



Lync Conference 2014

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Microsoft

Microsoft Lync TCO

An Independent Analysis to Support Your Planning

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Microsoft



Objectives

- Review the TCO of Microsoft Lync
- Discuss how this information may inform decisions

Agenda

- Who we are; what we do ✓
- Why a TCO study?
- Approach to the study
- TCO components
- TCO comparisons
- What this means for you

TCO Report Highlights from Enterprise Connect 2012-13

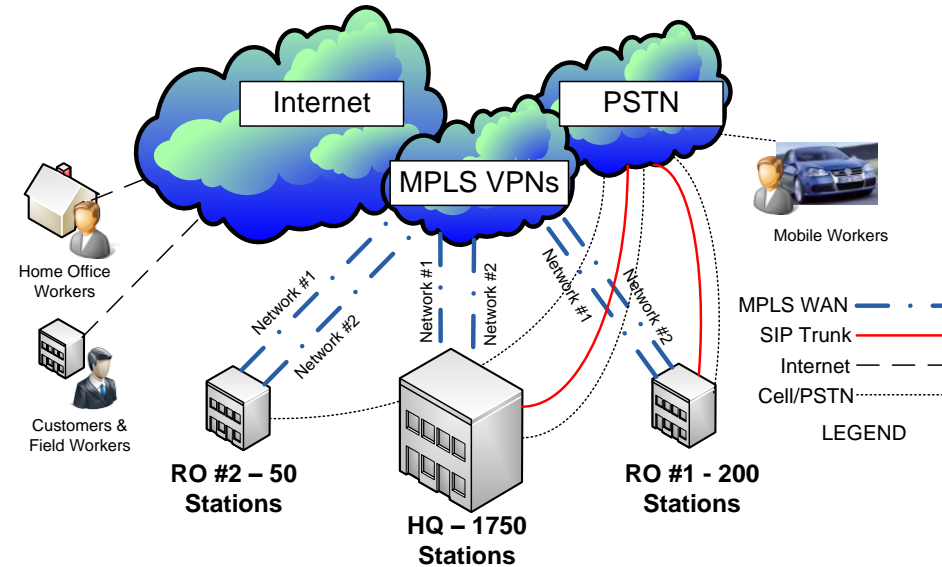
Sample RFPs for 2000 employee company

- 20 vendor responses across 3 options: cloud, on-premises IP-PBX, "UC overlay"

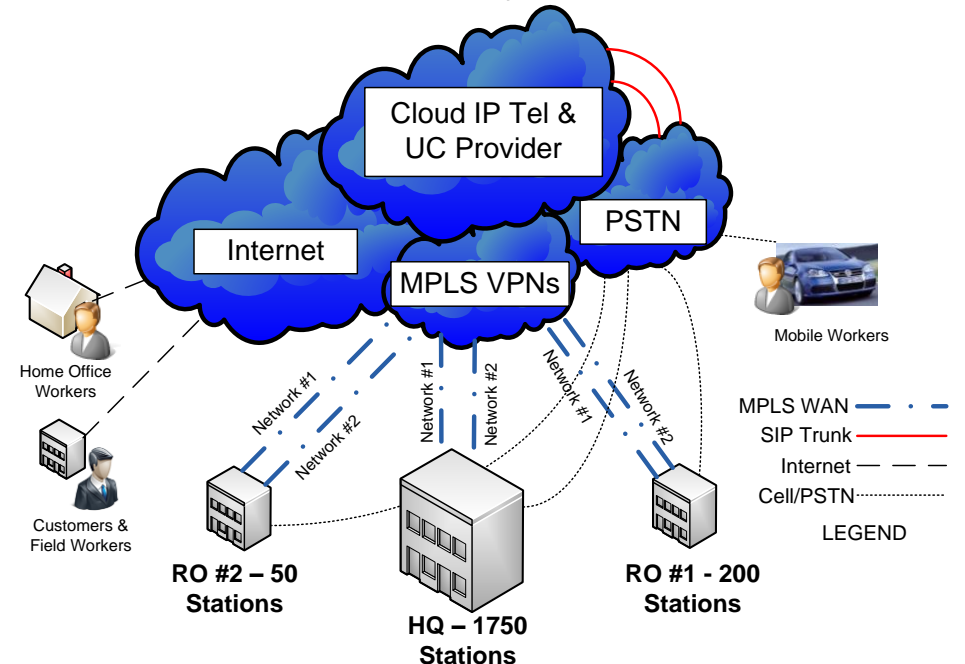
What we found:

- Cloud solutions were 2X on-premises TCO
- Overlay solutions were .5X on-premises TCO

