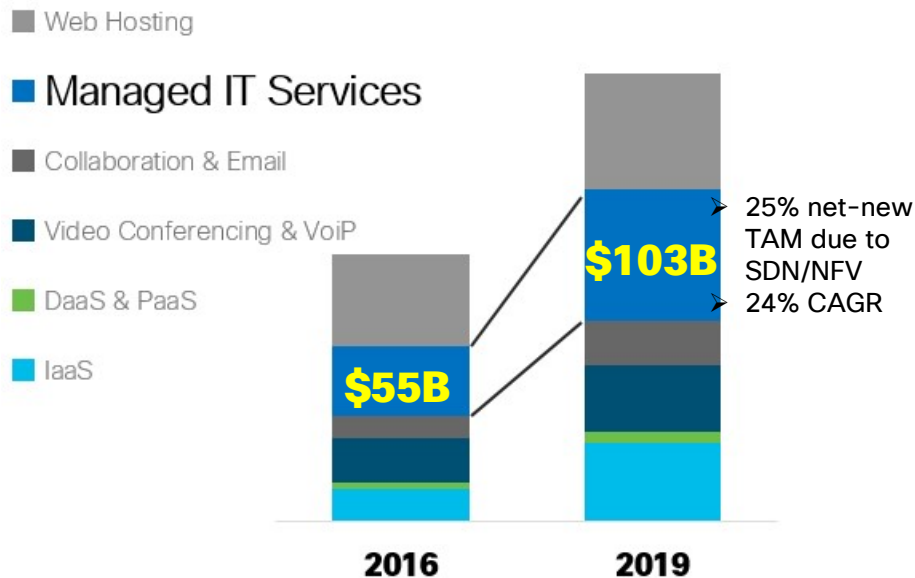
10. Uncertainty around how to achieve scale

Why solve the Unclear Business Case challenge?

There's a massive opportunity.....

but

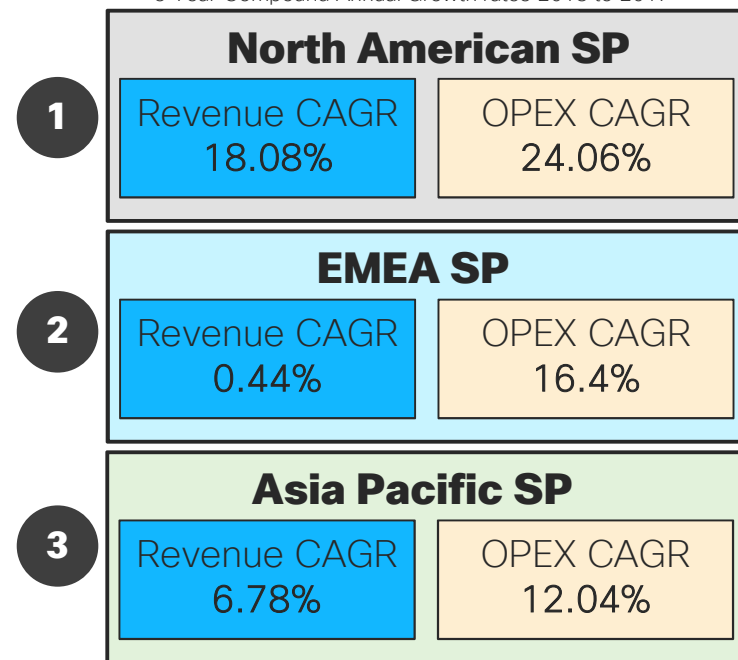
the pace of OpEx growth is a barrier to capturing the opportunity



