

Commissioned By Masergy, June 2018

The Total Economic Impact™ Of Masergy Managed SD-WAN

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Executive Summary

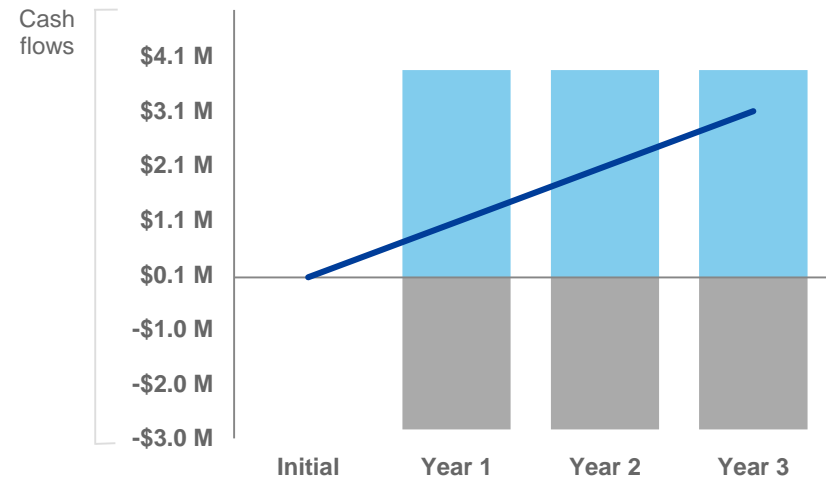
MASERGY MANAGED SD-WAN DELIVERS INCREASED AGILITY AND APPLICATION PERFORMANCE

Masergy commissioned Forrester Consulting to conduct a Total Economic Impact (TEI) study and examine the potential return on investment (ROI) enterprises may realize by implementing its Managed SD-WAN solution. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Masergy on their organizations.

With Masergy Managed SD-WAN, organizations are able to easily and rapidly configure and adapt their WAN to changing business requirements. Masergy improved agility and increased application performance while delivering a customer experience that was superior to their incumbent legacy providers.

Forrester quantified benefits, costs, risks, and flexibility based on interviews with a Masergy customer. From customer feedback, Forrester has determined this investment has the following three-year risk-adjusted financial impact on global enterprises.

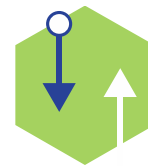
■ Total costs
■ Total benefits
— Cumulative net benefits



Net present value (NPV): \$2.5M



ROI: 36%



Payback period: <3 months



Reduced vendor governance: 60%

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Forrester's Total Economic Impact™ Methodology

The Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their solutions to clients.

The TEI methodology consists of four components that evaluate investment value:

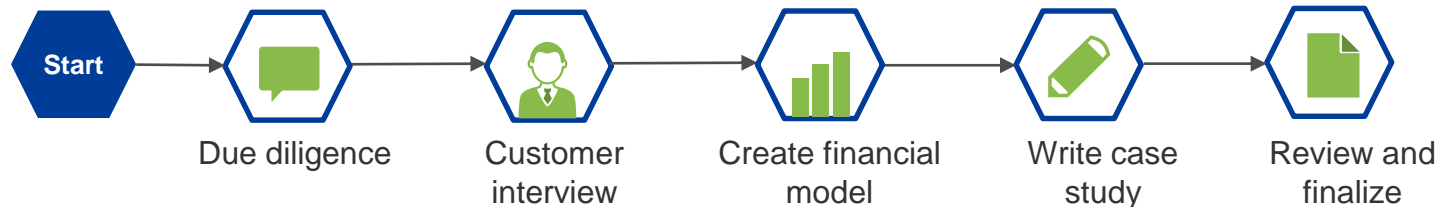
- **Benefits** represent the value delivered to the user organization by the project.
- **Costs** represent the investment necessary to capture the benefits of the project.
- **Flexibility** represents the value that can be obtained for some future additional investment, building on top of the initial investment already made.
- **Risks** represent the uncertainty of benefit and cost estimates contained within the investment.