Option 1: On-Premise IP Tel and UC

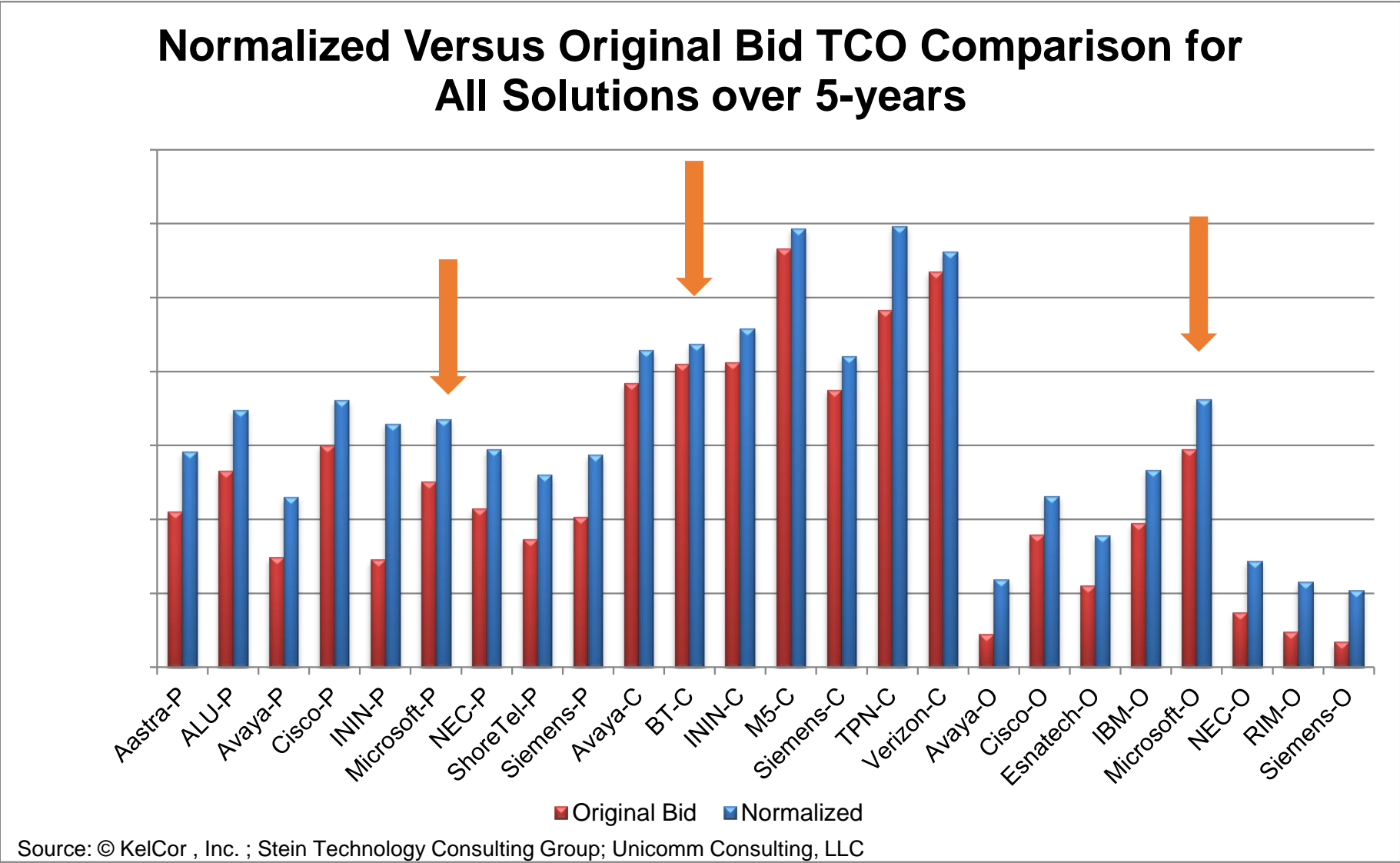


Option 2: Cloud-based IP Telephony and UC



TCO Comparisons from Enterprise Connect 2012

Microsoft
Responses
in 2012



Why a Lync TCO study?

Changing industry landscape

- UC capabilities added to IP PBXs, collaboration software, business applications
- Need to compare premises vs. cloud solutions
- Divergent sources, surveys and opinions

Done at Microsoft's request

And, independently – for unbiased results...

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The Importance of Profiles

Different users require different workloads

- Defining the workloads is key to a proper TCO analysis
- Usually 5 to 7 user categories define the workloads for an enterprise

Profile example for Manufacturing

| Manufacturing | | | | | |
|--------------------------|-----------------------|----------------|----------------------|----------------------|---------------|
| | Executive | Highly Mobile | Collaborative Worker | Support Worker | Task Worker |
| Percent by Category | 3% | 20% | 30% | 17% | 30% |
| IM/Presence | 100% | 100% | 100% | 100% | 100% |
| Federation | 100% | 100% | 100% | 100% | 0% |
| Deskphone | 100% | 15% | 50% | 70% | 15% |
| Softphone | 100% | 100% | 100% | 50% | 30% |
| Executive Video Unit | 50% | 0% | 0% | 0% | 0% |
| Mobile Smartphone Client | 100% | 100% | 100% | 50% | 30% |
| Mobile Tablet Client | 100% | 100% | 100% | 50% | 30% |
| Conferencing Hosts | 50% | 100% | 100% | 10% | 10% |
| Phone Type | Multi-L, Speak, Touch | Multi-L, Speak | Multi-L, Speak | 2-Line or Multi-Line | Single-Line |
| | | | | | Total 100% |

TCO Analysis Assumptions

Used standard sizes and workloads

- 500; 5,000; 50,000 – Three orders of magnitude
- Modular workloads:
 - IM/Presence plus increments for:
conferencing; enterprise voice; contact center; video room systems
- Usage Profiles define requirements by user categories

Configured systems and licensing

- Used vendors' tools with vendor and VAR validation
- Considered both premises and cloud options
- Calculated or estimated installation and operational costs

Applied discounts based on company size

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TCO components

nts

| | | | | | |
|---------------------------|--|---|--|--|--|
| Initial purchase costs | | One time costs | | | Licensing |
| | | Total server software | | | |
| | | Total software CALs | | | |
| | | Total hardware | | | |
| | | Total contact center | | | |
| | | Total videoconferencing hardware | | | |
| | | Total implementation costs | | | |
| | | Grand total one time costs | | | |
| Recurring system costs | | 5-year total of annual support costs | | | Hosted Solutions |
| | | Server software maintenance / support | | | |
| | | Total CAL maintenance / support | | | |
| | | Total hardware support | | | |
| | | Total videoconferencing maintenance / support | | | |
| | | Total contact center annual support | | | |
| | | Grand total support costs | | | |
| | | Subtotal before operating costs | | | |
| Recurring Operating Costs | | Operating costs | | | Essential for Comparison of Premises vs. Hosted! |
| | | Total rack space costs | | | |
| | | Total personnel costs | | | |
| | | Total power costs | | | |
| | | Total annual bandwidth cost | | | |
| | | Total SIP trunking cost | | | |
| | | Total operating costs | | | |

Major assumptions

Discounts

- Analysis uses Microsoft SA or Microsoft EAS (subscription) for on-Premises TCO
- EAS: Microsoft software licensing as an OPEX model, including support (SA)
 - Standard and Enterprise CALs and SA (support) included in master EAS agreement
 - Lync 'Plus' CAL and SA for Enterprise Voice is charged at annual recurring EAS rate
- Representative IP-PBX solution is discounted progressively by enterprise size

Servers

- Configured using vendors' configuration and pricing tools for on-premises TCO

Operating Costs

- Allocated per 1000 employees, per year
 - System Operation: \$214,000/1000 employees per year*
 - Help Desk: Lync: \$50,000/1000 employees; IP-PBX: \$62,500/1000 employees.

