



White Paper

DRIVING VIDEO CONFERENCING ROI

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Introduction

In recent years, the growth of video conferencing has been driven by:

- + a drive to control costs,
- + a need to reduce response times,
- + decreasing costs of video conferencing technology,
- + negative events (i.e. war, weather & illness),
- + mergers & acquisitions, and
- + corporate downsizing.

Drive to Control Costs

Most organizations are interested in controlling costs to remain competitive and positively impact the bottom-line of the organization. Using video conferencing helps control costs by minimizing the need to constantly travel and improving communications between sites.

Need To Reduce Response Times

As the economy has become more global, with workers doing similar jobs scattered locally, nationally or around the world, there is an increased need to reduce response times. This holds true both for completing work more efficiently, but also solving problems. Using video conferencing can allow work to be accomplished and problems to be solved without the need for travel.

Decreased Costs of Video Conferencing Technology

Since its commercial introduction in 1982, the costs of video conferencing have dropped significantly. Hardware prices have dropped, resulting in anyone being able to afford the purchase of video conferencing technology. In many instances video is available as a standard feature in devices (think tablets and cell phones). Additionally, no longer must users pay a per minute charge to use

video. Instead, the use of video is bundled with the cost of the device or as part of a telephone line used for many purposes. Connectivity costs for video have dropped significantly as video connections have migrated from ISDN lines to dedicated IP lines and the Internet.

Negative Events

As weather has become more violent (i.e. tornadoes, hurricanes, etc.), war has raged, and illnesses have become more global (i.e. H1N1 virus) the desire to find another means to communicate has become a necessity. Video conferencing allows people to stay connected without the need to travel.

Mergers & Acquisitions

Video conferencing is now being used by organizations as they acquire or merge with other firms. With a global economy, mergers & acquisitions are rarely between two organizations located in the same city. Video conferencing has allowed easier transitions and reduced the need for everyone having to travel to complete a merger or acquire another organization.

Corporate Downsizing

As organizations have seen the need to decrease in size, video conferencing has proven a useful technology to communicate between sites.

Understanding the current state of video conferencing and focusing on return on investment can help organizations increase usage of the technology and better understand its benefits. In many organizations, video conferencing is being viewed as a business necessity and efforts are in place to drive adoption and optimize usage of equipment.

The Current Situation

The use of video conferencing has the potential of increasing productivity and efficiency by reducing unproductive travel time, preventing meeting delays, creating shorter & more structured meetings, and providing faster exchange of information. With video conferencing, and the data collaboration tools that are now used with it, individuals can get information when it is easiest for them, on a real-time or delayed basis. By increasing usage of video conferencing, organizations will quickly see a financial return on investment.

Users want technology that is transparent to them and easy to use, allowing them to conduct business independently and efficiently. Users want to improve productivity, increase access to subject matter experts, and allow meetings to be held when and where needed. While these factors may be difficult to quantify and place a dollar value on, there are return on investment formulas that can be used to cost justify the deployment and usage of video conferencing.

Return On Investment

Understanding the value obtained by implementing video conferencing helps management understand why video conferencing should be viewed as a necessity, not just a nicety. While many view the benefits of video conferencing to be measured with soft dollars, in reality those who have identified useful applications have had no trouble developing a return on investment to justify both their initial capital expenditures and their ongoing recurring costs. By calculating a return on investment it is easier for management to see the value of video conferencing and, thus, understand the need to continue growing the

use of the technology. Without understanding this value what often happens is that when one champion of the technology departs another is not easily found. When value is understood everyone wishes to claim the deployment and usage of video conferencing as their idea!



Travel savings, productivity, and time efficiency all contribute to videoconferencing ROI

Types of return on investment (ROI) calculations for video conferencing include travel cost savings, increased productivity, and time efficiency.

Travel Cost Savings

Using video conferencing can reduce travel costs. By using video, trips can be avoided, thus saving the cost of travel. For example, one company found they achieved a return on investment after only 67 days because they paid for their equipment by not traveling.

Increased Productivity

By increasing productivity an organization can improve their response time to market or the time it takes to handle repairs. A package goods company used video conferencing to increase productivity enabling them to get a product to market three months sooner, which resulted in productivity & cost savings of millions of dollars. The sooner they get their products to market, the greater the revenue.

