

# CURVATURE

## Why Smart Companies Are Migrating Their Maintenance Contracts

### Introduction

Whether businesses are migrating legacy products to new platforms, integrating cloud into their data center strategies, consolidating hardware, or dealing with the proliferation of data and devices, they are faced with the challenges of maintaining or reducing IT expenditures. It is a complex problem: businesses require data center improvements in order to keep up with the rapidly changing IT strategies—yet the majority of IT decision makers are concerned with the pressure to reduce costs.<sup>1</sup> Businesses are faced with the challenging task of achieving this balance: a vigorous data center at a low cost. As Curvature has noticed, there are two popular myths in the IT market that make this balance even more difficult to attain:

1. **The Five-Year Myth:** *“79% of IT decision makers refresh their equipment every 3 to 5 years,” even though the useful life of most networking equipment is 7 to 10 years.<sup>2</sup>*
2. **The IOS Updates Myth:** *Most people believe that they must have a SMARTnet contract for IOS updates; the reality is that 40% to 60% of a company’s network doesn’t require SMARTnet® for IOS updates.*

The desire for bottom-line growth, innovation, and user demands for new applications and services will require businesses to create a balance of these two competing IT factors: a vigorous data center at a low cost. Curvature has found that businesses can achieve this balance by:

1) keeping their working infrastructure and avoiding OEM dictated upgrade cycles; 2) broadening their understanding of independent maintenance contracts; 3) becoming more aware of free software updates (as well as avoiding unnecessary/unavailable updates).

When it comes to IT procurement, most businesses are focusing on the wrong thing. Many are spending too much time trying to shave a few percentages off hardware costs, when they can actually save more if they refocused their strategy on maintenance contracts and refresh cycles. Curvature’s goal is to share insights from both Gartner and

Forrester Consulting about strategies that could be deployed in any organization as well as debunk popular myths that are hurting IT networks and CapEx spending.

*“...even though IT budgets are under constant scrutiny, businesses have defaulted to vendor influence, which has blinded them to the rewards of extending hardware life cycles and third-party maintenance solutions.”*

*—Forrester Consulting*

While it’s clear that businesses are interested in lowering IT expenditures to allocate more money towards innovation, many are unaware current cost-saving options exist. Hybrid maintenance strategies provide affordable, consistent support without forced upgrades, including unique options tailored specifically for each network’s needs. With third-party maintenance, businesses can easily achieve the balance of data center innovation and low cost.

Curvature’s insights from both Gartner and Forrester studies reveal businesses are not only losing hardware value due to vendor-rushed refresh cycles that require retiring equipment too soon—they’re also losing additional money by defaulting to OEM maintenance contracts to support the new equipment.

### Debunking Myths in the Networking Community

As previously explained, two popular myths are prevalent in the networking community: **The 5-Year Myth and The IOS Updates Myth.**

1. *The 5-Year Myth:* Gartner recently conducted research on the typical useful life of networking equipment, and looked particularly at typical depreciation schedules. In most cases, the typical depreciation schedule was 3 to 5 years—however, the useful life of most networking equipment is 7 to 10 years.

Even so, Cisco product sheets containing MTBF numbers of their networking products show that most devices will function without failure from 18 to 33 years. Forrester found that, if Cisco had continued to offer support, 85% of IT decision makers would have kept that older equipment instead of being forced to upgrade.

Forrester also reveals that, although third-party maintenance alternatives like Curvature's NetSure® are extremely valuable, 80% of IT buyers don't know alternatives to OEM support.

2. *The IOS Updates Myth:* Curvature observes that most businesses believe that they must have a SMARTnet contract in place to access IOS updates, while the reality is that 40% to 60% of a company's network doesn't require SMARTnet for IOS updates. Additionally, Curvature observes business are paying for IOS updates that are either available for free or not available at all. More on this later...

## The Balance:

### A Vigorous Data Center at a Low Cost

There are many insights that demonstrate the benefits of alternative spending strategies for IT budgets. These strategies will allow businesses to achieve this vigorous data center-low cost balance by decreasing maintenance costs, delaying CapEx spending, and delaying the purchase of new equipment pushed by forced upgrades.

1. **Don't throw away what's working.** Gartner concludes that networking equipment lasts longer than most people expect. For some networking devices, the lifecycle can be as much as 7 to 10 years. Cisco product sheets reveal data that MTBF on most devices is up to 18 to 33 years.
2. **Consider third-party maintenance providers.** Despite what most people believe, there are third-party suppliers who can provide smart alternatives to OEM maintenance—the problem isn't a lack of options, it's a lack of awareness. Four in five IT professionals report that they would invest in a third-party maintenance solution if it was more affordable than their current contract.<sup>3</sup>
3. **Don't pay for software updates that are free (or unavailable).** Software updates, including those for all 4500s and down (i.e., 4500/E, 3850, 3750X, 3560E/X, 2960/S/X/XR/P), are available free from Cisco, yet

businesses pay a premium price for their SMARTnet contract, meaning they are, in fact, paying double for this software.