Lync on-premises
CAL/SA list prices
less discount

Example:

5 year TCO

5,000 users

On-Premises

No contact center

No group video

No EAS licensing

| One time costs | On-Premises | Percent | Percent |
|---|----------------------|---------------|---------------|
| MS Lync | | | |
| Total server software | \$ 109,595 | 2.3% | 0.9% |
| Total software CALs | \$ 1,559,754 | 32.0% | 12.6% |
| Total hardware | \$ 511,579 | 10.5% | 4.1% |
| Total contact center | - | - | 0% |
| Total videoconferencing hardware | - | - | 0% |
| Total implementation costs | \$ 327,139 | 6.7% | 2.6% |
| Grand total one time costs | \$ 2,508,067 | 51.5% | 20.3% |
| 5-year total of annual support costs | | | |
| Server software maintenance / support | \$ 147,648 | 3.0% | 1.2% |
| Total CAL maintenance / support (EAS) | \$ 2,101,335 | 43.2% | 17.0% |
| Total hardware support | \$ 109,957 | 2.3% | 0.9% |
| Total videoconferencing maintenance / support | - | 0% | 0% |
| Total contact center annual support | - | 0% | 0% |
| Grand total annual support costs | \$ 2,358,941 | 48.5% | 19.1% |
| Subtotal before operating costs | \$ 4,867,008 | 100.0% | 39.3% |
| Operating costs | | | |
| Total rack space costs | \$ 28,125 | | 0.2% |
| Total personnel costs | \$ 6,600,000 | | 53.3% |
| Total power costs | \$ 21,771 | | 0.2% |
| Total annual bandwidth cost | \$ 472,016 | | 3.8% |
| Total SIP trunking cost | \$ 388,125 | | 3.1% |
| Total operating costs | \$ 7,510,037 | | 60.7% |
| Grand total | \$ 12,377,045 | | 100.0% |

Licenses and license maintenance are 80% of system TCO

IT personnel costs are more than 50% of complete TCO

Lync on-premises with EAS (Subscription)

Example:

5 year TCO

5,000 users

On-Premises

No contact center

No group video

EAS licensing

| One time costs | On-Premises | Percent | Percent |
|---|---------------------|---------------|---------------|
| | MS Lync | | |
| Total server software | - | 0.0% | 0.0% |
| Total software CALs | - | 0.0% | 0.0% |
| Total hardware | \$ 511,579 | 24.7% | 5.3% |
| Total contact center | - | - | 0.0% |
| Total videoconferencing hardware | - | - | 0.0% |
| Total implementation costs | \$357,547 | 17.3% | 3.7% |
| Grand total one time costs | \$ 869,126 | 42.0% | 9.1% |
| 5-year total of annual support costs | | | |
| Server software maintenance / support | \$ 243,953 | 11.4% | 2.5% |
| Total CAL maintenance / support (EAS) | \$855,600 | 41.3% | 8.9% |
| Total hardware support | \$ 109,957 | 5.3% | 1.1% |
| Total videoconferencing maintenance / support | - | 0.0% | 0.0% |
| Total contact center annual support | - | 0.0% | 0.0% |
| Grand total annual support costs | \$ 1,209,510 | 58.0% | 12.5% |
| Subtotal before operating costs | \$ 2,069,636 | 100.0% | 21.6% |
| Operating costs | | | |
| Total rack space costs | \$ 28,125 | | 0.3% |
| Total personnel costs | \$ 6,600,000 | | 68.9% |
| Total power costs | \$ 21,771 | | 0.2% |
| Total annual bandwidth cost | \$ 472,016 | | 4.9% |
| Total SIP trunking cost | \$ 388,125 | | 4.1% |
| Total operating costs | \$ 7,510,037 | | 78.4% |
| Grand total | \$ 9,579,673 | | 100.0% |

EAS licensing reduced
5-year system TCO by
~\$2.8 million

IT personnel costs
are now ~69%
of complete TCO

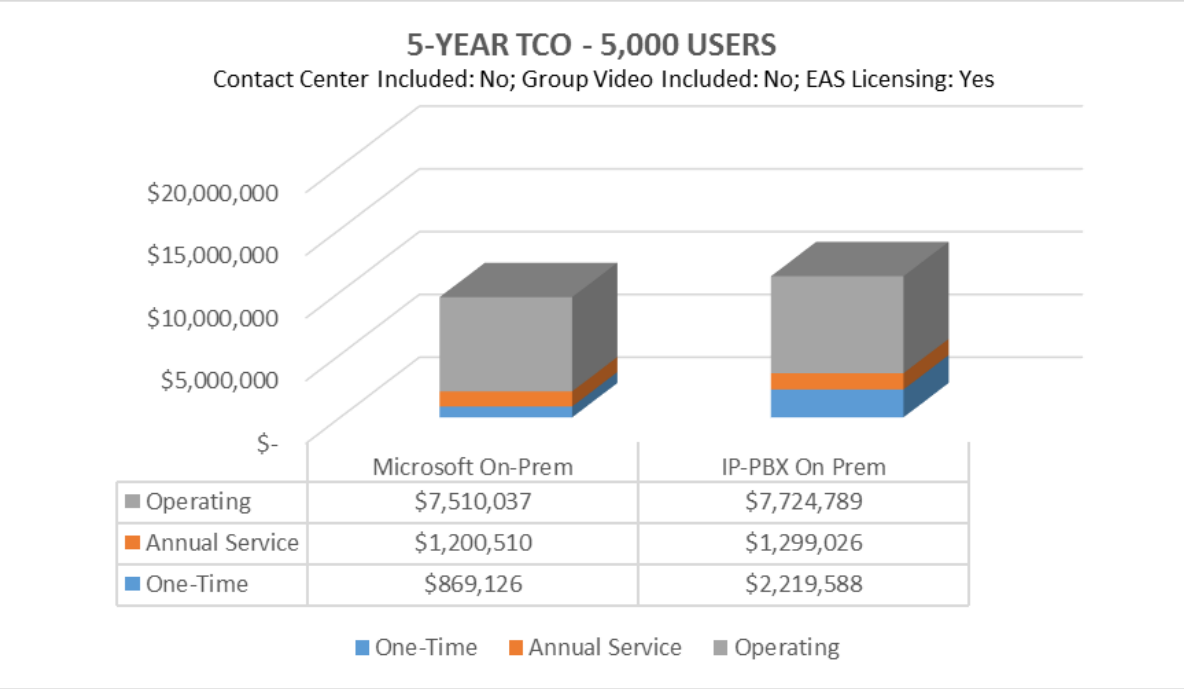
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Agenda

