Transition to subscription

Enterprise infrastructure as a service

orange™ **Business Services**

Transition to subscription

Enterprise infrastructure as a service

For years, companies and consumers alike have embraced subscription-based models. The message has been clear: why own when you can rent? This model has pervaded enterprise and consumer applications, driving software-as-a-service to ever greater heights.

Research shows that companies are flocking to subscription-based models for their computing needs. A McKinsey study, Myth Busters, found that 82% of buyers prefer subscriptions over perpetual licenses.

The as-a-service model evolved in the cloud, with service providers offering virtual servers and containers for enterprise users based usage. Now, subscription models are coming to other areas of enterprise infrastructure, changing how companies procure their networks and the functions that run on them.

Contents

Subscription-based models explained

The subscription-based model makes sense for infrastructure in network, security and unified communications.

Some assets are better consumed in a subscription-based model than owned. Within an enterprise's IT infrastructure, there are three excellent candidates: network equipment including switches and routers; security equipment such as firewalls and endpoint controls; and unified communication and collaboration (UCC) equipment.

These three equipment categories are all ripe for a trend changing the enterprise landscape: subscription-based software-driven infrastructure. We have already seen virtualization change the game at the enterprise computing level. In the last decade, companies used virtual machines to load more applications onto physical servers, increasing CPU and memory usage, while maintaining a software barrier between different virtual machines for security and reliability. It also enables scalability, agility and optimized consumption.

Transforming enterprise infrastructure

That subscription trend has expanded across the entire enterprise network over the last few years in two key architectures. Software-defined networking (SDN) has virtualized the network fabric itself, separating the software that controls network flows from the underlying hardware. That makes it possible to configure and control local and wide-area networks in software.

Similarly, the functions that secure and enhance the infrastructure, such as firewalls and unified communication equipment, have been fully enabled for subscription-based licenses.

Advantages of virtualization

Separating and abstracting the software from the underlying hardware creates many possibilities, but two are especially important.

The first is that commodity equipment using more open technology can replace the expensive proprietary hardware that these products used in the past. The software then runs on that hardware in a virtualized environment. That makes the costly, inflexible hardware component cheaper and easier to support, leaving the real value in the software.

The second possibility is the management of that software. Administrators can control that virtualized software centrally from a dashboard, bringing the same centralized configuration and control capabilities to the entire infrastructure. This also makes it a lot simpler to enable automation and orchestration capabilities with proven IT efficiency and cost optimization benefits.
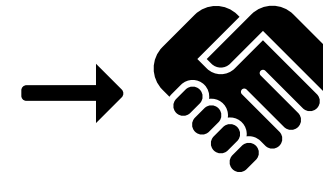
Software transformation
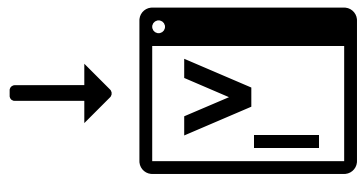
Transition the core to software

- Disaggregation of SW from HW
- Deliver recurring value through software
- Cross-portfolio suites aligned to enterprise outcomes

Unify buying programs

- Simplify and reduce offerings
- Standardize operational processes and systems
- Transactional, volume, utility, enterprise

Drive engagement

- Enable software-led approach
- Leverage our partners' expertise and ecosystems
- Align with enterprise technology lifecycle

The benefits of a subscription-based infrastructure

Virtualized infrastructures are easier to manage as a service. These subscription-based models bring several benefits for enterprises.

Flexibility

McKinsey's study found that flexibility was the top driver for enterprises who moved to a subscription model. Subscription-based enterprise infrastructure allows you to use what you want, for as long as you want, in the volume that you want. It is a big draw for organizations that need to adapt their underlying infrastructure to changing business conditions.

Use what you want

In the past, vendors often charged clients a premium for products laden with features they did not need. It was easier and more profitable for the vendor, who argued that the features gave the customer more headroom as their needs grew. The customer was left paying for features that they would not use until later, if at all.

Subscription models change that by encouraging service providers to deliver immediate value to the customer. They divide services into more granular offerings that allow customers to pick and mix tailored service

combinations. They can then add more services when necessary, so that their client only pays for the features they used.

Use it for as long as you want

Subscription models do not lock companies in with sunk investments that depreciate over time. Instead, they can change the service profile or discontinue it altogether if conditions change. This makes companies more nimble from a technical and financial perspective.

