



Microsoft Online Services Customer Solution Case Study



Overview

Country or Region: U.S.A.

Industry: Retail

Customer Profile

Based in Dallas, TX, Blockbuster is a world leader for in-home movie and game entertainment with a significant retail presence across North America, Europe, Asia, and Australia.

Business Situation

Blockbuster struggled with an unreliable messaging platform. Executives could not communicate across the company or connect when working remotely. Employees experienced weekly email downtime.

Solution

Blockbuster embraced software plus services by deploying Microsoft Online Services to update the undependable and outdated Lotus Notes environment while minimizing costs and impact to end users.

Benefits

- Reduced operating costs
- Increased productivity
- IT focus on business
- Mobile connectivity for all employees

Online Services help Blockbuster Deliver World-Class E-mail and Collaboration

“Microsoft Online Services aided Blockbuster in transforming our environment and enabled employees to collaborate better, communicate more efficiently, and be significantly more productive.”

Keith Morrow, CIO, Blockbuster

Based in Dallas, TX, Blockbuster, Inc. (NYSE: BBI, BBI.B) is one of the world's leading providers of in-home movie and game entertainment with reported worldwide revenues of more than \$5.5 billion in 2007 and more than 7,500 stores throughout the Americas, Europe, Asia, and Australia. After 10 years as a Lotus Notes customer, Blockbuster needed to convert their environment in order for executives to communicate information reliably and directly to their regional and in-store employees. At the same time, the company desired to cut IT costs and refocus their IT team on competitive business issues while migrating users to a new platform, quickly and painlessly. The Business Productivity Online Suite of software from Microsoft Online Services was able to meet all of these objectives with a low monthly fee and provide seamless integration for e-mail, instant messaging, and collaboration.



“From a cost operation basis, I have felt like it is a disadvantage to make common enterprise services proprietary by running them yourself. When you fully analyze TCO you must calculate the financial impact of excess capacity in your data centers plus the value of what your IT people could be doing to innovate your business. It means that personnel and capital are not being used to solve strategic issues like how to drive competitive advantage. That hits the bottom line.”

Keith Morrow, CIO, Blockbuster



Situation

Blockbuster Inc. (NYSE: BBI, BBI.B) is one of the world's largest providers of in-home movie and game entertainment with reported worldwide revenues of more than \$5.5 billion in 2007 and more than 7,500 stores throughout the Americas, Europe, Asia, and Australia. Blockbuster is the leading provider of rentable DVDs with approximately 40 percent of the domestic rental market and a globally recognized brand. Their new business strategy includes the BLOCKBUSTER Total Access™ subscription offering. Under the Total Access banner, Blockbuster has several store-based, and integrated subscription programs. The retail store network represents a huge competitive asset. Blockbuster's strategy is to capitalize on this advantage by transforming stores into media entertainment destinations. To this end, Blockbuster is expanding the presence of and experience with movies in the retail stores, and adding a variety of entertainment-related services and products.

The Business Challenge

With the growth of online movie rentals, Blockbuster's already competitive environment became more intense. To provide an unmatched competitive strategy in the marketplace, Blockbuster expanded its retail business by integrating it with online capabilities. Collaboration between existing stores and Blockbuster corporate was critical. When the new leadership team arrived in July of 2007, Jim Keyes, the new CEO, and Keith Morrow, CIO, faced two primary challenges. One challenge was a highly competitive business environment with a quickly evolving movie rental distribution method. The second challenge was a technology platform that did not support their new strategy and requirements. They set their sights on getting competitive quickly and knew that technology must pave the path. The business strategy required the adoption of new technology capabilities.

Remote Connectivity for Mobile Employees:

Executives needed to work remotely, as well as to communicate important corporate information reliably and directly to stores and regional employees. Communication and collaboration capabilities were key to empowering their highly mobile workforce and driving the business agility that executives required. Approximately 2,500 stores are located in 21 markets outside of the US. There are about 4,000 US company-operated stores managed by a team of District Managers. Every District Manager is responsible for managing a group of stores and spends a great deal of time on the road. Mobile access is critical for the District Managers to handle escalations and stay productive. Blockbuster is a prime example of how mobile regional management and executives require connectivity across dispersed retail and corporate locations. Mobile connectivity of Lotus Notes at Blockbuster was unreliable and a drain on executive productivity, forcing the IT department to address downtime issues every week. Reliable mobile communication and collaboration capability was critical.

