



ALE

Where
Everything
Connects

OpenTouch Enterprise Cloud

Cloud economics

Brochure

OpenTouch Enterprise Cloud
July 2017

Alcatel·Lucent 
Enterprise

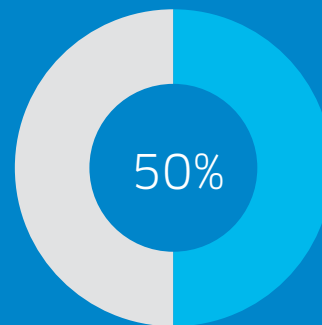
Reallocate funds for an innovative and competitive advantage

Compelling cost and business benefits

The ongoing digital transformation of the enterprise requires key elements to be addressed including operational agility, the customer experience and the integration of digital technology. Digital transformation also requires many things including an infrastructure that aligns with business growth, a way to provide employees the right services wherever they are, and the means to deliver frequent updates and upgrades to the communications system. This digital transformation environment has elevated the importance of cloud services.

The cloud is attracting more and more businesses. The majority of early adopters are small- and medium-sized businesses (SMBs), which is consistent with their desire for lower upfront costs, flexibility and ease of deployment in that particular market segment. However, enterprises with an extensive footprint or multi-branch office topologies are also increasingly adopting cloud-based offerings as they seek to, more effectively, support global operations and a growing number of remote and mobile workers.

Therefore, there are many reasons for organizations to move from traditional IT infrastructures to cloud-based infrastructures. One of the most cited reasons is the financial aspect of the cloud, with its compelling cost and business benefits.



By 2018, at least half of IT spending will be cloud-based.*

Source: IDC FutureScape Worldwide Cloud 2016 Predictions

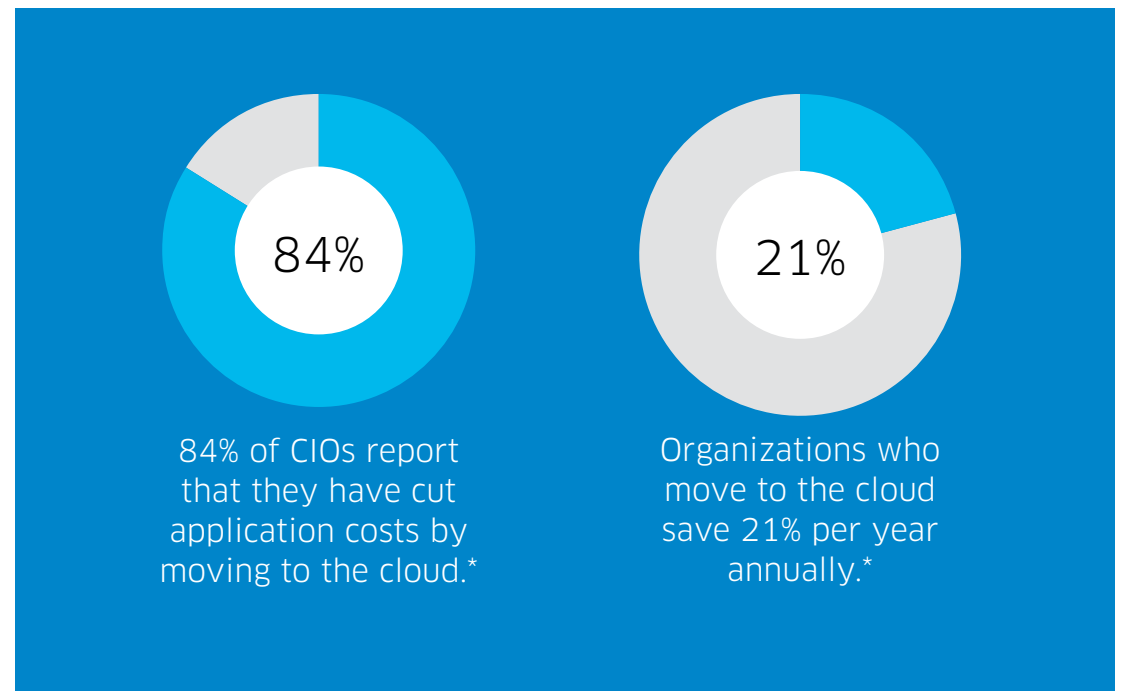


Five financial reasons why enterprises move to cloud-based solutions

Many business owners believe that the cost advantage of cloud-based solutions is one of the most important benefits. Below are five important financial benefits:

1. The ability to shift from capital expenditures (CAPEX) to operational expenditures (OPEX)
2. A pay-as-you-go business model
3. Greater financial agility
4. Reduced IT (Information Technology) costs
5. Service delivery time savings

Let's take a deeper look at these five points and see how Alcatel-Lucent OpenTouch® Enterprise Cloud can help businesses streamline operations and save money.



*Source: The State of the Cloud 2015 - Supply Chain Adopters Reaping ROI Rewards

Shift from CAPEX to OPEX

Moving from a CAPEX to an OPEX business model allows enterprises to manage operational expenses rather than capital assets, and focus on operating statements rather than balance sheet management. OpenTouch Enterprise Cloud offers a 100% OPEX business model. This is ideal for companies looking for consumption-based models and that want to replace their existing CAPEX model.

Minimum or zero upfront investment

A cloud business model can reduce or eliminate the investment required to launch new projects and lets businesses re-align cash-flow requirements with solution adoption, over time. Freed from the risks associated with upfront investments, IT departments can focus on value-added activities that promote the business.

Overcome expenditure limitations

While obtaining capital for large purchases may be difficult for any size of organization, it is especially difficult for smaller organizations where rigorous debt to equity ratios are applied and can restrict the amount of capital a company can secure. This makes it difficult for organizations to sufficiently justify capital expenditure and get approval for projects. Moving to an OPEX model removes the financial scrutiny and allows projects to be undertaken, unconstrained by capital considerations.

Flexibility to terminate costs as required

An OPEX business model provides organizations with the flexibility to terminate costs to match business demands. With a CAPEX business model, acquiring a server or software requires a full financial commitment. Regardless of whether it is being used, the ongoing costs (depreciation or financing costs) still need to be managed. Contrast this with the OPEX business model where payments can rapidly cease if the item is no longer required.

Transparent costs - ease forecasting

Costs associated with cloud-based systems are considerably more transparent than on-premise systems. Studies show, when it comes to cloud software, that most of the costs (approximately 70%) will be encountered in the form of monthly subscriptions.



With on-premise solutions, only the cost of software licenses is known in advance, which accounts for less than 10% of the costs. Most of the costs with on-premise solutions are associated with customization, implementation, hardware, IT personnel, maintenance and training. With cloud-based software, unexpected costs primarily relate to implementation, customization and training, which makes costs a lot more transparent and easier to forecast.

Tax deductible - balance sheet not affected

From a pure financial perspective, CAPEX items require a major investment in goods, which are accounted for on the balance sheet and are depreciated over the life of the goods. OPEX items, on the other hand, are accounted for on the P&L (Profit and Loss statement) which tracks ongoing expenses as they are incurred and doesn't affect the balance sheet. One final important consideration is that in most countries, OPEX is tax deductible and CAPEX is not.