Use the volume that you want

One of the biggest problems with owned hardware is that it provides fixed capacity. You cannot make the equipment more powerful, which can result in poor performance during peak demand. Instead, you are forced to buy more powerful systems that might be underused during times of regular demand. This is especially inefficient for enterprises with volatile network traffic profiles. Subscription models change that because their virtualized software can scale capacity up or down depending on the enterprise's business needs. With subscription services, you can choose a model that covers for growth without waste.
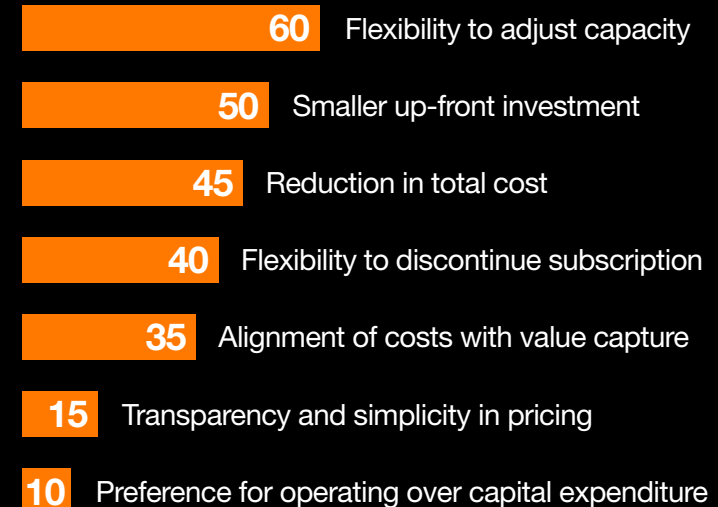
Consumption

Use of enterprise agreements (EA) also helps providers to smooth the transition for enterprises. EAs are alternatives to simple subscription licenses, encompassing multiple services offered by a single supplier, often across different architectures within an infrastructure. They enable different business units and teams to choose virtual infrastructures from a variety of pre-paid options to suit their exact needs.

You can procure multi-architectural EAs for less than the cost of a single architectural EA. That is because of the additional discounts that suppliers will offer in order to bundle services across different parts of the infrastructure.

Enterprises increasingly operate across different technical domains. While they might be eager to move much of their architecture to the cloud, regulatory or financial restrictions might keep them from moving some of their infrastructure to a cloud environment. Enterprises should look for a partner that can provide a combination of technical model with EAs and subscription licenses. Look for models that allow you to consume them on your premises, in the cloud, or in a hybrid model.

What benefits do you expect from subscription?

|	
60	Flexibility to adjust capacity
50	Smaller up-front investment
45	Reduction in total cost
40	Flexibility to discontinue subscription
35	Alignment of costs with value capture
15	Transparency and simplicity in pricing
10	Preference for operating over capital expenditure

Source: Mckinsey

Cost management

Subscription-based infrastructure delivers cost savings in several areas. Some of the more tangible ones include reducing the need for capital budgeting by moving assets off the balance sheet, which improves cash flow and gives you more financial flexibility. It also creates simpler, more predictable pricing structures, which eases financial planning.

Subscription-based services also provide unique optimization opportunities. Companies can use their transition to a subscription model to eliminate cost inefficiencies in their infrastructure by altering what they are using, taking on only the service features and capacity that they need.

Would you prefer a subscription over a perpetual license?

63% 2013

72% 2015

82% 2020
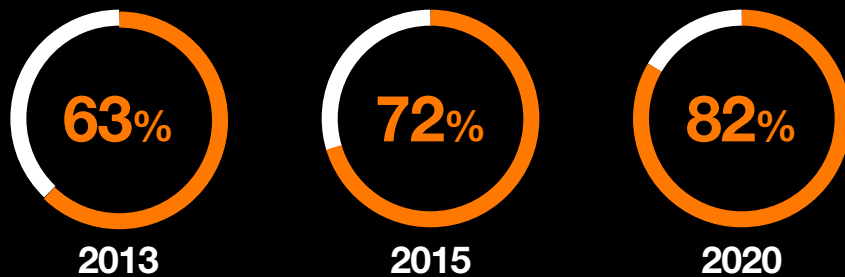
A 30% increase in preference for subscription since 2013

Source: Mckinsey

Security

A subscription-based infrastructure model also makes it far easier for enterprises to manage their cybersecurity demands, as infrastructure is easier to track for compliance and risk management purposes. Enterprises that own infrastructure hardware tightly coupled with software often have a hard time implementing software patches, especially when those products come from multiple vendors. A subscription service provider can decouple software and manage patches centrally, aggregating and distributing updates centrally from multiple vendors invisibly to the customer.

A subscription model also offers more feature choices from more vendors than most companies could obtain through their procurement departments as owned hardware. With these additional options, employees are less likely to purchase their own cloud-based services and jeopardize infrastructure security by introducing shadow IT.

Risk management

Risk management is a high priority when dealing with enterprise IT infrastructure. Aside from security risk, companies managing their own infrastructure also run into performance and availability risk, either of which could impact the business.

Embedded in the features of the EA/subscription model is protection of ROI. These features are designed to deliver value at every stage of the lifecycle. During ordering, features are bundled to emphasize the most important products and pricing options. Then, experienced providers enable flexibility and simple implementation. With flexible usage options, enterprises can ensure investment is fully utilized by connecting across the entire organization and growing as adoption accelerates. During the contract term, you can co-term subscriptions from other architectures to reduce contract maintenance expenses, easing and simplifying the renewal process.