Ease of Use for Agile Workforce: Working with movie studios and retail outlets creates an environment that is highly collaborative and requires agility to work with project teams and freelancers, scaling up and down as needed. For high efficiency, it is important for these partner organizations and freelancers to get up to speed and collaborate quickly, which was inhibited by the existing Lotus Notes environment. User friendly and familiar tools would make a major difference.

The IT Challenge

Refocus IT Personnel to Business Strategy: In Blockbuster's competitive environment, the company needed to be nimble and move fast without taking on more capital expenditure, personnel, hardware, and licenses.

“Rather than have our IT department focused on implementing and converting this enterprise service, we let Microsoft and Infosys do that. Microsoft set up the enterprise environment in their cloud datacenter, migrated the data, the calendaring, etc. using their standard processes and tools. This enabled our management team and key technology people to focus on issues core to our business, instead of standing up an email service.”

Keith Morrow, CIO, Blockbuster



Standardization of platform and vendors for hardware, network outsourcing, and system integration supported this mantra. Blockbuster's Executives wanted IT focused on the greater business objectives. Implementing a best of breed messaging and collaboration platform rather than maintaining an unreliable and dated platform was one of the first steps in the process.

Reliability and Collaboration: Blockbuster's IT team is very focused on creating a positive user experience which was difficult with the outages of their dated infrastructure. The Notes implementation was not designed to handle the number of mailboxes Blockbuster had grown to need. The company required more powerful collaboration tools and a reliable and expandable messaging platform.

Return on Investment (ROI) of New IT

Platform: The migration from Notes had been considered for several years, but the ROI was not compelling. The costs for Blockbuster to acquire new hardware, software, and consulting services were significant. Having to train or hire engineers versed in Microsoft® Exchange further increased the transition costs.

Lazy Assets: Morrow had two other key objectives in mind. First, he wanted to restructure his budget by converting fixed costs to variable costs where possible, and second, he wanted to solve what he calls his “lazy assets” problem. Hardware, storage, and servers never depreciate at the same run-rate and the renew dates typically don't coincide. This creates a dynamic of continually investing in technology assets that may not be aligned with the business and IT strategy.

Phased Approach to Technology Migration:

Blockbuster had already worked with Microsoft to deploy Microsoft Office SharePoint® Server and Microsoft Office

Communications Server 2007 (OCS) for portal and real time communication. Exchange was the final strategic element in their IT roadmap, but there was a concern. As enticing as it was to move users to Exchange in their US, Canadian, and Argentine offices, they worried that Exchange users wouldn't be able to integrate with Notes users that were not in scope for the Phase 1 migration. Blockbuster wanted a solution that allowed them to move to their strategic platform in a phased approach.

Timely Software Updates: Their new solution had to ensure that Blockbuster could easily stay current on the latest technology. A mixed software plus services approach, as suggested by Microsoft, would provide world-class communications and collaboration capabilities, continually updated and delivered over secure Internet connections. Microsoft Exchange Online differentiated itself by providing a software environment which would be regularly updated with newly available capabilities.

Solution

The Key Decision Factors

Blockbuster evaluated several possible scenarios including Exchange on-premise self-managed, Exchange on-premise managed by a partner, Exchange off-premise hosted by a partner, Google Apps, and Microsoft Exchange Online Services which is an off-premise standardized software service offered by Microsoft.

TCO and Transparent Cost Structure:

A longstanding Blockbuster partner, Infosys Technologies Limited, performed a thorough assessment study of Blockbuster's collaboration needs, existing infrastructure, and possible solutions. The study concluded that Blockbuster would benefit from a Microsoft messaging platform but the current environment needed significant infrastructure and training investments for an on-premise

“Attaching large documents and executables to e-mail can have a major impact on network traffic. Microsoft Online allowed us to implement mailbox size limits, thereby changing user behavior. Moving to Exchange Online and SharePoint gave our IT department more control of messaging disciplines such as maximum e-mail and mailbox size. This enabled us to reduce costs and drive governance and adoption of SharePoint in our environment.”

