CIO
Custom Solutions Group

NETWORK BY SUBSCRIPTION:
A FLEXIBLE, SCALABLE OPTION
FOR TODAY'S FLUID MARKETS

EXECUTIVE SUMMARY

Purchasing or leasing network infrastructure in today's technologically and economically uncertain climate may be too inflexible, too risky and too expensive for many IT departments. But there is a more viable option: network subscription. For a monthly fee, customers can acquire network capacity through a long-term, open-ended acquisition model that allows them to increase or decrease capacity with 60 days notice.

Much like a utility, network subscription allows customers to pay only for what they use, eliminate the risk of their own equipment becoming obsolete, and keep capital expenditures off their balance sheets. The result is an agile, scalable, and easy to refresh network infrastructure.

"If you're in a fluid, dynamic environment, a network subscription is absolutely of interest. We see a big future for it."

—Ron Dobes, Executive Director, Managed Connectivity Services for CSC

BROCADE

AN UNCERTAIN CLIMATE

The economy may be recovering, but there is still high unemployment and market uncertainty. For IT leaders in government agencies, that means severe constraints on capital budgets. And though the constraints are less severe for other businesses, there is still pressure to limit spending and leverage efficiencies.

Meanwhile, the demands on IT to do more and do it faster are growing:

- Use of social networking, collaboration software and handheld mobile devices is expected to increase. Younger workers especially are used to collaborating on multiple network access points.
- Online retailing is driving customers to the cloud, creating volatile peaks and valleys in demand, and requiring IT to respond quickly with varying levels of capacity.
- IT is becoming a core element of business strategy. This makes betting capital outlay on specific technology and vendors increasingly risky—obsolescence can make an enterprise less competitive.

These pressures are prompting IT leaders to move to highly virtualized, services-on-demand networks enabled through cloud delivery models. And while there is enormous potential in the cloud, there are also concerns.

THE TRADITIONAL RESPONSE: HEADACHES REMAIN

Traditional network capacity management—the "stair-step" model of overbuilding infrastructure beyond expected peaks, and then waiting for demand to surpass it consistently before repeating the process—has become risky and expensive. An enterprise with peak demand for one month each year has overcapacity sitting unused the rest of the time, essentially tying up money that could be spent elsewhere.

But if an IT executive underestimates demand and cannot scale up quickly because of capital constraints, productivity and customers may be lost. Finally, the pace of technology makes the status quo method of waiting three to seven years to refresh infrastructure obsolete. As most enterprises and providers have learned, customers tend not to be patient when new technology is available.
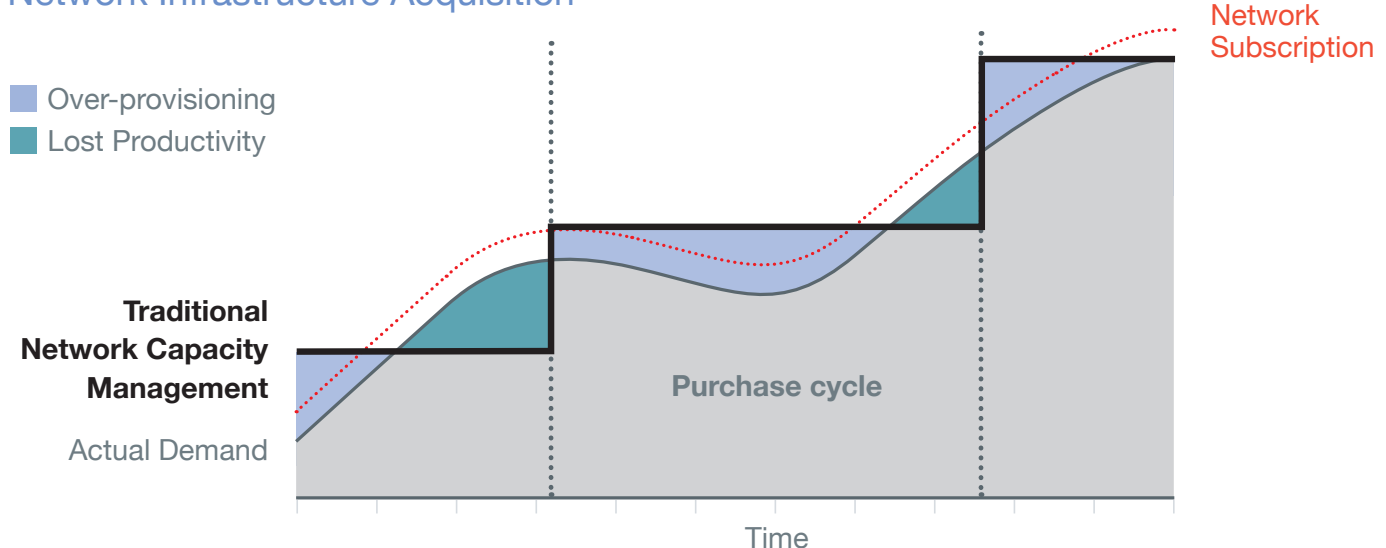
ELIMINATE UNCERTAINTY AND RISK