Source: AMI Partners

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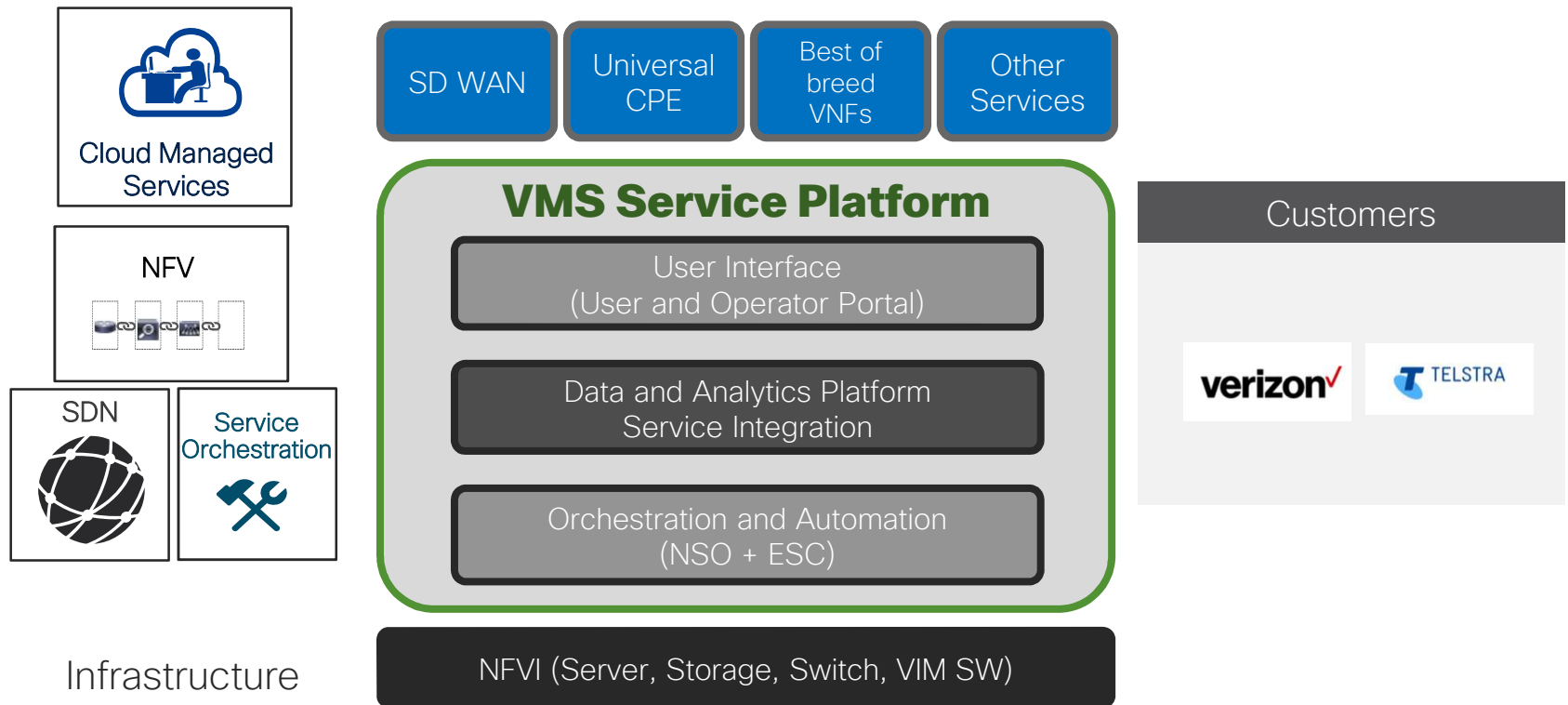
5 Year Compound Annual Growth rates 2013 to 2017



Source: Cisco BTA & SP 2013 to 2017 10K reports

Addressing the opportunity Profitably

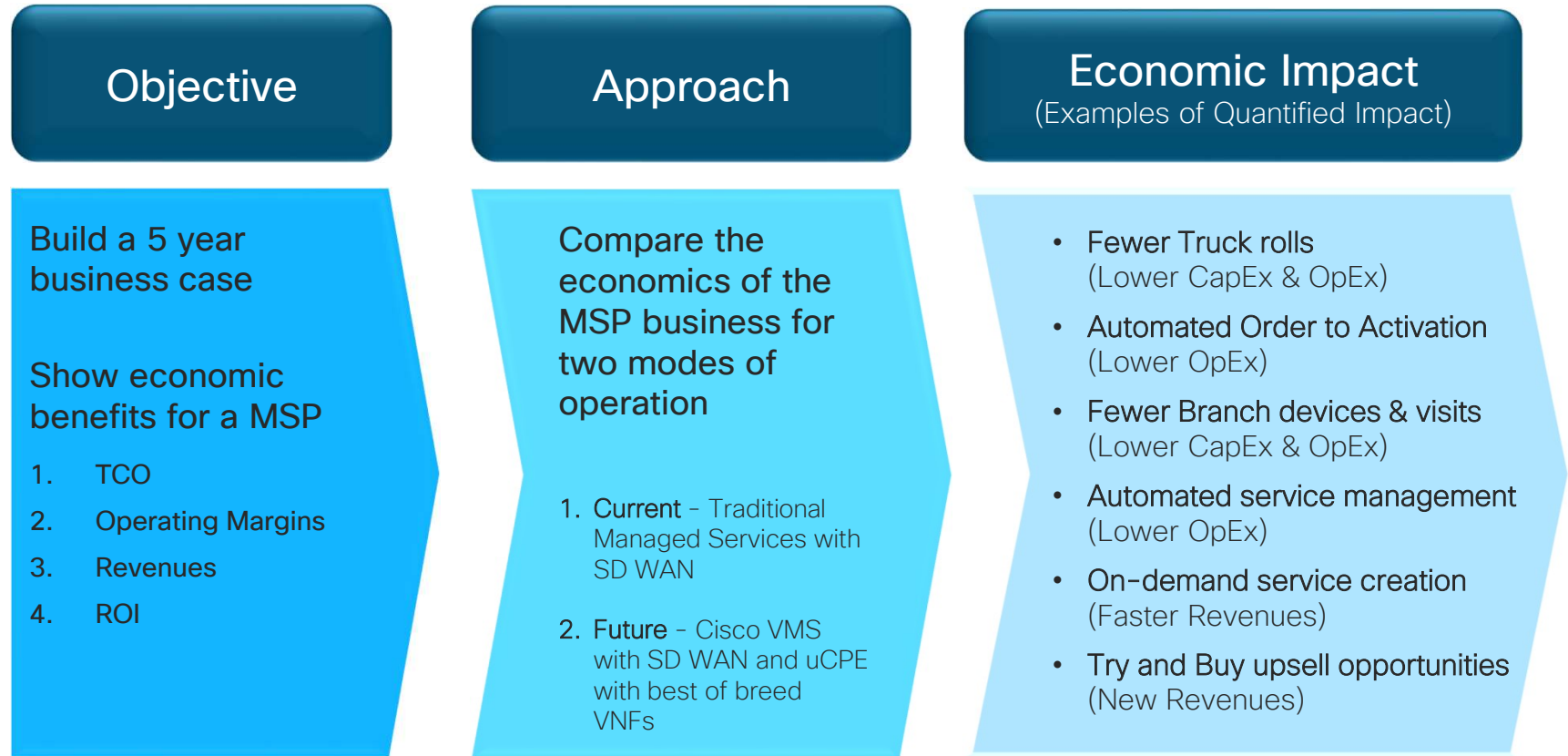
VMS as a Case Study



Service Provider
Economic Analysis

Framework & Set-up

Business Case Framework



North American Managed Services Provider Profile

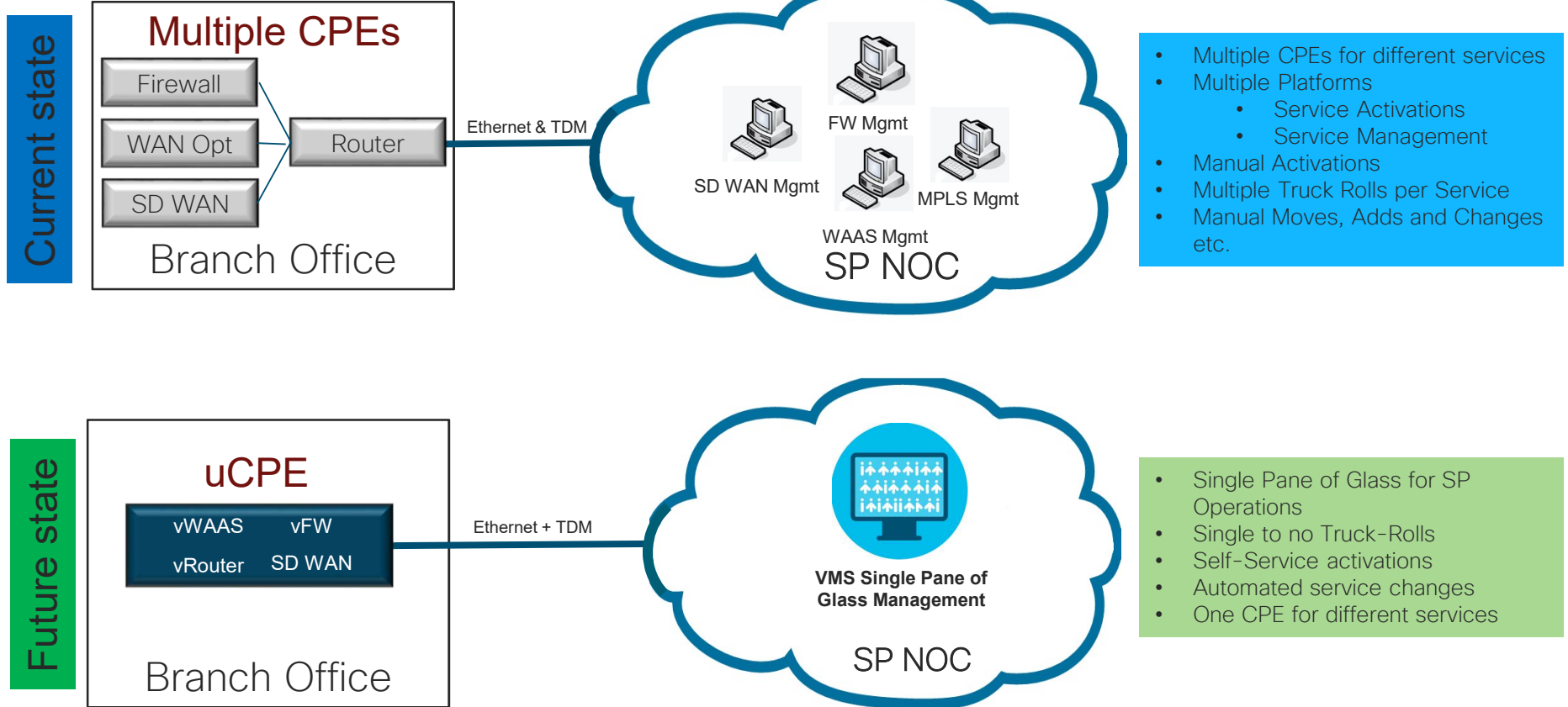
End-customer profile

- ❑ Total branch offices in Year 1 - 2000
- ❑ Total branch offices in Year 5 - 18000
- ❑ Branch Office categories
 - Small - up to 20 Mbps (80% of branches)
 - Medium - up to 100 Mbps (15 % of branches)
 - Large - up to 1 Gbps (5% of branches)

Services offered

1. SD WAN Service
2. Firewall Services
3. WAN connectivity
4. WAN Optimization

MSP Operating Scenarios



Inputs and assumptions

Key Inputs

To calculate TCO (HW + SW+ Services)

- i. SP's enterprise customer base configurations
- ii. VMS Services that SPs will offer in their markets
- iii. VMS pricing information

To calculate potential revenues

- i. Service pricing i.e. how much SPs can charge
- ii. SP's enterprise customer base configurations
- iii. VMS Services that SPs will offer in their markets

To calculate OpEx savings from automation

- i. WAN services offered
- ii. Individual operational activity and associated man-hours effort required for each*
- iii. Automation impact with based on real customer engagements*

Key OpEx and revenue analysis assumptions

Operational Process	% of Branches impacted annually	Number of Operational activities considered	Total current mode hours per process per service
New Branch/Device addition	100% of net new	7	17 Hours
Incident Resolution	5% of Total	6	10.8 Hours
Change Request	20% of Total	7	16.7 Hours
Service upgrades	4 incidences	5	2 months
New service Introduction	100% of Total	7	4 months

On average, current mode hours are reduced by ~50%-70% due to automation capabilities within VMS

