

Finding the Value in Unified Communications— Understanding the Hierarchy of Return



A Frost & Sullivan White Paper

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EXECUTIVE SUMMARY

To stay competitive in an increasingly global workplace, companies today must find ways to allow and encourage their employees to communicate and collaborate anytime, anywhere, and from any device. Unified communications and collaboration—an integrated set of voice, video and Web collaboration applications—can enable advanced communications among employees, customers and business partners. But as is true with any technology deployment, IT and telecom executives must be able to justify the necessary investment—and demonstrating a clear ROI is especially critical in these uncertain economic times.

For many companies, the value of UCC can be found in a *hierarchy of return*, similar to Abraham Maslow's hierarchy of needs. Just as people must meet certain basic needs (hunger, thirst, shelter) before they can enjoy more advanced rights (freedom, education, self-actualization, etc.), companies must ensure first and foremost that the technology they deploy is cost-effective and utilitarian. Once that basic requirement is met, they can start looking for ways to leverage technology for more advanced benefits, including improved productivity and revenue acceleration.

According to Frost & Sullivan research, this hierarchy clearly maps to the ways in which C-level executives perceive the value of unified communications and collaboration applications. The most highly valued tools are the ones most likely to save companies money: audio conferencing, Voice over IP, instant messaging, and Web and video conferencing. More advanced communications, including presence, integrated clients and telepresence, are rated most highly for driving productivity and business processes, including improved employee mobility, speeding decision-making, and supporting collaboration. And Frost & Sullivan research shows that companies that use collaboration tools have a competitive advantage over those that don't—and that advantage increases as the tools themselves get more advanced.

This paper examines the four stages of return companies can see from their UC investments: Lower communications costs are followed by lower operational costs, then better productivity, and finally a true competitive advantage. By deploying a cost-effective, open solution that's fast to deploy and easy to use and manage, companies can move along the hierarchy, so that they quickly experience the highest-value return.

REDUCE COMMUNICATIONS COSTS

Simply by deploying IP communications, companies can immediately lower their telephony and other communications costs, meeting the most basic organizational needs. Organizations with so-called "Greenfield" opportunities, into which they must deploy an entirely new set of communications technology, will find that IP communications are considerably less expensive than older, traditional solutions. But even companies with existing sites and their accompanying existing telephony infrastructure can see significant returns from upgrading to newer, open technology—especially if they get it from a vendor that supports simple, cost-effective solutions that are easy to use and deploy. Often, these savings alone will justify the cost of upgrading the network, endpoints and applications.

100% of C-level executives say video conferencing and UC technologies meet or exceed their expectations for boosting collaboration.

100% of C-level executives say VoIP, UC and presence information meet or exceed their expectations for improving customer service.

100% of C-level executives say unified communications meet or exceed their expectations for reducing costs.

With an easy-to-deploy-and-manage solution that's based on open standards, companies can do away with the constraints older, proprietary systems force them to incur. Suddenly, it's easy to quickly install the necessary technology, activate new users, move employees from one location to another, support virtual and remote workers, and adapt to changing circumstances as needed. Calling costs are lower, especially long-distance and international rates. Cellular charges are reduced significantly, as companies trade expensive mobile plans for fixed mobile convergence. And conferencing costs are brought into line as applications run on premises rather than through a third-party provider.

Savings can come from a number of areas, including:

- Reduced PSTN costs, including local and long distance.
- Reduced international calling.
- Reduced cellular charges.
- Lower third-party conferencing bridge or services costs.
- Reduced integration costs.
- Lower travel expenses.



Case Study

For the Orlando Utilities Commission, Siemens OpenScape lets mobile workers conduct business wherever they are. Armed with a laptop, an air card and a cell phone, they have the same capabilities as they would in the office. If employees set their preferred device to a cell phone, for instance, calls are seamlessly routed to their mobile phone instead of going to voicemail. And the laptop delivers access to the OpenScape Web portal, letting them check the company's one-click-to-dial phone directory, listen to voicemail, instant message peers, and join or initiate an audio or Web conference.

Jeff Rose, director of Information Systems at OUC, says the system has significantly reduced travel time between meetings and provided measurable cost savings. "It has allowed us to cancel a project to replace our aging Exchange integrated fax service and save about \$15,000," he says. "And we anticipate soon being able to terminate our external audio and Web conferencing services contracts for about a \$20,000 per year savings."

C-level executives rate IP communications as very or somewhat important; audio conferencing (93%), Web conferencing (85%) and VoIP (84%) rank highest.

IMPROVE OPERATIONAL EFFICIENCY

Once they've met the most basic need—cutting capital expenses and other purchasing or usage-based costs—companies can look to the second hierarchy of return: reducing cost of ownership on a day-to-day and long-term basis. For many organizations, the biggest communications costs come not from the initial hardware and software deployment, but from the ongoing management and performance resources required to keep the network and applications running smoothly. These companies must find ways to lower the human and capital resources needed to deliver effective communications to their end-users on a regular basis. Efficient management, security, performance and control can save companies as much as 30 percent on their operational expenses on a day-to-day basis.

Just as important, however, is the need for companies to reduce *other* operational costs, including facilities, utilities, and software licensing fees. This is especially important as managers look for ways to support remote and home-based workers, who are making up an increasingly large part of the workplace. By making it possible for employees to work from home or low-cost satellite offices, companies reduce their own operational costs while improving the work lives of their employees. Open, simple and adaptable communications solutions make it possible for employees to quickly collaborate with one another regardless of where they're located or what device they're using, thereby saving their employers' operational costs, and their employees time and money.