Network infrastructure as a monthly subscription is designed specifically to address these issues. It may not always be cheaper than purchase or lease in the short run, but its advantages can lead to profit and/or savings that easily outweigh the cost differential.

In today's volatile market, rapid response it is a competitive necessity. A monthly network subscription can provide it—a customer can expand, contract and/or refresh capacity or technology on 60 days notice with no penalty. It's a network acquisition model with the same flexibility as a cloud-based business model.

That model is the latest option from Brocade, an industry leader in providing reliable, high-performance network solutions. Lisa Paquette-Nelson, Director, Brocade Capital Solutions, says the capacity planning process "used to be linear. It was easier to predict (growth). That's changing as CIOs are trying to leverage the cloud to address those spikes."

Apple is a classic example of how a

Network Infrastructure Acquisition

Legend:
- Over-provisioning
- Lost Productivity

Traditional Network Capacity Management

Actual Demand

Network Subscription

Purchase cycle

Time

network subscription can address "cloud-bursting" demand peaks, says Paquette-Nelson. "On December 25, the demand for iTunes goes through the roof," she explains, "and sitting behind that Web application are transactional databases. If you're Apple, do you want to build for December 25, or do you want to leverage third-party resources at a premium to satisfy that demand?" The premium, she notes, costs much less than having that kind of network infrastructure in place all year.

A network subscription can also address the risk that a network infrastructure won't keep up with future technology. Debra Raidl, Solution Marketing Manager, Brocade Network Subscription for Brocade notes that a subscription model allows an IT manager to "pick up on (new technology) very quickly for a slight change in the monthly fee." This is particularly important as the path to the public cloud evolves. "It gives them the flexibility to align with the nirvana they are seeking." Raidl says. In short, it helps to smooth, and make affordable, the transition to the virtualized world.

Additionally, subscription allows IT to focus on the core objective of the enterprise. "IT organizations are trying to move away from the technology hat to align with business objectives," Grasby says. "This allows them to do that."

COST CONTROL AND BEYOND

Respondents to *CIO* magazine's 2011 State of the CIO survey list overall operating cost reductions among the top business accomplishments their IT organizations will achieve in the coming year. Top-line revenue growth is the primary focus of IT investments for more CIOs than a year ago, while fewer IT leaders plan to focus on lowering business operations costs.

What does this sustained trend of shifting investments toward business goals mean in the context of networking services? It means that while IT leaders are looking for ways to drive revenue, controlling costs is still a prerequisite. This is particularly important for

government agencies at all levels, where IT capital budgets have been slashed due to low tax collections, and high government outlays. With network subscription, they can expand services and stay current with technology without capital outlay. "This is good especially in cash-strapped states like Illinois and California," says Lisa Paquette-Nelson, Director, Brocade Capital Solutions.

> **While both a lease and a subscription are an operating, rather than a capital expense, network subscription offers greater flexibility, since there is no long-term payment commitment and the monthly payment is for actual, rather than expected, use.**

Network subscription benefits enterprises and service providers as well, by giving them capital flexibility. The large upfront costs of refreshing or expanding infrastructure can be deployed elsewhere. And instead of paying to build and maintain infrastructure, network subscription customers pays only for what they use. It's not just pay-as-you-go—it's pay-as-you-grow.