Key Inputs for Revenue Analysis

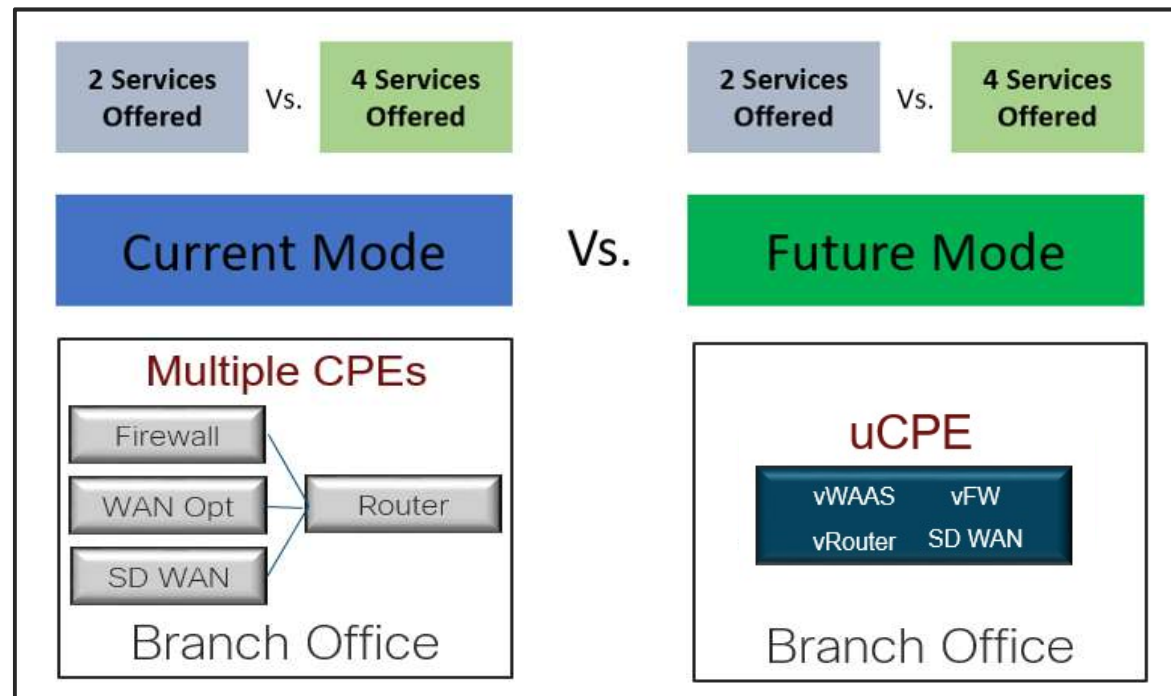
Average MRC charged per service per device - \$250