Ryan Walters, Senior Analyst, Blockbuster



implementation. Microsoft presented the Microsoft Online solution which offered complete enterprise messaging at a fixed per user per month fee. The per-mailbox cost basis provided a straightforward and transparent framework to manage the costs of Blockbuster's user base. Blockbuster's decision to move forward with Exchange Online was based on a thorough TCO and ROI analysis of Microsoft Online compared to their existing environment and other competing solutions.

Shared Risk and Innovation with Partner:

Blockbuster additionally wanted a relationship with a partner where the risk of success is shared and where the partner would continually bring innovation to the table. The 99.9 percent uptime service level agreement (SLA) from Microsoft Online and capability roadmap ensured these goals would be met.

Flexibility to Integrate On- and Off-Premise:

The Board of Directors approved the Microsoft proposal in February 2008. They chose the Software-plus-Services strategy that would integrate their Microsoft on-premise investments with a new Microsoft Online messaging solution.

Planning Migration and Deployment:

Preparation for the North America migration began in March 2008. The team achieved service-ready by July due to the strong leadership of Blockbuster's project manager. "Service Ready" is the milestone where the team is ready to start migrating users onto the Microsoft Online Service. Blockbuster, Microsoft, Infosys, and Binary Tree Consulting Services then drove the seamless migration. Binary Tree is a Microsoft premier partner and provided messaging co-existence and migration services. Infosys completed the migration assessment early in the project and was selected as the primary system integration partner. The deployment

processes and tools which Infosys brought to the project helped the team to condense Blockbuster's migration timeline, to achieve an error free deployment, and to reduce the cost of the transition. The entire cross organization team was successful due to the strong processes and great collaboration in place.

Regular communication with end users was critical to their smooth transition. A "migration wave" list was created to indicate which users would be migrated over the coming days and weeks. One week ahead of their respective migration date, users were notified via email. They were reminded again one day ahead of migration and finally sent a confirmation email when their mailbox was successfully migrated. All these communications were managed using Binary Tree's Enterprise Migration Manager. The intense work schedule and teamwork between Infosys, Binary Tree, and Microsoft resulted in the Phase 1 migration of 2,760 users in just 5 weeks. The team also setup clear roles and responsibilities to handle any support problems that arose during migration.

The Microsoft Circuit Sizing Calculator allowed Blockbuster to set up the appropriate network bandwidth between Blockbuster and the Microsoft datacenter. As a result users were happy with their e-mail and calendaring performance moving to the Microsoft Exchange Online service. Blockbuster's IT group is also very satisfied that Microsoft continues to exceed the contracted 99.9 percent uptime SLA.

BlackBerry Support: Blockbuster subscribed to optional BlackBerry Service from Exchange Online to support their mobility requirements. Blockbuster worked with Microsoft to implement a BlackBerry activation helpdesk that assisted executives in migrating their BlackBerry devices. The helpdesk technicians

“Microsoft Online enabled us to integrate with our Notes users who weren’t able to migrate to Exchange in the first wave. You can transition to Microsoft Online and co-exist with Notes for a short period of time or over a number of years.”

Kraig Doering, Infrastructure Advisor and Microsoft Online Project Manager, Blockbuster



“Because of infrastructure cost savings, Microsoft Online allowed us to execute Exchange with all of the bells and whistles in a very short timeframe.”

Paul Reyes, Director of Infrastructure, Blockbuster



handled activations on behalf of executives within 24 hours after migration. The recent Exchange Online 9.1 service update now provides a self service portal to help customers better manage the BlackBerry activation process and allow users to activate upgraded BlackBerry devices.

User On Boarding: Blockbuster users took advantage of Microsoft eLearning training as well as onsite lunch and learn training sessions to help users get up to speed on the Microsoft Office suite and help them transition off of Lotus Notes. Ryan Walters, a Senior Analyst on Blockbuster’s IT team said, “We learned that effectively training Executive Assistants on the new environment and the new functionality of Microsoft Online, ahead of the management team, had a major impact on executive adoption and productivity.”