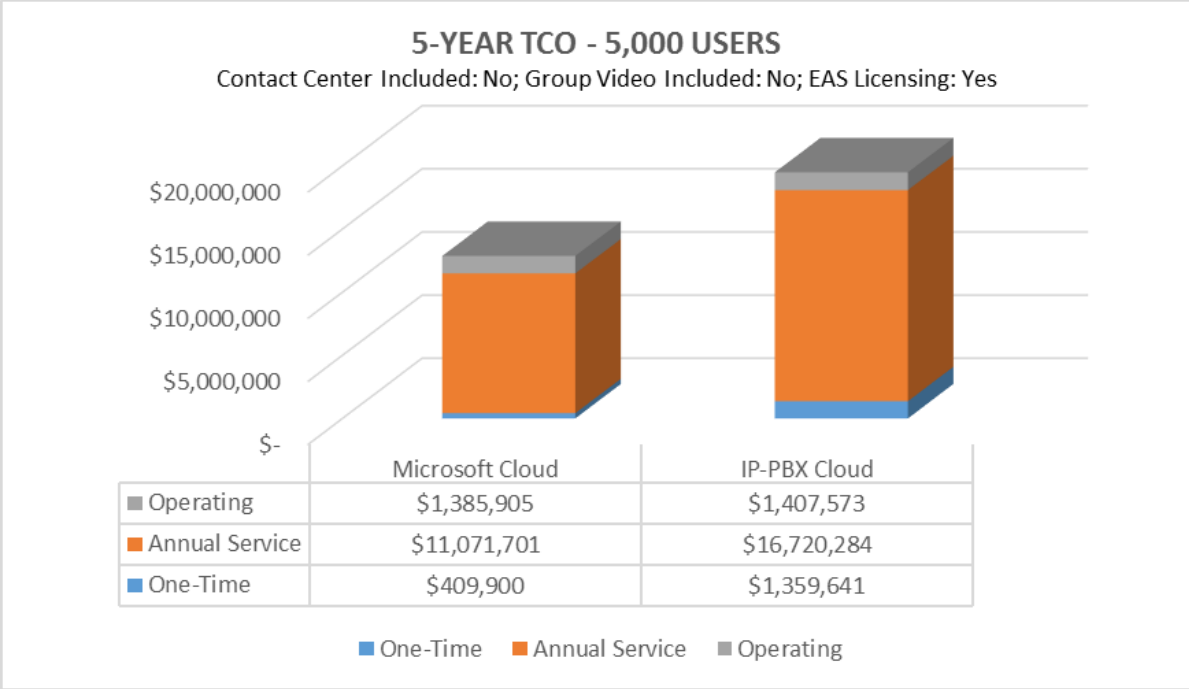
- Who we are; what we do ✓
- Why a TCO study? ✓
- Our approach to the study ✓
- TCO components ✓
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- What this means for you

TCO Case: Conferencing & Enterprise Voice w/EAS

5,000 users
IM/P2P; conferencing; enterprise voice; Microsoft EAS
No contact center; no group video



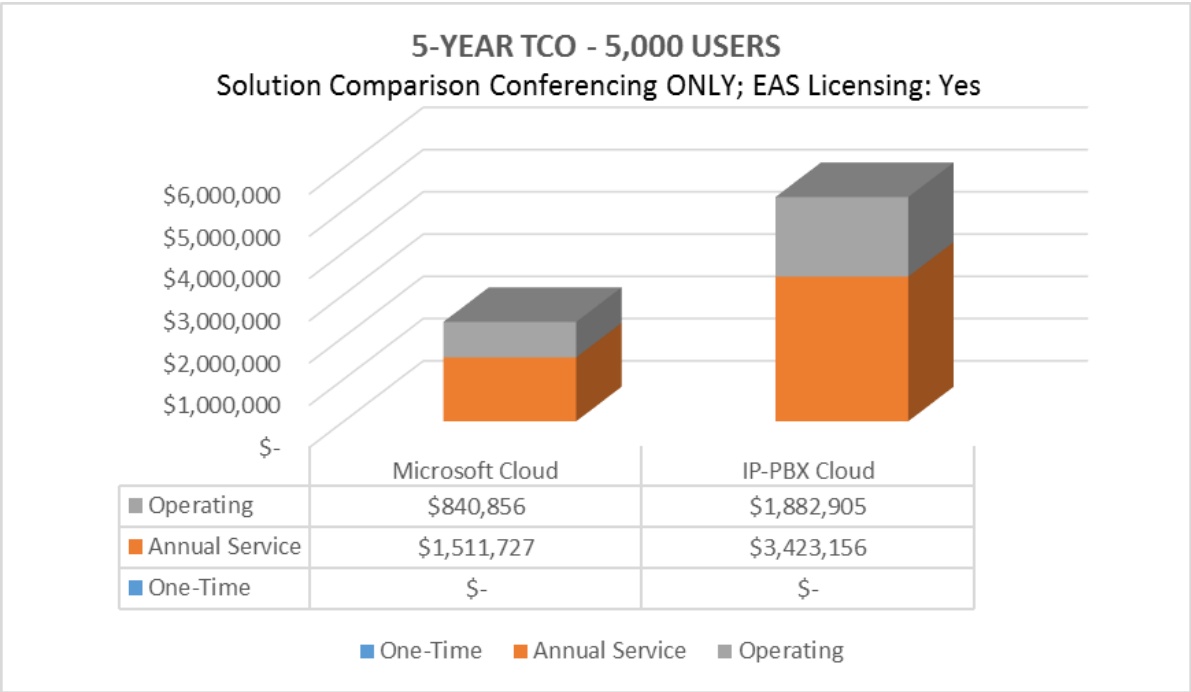
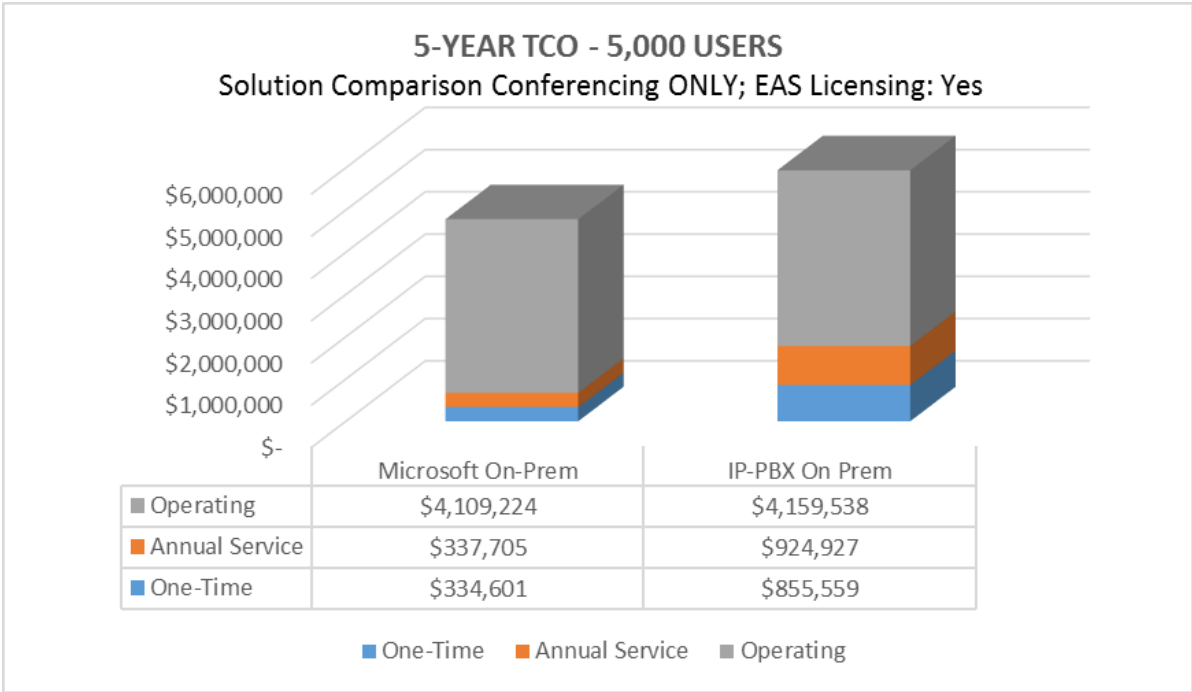
On-Premises vs. IP-PBX:
Lync 15% favorable