Average time to market/revenue per new service - 4 months

Service Provider
Economic Analysis

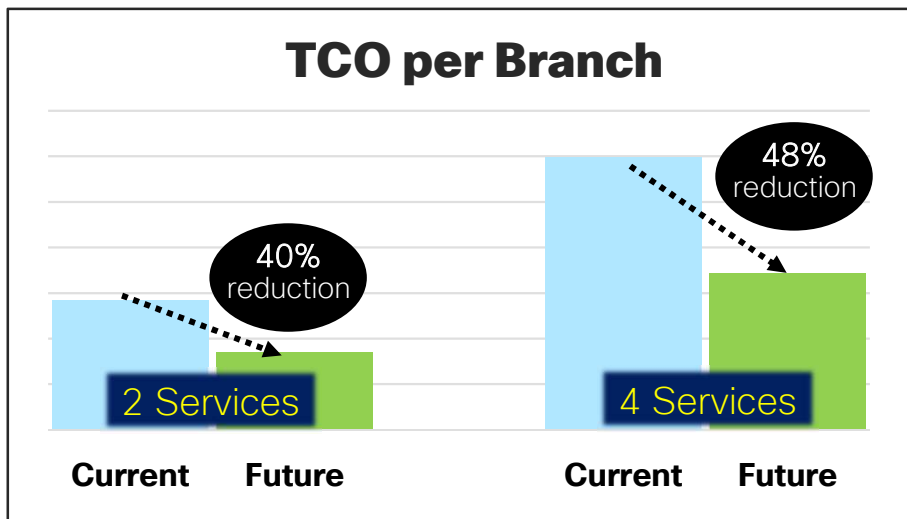
Results

What we compared

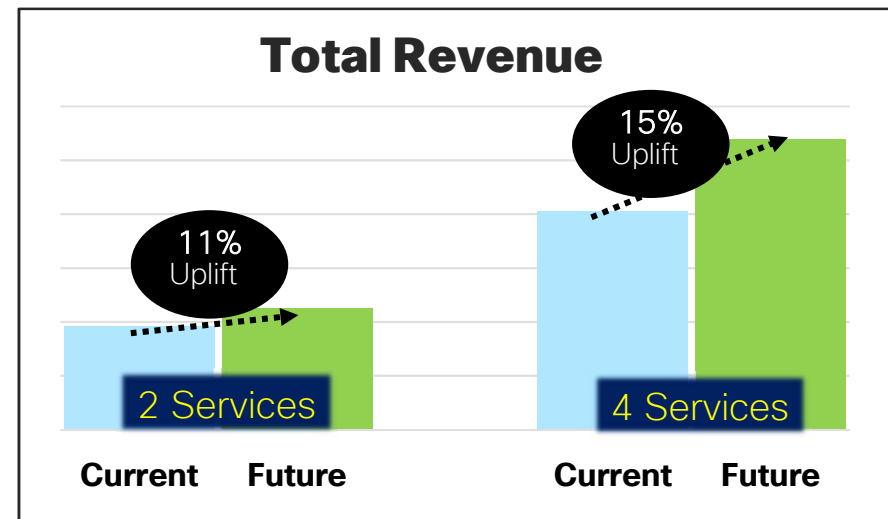


Results

Economic effect of automated end-to-end service chaining and orchestration



Year 1

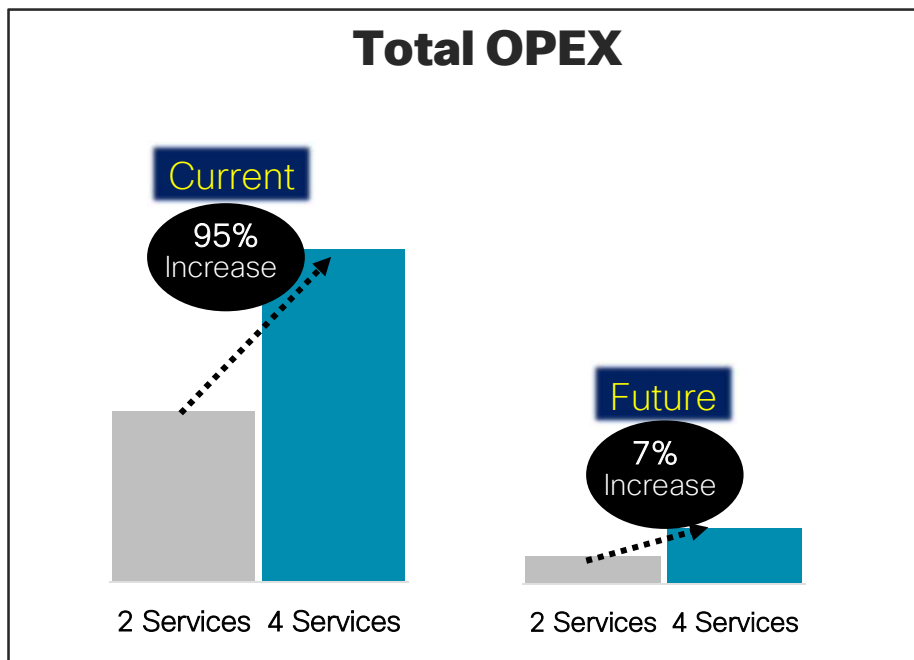


5 Year Cumulative

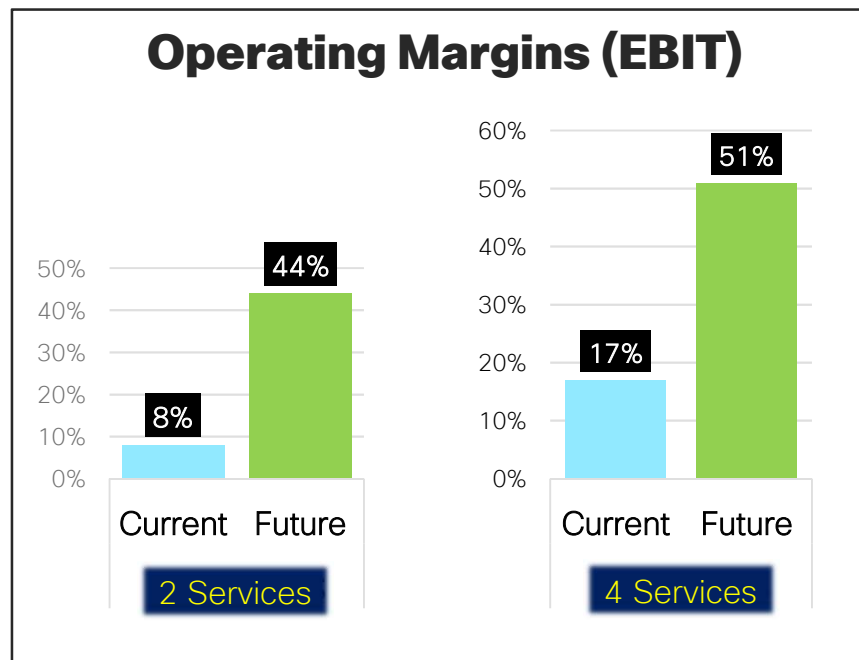
More value can be captured as additional services are deployed on the platform

Results

Economic effect of automated end-to-end service chaining and orchestration



5 Year Cumulative



Year 5

Create more value with lower OPEX per net-new service launch for MSPs

Results - ROI, Profits and Margins

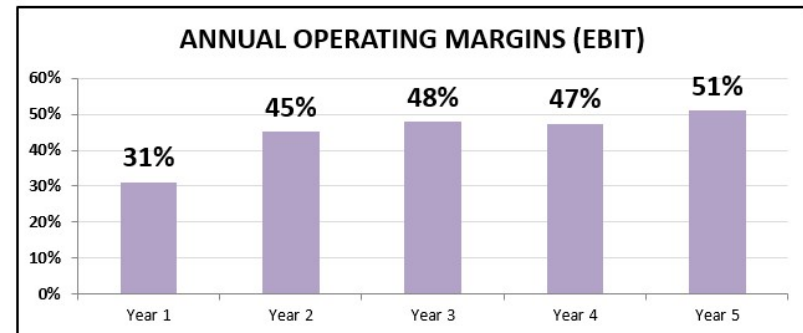