Benefits

Mobile Connectivity for All

Blockbuster’s IT Team delivered on expectations and provided better information flow to the company along with better access to email and calendars through Microsoft Outlook® Web Access (OWA) and mobile Smartphones. Executives, District Managers and end users now have the ability to communicate from anywhere and appreciate better connectivity through OWA on store visits, using their BlackBerry and Smartphones while on the road, and having a richer user experience with Microsoft Outlook in the office and working remotely on their laptops. Blockbuster was well prepared with their internal helpdesk, thoughtful documentation, and strong user training. Through Microsoft Online, many additional district managers now have access to messaging from Windows Mobile® Smartphones with no incremental BlackBerry License or Microsoft Online Services BlackBerry subscription fee.

Increased Productivity

Blockbuster users comment on the unquantifiable benefits of using Office Communication Server to collaborate in real time. Paul Reyes, Director of Infrastructure Engineering said, “When we’re in a meeting and need to see if someone is available to join us, we use OCS to see if they’re online and send an instant message to ask them to join the meeting. This allows us to make decisions very quickly.” Additionally, the integration of Exchange Online Services and Blockbuster’s SharePoint and OCS on-premise implementation is completely seamless. Since Exchange Online was implemented there have been so many productivity stories which have created more confidence in the new platform and continue to drive broader user adoption.

Flexible Migration Strategy

The flexibility to decide what to host on-premise and what to host in the cloud is a key benefit of the Microsoft Software-plus-Services strategy. Non U.S.-server based locations will continue using Notes for the time being while worldwide migration from Notes to Exchange is being planned. Knowing that seamless communication can continue between team members using Exchange in North America and those using Notes internationally is another significant benefit.

Reduced Operating Costs

Exchange Online provided Blockbuster with significant cost savings to run e-mail. Absolutely no budget goes to maintaining their messaging infrastructure, patching messaging servers, upgrading servers for capabilities, or handling downtime situations. Exchange Online also allows Blockbuster to take advantage of more enterprise functionality than they would have been able to deploy and manage on premises with the same budget.

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IT Controls and Collaboration

In a creative industry focused on media, users require the ability to collaborate on large graphics and video files. Prior to adopting SharePoint, employees would typically share files through e-mail to multiple users, creating major strain for the network and e-mail storage costs. The customizable mailbox limitations available with Exchange Online enabled Blockbuster's IT team to drive file sharing to central document libraries on their SharePoint Portal. These e-mail size and mailbox limits can be customized by organization, group, or user and minimize the storage and messaging bandwidth required to share large files via e-mail.

IT Focus on Business Strategy

Blockbuster's IT department can now focus on technologies to keep Blockbuster competitive in a competitive entertainment environment. Morrow said, "While my IT team used to spend most of the time monitoring and maintaining systems, we now have bandwidth to drive business change, such as a new Point of Sale environment. IT has become a change agent supporting Blockbuster's business goals."

Robert Gray, Sr. Director of Infrastructure for Blockbuster concluded, "Microsoft provided the right service at the right time and we have a high level of confidence in the solution and the partnership with Microsoft." Most importantly Blockbuster users are very happy with the service and are able to communicate and collaborate while driving Blockbuster's business.

Microsoft Online Services

Microsoft Online Services is a business-class communications and collaboration software offering delivered as a subscription service, hosted by Microsoft, and sold with partners. These services help make it easier for customers to rapidly and cost-effectively access the most up-to-date technologies, and are designed for rapid deployment to provide customers with streamlined communications, simplified management, and business-class reliability and security.

For IT staff, Microsoft Online Services helps reduce the burden of performing routine IT management tasks such as installation, provisioning, ongoing maintenance, patches, updates, and upgrades, making it possible for them to spend more time on initiatives that move the business forward. These services are backed by strong SLAs and are designed to meet the regulatory compliance and reliability needs of enterprise customers. On a technical level, the services boast the sophistication and reliability that customers expect from Microsoft, which continues to invest heavily in building data centers to support these services.

For more information, visit: www.microsoft.com/online

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