



**Cracking Down on e-Business Operations
Costs: How to Meet or Exceed ROI
Expectations**
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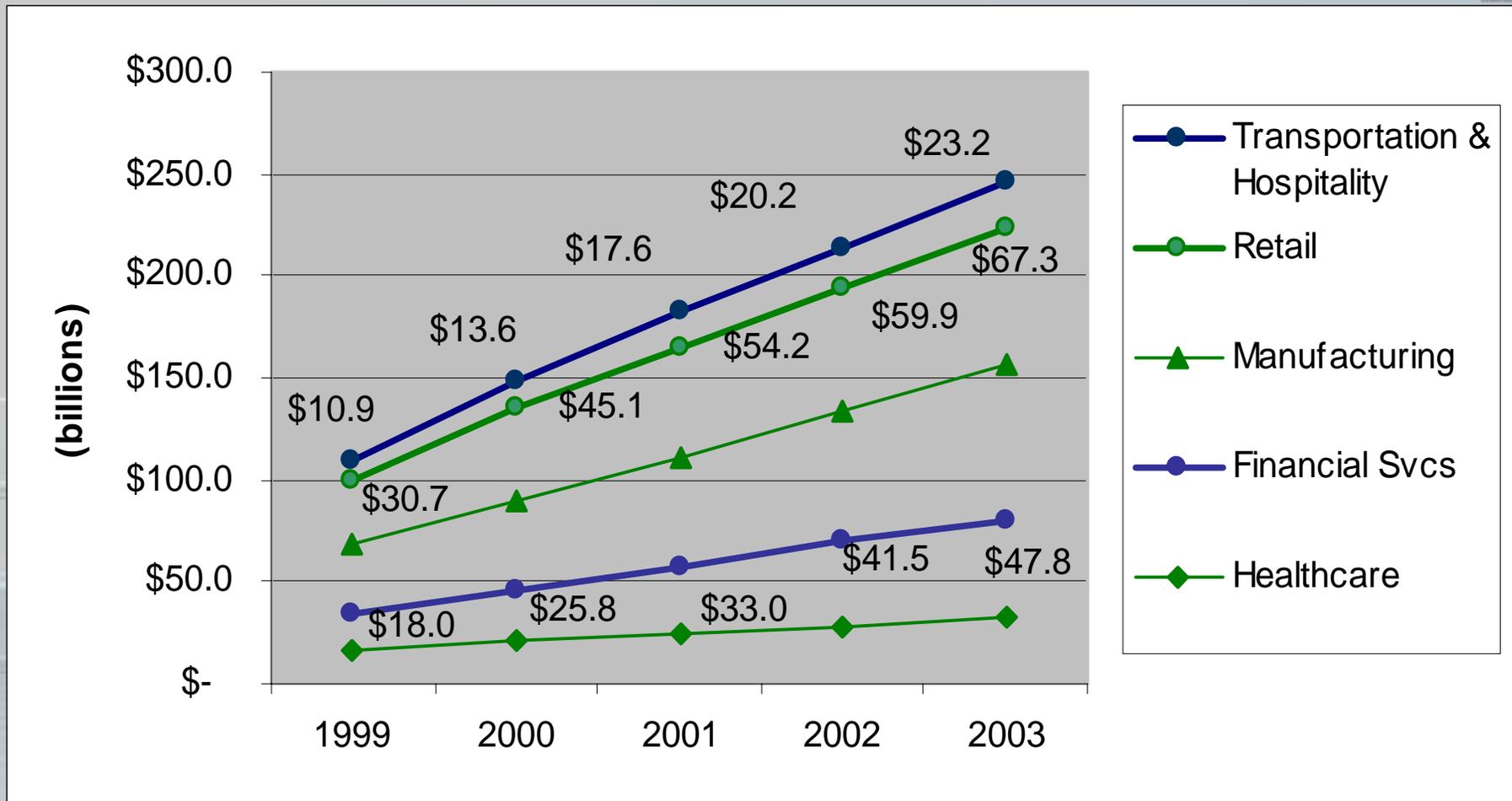
AGENDA

- **Market Drivers**
- **E-business Challenges**
- **New Service Model: Lower costs & Higher QoS**
- **Case Studies**