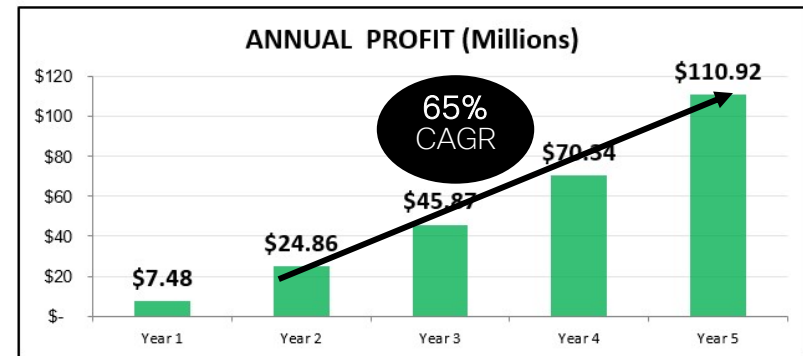
5 Year Business case Summary

PV of Total Investment - \$178 Million

ROI - 132%

Payback - Year 1

NPV - \$286 Million



Value captured includes OpEx savings + annual profits from selling four services - SD WAN, FW, Routing, WAN Acceleration

Conclusion

- Technology evolution can enable MSPs achieve their business outcomes
- The convergence of technologies such as SDN, NFV, Cloud etc. in the form of an end-to-end solution can drive profitable growth
 - Faster time to Revenues due to automation
 - Lower OpEx due to automation
 - Lower CapEx due to fewer network devices
- We encourage you to visit cisco.com or contact your cisco reps to learn more

Questions?

