Case

WANOPT
The Wide Area Network Optimizers

SHOPPING MALL REAL ESTATE COMPANY ANALYZES THE FEASIBILITY OF BUILDING THEIR OWN PRIVATE WAN AND RESELLING THIS INFRASTRUCTURE TO IT'S TENANTS.

Organization General view

This case involves a Canadian shopping mall real estate company with more than two hundred shopping centers across Canada. The company was trying to determine the feasibility of implementing a private voice and data network to be offered as part of its services to tenants.

The objective of the cost-benefit analysis was to identify the correlation between the volumes, costs and revenues.

The company's management felt they could maximize their assets by offering additional services to its tenants. This perception triggered a whole series of studies about potential value-added services, including a private network for tenants.

When this study took place, the company's closest competitor had just started offering an integrated services package (including cabling, voice, data and premises equipment).

The process

This analysis was possible only through the deployment of our analytical tool (Ariete®) which not only allows the identification of the ideal structure to support a given traffic volume but also make possible to calculate several traffic volumes. Through these analyzes we can establish the correlation between volume and cost.

The possibility to set many volumes scenarios is extremely useful because it allows us to see how the infrastructure cost changes depending on the volumes transported. Therefore, we can produce a graphic correlating these grandness.

For instance, in this particular case, when analyzing a service provider infrastructure (what is what the real state company was going to become to its tenants) we can even generate the possible revenues per volumes and doing so we are able to identify two curves: Volumes X Infrastructure cost and Volume X Revenue. With this information we are able to identify the company cash flow and aspects like:

- Breakeven point: Minimum amount of traffic necessary to make a project feasible
- R.O.I.: Return Over Investment
- Profitability per volume

Summarizing we are able to build the service provider business model and consequently simulate all volumes scenarios.

Results achieved

This study identified the minimum number of clients (voice and data traffic) necessary to make the network feasible and also compared the costs involved (infrastructure and operation) with the possible rates chargeable from the tenants.

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The study showed that the company had to convince at least 40% of its tenants to use the service in order to make it feasible. It wasn't that simple though because the major tenants (large retails stores) represented just 35% of the total number of tenants. Therefore, the company had to convince all the major tenants and at least 5% of the smaller retail stores to use the new service. After this break-even point, the profitability curve would grow smoothly.

However, most of the major retailers already had their own network strategies and were unlikely to implement different strategies just for the stores located inside the company's malls. Furthermore, most small retailers (60%) didn't need this kind of service because they didn't have a very wide geographical dispersion or large number of points of presence.

The curve bellows shows how the revenues and operational costs behave in this specific case: