The Case for Managed Application Services

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Introduction

A new generation of managed services provider (MSP) is producing a new generation of managed application services. As described in this brief, there are a number of reasons why enterprise IT organizations should consider implementing managed application services. Besides providing expertise for IT organizations facing dwindling staffs, managed services also save organizations the time, costs, and resources associated with deploying and managing today's complex, emerging technologies.

In addition to their inherent benefits, the use of managed services enables IT organizations to gain experience with outsourcing, and positions the IT organization to feel more comfortable implementing more extensive outsourcing strategies in the future. As the breadth of available managed services expands, enterprises will have increased flexibility to outsource various aspects of IT. In so doing, these enterprises will be able to:

- Focus their financial and technical resources on evaluating and deploying new technologies
- Leverage core competencies
- Maximize productivity
- Enhance their competitive advantage
- Increase margins/profitability
- Leverage the stability, strength and scale of a carrier in their operations
- Keep current with technology

This increased flexibility means that IT organizations have more choices, which is clearly beneficial. However, this increased flexibility also means that IT organizations need information about the types of managed services that are available, as well as insight into what criteria they should use when selecting a managed services provider.

Purpose of This Two-Part Series

This is the second of two briefs that are intended to provide enterprises with the information and insight they need to develop a managed services strategy for their IT organization.

- **Part 1 of 2:** The first brief[1] provided an overview of some of the primary managed infrastructure services offered by MSPs, including MPLS VPNs, Ethernet Services, and Collocation Services. That brief detailed the general advantages to the enterprise of outsourcing to an MSP and contained a case study to demonstrate how one enterprise successfully implemented managed infrastructure services.
- **Part 2 of 2:** This brief provides an overview of some of the primary managed application services offered by MSPs, including managed IP PBX services and managed contact and call center services. This second brief summarizes the general advantages to the enterprise of outsourcing to an MSP and also presents a case study illustrating the value of managed applications services.

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[1] The Case for Managed Infrastructure Services, Jim Metzler, http://www.webtorials.com/abstracts/KubernanBrief-1-5.htm

Managed Services

The term *managed services* refers to the use of a third party to provide some combination of PDIM (plan, design, implement, and manage) services for a wide range of IT functionality. Managed services portfolios typically include both managed *infrastructure* services *and* managed *application* services:

Managed Infrastructure Services: As detailed in the previous brief, managed *infrastructure* services deal with aspects of the IT environment that are shared by numerous applications. Examples of managed infrastructure services include VPN services (e.g., MPLS, IPSec, SSL VPNs, VPLS) and data center or web site services; e.g., web site collocation services.

Managed Application Services: As this brief explains, managed *application* services refer to either specific applications or small groups of applications. Managed application services include:
- IP PBX services
- Voice/data services; e.g., IVR or unified messaging
- Video conferencing services
- Application acceleration services

Classes of Managed Application Services

Managed *application* services, such as the two described below, are receiving wide market acceptance as Voice over IP (VoIP) technologies have become accepted by the majority of enterprises. Managed application services are now available from most of the large, facilities-based service providers in the metropolitan areas that they serve. Most managed application services can be divided into two classes:
- Managed IP PBX Services
- Managed Contact & Call Center Services

Managed IP PBX Services: A Strategic Asset

This class of managed application service allows enterprises to outsource their telephony systems while transitioning from traditional TDM PBX telephony to VoIP. Until recently, most of the advantages associated with VoIP were associated with cost savings, including:
- Reduced long distance toll charges
- Reduced cost of moves, adds, and changes
- Lower cost of IP PBXs vs. TDM PBXs
- Better scalability of IP PBXs, allowing for a reduction in the number of PBXs
- Elimination of parallel data and voice wiring systems

As the market continues to mature, VoIP is now being viewed as more of a strategic asset that can improve business operations and worker productivity through mobility and presence features, unified messaging, and video conferencing. According to market research,[2] strategic voice and data applications now constitute the number one reason for adopting an IP PBX solution, followed closely by factors related to cost savings, such as those listed above.