See Appendix A for more details.



		TCO	ROI	TEI
IT impact	IT costs			
	IT cost savings			
Business impact	User efficiency			
	Business effectiveness			
Risk/uncertainty	Risk mitigation			
	Risk versus reward			
Strategic impact	Scalability			
	Flexibility			

Forrester took a multistep approach to evaluate the impact that InfoCert can have on an organization. Specifically, we:



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About The Masergy Customer

Forrester interviewed an existing Masergy customer and constructed a TEI framework with an associated ROI analysis that illustrates the areas affected:

- **Global transportation provider headquartered in Europe** with data centers on three continents and hundreds of global offices.
- **Rapid expansion through acquisition and organic growth** with operations reaching into additional geographies every year.
- **Executives were frustrated dealing with multiple legacy providers** that were causing application performance issues and were slow to respond to their needs.
- **Engaged with Masergy to rethink their global network** with Managed SD-WAN to allow the organization to adapt to changing business needs, to reduce vendor governance, and to lower cost of services.

“Previously, we had multiple providers for our network with lackluster support. We never knew who could answer our questions. Now with Masergy managing our global network, we can focus our time and resources on innovation.”



“With Masergy, we now have: direct connectivity to cloud providers; increased application performance, and the ability to turn up our new offices quickly. That kind of agility is something we never had before.”



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Masergy Managed SD-WAN Enabled:

AVOIDED COST OF MONITORING AND MANUALLY MODIFYING WAN CONFIGURATION

- As a result of proactive monitoring and dynamic change, the organization was able to reduce the need for employees dedicated to monitoring and modifying the network configurations by 35%.
- Existing employees were able to focus on other tasks while the organization avoided hiring additional employees for this task.
- Forrester risk-adjusted this benefit down by 15% to account for the unique challenges and requirements facing organizations which may differ from the composite organization.**



**Three-year PV:
\$1,198,538**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Staff monitoring and configuring network		18	18	18
A2	Reduced effort due to proactive monitoring and dynamic change		35%	35%	35%
A3	Equivalent staff (rounded FTE years)	A1*A2	6.3	6.3	6.3
A4	Average burdened salary		\$90,000	\$90,000	\$90,000
At	Avoided cost of monitoring and manually modifying WAN configuration	A3*A4	\$567,000	\$567,000	\$567,000
	Risk adjustment	↓15%			
Atr	Avoided cost of monitoring and manually modifying WAN configuration (risk-adjusted)		\$481,950	\$481,950	\$481,950

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Masergy Managed SD-WAN Enabled:

REDUCED COST OF SERVICES WITH INCREASED PERFORMANCE

- A key benefit for the organization was their ability to reallocate their IT staff from managing various network providers/disparate systems to strategic revenue generating initiatives.
- The organization previously paid \$250,000 per month for networking. After consolidating to Masergy, it not only lowered monthly costs to \$232,000 but also doubled capacity and added innovative features such as cloud connectivity, virtual customer premises equipment (CPE), and real-time bandwidth on demand.
- Using a three-year model, this switch lowered costs by \$785,845 for more capacity and better quality of services.
- **Forrester did not risk-adjust this benefit resulting in a three-year benefit of \$785,845.**



**Three-year PV:
\$785,845**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Previous cost with multiple vendors	\$250,000/month	\$3,000,000	\$3,000,000	\$3,000,000
B2	Network consultancy charge	\$8,333/month	\$100,000	\$100,000	\$100,000
B3	Cost of using Masergy globally	\$232,000/month	(\$2,784,000)	(\$2,784,000)	(\$2,784,000)
Bt	Reduced cost using single global provider	B1+B2+B3	\$316,000	\$316,000	\$316,000
	Risk adjustment	↓0%			
Btr	Reduced cost using single global provider (risk-adjusted)		\$316,000	\$316,000	\$316,000

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Masergy Managed SD-WAN Enabled:

