

Building a Business Case for IP Telephony for Small and Medium Businesses

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Agenda

- **Methodology and Definition**
- **SMBs' Telephone Systems Upgrade Patterns**
- **Triggers Causing SMBs to Adopt IPT and Resulting Benefits of IPT**
 - Organization Dynamics
 - Need to Improve Customer Service
 - Single Network Maintenance
 - Improved Employee Productivity and Satisfaction
- **Helping SMBs to Develop a Business Case for IPT**
- **Conclusions and Recommendations**
- **Questions and Answers**



Methodology

- **The information presented today is based on multiple interviews conducted with Small and Medium Businesses (SMBs)* in the U.S.**
 - These are SMBs that decided to adopt IP telephony
 - Interviews conducted between the months of Dec '02 and Jan '03
- **Survey statistics presented are taken from the 2002 Yankee Group SMB Communications Services Study**

*SMBs are businesses with 2 to 500 employees



IP Telephony (IPT) is

IP Telephony refers to telephony applications whose information (voice or fax) is transported over TCP/IP networks as packetized data.

- Enables voice and data convergence onto a single, business network infrastructure
- Drives voice applications onto the desktop and enhances the end user' experience and productivity

IP Telephony is not VoIP and Internet telephony



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34% to 63% of Companies with 20 to 500 Employees Have Phone Systems

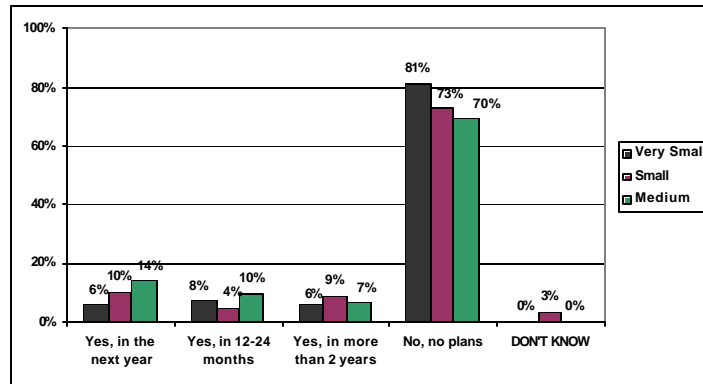
Which of the terms best describes the type phone system used by your company?

	Very Small 2 - 19	Small 20-99	Medium 100-499
Key telephone system - Hybrid key system	13%	16%	15%
PBX - Private Branch Exchange	5%	18%	48%
LAN telephony	3%	2%	4%
Centrex service provided to us for a monthly fee	6%	6%	6%
No system, just basic telephone sets	21%	5%	0%
No system, just multi-line phones with 2 or more lines	37%	27%	12%
Other (Specify)	3%	6%	5%
DON'T KNOW	12%	20%	10%
n=	250	250	250



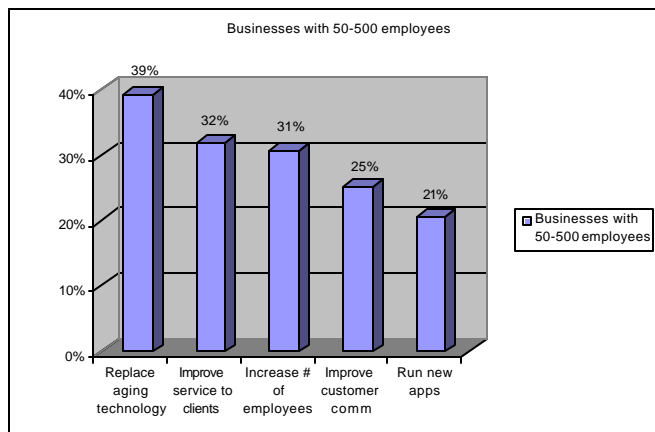
SMBs Replace Their Phone Systems Every 7 to 10 Years

Do you plan to upgrade your current phone system?



Improving Customer Service and Accommodating Organization Changes Are the Two Main Motivators to Upgrade — Behind the Obvious Break/Fix Reason

What are the main reasons your company will upgrade its phone system in the next 12 months?



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Trigger # 1: Organization Dynamics

Pre – IP Telephony

Business Challenges

SMBs need to restructure based on changing business conditions. They look for a voice solution that can cost-effectively manage:

- Physical locations
- Mobile employees
- Departmental restructuring
- Fluctuating headcount

Traditional TDM-based voice systems are not equipped to manage such changes because of rigid architecture, location, and proprietary technology

Post – IP Telephony

Business Benefits

SMB adopted IPT because of the flexible architecture of the IP-based system that quickly adjusts to organizational dynamics affordably:

- Eliminate expense of maintaining each location's phone system
- Lower routing costs (long distance)
- Free and frequent M/A/Cs
- Decrease scalability costs

Businesses that implemented IPT no were able to consolidate disparate phone systems and realize immediate cost-savings and benefits.