In addition to operational and cost benefits, Managed IP PBX services also help ensure a flexible, future-ready network:
- Managed IP PBXs offer a full range of traditional PBX features and can support either digital or IP phones. A fully managed IP IPX service typically includes the CPE, remedial maintenance and support, as well as remote administration, including ongoing PBX Moves/Adds/Changes.
- VoIP also has the benefit of serving as the basis for a number of converged voice and data applications, such as unified communications and data-enabled Interactive Voice Response (IVR) systems and

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[2] 2005/2006 VoIP State of the Market Report, Steven Taylor, http://www.webtorials.com/main/resource/papers/sotm/paper2.htm

contact center applications. Outsourcing the IP PBX is a particularly attractive solution for the small-to-medium sized enterprises that prefer not to develop the level of VoIP expertise required to self-administer an IP Telephony system.
- IP PBX managed services are also highly complementary to managed infrastructure services, such as a managed MPLS VPN, which includes support for both data and VoIP traffic over a single private WAN interface.
- Managed IP PBX services often include a number of additional features or options, such as PSTN gateways, PSTN calling plans, WAN access services, and Internet access.

Managed Contact & Call Center Services: Optimizing Customer Service

This class of managed application service allows enterprises to outsource the infrastructure required for both IVR and Automatic Call Distribution (ACD) functionality with the required servers and CTI (computer telephony integration) equipment located at either an enterprise site or in an MSP's data center.

"Network-Level" contact center service:
A managed *contact center* service is typically a highly flexible solution that allows the customers to select from a range of a la carte contact center capabilities. These include, but are not limited to:
- Inbound and Outbound Self Service (IVR)
- Network-Level Routing and Queuing
- Recording
- Reporting and Analytics
- Virtual Hold

For example, a simple managed contact center might leverage a self-service portal that places the enterprise Web site resources at the disposal of customers calling into a VoiceXML-enabled browser.

- **"Agent-Level" contact service**: At the other end of the capability spectrum, a managed *agent-assisted* contact service can make call routing decisions based on customer data gleaned from CRM (customer relationship management) applications and agent availability determined via SIP (session initiation protocol) presence services. For agent-based services, locating the managed service infrastructure at an MSP data center facilitates the transformation of multiple geographically dispersed agent sites into a single virtual contact center that optimizes the quality of

Case Study: Vision Care Specialists

To add insight to this brief, Bud Wilkinson the Chief Financial Officer at Vision Care Specialists in Denver, Colorado, was interviewed about his company's use of managed application services from XO Communications.

The Company: Vision Care Specialists has four operating facilities and one administrative facility in the Denver metropolitan area. According to Wilkinson, the company found itself in the situation where their voice network was comprised of a number of stand-alone systems, all of which were outdated. For example, the systems could not handle large volumes of calls, and due to other factors (such as eleven-digit dialing), too much time was required to transfer patient calls between locations. The result? The quality of the voice communications with the company's customers was not acceptable.

The Challenge: Wilkinson stated that when the company looked to deploy a new solution, they had several objectives in mind, including:
- **Upgrade their phone system for better customer service**: The company recently transitioned to a servicing center environment to deal more effectively with appointment setting, customer follow-up, and other customer service operations.
- **Upgrade their WAN**: Once the organization began to investigate options and pricing for a new phone system, they realized that their phone service and network economics were tightly related, and they decided to upgrade both components simultaneously.
- **Move towards a scalable converged solution**: The company is committed to expanding the business and was determined to transition to a pure IP environment sometime in the future. The company wanted to implement a framework that positioned them to achieve both of these goals.

Wilkinson stated that Vision Care Specialists believes in the concept of partnering with organizations that specialize in support disciplines, thereby freeing up core staff to perform their own specialties. Over the last several years the organization has outsourced a number of functions, including payroll, human resources management, and IT. Relative to technology, Wilkinson said, "This is not an area we want to become experts in. The time and costs associated with staying knowledgeable about emerging technologies, combined with the executive resources required to manage those who are purchasing and supporting technology, is not a productive pursuit for this organization."

When asked about what type of companies should consider using an MSP Wilkinson said, "The great thing is that if you choose the right provider, you can opt for as much or as little support as your organization requires - from a periodic check up, to outsourcing an entire department. For years, it has been acceptable in all types of organization to outsource legal and accounting areas. Why should technology and telecommunications support be any different?"