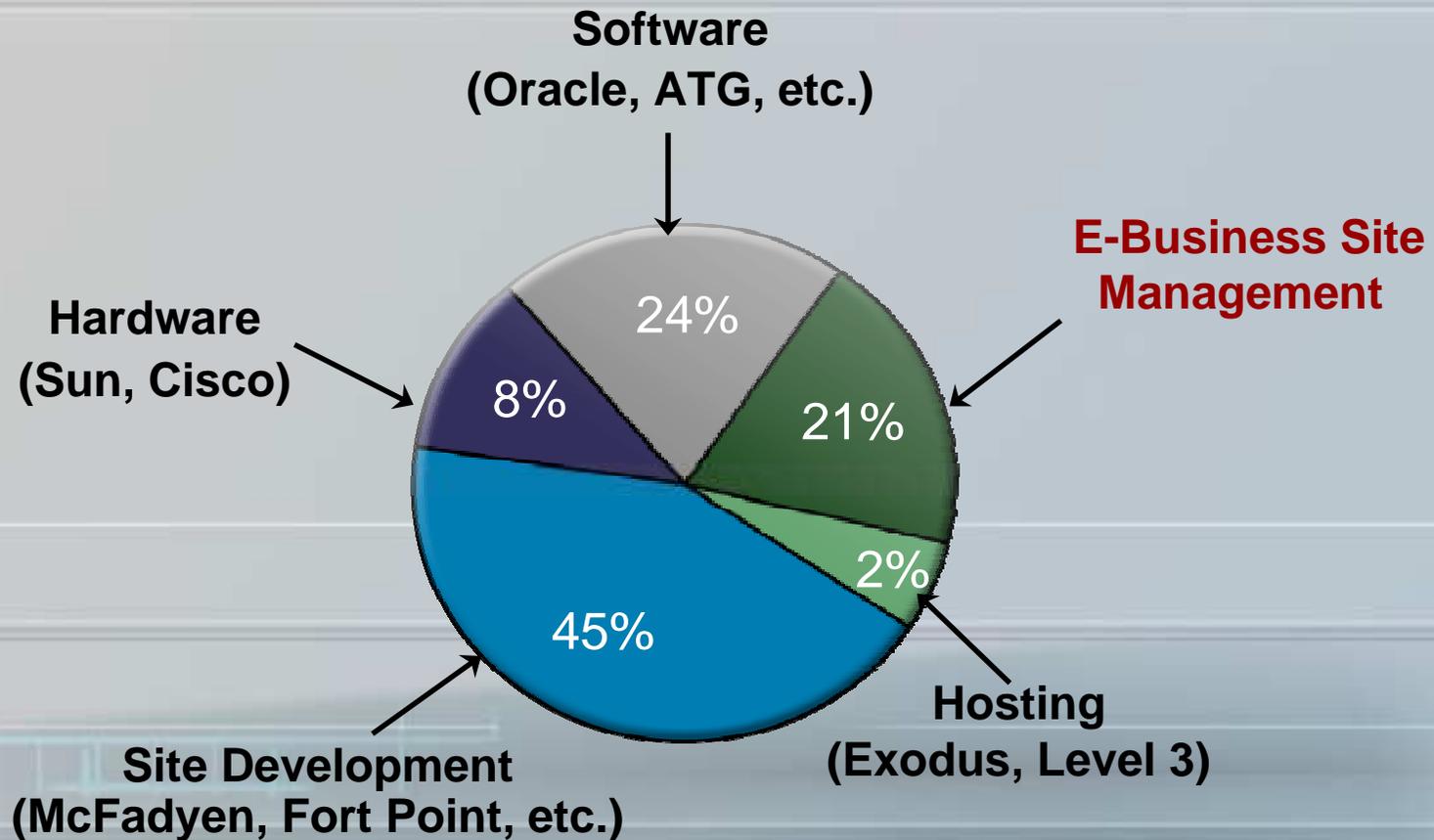
E-COMMERCE STILL STRONG & GROWING



20% AVERAGE ANNUAL GROWTH RATE



SITE SPENDING



**SPENDING ON SITE
MANAGEMENT IS INCREASING**

E-BUSINESS SERVICE QUALITY IS TOP PRIORITY



Poor operations management, people and process issues cause 80% of unplanned downtime.