Case Study #1: Regional bank with 8 locations and 120 employees, with plans to grow to 200 employees by YR 2003 via acquisitions

Business challenges:

- Inherited multi-vendor PBX-Centrex configurations with each acquisition;
- Poor system documentation, poor practices, high staff turnover: no one knew how to program the phone system

CIO tasked with finding a phone system that can

1. Cost-effectively scale with company growth or contraction
2. Connect and integrate employees in the branch offices w/ headquarters
3. Reducing cost of owning 8 disparate phone systems

Result: The CIO connected each location by replacing the 8 disparate phone and voicemail systems with one IPT solution. Unification of the company's phone systems led to savings of:

(US)\$3,000 to \$4,000 on long distance charges
\$6,000 to \$7,000 on phone system maintenance charges
\$2,000 in Centrex charges (eliminated)
\$5,000 for separate voice mail (eliminated)

Total savings = \$16,000 to \$18,000 per month

The company also eliminated the \$200/hour charges for programming changes and \$150/M/A/C. Employees now make programming changes daily (i.e. call forwarding) which before was not used.



Trigger # 2: Need to Improve Customer Service

Pre – IP Telephony

Business Challenges

SMBs lived with the TDM-phone systems' limitations and were prevented from delivering quality and efficient customer service:

- Inefficient customer service
- Inefficient use of resources
- Lack of intelligent call management
- No call documentations
- Duplicated efforts

According to one CIO, "We couldn't treat our clients the way we wanted to treat them."

Post – IP Telephony

Business Benefits

Businesses can now efficiently handle customer calls and deliver good service without needing to build an expensive call center:

- Professional face to customers
- Centralized call center
- Least cost routing
- Improved call routing/queuing
- Personalized service

With IP telephony, businesses are transformed from a maintenance organization to a sales organization.



Case Study #2: An engineering consulting firm with 4 regional branch offices (different area codes), 200 employees – 25% of which were mobile workers

Business challenges:

- Managed 4 Mitel PBX SX200 across 4 locations with a separate hosted voicemail
- Poor customer service: message lights not working consistently, no least cost routing, no call documentation, heavy reliance on 3rd party

IT Director tasked with finding a phone system that helps the business to

1. Present a professional, high-tech business image to customers
2. Be more responsive to own calling needs without relying on 3rd party for changes
3. Provide responsive service to customer needs

Result: With IPT, the company was transformed into a professional, customer-centric organization.

- Company was able to respond to customers quickly and effectively by making programming changes using a point and click GUI (M/A/Cs)
- Employees made sure customer calls are answered by taking advantage of newly enabled features, such as call forwarding to cell phone or home phone when traveling or working remotely
- Employees used their PCs, which displayed the customer's information, to manage incoming calls and to deliver personalized customer service



Trigger # 3: Single Network Maintenance

Pre – IP Telephony

Business Challenges

SMBs expect employees to wear multiple hats which makes it difficult for SMBs to manage 2 separate voice / data networks, resulting in:

- Lack of central management
- Poor documentation / Lack of standard procedures across locations
- Specialized telecom skills / assets
- Poor cost and capacity planning

SMBs managing two separate networks struggle to keep pace with managing a network (voice/data) that must keep pace with changing end-user requirements

Post – IP Telephony

Business Benefits

SMBs maintaining a single voice / data network now have:

- Holistic assessment of network (v/d) usage for predictive planning / budgeting
- Increased flexibility to respond to changes, and manage scalability
- Regain control of the voice system
- Transferable use of assets / skills
- Saving on space

Single network maintenance (data) allows SMBs to quickly scale, upgrade, and manage centrally by recycling data assets and skills – saving money and time



Case Study #3: Manufacturing firm with 244 employees and 11 locations (some in rural areas)

Business challenges:

- Telecom expenses were skyrocketing from managing 11 different phone systems;
- Management spread across 11 locations and needed an integrated phone system to communicate internally

CFO tasked with finding a phone system that can

1. Contain cost of phone systems, long distance and 1-800# charges, decrease travel
2. Integrate, simplify management and upgrade of phone system across 11 sites
3. Decrease network complexity and cost of maintenance

Result: The CFO approved IPT solution and immediately benefited from:

- Least cost routing: calls over a private WAN network, and saving \$10,000 / month in 800# calling charges
- Centralized management allowed for standardization of processes across sites, which makes it easier for company to document and track procedures
- More simplified management as PBX can now run on an NT / 2000 server, which makes it easier and cost effective to maintain because data expertise already in-house – can also re-use legacy telephones – changes can be performed remotely
- Eliminate reliance on 3rd party telecom consultants (for each site) who charged \$100 / hr plus drive time to service locations in remote – rural.