The Solution: When choosing an MSP, Vision Care Specialists worked with a number of large providers as well as several smaller providers with the goal of identifying an organization that could provide a solution that met their objectives. According to Wilkinson, many of the providers quoted them an off-the-shelf solution that would have necessitated Vision Care Specialists changing their operational model. XO Communications won the bid primarily because they designed a solution around the needs of Vision Care Specialists. Other factors included price, service, responsiveness, and local presence backed by national resources, and reach.

The Result: At the conclusion of their analysis, Vision Care Specialists chose to implement XO MPLS IP VPN service as well as XO One Managed Solutions, including IP PBX systems, phones, a calling plan, installation, training, maintenance and technical support. One of the features of the voice service that Vision Care Specialists particularly likes is the ability to have 4-digit dialing between locations. This has helped them to provide more efficient customer service, and now the doctors who move from site to site are easier to reach on one extension, anywhere at anytime.

MSP Selection Criteria: At the end of the interview, Wilkinson was asked what advice he would give to other organizations that are evaluating MSPs. His advice was:
- Find a company that is willing to listen to what you need and learn how your business works, instead of trying to force your business processes into a box suitable for their services.
- Look for an organization that accepts responsibility if they have caused something to go wrong.
- Choose a company that will function as if they are part of your organization and act in your best interests.
- Explain to your staff that bringing on a managed services provider will not affect their job stability.

Once you engage an MSP, take full advantage of their portfolio of services, capabilities, and expertise.

customer service, as well as the utilization of both the infrastructure and the agent base.

Examples of services that can be utilized in an Agent-Level Services Suite include:
- Agent-Level Routing and Queuing
- Agent Desktop
- Workforce Management
- Recording
- Dialers
- Reporting and Analytics
- Virtual Hold

The Advantages of Using Managed Application Services

Keeping pace with the rapid evolution of today's communications technologies can require a significant commitment of capital and human resources. To avoid having to choose between stretching IT resources and foregoing the benefits of these technologies, enterprises are adopting managed services. In many cases, managed services have become the vehicle for expanding IT capabilities to ensure that the business units are supported by a highly competitive IT infrastructure. As detailed in the first brief, some of the specific benefits of using managed services in general, and managed application services in particular, include:
- Reduced Capital Expenditure (CAPEX)
- Greater Return on Investment (ROI)
- Lower Total Cost of Ownership (TCO)
- Leverage the MSP's Management Processes
- Leverage the MSP's Expertise
- Leverage the MSP's Technology
- Timely Deployment of Technology
- Better Strategic Focus
- Enhanced Flexibility

Conclusion

The reasons for using managed services, in general, and managed application services, in particular, haven't changed much in the last 20 years. What has changed, however, is the context for using managed services. For example, reducing capital expenditures and lowering the TCO has always been important. However, given the extent and hence cost of today's networks and applications, those factors tend to be even more important today.

Similarly, leveraging expertise has always been important. It is, however, more important today, given the headcount restraints facing virtually all IT organizations, combined with the introduction of new complex technologies, such as VoIP. In the same fashion, flexibility and the timely deployment of technology have always been important. However, given the current pace of business, they are more important now than ever before.

To keep pace with the rapid evolution of communications technology, enterprises are now outsourcing aspects of IT and turning to managed services providers, such as XO Communications. The result? By changing their operational model to include an MSP, enterprises have found they can deploy new technologies faster, maximize employee productivity, provide more efficient customer service and, thus, enhance their competitive edge.

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XO Communications is a leading provider of telecommunications services exclusively to businesses. XO® services include local and long distance voice, dedicated Internet access, private networking, data transport, and Web hosting services, as well as bundled voice and Internet solutions. With more than a billion dollars in annualized revenue, XO is a proven provider of IP bundled services, including the award-winning Voice over Internet Protocol (VoIP) services bundle, XOptions® Flex. XO operates an 18,000-route mile nationwide network that connects 75 metropolitan markets, and operates close to 900,000 miles of metro fiber.

XO also offers an MPLS IP-VPN service that is ideal for medium-to-large businesses looking for operational advantages and savings associated with an IP-based wide area networking (WAN) solution. The XO MPLS IP-VPN solution delivers more bandwidth for the dollar, faster application deployment, lower network operating costs, and more access options than traditional WAN services. To find out how XO can meet your specific networking requirements, visit www.xo.com or call 1.866.266.9696.

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