COST AVOIDANCE OF CONFIGURING AND MAKING CHANGES TO GLOBAL NETWORK

- The organization wanted to upgrade their bandwidth for key events such as their monthly CEO video conferencing calls and data backups. They also needed to bring new offices online and make service plan changes. Before using Masergy, the organization's engineers had to wait about five business days to make changes to their network with additional time to verify the configuration with the appropriate vendors. It took about 50 minutes to just fill out the paperwork. Once on Masergy's global network platform, each change was in real-time via a portal and saved significant amounts of time for the engineering team.
- Over three years, the organization saved a risk-adjusted \$382,727 by using Masergy to configure network connections and make connection changes.**



**Three-year PV:
\$382,727**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Number of connection charges annually		4,800	4,800	4,800
C2	Time saved per change (in minutes)		50 minutes	50 minutes	50 minutes
C3	Full-time equivalent staff saved	$(C1 * (C2/60)) / 2,080 \text{ hours}$	1.9	1.9	1.9
C4	Average burdened salary (technician)		\$90,000	\$90,000	\$90,000
Ct	Avoided cost of configuration	$C3 * C4$	\$171,000	\$171,000	\$171,000
	Risk adjustment	↓10%			
Ctr	Avoided cost of configuration (risk-adjusted)		\$153,900	\$153,900	\$153,900

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Masergy Managed SD-WAN Enabled:

REDUCED MANAGEMENT COSTS RELATED TO MULTIPLE VENDORS

- The organization spent an inordinate amount of time managing multiple network vendors, 60% of which was no longer necessary when switching to Masergy.
- The organization's executive told Forrester: "It was a nightmare managing multiple vendors with multiple invoices. When a problem occurs, I know that it's going to be handled. I don't need to send emails. I don't need to have meetings. I don't have to escalate. It is such a huge difference."
- The equivalent productivity of 60% a senior manager's time over three years comes to a value of \$198,000.
- **Forrester risk-adjusted the value down by 5% to account for the unique international challenges experienced by this organization. Over three years the organization saved a risk-adjusted \$155,926.**



**Three-year PV:
\$155,926**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Percent of time freed up annually		60%	60%	60%
D2	Annual burdened salary (executive)		\$110,000	\$110,000	\$110,000
Dt	Reduced cost of vendor governance	D1*D2	\$66,000	\$66,000	\$66,000
	Risk adjustment	↓ 5%			
Dtr	Reduced cost of vendor governance (risk-adjusted)		\$62,700	\$62,700	\$62,700

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Total Benefits:

CALCULATIONS FOR ALL BENEFITS AND DISCOUNTING TO CALCULATE THREE-YEAR PRESENT VALUE

REF.	METRIC	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Avoided cost of monitoring and manually modifying WAN configuration	\$481,950	\$481,950	\$481,950	\$1,445,850	\$1,198,538
Btr	Reduced cost using single global provider	\$236,835	\$236,835	\$236,835	\$710,505	\$533,812
Ctr	Avoided cost of configuration	\$153,900	\$153,900	\$153,900	\$461,700	\$382,727
Dtr	Reduced cost using single global provider	\$62,700	\$62,700	\$62,700	\$188,100	\$155,926
	Total benefits	\$935,385	\$935,385	\$935,385	\$2,806,155	\$2,271,002

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Masergy Enables:

UNQUANTIFIED BENEFITS

APPLICATION AND END-USER BENEFITS

“Recently we ran into a bug in another vendor’s networking appliance and were afraid the traffic would be too big for the bandwidth. Fortunately, we knew with the on-demand service control tools from Masergy, we could see the current live traffic and figure out how much we’d consume, and with one click we upgraded from 30 megabytes to 50 megabytes just to make sure.”

FULLY-CUSTOMIZABLE AND FUTURE-PROOF SOLUTIONS

“Masergy is helping us think far ahead. When we met with them, they white-boarded our entire global network after discussing in depth our applications, data center locations, employees, and remote users. They architected a custom solution for us with Managed SD-WAN, virtualized CPE, and integrated WAN acceleration. Instead of other vendors who pushed products, they solved business problems.”