This means government agencies, enterprises, and service providers can scale their business instead of their infrastructure. It can be particularly attractive to network service providers, whose customers' business infrastructure demands may change rapidly through seasonal fluctuations, or because of business activities such as cloud-based software development.

"A service is really what they're selling to the customer," Paquette-Nelson says, "and

there is a huge infrastructure investment required that puts them in the hole on the day they start that contract. Normally, they don't break even until year three. This allows them to scale up and profit more quickly."

ACQUISITION ALTERNATIVES

The choice of network acquisition model—purchase, lease or subscription—depends on the unique needs of the organization. A purchase brings an asset to an organization that is intended to add value during its useful life. Unlike a lease, it involves no documentation fees.

A lease generally includes origination fees as well as penalties for early termination. Purchase and lease models may also be subject to debt covenants and are depreciated annually. A network subscription involves no documentation fees, no long-term obligation, and the monthly payment is for actual use.

And while both a lease and a subscription are an operating, rather than a capital expense, network subscription offers greater flexibility, since there is no long-term payment commitment and the monthly payment is for actual, rather than expected, use.

Brocade Network Subscription is slightly more expensive than a lease, but it can ultimately yield efficiencies and profit. Paquette-Nelson says some clients use all three models, depending on their needs in specific areas.

CASE STUDY: CSC

Falls Church, VA-based CSC is a global provider of technology-enabled business solutions. Since its founding more than 50 years ago, it has grown to 93,000 employees in 90 countries. CSC typically offers customers three levels of service: at the first level, the customer owns the infrastructure and CSC manages it; at the second level, CSC upgrades the network to new architecture; at the third level, CSC builds a network from the ground up.

The latter two levels have traditionally required significant upfront capital. Ron Dobes, Executive Director, Managed Connectivity Services for CSC, says the legacy method of capital investment to build network infrastructure for anticipated peak loads "was sustainable until about two years ago."

But the volatility of the market has changed that. "The legacy method was good at anticipating growth in the business, but not shrinkage," Dobes says. "If business falls off, or perhaps a company sells off a division, then an enterprise ends up with stranded capital."

Neither the purchase nor lease model is elastic enough to respond quickly to those fluctuations, he explains. "We're very excited about this (network subscription), because now you can scale up, down, or sideways, and neither CSC nor the customers have to worry about capital costs. That is what has been lacking."

Network infrastructure "on a utility basis" allows enterprise leaders to focus on the core business, Dobes says. "The average CEO doesn't care that much about the network. But he or she does care about whether the business application is running correctly, and whether the business is getting the optimum productivity from its application portfolio."

Done right, network infrastructure is like the infrastructure behind a light switch. "You don't know it's there and I don't want you to know it's there. But if the light doesn't come on, you suddenly notice it," Dobes says, adding that network subscription makes unwanted notice of the infrastructure less likely from a financial perspective.

"If you know you're going to buy that switch and use it until it fails, then this will have no attractiveness whatever. But if you're in a fluid, dynamic environment, this is absolutely of interest. We see a big future for it."

CONCLUSION

Brocade Network Subscription is a new acquisition model aimed at today's environment of economic and technological uncertainty. With it, customers can increase or decrease networking capacity without upfront capital costs. Brocade Network Subscription removes the risks and obligations of a long-term lease, giving an organization the flexibility to respond quickly to changes in demand without financial penalty, and to align costs with revenues.

It also lowers the risk of technological obsolescence. The network infrastructure behind any operation is critical. But building it and keeping it up to date it should not be the primary focus of the IT division of an enterprise or service provider. With Brocade Network Subscription, it doesn't have to be.

**To learn more, visit
www.NoNetworkCapEx.com**

About Brocade

Brocade provides reliable, high-performance network solutions that help the world's leading organizations transition smoothly to a virtualized world where applications and information reside anywhere. The company is extending its data center expertise across the entire network with future-proofed solutions built for consolidation, network convergence, virtualization and cloud computing.

For more information about Brocade products and solutions, visit www.brocade.com.