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## Questions to Ask Your Vendor Before Buying Optical Transceivers

And how to find out if you've been overcharged!

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# Five Questions You Should Ask Your Vendor Before Buying Optical Transceivers

(And how to find out how if you've been overcharged!)

Here are 5 key questions you should ask network equipment vendors before buying their suggested OEM optics.

Gartner previously released a report provocatively titled “How to Avoid the Biggest Rip-Off in Networking”. In their research, the analysts identify the challenges enterprises face in trying to rein in their spending for network transceivers and related optics products. It’s a confusing market which has earned a well-deserved reputation as a product category with enormous (and unnecessary) markups by OEM vendors. At the same time, optics are not a commodity product and demanding great value should never mean sacrificing quality or reliability.

Of course, we were delighted when OSI was asked to participate in the Gartner research study as a third-party vendor pushing hard against the excessive profit margins built into OEM pricing for these components. Not surprisingly, among the findings was that customers routinely pay an average of 50% more for transceivers than necessary and consequently these line items eat up as much as 15% of the total network hardware spend.

OEM CUSTOMERS

**PAY 50%  
MORE**

**FOR OPTICAL  
TRANSCEVERS**

How egregious is the price gouging? The wholesale cost of typical SFP + SR optics components produced by any of the half dozen optic manufacturers typically range from \$85 to \$100. That’s what the OEMs pay for the pre-configured, finished product. The same transceivers carrying the Cisco, Huawei, Ciena, Alcatel-Lucent or other OEM name will cost you an average of \$450.

As the optics market continues to mature, analysts such as Gartner, Forrester Research, IDC, IHS Research and others are recommending infrastructure and operations managers aggressively push back against inflated markups by OEMs. Doing so requires adopting new negotiating tactics to gain better value and ensure optimal quality assurance when sourcing transceivers. In support of this worthy goal, we offer 5 vital questions to ask you supplier and to gain better purchasing power for this important part of your IT budget.

## Price Gouging By OEMs Now Routine

OEM COST  
**\$85 - \$100**

OEM PRICE  
**\$450**

# 1

## **Do you support third-party OEM optics and hardware equipment?**

Despite assurances to the contrary, virtually all OEMs are selling products designed and guaranteed to have compatibility only with the other network components also marketed under their name. In contrast, third-party vendors must meet a higher level of interoperability. This is why the entire line of OSI Optics branded transceivers, and in fact every optics component we ship, are pre-configured and guaranteed for full compatibility with all major network equipment vendors including Cisco, Arista, Juniper, Brocade, Alcatel, HP, Palo Alto, Dell Force10, Extreme, Avago, F5, Telesis, Allied, Adtran, NetAPP and others.

## **Do you have specialized optical engineers on staff and do they code their transceivers in-house and conduct extensive code quality checks prior to shipping?**

# 2

Are they qualified to recode existing optics for unknown versions and various OEM products? Do they code to spec for your specific needs based on distance and modes beyond the OEM supplier? Are they checking for contamination and compatibility prior to shipment? If necessary, will they send a certified code technician to your site?

While both OEM and third-party network hardware suppliers are unquestionably dedicated to supporting industry standard and protocols (MSA and IEEE), levels of quality assurance can vary wildly from vendor to vendor. Ensuring every part shipped is configured correctly for customer need is a hands-on task requiring in-house optical engineers trained to code and configure and then perform multiple QA checks to avoid potential incompatibility issues before parts are shipped. At OSI Optics, our certified optical engineers save our customers the cost and annoyance which can arise from incompatibility. Their expertise has also enabled us to achieve an industry-leading return (RMA) rate of 0.48%.

# 3

## **What assurances do I have that the quoted product is not refurbished/repaired or manufactured from recycled parts?**

Not all transceivers are created equally. The factors in play which affect the performance, lifecycle and reliability of transceivers are numerous. Manufacturers can lower their price point and increase margins by using lower grade lasers (always insist on Grade A), substituting remanufactured or refurbished components, and buying second-tier, inferior parts from questionable suppliers. Optics are a critical part of your infrastructure. Insisting on Level One/OEM specified components carrying a lifetime warranty will ensure minimum downtime of your network and lower troubleshooting costs.

## **What is your warranty policy and what exactly does “limited lifetime” mean?**

From speaking with thousands of end-user buyers of optics, Gartner identifies the FUD factor, or Fear, Uncertainty, Doubt, as a primary reason purchasing agents continue to overpay for OEM-branded transceivers. Nowhere is this more relevant an issue than in customer support and warranties. While all major OEMs will admit (if pressed) that the use of third-party optic products does not void their warranties, they leverage this point somewhat dishonestly when diagnosing a network malfunction. Prior to proceeding with their engineering support, OEMs will routinely insist that any non-OEM parts be removed from the network.

Clearly, this tactic is designed to discourage the purchase and use of third-party components.

The use of the terms “lifetime and limited lifetime” warranty seem straightforward enough but leave a lot of wiggle room when a problem arises. To simplify life for our customers, we provide unconditional lifetime warranty coverage and “triple-play” support and replacement. In simple English that means next business day delivery of replacement parts and Technical Assistance Center support for both optics and hardware for all major manufacturers.

# 4

# 5

## How does the performance of your products compare with other OEMs and third-party vendors?

(In other words...You aren't specifying costlier modules than I need, are you?)

When choosing transceivers, it's easy to buy more horsepower than you need. There's no point spending unnecessarily for products that can overdeliver on distance or bandwidth. Defining your performance requirements can avoid overshooting on several fronts. Certain OEMs are known to specify their more expensive transceivers as a default line item in their RFP responses when they know full well less expensive modules would suffice.

A good account manager should always be looking out for your interests. Is your vendor advising you on standard ray optics, color optics (DWM-CDM) and wavelength factors to suit your specific needs? When you consult with an OSI optic specialist, you can be sure that the appropriate parts for your infrastructure will be spec'd out correctly. Once your order is placed, the pre-coding and configuration is performed by our Optical Engineers here in the U.S. or EU depending on the shipping destination.

Another tactic often used by OEMs to drive up customer spend is not suggesting active optical cable or twinax assemblies in their proposals. Ordering cabling and transceivers as a combined unit usually results in lowering pricing than when purchased separately.

When choosing compatible optical transceivers for your infrastructure, make sure you investigate fully the better value, responsive support, superior quality assurance, and guaranteed interoperability now available through our in-house Optical Engineers and global distribution and support centers.

**If you don't ask the right questions, odds are good you'll end up paying more than you have to.**



As the market for fiber optical networking solutions continues to evolve, enterprises are exploring better value alternatives to OEM offerings for their higher bandwidth, mission critical network and data center needs. We're proud to be setting the pace with our branded OSI Optics transceivers, cables and accessories.

In addition to providing expert pre-sales consultation and technical support, our in-house Optical Engineers will evaluate your end-to-end optics requirements and develop a deeply discounted, bundled approach for you today.

Your choice of optics vendor is a key factor in optimizing your IT budget and maximizing the performance of your infrastructure.

For immediate product and pricing information, call 1-866-602-4674.



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