On-Premises vs. Cloud:
Lync On-Prem 26% favorable to Lync Cloud

TCO Case: IM & Conferencing Only w/EAS

5,000 Users
IM/P2P; Conferencing; Microsoft EAS



Lync On-Premises vs. IP-PBX:
Lync 20% favorable

Lync On-Premises vs. O365 Cloud:
Lync on-Prem 103% unfavorable

On-Premises vs. Cloud Comparison – without including operating costs

- A heat map gives a quick visual of the percent of cloud TCO **advantage** or **disadvantage** compared to on-premise TCO

| Lync Cloud vs. Lync On-Premises | | | | Without Operating Costs | | | |
|--|------|-------|-------|-------------------------|--------|--------|--------|
| Core UC with Enterprise Telephony, EAS Licensing. No Contact Center or Video | | | | | | | |
| EV & Conferencing | 108% | 225% | 340% | 393% | 401% | 539% | 604% |
| Conferencing Only | -61% | -27% | 26% | 98% | 74% | 247% | 419% |
| Employees | 500 | 1,000 | 2,500 | 5,000 | 10,000 | 25,000 | 50,000 |

In this heat map, no operating costs are included;
the cloud solution appears to be a poor choice.

On-Premises vs. Cloud Comparison – including operating costs

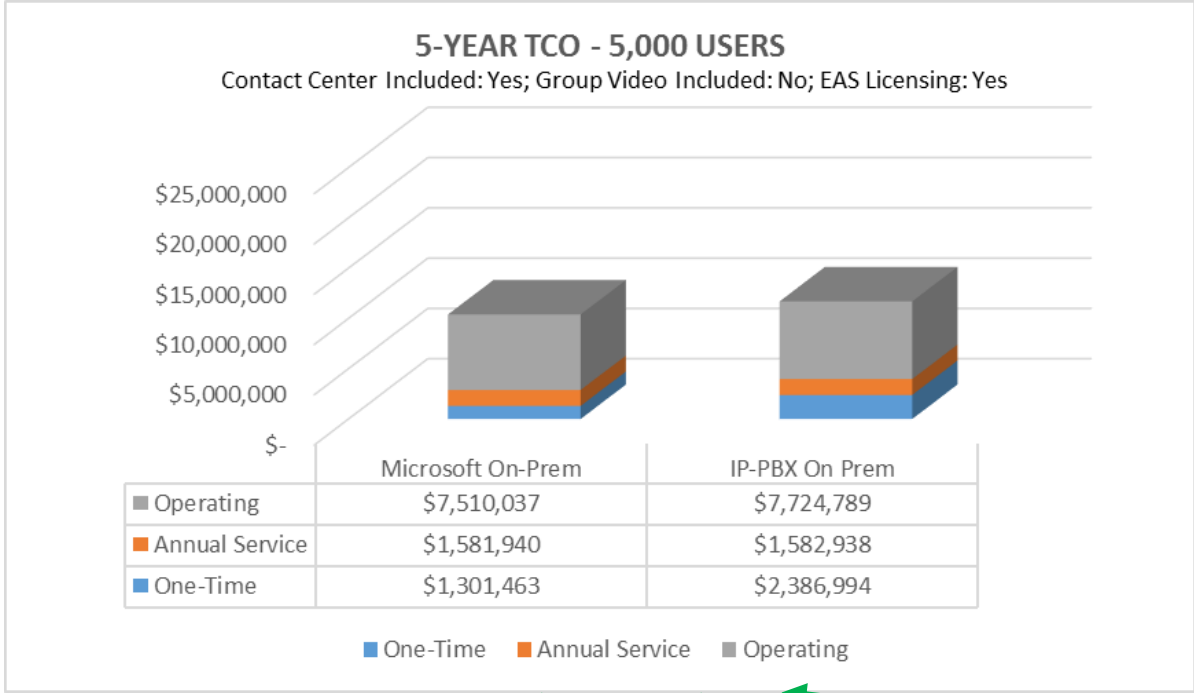
- A heat map gives a quick visual of the percent of cloud TCO advantage or disadvantage compared to on-premise TCO

| Lync Cloud vs. Lync On-Premises | | | | With Operating Costs | | | |
|--|------|-------|-------|----------------------|--------|--------|--------|
| Core UC with Enterprise Telephony, EAS Licensing. No Contact Center or Video | | | | | | | |
| EV & Conferencing | -1% | 19% | 27% | 34% | 26% | 33% | 36% |
| Conferencing Only | -72% | -62% | -56% | -51% | -54% | -50% | -48% |
| Employees | 500 | 1,000 | 2,500 | 5,000 | 10,000 | 25,000 | 50,000 |