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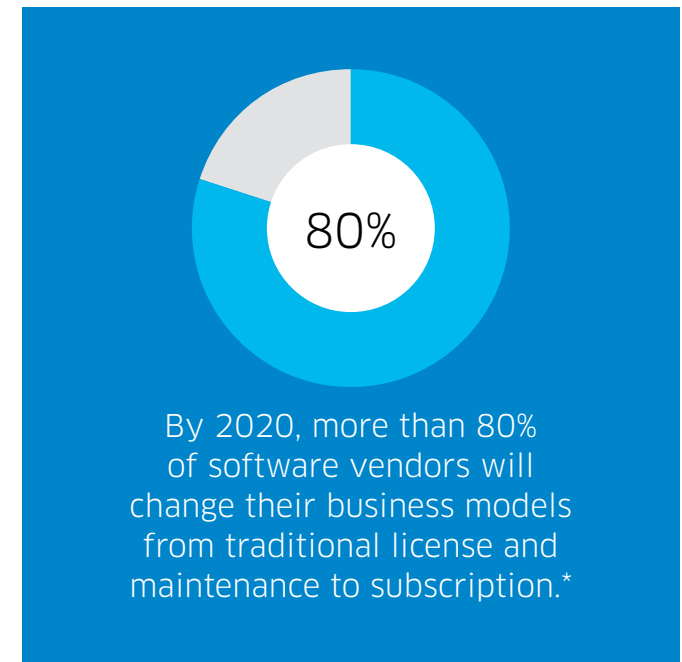
Pay-as-you-grow

Pay for what you use

Cloud-based solutions lead to a more predictable cost model and allow organizations to only pay for what they need, and for what they use, on a monthly basis. No more multi-year contracts, no more daunting up-front fees. Just simple, accessible technology, paid for in a simple, accessible way. Ultimately, this allows organizations to streamline applications and save money. Think of it when using electricity for example: Your consumption rate is based on what you actually use and no more.

OpenTouch Enterprise Cloud provides payment flexibility and avoids unnecessary over provisioning of capacity. This means:

- Companies don't pay for wasted resources, since users are only charged for the services procured, rather than provisioning for a certain amount of resources that will not be used
- Services can be cancelled at any time, without any fees, when they are no longer required



*Source: Moving to a Software Subscription Model, Gartner report, 2015



“ This agility can give businesses, opting for cloud-based solutions, a real advantage over competitors. ”

Greater financial agility

High flexibility

Cloud-based services are ideal for businesses with growing or fluctuating bandwidth demands. If needs increase it's easy to scale up the cloud capacity. And, if the business needs to scale down again, the flexibility is available to reduce the service.

Additionally, the up-front cost of a cloud solution is lower (or can even be eliminated) than an on-premise solution. For companies that need top-tier products but don't have extensive funds immediately available, cloud solutions offer a high degree of flexibility.

This agility can give businesses, opting for cloud-based solutions, a real advantage over competitors.

OpenTouch Enterprise Cloud is a financially feasible solution that can be fine tuned on demand, scaling up or down according to business needs. For example, if the customer and project demands require increased teamwork, collaboration tools can quickly be accessed without advanced planning and without spending extra money for additional hardware or software. Likewise, expenses can quickly be reduced if demand for services is reduced.

No increased hardware and software costs when demand for service is increased

IT cost savings

Few technologies have affected the IT industry as profoundly as cloud computing. Cloud computing allows organizations to shed at least some of their expensive IT infrastructure and shift costs to more manageable operational expenses.

Eliminate the risk of technology obsolescence

The amount of IT staff time required to support IT environments increases as equipment ages. As equipment gets older, it's more likely to fail and it becomes more challenging to patch and update. As a result, the cost of supporting aging equipment can quickly escalate. These creeping costs can be challenging for organizations to identify and manage effectively. Cloud-based solutions eliminate the risks associated with technology obsolescence.

Minimize disruptions

Application and system outages can also impact costs in terms of lost productivity and revenue leakage. An IT environment with minimal disruptions is the ultimate goal for cost effective business operations. Cloud-based solutions can help reduce costs associated with outages. With cloud-based solutions organizations can leverage the expertise of vendors and partners to architect and deploy solutions, which lead to the reduced frequency and duration of outages.

Eliminate system redundancy expenditures

When organizations transition to cloud infrastructures they no longer have to worry about buying additional hardware to ensure redundancy for reliable business continuity. Typical cloud solutions have several data center locations that mirror data and applications across at least two locations. It's a less expensive way to ensure redundancy, and is just another benefit of the economies of scale delivered by the cloud.