Trigger # 4: Improved Employee Productivity and Satisfaction (End Users / Administrators)

Pre – IP Telephony

Challenges - Administrators

Phone administrators find TDM systems complex and cumbersome:

- Problems hard to pinpoint and fix
- Programming changes and M/A/Cs difficult
- No documentation of system changes
- Lack of central database / directory

Challenges – End Users

Employees find phone features non-intuitive and hard-to-use:

- Disuse and unawareness of phone features
- Applications inflexible to employee roles
- Users tied to location
- Unfriendly screens UI
- Limited intelligence about calling party

Post – IP Telephony

Business Benefits

- Improved productivity: IPT's point-and-click screens enable administrators to make changes quickly; employees dial only 4 digits to reach colleague
- New applications: End users can manage calls over PCs and retrieve voicemail in Outlook
- Better control: Administrators can deploy company-wide features (block crank calls / eliminated ability to dial 1-900s)
- Increased flexibility: Administrators can make changes to system even when away from the office – midnight troubleshooting; Customer support employees can route calls home “find me, follow me”



Case Study #4: Chemical company with 500 employees (from 140 in 1998), looking to scale phone system and to add much needed phone features

Business challenges:

- Company moving into new space and needed to scale system affordably
- Phone system leases didn't not include software upgrades; business lived with limited 6-year old phone features

CFO tasked with finding a phone system that

1. Allows administrator to tweak system to accommodate business changes quickly and cost effectively
2. Is easy to program, learn, and maintain
3. Provide employees flexibility that maps to how they work

Result: With IPT, the business was able to:

- Improve productivity: his administrator was able to provision a set of numbers, map their trunks, configure users and call handlers in 20 minutes – on the TDM system, that would have required up to 5 hours.
- Achieve increased flexibility: after-hours call center group can route customer service calls to their home phone with the IPT system
- React more quickly: adjusting to organizational changes more quickly with internal staff making system changes (I.e. moving from one port to another) without calling 3rd party vendor and waiting 48 hours to get it done



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Helping SMBs Determine if IP Telephony is Right for Them... (First Step)

The 1st step businesses should take in developing a business case, or ROI, for IP Telephony, is to acquaint executives and end-users with it.

- Determining the remedial effects of IP telephony to a SMB requires that business to establish a baseline understanding of:
 - (1) How upper management expects the organization to change (structure / headcount / employee responsibilities)
 - (2) How the underlying voice infrastructure can cost effectively meet and accommodate those changes

The Test?

If the business does not believe that the current TDM system can accommodate those business dynamics, then it's worth investigating if IPT is the better way to go.



Helping SMBs Determine if IP Telephony is Right for Them ... (Second Step)

The 2nd step in evaluating IPT is to for the business to conduct a cost / benefit analysis: determine the specific *benefits* of IPT to a business weighed against the cost of implementing IPT

Benefits Analysis – Part 1

Assess Organization Dynamics

- + Understand Business Processes and Employee Responsibilities / Roles**
- + Assess Current Phone System's Strengths / Weaknesses**

Will IP Telephony Help Your Organization? *

*Keep in mind that benefits derived from IPT can displace and eliminate costs in other



Helping SMBs Determine if IP Telephony is Right for Them ... (Second Step)

The 2nd step in evaluating IPT is to for the business to conduct a cost / benefit analysis: determine the specific *benefits* of IPT to a business weighed against the *cost* of implementing IPT

Costs Analysis – Part 2

Cost of Maintaining /
Upgrading Status Quo
Telephone System(s)

Cost of Purchasing and
Maintaining IP
Telephony System



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Conclusions / Recommendations

- **IP telephony may not be for every business** – particularly for organizations with basic phone systems and need only to dial out and receive calls
- **A business should consider IPT if its needs are more complicated and require a more simple solution.** As one CFO says, *"The IP telephony system that (his business) chose to go with had excellent features and functionalities, but the selling point is that even the standard features – typical of a traditional phone system– were much easier to use than (those) on the cumbersome, complex old system."*
- When it's time for a business to upgrade, it must **determine whether the business can live with a TDM-based system for another 7 to 10 years**, which is the average phone system replacement cycle.
- The IPT solution considered should **at least be on par** with the old system in the most used - features and functionalities
- If the business is becoming more dispersed, employees more mobile, and PC computing tied heavily to business processes, **IPT may help the business to reduce costs and improve overall business productivity** by enabling voice to be integrated into the business behavior and computing environment as well.



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Questions and Answers



Thank you.