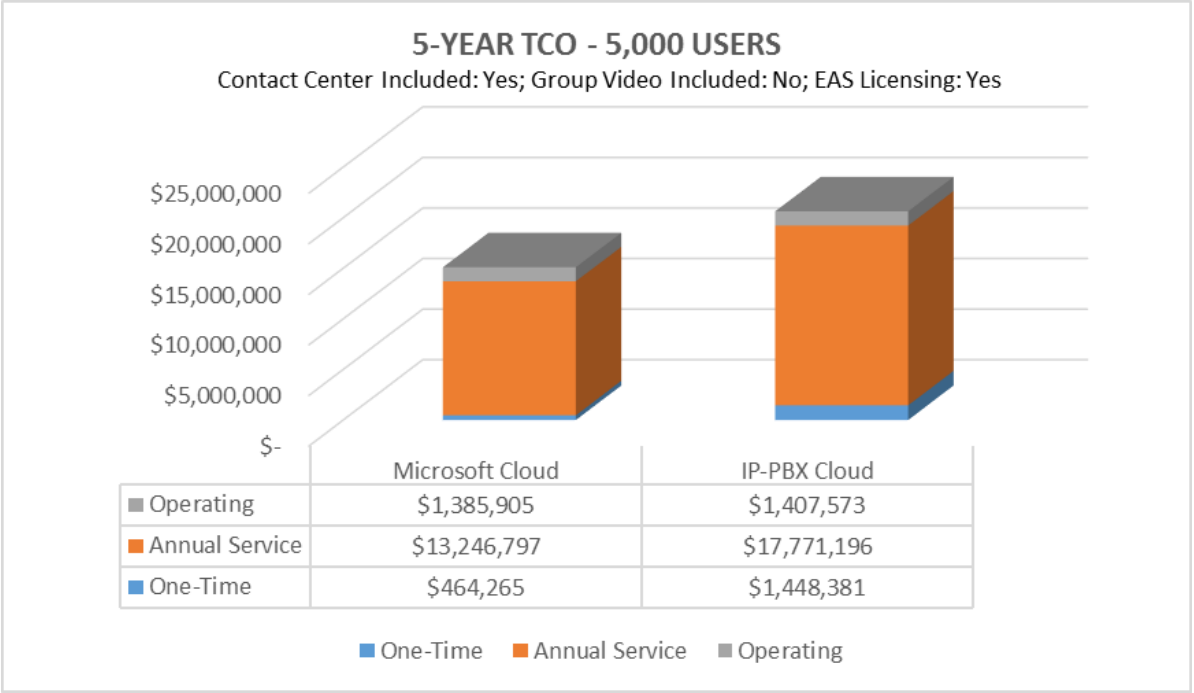
When operating costs are included, Lync cloud-based solutions are favorable for conferencing across the board and equivalent to on-premises for small enterprises

TCO Case: Conferencing, EV, Contact Center w/EAS

5,000 users
IM/P2P; conferencing; enterprise voice; Microsoft EAS
Contact center (Interactive Intelligence)
No group video



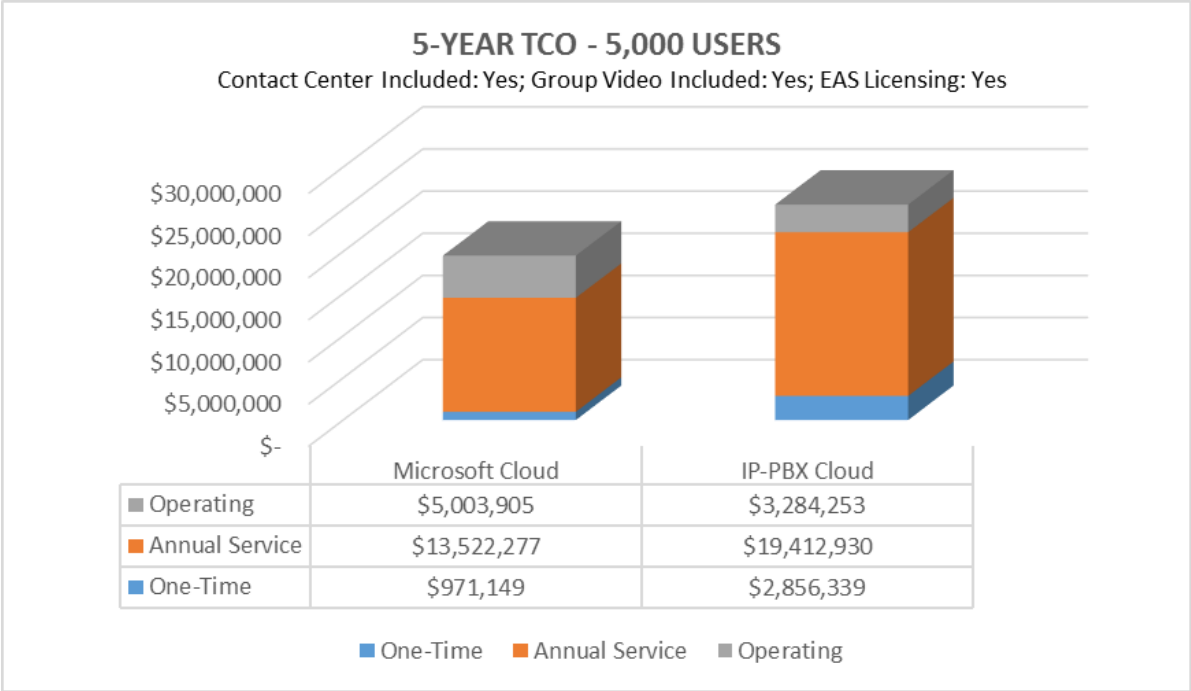
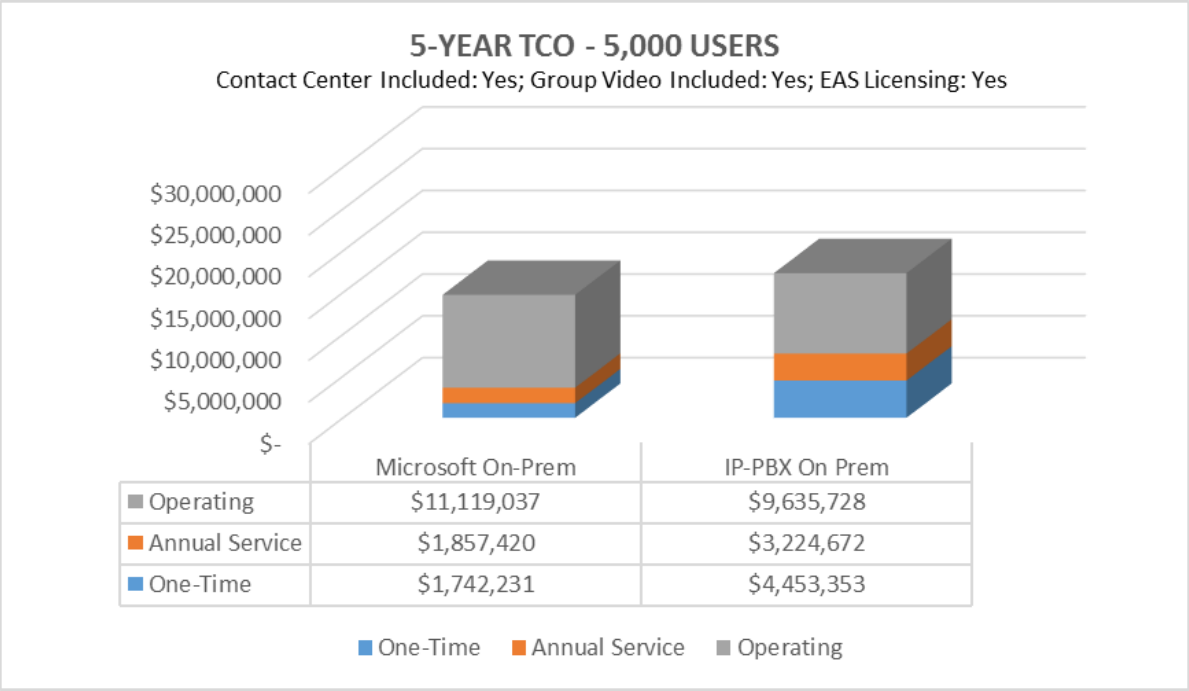
On-Premises vs. IP-PBX:
Lync 11% favorable



