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Alcatel-Lucent Enterprise

**Authors:**  
Nolan Greene  
Matthew Marden  
Randy Perry

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## Business Value Highlights

**10-28%**

lower total cost of operations over five years than buying network equipment

**7-23%**

lower total cost of operations over five years than leasing network equipment

**14-35%**

less IT networking team time required

**40-52%**

less productive time lost to network-related unplanned downtime

Connect network-related spending to actual use

# Network on Demand as a Cost-Effective, Efficient, and Scalable Alternative to Purchasing or Leasing Networking Equipment

## EXECUTIVE SUMMARY

The ongoing digital transformation of the enterprise has elevated the importance of the network to business operations. Consequently, enterprises must respond by implementing an up-to-date, agile network infrastructure. In recent years, many organizations have sought “network as a service” (“NaaS”) subscription models, which often refer to on-premises network equipment such as Ethernet switches and wireless access points (APs) managed through the cloud as a way to implement an up-to-date network infrastructure that can support a digital enterprise. As technology cycles hasten and enterprises seek greater efficiency from their IT investments, a new networking delivery model has emerged — “network on demand” (“NoD”) services. NoD services are defined as network services that are delivered on a pure pay-per-use basis as opposed to the traditional capital expenditure (capex) and monthly license model.

Network-on-demand services allow customers to consume the network as a utility, to pay only for what is consumed. This represents potential cost savings for organizations that see any significant degree of variability in their use of the network, such as organizations with seasonal peaks and troughs in network usage (e.g., education, transportation, and hospitality). This model allows end-user organizations to focus on how the network aligns to their business. The costly and time-consuming network management activities that keep the network operational are delegated to partners. End users need not worry about “keeping the lights on”; they can now focus on how the network adds value to the business and can more concretely quantify that.

On the basis of our research into cloud-based and on-demand provisioning of infrastructure resources, IDC believes that many organizations will be able to lower their overall network-related costs and achieve more scalable network environments with network-on-demand

services. IDC expects that by using network on demand, organizations will be able to reduce their total cost of operations related to their networking environments by an average of 10–28% compared with buying and operating the network equipment themselves. This lower cost of operations is attributable to the potential ability to:

- Leverage vendor and partner support through a managed service model to achieve networking team efficiencies and higher network availability
- Benefit from more frequent refreshes and upgrades of network equipment, avoiding escalating costs associated with support and outages as equipment ages
- Scale networking environment to meet actual business demand, not needing to overprovision network equipment
- Apply a variable spend model for networking services that is based on actual use of networking equipment and resources

In addition, reducing network outages and performance degradation through the support of a service provider through a network-on-demand model can positively impact business results and the ability to meet both internal and external SLAs. However, because these benefits are generally organization specific, they have not been quantified for the purpose of the cost of operation analysis described in this study.