DIRECT CLOUD INTERCONNECTIONS

“The direct cloud connections Masergy offers help us be more productive because of Microsoft Azure, Amazon AWS, and other IaaS. Masergy virtualized much of the networking infrastructure, too, so we have more control and visibility into those cloud instances.”



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Categories Of Investment

From a global standpoint, the organization experienced the following costs associated with an investment in Masergy:

- **Cost of Masergy.** Masergy Managed SD-WAN enabled the organization to: leverage a broad range of services delivered globally from a single provider; reduce total cost of ownership; and greatly increase innovation and customer experience. The total cost of Masergy services as shown in the Reduced Cost Of Services With Increased Performance section was \$2,784,000 per year.
- **Other costs.** While most organizations incur ancillary costs, the organization reported that it incurred no additional charges or suffered any negative impact to productivity during its transition to Masergy.



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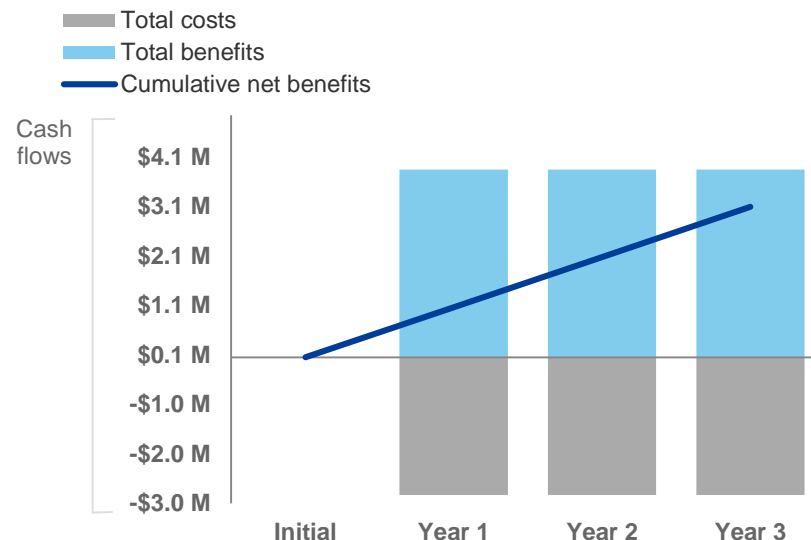
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Results And Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the global organization’s investment in Masergy. These values are determined by applying Forrester’s risk-adjustment values to the unadjusted results in each relevant cost and benefit. The financial results exclude any contribution from unquantified benefits or future flexibility described in the Total Benefits section.

- The risk-adjusted ROI is **36%**.
- The risk-adjusted NPV is **\$2.5M**.
- The payback period is **<3 months**.
- Reduced vendor governance of **60%**.



	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Costs	\$0	\$2,784,000	\$2,784,000	\$2,784,000	\$8,352,000	\$6,923,396
Benefits	\$0	\$3,798,550	\$3,798,550	\$3,798,550	\$11,395,650	\$9,446,432
Net benefits	\$0	\$1,014,550	\$1,014,550	\$1,014,550	\$3,043,650	\$2,523,036
ROI						36%
Payback period						< 3 months

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Appendix A: Total Economic Impact

The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

- › **Benefits** represent the value delivered to the business by the product.
- › **Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product.
- › **Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made.
- › **Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on “triangular distribution.”

The initial investment column contains costs incurred at “time 0” or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

Readers should be aware of the following key disclosures:

- The study is commissioned by InfoCert and delivered by the Forrester Consulting group.
- Forrester makes no assumptions as to the potential return on investment (ROI) that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the report to determine the appropriateness of an investment in InfoCert.
- InfoCert reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester’s findings or obscure the meaning of the study.
- The interviewed customer was provided by InfoCert.
- Forrester does not endorse InfoCert.



Present value (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate).



Net present value (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate).



Return on investment (ROI)

A project’s expected return in percentage terms. ROI is calculated by dividing net benefits (less costs) by costs.



Discount rate

The interest rate used in cash flow analysis to take into account the time value of money. Typically discount rates are between 8% and 16%.



Payback period

The breakeven point for an investment.