The main causes of site failures

20%

Infrastructure – in servers, networks and operating systems, and power failures and other disasters

40%

Application – programming flaws, performance problems and changes to applications that cause problems

40%

Operations – e.g. people not performing a required task or performing one incorrectly

Source: Gartner Group, 2001.

TODAY'S E-BUSINESS CHALLENGES

Situation Facing E-businesses:

- Need to drive down operational costs
- Need to improve financial performance of e-businesses
- Need to avoid constant fire-fighting from site outages and poor site performance
- No one responsible for total QoS

SkYROCKETING E-business Costs



Cost Factors:

- Size of IT staff and associated recruiting, training and retention expenses
- CapEx (h/w, s/w, tools, etc..)
- Facilities and Infrastructure
- Maintenance Costs for h/w, s/w and infrastructure
- Ongoing operations costs (change management, problem management, etc..)

Downtime Impacts Revenue

Factors that Affect E-business Revenue

- **Site Availability**
- **Conversion Rates**
- **Site Performance and Functionality**
- **Reallocation of IT resources**
- **Risk mitigation against lost revenue**

THE EMERGENCE OF A NEW SERVICE MODEL



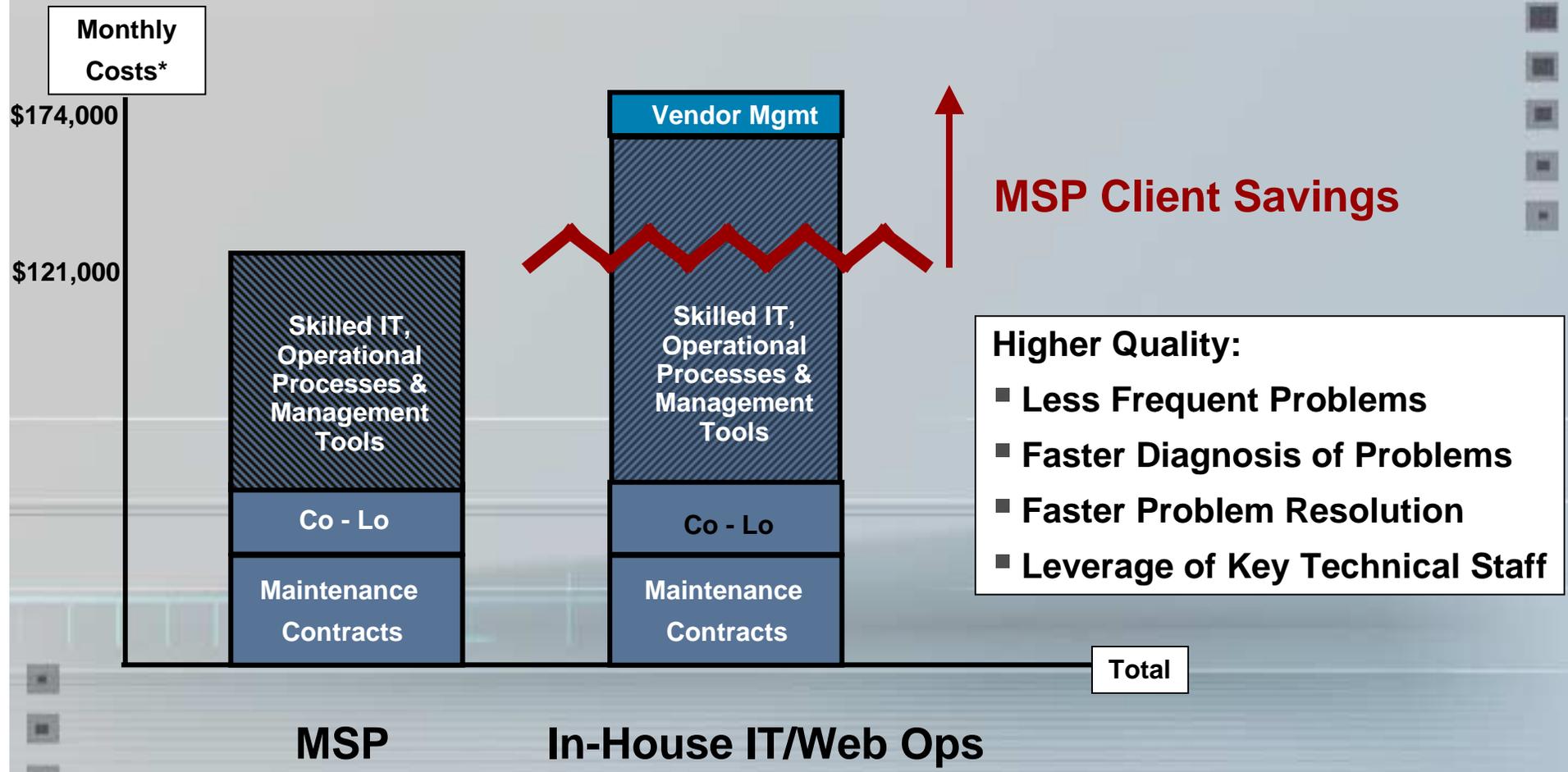
Application & Infrastructure Management (AIM)