On-Premises vs. Cloud:
Lync On-Prem 31% favorable to Lync Cloud

TCO Case: Conf., EV, CC, Video Rooms w/EAS

5,000 Users
IM/P2P; Conferencing; Enterprise Voice
Contact Center (Interactive Intelligence)
With Group Video Rooms
Microsoft EAS



On-Premises vs. IP-PBX:
Lync 15% favorable

On-Premises vs. Cloud:
Lync On-Prem 25% favorable to Lync Cloud

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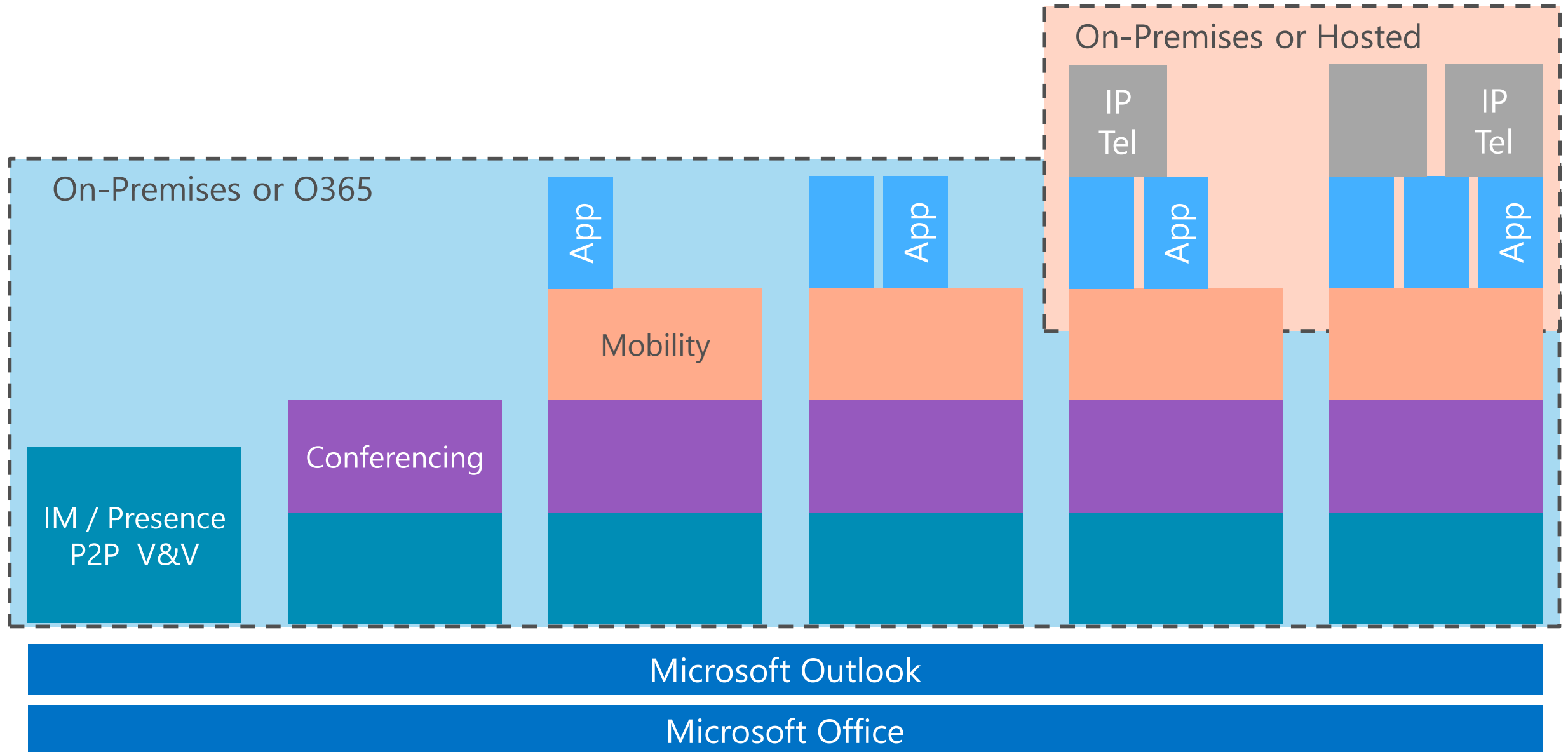
What this means for you

- Prepare usage profiles^{*}
- Be on the best licensing plan!!!!
- Modular approaches, UC applications favor Lync^{**}
- Hybrid or blended solutions may be optimal
- Take control of operational costs
- Lync: Office communications, not IP-PBX
- Think of Lync as an application platform^{*}