Operational savings can come from a variety of places, including:

- Cost-effective support for teleworkers.
- The ability to use existing productivity and communications applications from Microsoft, IBM, SAP, etc.
- Less time traveling, more time working.
- Automatic synchronization among, and hand-offs between, networks.
- The ability to leverage desktop devices as multi-purpose clients.
- Low-cost moves, adds and changes (MAC).
- Consolidated enterprise license and maintenance fees.



C-level executives say advanced communications reduce costs, with Web conferencing ranking the highest (83%), followed by audio conferencing (76%) and VoIP (74%).

Case Study

Nilfisk-Advance of Denmark is a pioneer of professional equipment for industry and contract cleaning, with operations in 43 markets worldwide. The company operates in an extremely competitive environment, and it wanted to drive corporate-level efficiencies, reduce travel and promote smarter teamwork across its operations. Nilfisk deployed Siemens' OpenScape platform delivered through a managed service agreement, which provides central management without a heavy capital investment. Now, says Steen Andersen, IT director, Nilfisk-Advance, the company is getting the vital operational benefits it needs—including faster call handling, more flexible conferencing, virtual presentation options, and mobile integration—as well as reduced travel and increased collaboration.

ENHANCE PRODUCTIVITY AND COLLABORATION

When companies have met their basic requirements around cost and management savings, they can start looking at more advanced benefits from communications. Visionary managers know that lowering costs isn't the way to improve operational efficiency or employee effectiveness. That requires productivity improvements that go beyond basic cost reductions.

These days, it's not enough to simply save employees time—10 or 15 minutes gained here or there isn't measurable and, more important, there's no guarantee that employees will use the extra time on work. But if companies can find ways to deliver large chunks of time to employees—say, by reducing or eliminating the time they spend commuting to and from work, or traveling to and from meetings; or by making it faster and easier for them to get the information they need to make decisions or take action—companies can see significant bottom-line benefits.

When employees have access to communications and collaboration the moment they need it, regardless of where they are or what applications or devices they are using, they can make better decisions more quickly and take action as soon as possible. That reduction in human latency and cycle times ensures businesses can take advantage of new opportunities as soon as they arise.

Productivity boosts can come from a number of areas, including:

- Making it easy for employees to find the people and information they need when they need it.
- Reducing human latency and the time it takes for employees to get things done.
- Supporting a range of communication and collaboration capabilities on a single, familiar client.
- Easy-to-use Web conferencing to enable real-time collaboration.
- The ability to read facial expressions and body language to make communication more effective.
- Reduced travel and commuting time, letting employees spend more time on actual work.

When it comes to making employees more productive, 80% of C-level executives say audio conferencing is most important, followed by Web conferencing (79%), video conferencing (71%), VoIP (69%) and IM (69%).



Case Study

The cooperative DATEV eG, based in Nuremberg, is a software company and IT services provider for nearly 39,000 tax consultants, auditors and lawyers, as well as their clients. With DATEV's Remote Client Support System (aka OpenScape Web Collaboration), the company lets its member customers control client PCs remotely in order to answer questions about DATEV programs, accounting processes or evaluations—easily and effectively. This effectively eliminates the need for lengthy phone calls or on-site visits, giving customers a service tool that helps them save time while dramatically improving customer service and boosting productivity.

GAIN COMPETITIVE ADVANTAGE

Once they've met all their capital, operational and productivity needs, companies can look at using communications to boost the bottom line. Frost & Sullivan research shows that organizations that embed advanced communications and collaboration applications into their business processes can see a demonstrable improvement in business overall, especially in the areas of sales and marketing, project management and development, and customer service. Doing so improves business processes and encourages innovation, allowing companies to speed decision-making, improve product development, shrink cycle times, close sales, and improve customer satisfaction.

Today, communications-embedded business processes (CEBP) must be done on a company-by-company basis, usually with the help of a services partner. That makes the task more challenging, but it also means it will yield bigger and more lasting rewards. That's because to be done right, CEBP must take into account the specific processes that are unique to a given company. Such processes might be industry-specific or they may be related to horizontal, or line-of-business operations—but either way, in order to improve the processes with communications, companies must have a clear understanding of what they are and how they can be made better.

Doing that now will give early movers a clear and persistent advantage over their competitors, but it requires open, adaptable applications that support integration and

interoperability. But as companies plan for CEBP, they must work with a vendor whose products clearly support the open standards and APIs necessary to support custom business-process integrations.

There are many ways in which integrating communications and business processes can deliver value, including:

- Faster decision-making.
- Shorter product development time.
- Better customer service and support.
- The ability to quickly resolve issues and exceptions.
- The ability to jump on new business opportunities and close sales.



Case Study

Communications-enabled business processes can improve any number of vertical businesses and horizontal processes. For instance, a manufacturing firm that injected conferencing into its supply chain management system is able to speed decision-making by uniting key managers as soon as problems in the system arise. That has helped the organization cut production times by weeks, which helps it get products to market sooner than ever before—a change that has dramatically increased revenues and generated new opportunities among customers and suppliers.

CONCLUSION

As companies look to deploy unified communications and collaboration, they must find ways to justify their investment. The best way to do that is to understand that UC applications can deliver a hierarchy of return.

Simply by deploying IP-based communications, companies will meet their most basic budgetary need: saving money. As they continue to use advanced communications on a daily basis, they will also reduce operating costs. Once those basic returns are met, companies can leverage the new technology to take advantage of opportunities, drive

productivity, and improve business processes—thereby turning cost savings into revenue gains, a superior level of return on investment.

To get the most from their investment, and to ensure they can meet all four levels of return, companies should look for UCC solutions that are open, fast, and easy to deploy, while still being enterprise-grade, comprehensive, and secure; and they should work with a vendor that offers adaptable technology based on open standards and that understands the business processes that are ripe for improvement.

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