Fully Outsourced Solution for Infrastructure Development,
Deployment & Ongoing Site Operations

Subset of Managed Service Provider Market (MSP)



Companies Save Minimum 40% and Get Higher Quality of Service



* Cost Estimate for Large US-Based Retailer

MSPs: Lower operational costs



Areas of Cost Savings

- Reduce and Reallocate IT Operations Staff
- Reduce Retention, Recruiting and Training Expenses
- Reduce Capital Expenditure
- Elimination of Investments in Management and Monitoring Tools
- Reduce Recurring Costs

MSPs: Increase Revenue

Revenue Generation Opportunities

- Reduced revenue loss from increased availability
- Increased revenue via enhanced conversion rates
- Increased revenue by re-deployment of resources
- Mitigating risk of lost revenue

MSPs: Higher service quality



- **Service Guaranteed through Service Level Agreements (SLAs)**
- **E-business insurance policy option: *Warranty above & beyond SLA to cover loss of revenue***
- **Leverage Extensive ATG Implementation and Ops Knowledge base**
- **Faster time to market through ATG Architectural Blueprints**
- **Access to Best Practices and Proven Operational Processes**

Customer Case Study: Medium E-Business



In-House Costs

- Total Staff Cost + Overhead ~\$1.7M/yr
- Management Tools ~\$400K/yr
- Cap Ex/yr ~\$880K
- Recurring Costs ~\$400K/yr
- Misc. Consulting ~\$50K/yr

Total Cost of
Ownership/yr =
~\$3.4M

Company X

Costs with MSP

- Total Staff Cost + Overhead ~\$400K/yr
- Management Tools \$0
- Cap Ex/yr ~\$660K
- Recurring Costs ~\$300K/yr
- Misc. Consulting ~\$0
- Totality Fees ~\$600K/yr

Total Cost of
Ownership/yr =
~\$2M

41% Cost Savings!

Customer Case Study: Large E-Business



In-House Costs

- Total Staff Cost + Overhead ~\$3.1M/yr
- Management Tools ~\$770K/yr
- Cap Ex/yr ~\$2.4M/yr
- Recurring Costs ~\$950K/yr
- Misc. Consulting ~\$100K/yr

Total Cost of Ownership/yr =
~\$7.3M

Company Y

Costs with MSP

- Total Staff Cost + Overhead ~\$870K/yr
- Management Tools \$0
- Cap Ex/yr ~\$1.7M/yr
- Recurring Costs ~\$710K/yr
- Misc. Consulting ~\$0
- Totality Fees ~\$1.2M/yr

Total Cost of Ownership/yr =
~\$4.5M

38% Cost Savings!

Why Customers Choose MSPs



■ Predictable Results

- Strongest SLA metrics in the industry ensuring quality and scope of services
- Binding commitments on web site performance

■ Lower Operational Costs

- Up to 40% savings in site operational costs and a reduction of capital expenditures

■ Focus on End-user Experience & e-Business Goals

- Focus on whole system, not component level. Reliable operations to help achieve key business objectives e.g. Time to market, change cycle, marketing campaigns, user experience

■ Skilled 24x7 Support

- Expertly-staffed SOC across all processes providing real-time assistance

■ Comprehensive Reporting Systems

- Provides 24x7 access to system metrics and actions taken on the system and supports a deep, detailed reporting structure

One Point of Contact.

One Total Management Solution.

TOTALITY