How we make the transition easy for you

Minimizing the adoption risk with expert consultancy, integration services, CX and lifecycle management.

A subscription-based management infrastructure arrangement might help to reduce technical and financial risk, but many companies will identify inherent adoption risk. Most enterprise infrastructures are complex, comprising many different systems, different vendors and contracts, and each at different stages of asset depreciation with a different end of life date. Managing and evolving this infrastructure takes careful planning and expertise.

Orange has over 50 years of integration services experience, combining deployment and operational support services that manage the entire product lifecycle. With 3.4 million assets under our inventory control, supported by 1,500 engineers around the world, we offer peace of mind for hundreds of large enterprise customers that leverage our integration expertise. They take advantage of our single contract arrangement that offers centralized quoting and local ordering.

Our Integrated Services (IS) group currently offers global consulting, deployment and operational services for every aspect of your infrastructure evolution. We have the technical expertise, backed by over 10,000 technical certifications and top-level vendor accreditations.

Customer Experience (CX)

Now, with the introduction of our Customer Experience (CX) practice and lifecycle service offers, this team will proactively guide you through the complexities and challenges of your transformational journey.

Our CX team works with you to ensure proper onboarding and implementation of software and subscription-based solutions. You are supported by a customer experience manager (CXM) that is the subject-matter expert for their solution and understands how to help you maximize the value and achieve desired business outcomes.

Onboarding and implementation support includes providing technical resources that will proactively identify barriers and advise you of corrective actions. The CXM works with you to optimize the solution within the current environment and revise plans as needed to ensure outcome delivery.

Our customer success tool tracks and monitors the entire customer experience engagement. This tool measures and provides:

- A health score – showing progress on reaching your desired outcomes

- The adoption progress – do you need additional enablement or more software/licenses?

- Telemetry analytics – necessary to mitigate adoption barriers and under-utilized software

CX constantly evolves with you, shifting gears up and down, guiding you through your solution lifecycle journey and adding new outcome destinations along the way.

Lifecycle services

Enterprises planning their migration to a software centric environment will ideally require software lifecycle services to support this transition, creating a full coverage model when combined with our CX engagement. Software is ever-changing and keeping up with new versions can drain customer resources.

Orange has created essential lifecycle services that improve the customer experience, manage newly deployed assets, and optimize network performance as you merge the software into your network environment. As much as 23% of enterprise IT software is unused or never deployed, according to Ray-Allen. Our lifecycle services have been developed to help you maximize the value of your investment.

Asset lifecycle management

Our asset lifecycle management solution offers full hardware and software asset lifecycle management. It provides a single source of truth for all assets in your network, process workflows, asset onboarding, and business intelligence insights needed to manage a diversified network of assets. The desired outcomes delivered by asset lifecycle management are:

- **Full network visibility:** know what you have and where it is

- **Cost optimization:** manage all your contracts in one place

- **Risk management:** end of life, end of support and PSIRT monitoring

Our asset lifecycle management covers all vendors and provides the power and confidence needed to optimize your network.

Studies have shown that on average, as much as 23% of enterprise IT software is unused or never deployed.

Source: Ray-Allen

Adoption and optimization services

Adoption and optimization offers are available across our key domains. These offers fall into three key categories:

- **Assessments and audits:** cyber risk compliance, security audits

- **Enablement and adoption:** user adoption and product training series

- **Cross-architectural solution enablement:** solution consultants, design validation, digital integration, and network optimization

Each of these offers are customized to the solution and designed to guide you through the journey from onboarding to full solution optimization.

Software management services

We also offer three different levels of management as part of our subscription service to accommodate enterprises with different technical expertise, in-house resources, and budget:

- **Fully managed:** we manage the entire infrastructure covered by the subscription license, providing all software monitoring and maintenance services

- **Integrated co-managed model:** management responsibilities are divided between you and us, with precise conditions determined at the time of the contract

- **Self-managed:** you manage the infrastructure, paying a subscription fee only for the software running on it

What's next?

How should you begin to plan your transition to a subscription-based infrastructure model?

We recommend approaching this complex topic from an outcomes-based perspective. Reassess the business outcomes that you would like to achieve, such as higher revenues, expansion into new markets, or lower capital expenditure on technology. Evaluate your strategy for achieving those goals and see how a subscription-based infrastructure model might contribute.

Analyze your current IT estate, considering both hardware and software, and identify the most problematic areas. These are often tough questions to answer on your own, but that is where we can help. We have a team of experts that can devise a plan, choose the right solution, and deliver the business outcomes that drive true business evolution and growth.

To find out how we can help you make a seamless transition visit
https://marketing-news.orange-business.com/sw-management.html

Business Services