Case

WANOPT
The Wide Area Network Optimizers

A CANADIAN BANK WHOSE NETWORK IS OUTSOURCED, ANALYZES THE ALTERNATIVES WHEN UP-GRADING ITS INFRASTRUCTURE

Organization overview

The company is a worldwide travel and financial services company. It is a global leader in debit and credit cards, traveller’s checks, travel, financial planning, investment products, insurance, accounting and international banking.

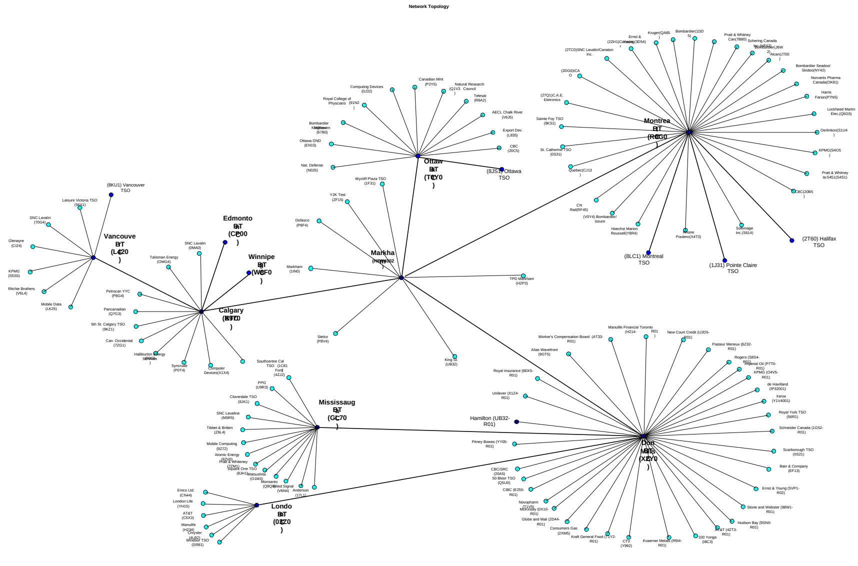
The company employs around 3,000 Canadians in 127 branches coast-to-coast. It is also a leading provider of travel-related services in Canada and assists companies in managing and controlling their business and travel expenses.

The organization’s network was outsourced three years ago. A series of problems related to the network reliability, performance and cost, convinced management to re-evaluate the situation.

The first step was to identify the causes of the network under-performance. The second step was to identify the solution and calculate how much it would cost. The company wanted to know, how much the new network would cost, including installation and operation (using internal and external personnel). This information would allow them to decide whether or not to keep the infrastructure outsourced. In addition, they wanted to determine a reasonable premium to pay the outsourcer if they decided to keep things as they are.

Results

The analysis showed that the ideal topological structure would have eight nodes with 90% of the 127 branches located less than 200 Km from them.



When analyzing the traffic and interconnection costs available, and assuming a complete hardware renovation, Ariete® identified a possible network monthly cost of US$107,659.93. This was almost half of the price currently charged by the outsourcer for the existing network. Besides being less expensive, the proposed structure was much more resilient (having back-up for all main nodes) and had almost two times the bandwidth availability.

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Therefore, was identified the possibility of paying almost half the current cost to have a much better structure.

By analyzing the alternatives, the tool found that through topological re-arrangement and voice integration, it would be possible to reduce costs from US$240,795.79 to US$133,135.86.

Current situation

Service type	Monthly cost US$
Outside network PSTN calls	151,555.79
Hardware	20,000.00
Data circuits	69,240.00
Total	240,795.79

Proposed situation

Service type	Monthly cost US$
Outside network PSTN calls	73,374.00
Hardware	11521.86
Backbone	28000
Access	20240.00
Total	133,135.86

Faced with this fact, the company's management had to choose between implementing the new network internally or outsourcing it. The company decided to keep the network outsourced but renegotiated the values charged and the bandwidth availability.

This project is interesting not only because of the economical results, but also because it changed the way in which the issue was managed. Before the analysis, all negotiations with the outsourcer was being conducted under the assumption that the company would pay more for a network with more bandwidth and resilience. The outsourcer response was: "Ok, if you want more bandwidth and resilience it is going to cost you more." The study broke this paradigm by showing that the company could have a better structure for less money. In addition, the decision to "outsource or not" was placed in a completely different perspective. It became clear that within certain price range, outsource would be a valid alternative. The company said "we agree to outsource as long as your price is equal to or slightly more than the cost of implementing and operating the network ourselves."

As a result of this process, the negotiation with the outsourcer wasn't based on the current price but on the price that the company would be paying if they implemented the optimized network themselves. The negotiation determined the premium that the outsourcer would charge on top of this price to implement and manage the infrastructure (a quite different approach from the previous one). As a result of the negotiation, the outsourcer agreed to charge a premium of just ten percent over the calculated price.