^{*} See Top UC Applications – Now and Future

^{**} See Lync Business Cases: What's Hot – What's Not

Consider a Modular Approach Over Time



A Hybrid Approach May Be Best

- Office 365 –
Optimal for:
 - IM/Presence
 - Conferencing
 - Simple client-based apps
- Premises or Dedicated Hosted –
Optimal for:
 - Enterprise Voice
 - Contact Center
 - CEBP and server-based apps



Take Control of Operating Costs - 1

- Getting a handle on operating costs is difficult

- Survey data from analyst firms show widely varying operating costs
 - Analyst firm A: \$ 214 per user per year for ongoing operational costs
 - Analyst firm B: \$ 714 to \$1,912 per user for first year VoIP or IPT & UC operational costs*
- * Reports note that UC&C increases the scope of services provided, thus initial integration costs*

- Sanity check against required staff roles

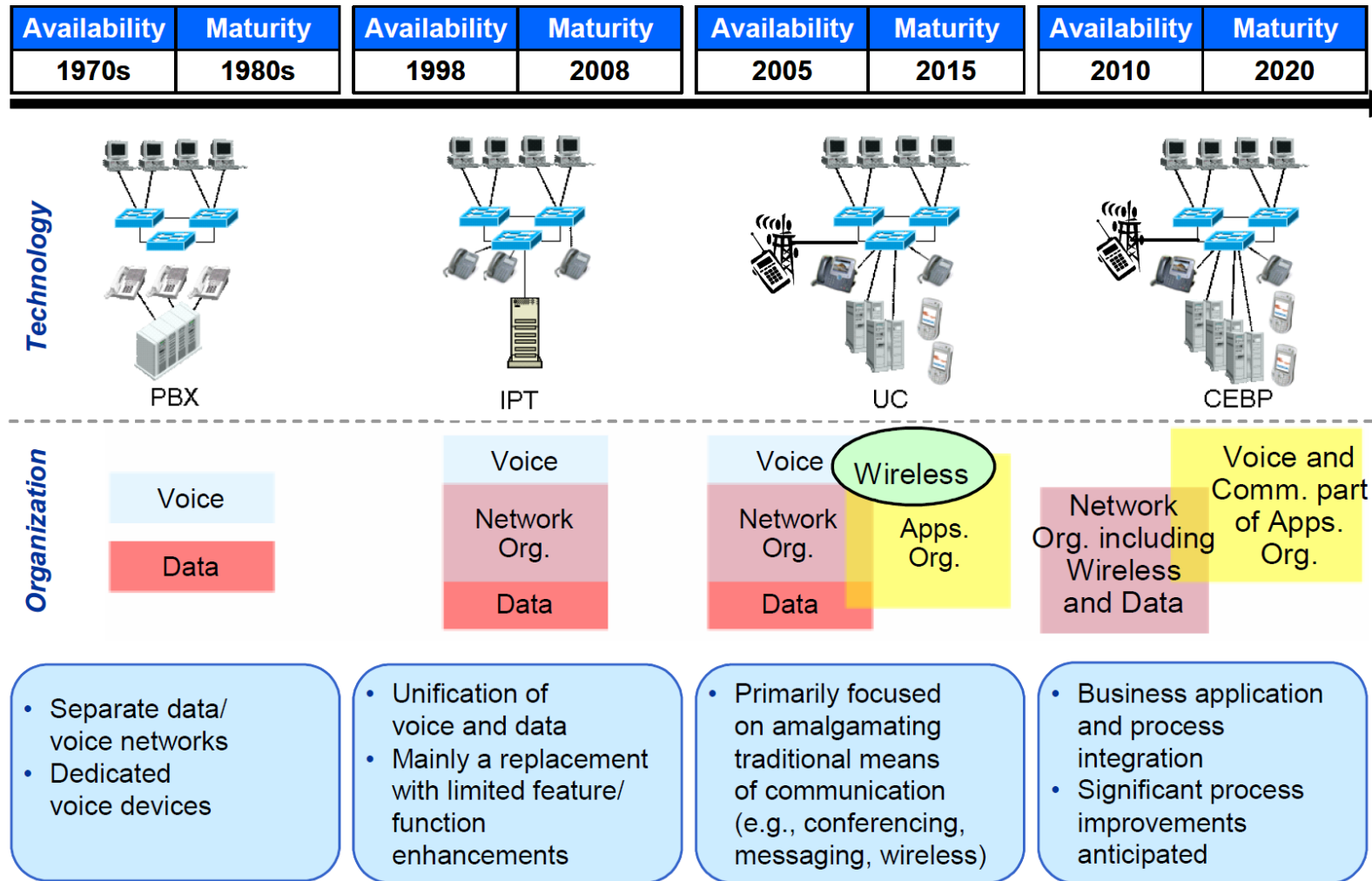
- Operating staff or infrastructure outsourcing usually reflects:
 - Ratio of staff to number of software server instances (whether on discrete or virtual machines)
 - The number of servers driven by workloads; Lync and IP-PBX server counts are roughly equivalent
 - Plus staff positions for network and QoS management and on-going system architect/manager
- Smaller enterprises see higher cost per user, based on system configurations

Take Control of Operating Costs - 2

- On-Premises or Cloud
 - Measure existing costs for a viable baseline
 - Automate and instrument system management
 - Use self-service and self-care options
 - Track help desk usage; use UC tools
 - Integrate simply with desktop/device support
- Promote user self-sufficiency
- Evolve your organization for UC
 - Converge with Desktop/Device Support organization
 - Evolve to UC as a software app on IT networks & servers (or in cloud)

Organizing for UC*

Figure 1. Changes in Communications and Network Organizations



Source: Gartner (August 2008)

* Gartner Research
ID Number G00158462
Aug. 2008

Recap and Summary

- Lync TCO comparisons will vary widely by required workloads
- Lync TCO is competitive with leading IP PBX TCO
- Operational costs demand attention for best TCO
- Cloud offerings have an attractive TCO for some workloads
- Consider modular and hybrid approaches to TCO

Next steps

Decide what's next for your enterprise

Envision the possible

See and test drive Lync in our Customer Immersion Experience Centers



Upcoming webinars

Be sure to attend our other free upcoming webinars in the coming weeks. [Click here](#) to see a full overview.

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Contact Carole Dohan (cadohan@microsoft.com) or one of our partners if you are interested in evaluating Lync for your enterprise

Total Cost of Ownership for Lync 2013

Thanks!!

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