In addition to paying for free software, businesses unknowingly pay for software that is unavailable. When an OEM announces an "end of software release" date, it means that there is no more software available. However, the premium price for a SMARTnet contract includes the price of software; i.e., companies are paying for something they will never receive.

*While a large majority of IT decision-makers (76%) are concerned with the pressure to reduce costs, many are still unaware of the available options that exist for alternative maintenance contracts.<sup>4</sup>*

## A New Way with Curvature

Curvature's position, independent of OEM policies, allows them to help businesses manage their network without being constrained by OEM rules and contracts. Curvature provides businesses with strategies and choices to help them maximize their IT budget while managing their networking infrastructure more efficiently.

*In a recent survey of customers who had both SMARTnet and NetSure, Curvature outperformed Cisco in all categories including responsiveness, price, and technical capability.<sup>5</sup>*

1. **NetSure:** Curvature provides a maintenance contract that is based on recovering the identified "waste," or excess expenses, while providing the same Quality of Service and SLAs that customers had with SMARTnet—at a much lower price. NetSure includes support for products that have passed the last day of support; this allows businesses to keep products in place and take advantage of the product's longer useful life.

2. **Highest Quality, Highest Reliability:** With the ability to support products past the last date of support, Curvature provides access to tested, high quality networking equipment that allows companies to expand their existing footprint using legacy equipment. Curvature's ISO 9001:2008 and TL 9000 certified quality management systems and thorough line-rate load testing protocols at Spirent® test facility ensure that every piece of equipment meets manufacturer specifications, supports the most demanding production networks, and guarantees confidence.
3. **Speed:** While OEM equipment delivery often comes with delays, Curvature has equipment ready to ship from three distribution centers globally: the U.S., the Netherlands, and Singapore. This means businesses can receive fully configured and tested equipment delivered to almost any city in the world within 24 hours.
4. **Low Cost:** Curvature allows businesses to delay the OEM-guided purchasing of new equipment and, as a result, delay major CapEx spending. Because Curvature's maintenance contract is based on supporting devices that do not require access to software, they can significantly reduce the cost of SMARTnet contracts, typically by as much as 50%.

*The pricing of Curvature's maintenance contracts is based on depreciated value of the asset, which is decreasing over time. Unlike OEM maintenance options, Curvature's NetSure maintenance pricing will decrease over time.*

## Conclusion: The Impact of New Insights

Curvature provides an example based on a study done by Forrester Consulting that quantifies the impact of deploying the strategies detailed above. These results, compiled from a Total Economic Impact study, identify the impact of utilizing these strategies both on hardware acquisition and the reduction of the SMARTnet contract prices.

### **What is the impact of deploying these strategies?**

Curvature evaluated the potential savings from delaying the purchase of equipment and avoiding potential disruption and network downtime.

### **Customer with 10,000 employees and \$3B in annual revenue saw the following benefits:**

- Average hardware discount of 65% from Cisco
- 65% reduction of SMARTnet maintenance contracts
- 3-year savings on network downtime avoidance of \$788K

Deploying the spending strategies identified by Forrester and Gartner can significantly impact a company's total IT spending. While businesses are facing the challenge of maintaining and reducing budgets, analysts provide strategies that show how businesses can achieve the balance of a vigorous data center at a low cost. The IT sphere should pay particular attention to changing their procurement strategy, especially with 40% of their budgets dedicated to infrastructure.<sup>6</sup>

Backed by analyst reports, Curvature encourages businesses to keep what's working and take a pragmatic view of their infrastructure, making assessments of how much support is actually needed, and what equipment is vital to their network. It is crucial to stop spending IT budgets on software updates that are non-existent or available for free. Curvature advises companies to rethink OEM maintenance contracts, and put them out for competitive bid—consider third-party options in addition to those from other resellers. Lastly, when deciding whether or not to buy new equipment, consider value, quality, and longevity rather than the OEM guidelines that generally result in premature upgrades.

<sup>1-4</sup> *Challenging The Status Quo On Maintenance Contracts And Refresh Cycles To Lower Costs*, Forrester Consulting, May 2013

<sup>5</sup> Curvature Customer Satisfaction Survey, September 2013

<sup>6</sup> Forrsights Hardware Survey, Q3 2012, Forrester Research, Inc.

*Know When It's Time to Replace Network Equipment*, Gartner, August 2012

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