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InvisibleHand Messages Savings Into Bandwidth Costs

Service providers can save 70 percent on their bandwidth costs, more efficiently purchase bandwidth and control billing. Burlington, Mass.-based InvisibleHand Networks Inc. (www.invisiblehand.net) may be able to help you with its software platform that allows for dynamic pricing, selling and allocation of IP flow (bandwidth).

Rod Woodward, industry analyst for San Antonio, Texas-based Frost & Sullivan (www.frost.com) says, "Carriers can reduce considerable selling, general and administrative costs that result from bilateral negotiations of bandwidth sales if they could curtail the lengthy negotiation periods for buyers and sellers, lengthy editing period of contracts and minimize customer visits."

Curtailling the three things mentioned above is exactly what InvisibleHand has done. James Brown, CEO of InvisibleHand, explained that IP Flow is the big differentiation for the company because there are three major issues with bandwidth providers today:

- Circuit-based business models are fundamentally flawed and unsustainable.
- Capital markets are now closed. In previous years providers borrowed and built their way out of situations. With the capital markets closed, providers now have to find new ways to maximize the use of existing infrastructure.
- Monetizing demanded services. IP VPNs, VoIP, disaster recovery and fail-over recovery are all services that can be deployed as value-added services. The problem is that service providers cannot dynamically allocate bandwidth and price for this allocation.

"What InvisibleHand software does is shapes traffic (IP flow) in a dynamic way and allows for demand-based allocation — as opposed to supply-based allocation," Brown says. "This creates more efficiencies on the part of the network provider. They get paid for not only all bandwidth offered, but utilize all the bandwidth they have by taking price and using it as a factor in both shaping and taking full advantage of variable-demand."

Service providers have not had the ability to shift demand with price because they are on a flat-rate-based fee whether bandwidth is being used to its capacity or not. At the same time there is no incentive for an enterprise to shift non-critical traffic to off-peak hours because they pay the same price regardless.

InvisibleHand has created software that doesn't require service providers to change billing systems or OSS protocols, but creates a marketplace where sellers determine what price at which to offer capacity and buyers tell the software how much they are willing to pay.

The software is called Merkato and according to the company, communications providers that use it have realized a 45 percent increase in capacity utilization and a five-fold improvement in gross margins. Buyers save an average of 30 to 70 percent when purchasing capacity on-demand.

InvisibleHand's Proof of Concept: StreamingHand

Because InvisibleHand needed to demonstrate to potential customers that the software worked, it launched its own bandwidth reseller called StreamingHand as a proof-of-concept. StreamingHand has saved its customers 70 percent on bandwidth costs, has signed more than 65 content providers in 18 months and expects to be cash flow positive this quarter. (For more information visit the company's Web site: www.streaminghand.net)

"There has to be a fundamental shift in service providers' business models. Over the last 10 years we have seen a lot of innovation on the supply side," Brown continues. "All we are suggesting is what basic economics tells you — at the intersection of supply and demand there is price. We want to empower providers, use price to shift demand so they are getting maximum value for mission critical applications at peak times, and getting network efficiencies and cost benefits from spreading use of their networks by shifting non-mission critical application to off peak times. Also, they can control their supply as a means of capitalizing on that variable demand whether it is time of day or otherwise."

Woodward with Frost & Sullivan covers the wholesale data market. He says "Despite the pains in the wholesale market today, there are still some chances for growth as both the economy recovers and as new services such as Gigabit Ethernet and IP-VPN (along with the growth of the wavelength market) continue to emerge."

He went on to explain that there is a huge debate in the market on whether there is or isn't a capacity glut. One thing is for sure, there is a capacity glut if your capacity is not being used. Anything that can stimulate usage of unused capacity and can assist the carrier in understanding their network capacity levels — when they can sell, when demand levels are highest/lowest — is going to help them gain more revenue and efficiency.

"There is a glut of capacity when your not using it, and any software that you can use to improve that metric from essentially zero and can drive any revenue out of it is a positive," Woodward says.