Reduce maintenance costs and IT personnel

It's acknowledged, industry-wide, that IT maintenance accounts for approximately 80% of total IT expenditures. Cloud-based solutions require less in-house IT staff as a result of systems being owned and stored by vendors in their off-site locations



resulting in significant labor and maintenance savings. When systems require repairs or upgrades, it is the responsibility of the vendor. For companies lacking the resources for in-house IT staff, cloud-based solutions can help eliminate costly IT expenditures.

Spend more time on core business processes - free up cash

Instead of wasting time on processes that don't create value for the organization (such as refreshes and upgrades of equipment and systems, and backups), cloud-based solutions let IT departments focus on core business processes which can free up cash to invest, for example, in business applications.

The amount of money IT will spend on cloud services this year is \$114 billion, and will grow to \$216 billion by the year 2020.*

With OpenTouch Enterprise Cloud, businesses invest in services that meet the demands of the workforce by making unified communications (UC), conferencing and mobility, available to all employees without requiring extensive training and increasing the IT staff workload.

*Source: Gartner 2017 Predicts, 2016



Service delivery time savings

Accelerated delivery of services and applications

Each time an organization wants to add a new service, it requires a significant investment in time, staff, training and money. The cloud business model:

- Improves the agility of company services, since the deployment of cloud software is faster than a conventional installation.
- Offers service delivery time savings because virtualization and service management software help automate the service delivery process. This is one of the biggest cost saving areas, with some organizations experiencing up to 70 percent reduction in service delivery time.

OpenTouch Enterprise Cloud communication applications for fast business response can be deployed in a matter of hours, ensuring communication quality between employees and customers are improved almost immediately. And because cloud-based applications are available anywhere there is internet access, all employees on the go, in virtual offices and remote sites are immediately more productive. In addition, communications with colleagues becomes free.

Shared services

With cloud-based solutions, services can be shared across multiple locations of a company creating a catalyst for business process simplification and standardization, and providing further cost saving opportunities.



Green savings

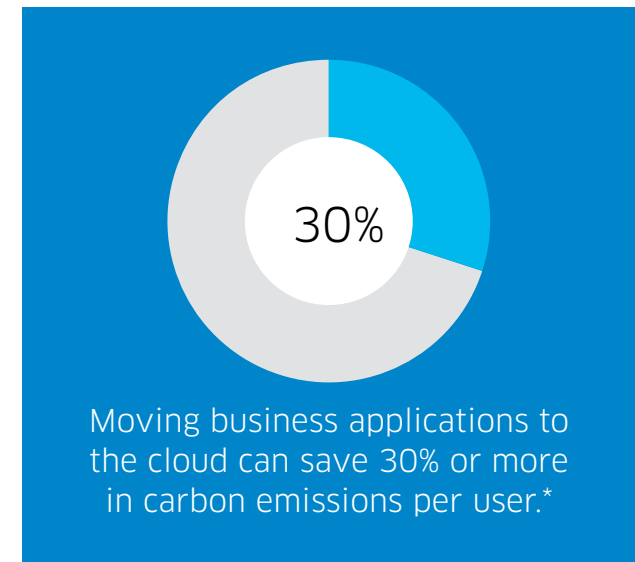
Even if the cost benefit of the green business case is not top of mind for business owners, this growing trend cannot be ignored.

As the cloud continues to grow and evolve, new trends will continue to emerge. Notably the sustainability of cloud computing. Migrating to the cloud means fewer machines and less hardware, which translates into reduced cooling and space requirements. The end results are lower energy costs and freed up capital that companies can allocate for other opportunities.

The cloud offers companies the ability to reduce their carbon footprint and move toward a greener, smarter future. Undoubtedly, cloud adoption and improved efficiencies will become increasingly ubiquitous with advancements in cloud technology and growing green awareness.

Here are few reasons why OpenTouch Enterprise Cloud is a smart green investment:

- Less on-premise hardware
- Efficient use of server resources
- Shared infrastructures operate more efficiently and consume less power



Source: Study conducted by Accenture and WSP Environment & Energy, 2012

Reallocate money to innovate
and grow the business

Choose Alcatel-Lucent
OpenTouch Enterprise Cloud