Time Efficiency

Using video conferencing to squeeze more hours into a day allowed one organization to accomplish more in a shorter time period. This improved time efficiency resulted in more business being accomplished and improved the bottom line impact for the firm.

Following is a sample business case formula for calculating the return on investment for video conferencing. This formula can be used in its entirety or broken apart, depending on the application requiring justification.

Videoconferencing Cost Justification Explanation of Categories and Formulas

Meeting Costs

- A. The number of meetings held during the course of a year that could be displaced by videoconferencing is generally 20 to 50 percent.
- B. Estimate the overall average meeting length. Videoconferences tend to be 20 to 30 percent shorter than in-person meetings.
- C. Estimate the overall average number of attendees at a meeting. Videoconferences range from two to 20, but the average is four to six participants.
- D. The number of meeting attendees who travel – usually 50 percent of the total number of participants.
- E. Based on an overall annual remuneration of \$60,000 (including bonuses) for the average attendee, add 30 percent overhead for benefits and divide by 1,900 hours worked per year. The average hourly compensation is \$40 / hour.
- F. Multiply the number of meetings by meeting length by average number of attendees by average wage per hour ($A*B*C*E$).

Business Case Example

Meeting Costs	Conventional Meeting	Video Meeting
A. Number of displaced meetings	300	300
B. Meeting length (hours)	2.5	2.0
C. Average number of attendees	4	4
D. Number of travelers	2	0
E. Average attendees wage / hour	\$ 40	\$ 40
F. Annual meeting costs ($A*B*C*E$)	\$120,000	\$96,000
Travel Costs		
A. Number of roundtrips ($A*D$)	600	
B. Average cost per roundtrip	\$ 600	
C. Annual travel costs ($G*H$)	\$360,000	
Productivity Costs		
A. Average travel time (hours)	6	
B. Percent (%) non-productive time	50 %	
C. Average traveler wage / hour	\$ 40	
D. Number of roundtrips	600	
E. Non-productive costs ($J*K*L*M$)	\$72,000	
Videoconferencing Costs		
A. Hours of videoconferencing ($A*B$)		600
B. Equipment / facility costs ($O*\$20*2$)		\$ 24,000
C. Transmission & bridging costs ($O*\$75$)		\$ 45,000
D. Videoconferencing costs ($P+Q$)		\$ 69,000
Total Costs		
A. Cost conventional meetings ($F+I+N$)	\$552,000	
B. Cost videoconferencing ($F+R$)		\$165,000
VALUE OF VIDEOCONFERENCING		
A. ($S-T$)		\$387,000
Simple Payback Period:		
\$200,000 / \$387,000	= .5years or	6 months

Travel Costs

- A. The total trips between two sites being analyzed (number of travelers * the number meetings or $A*D$).
- B. Total travel costs including ground travel (personal mileage, rental car, taxi), airfare, meals and lodging.
- C. Multiply number of roundtrips by the average cost per roundtrip ($G*H$).

Productivity Costs

- A. The average length of time it takes a traveler to travel to and from the remote site.
- B. The inverse of the time a traveler is actively pursuing work-related activities while traveling. If a traveler works 50 percent of the time, the traveler is non-productive 50 percent of the time.
- C. Same as the average attendee wage (E).
- D. Total trips between the two sites being analyzed (G).
- E. Multiply the average travel time by the percent non-productive travel time by average traveler wage per hour by number of roundtrips ($J*K*L*M$).

Videoconferencing Costs

- A. Multiply number of meetings displaced by the videoconference meeting length ($A*B$).
- B. Based on average facility / equipment costs of \$100,000; a 50 percent utilization factor (4 hours per day); and with capital costs amortized over 5 years (includes accepted depreciation standards) – the cost per hour of one videoconferencing room is about \$20 per hour (2 rooms are required).
- C. Average cost per hour of usage is \$75.
- D. Add equipment / facility costs and transmission costs ($P+Q$).

Total Costs

- A. Add annual meeting costs, annual travel costs and cost of non-productive time ($F+I+N$).
 - B. Add annual meeting costs and annual videoconferencing costs ($F+R$).
- Subtract the cost of videoconferencing meetings from the cost of displaced conventional meetings ($S-T$).

Expanded Video Applications

Video conferencing technology provides a powerful communications tool. There are many ways to make the most out of the technology. It is not just a meeting tool. Once the equipment is in place, video conferencing can be used as a production facility. Use video conferencing equipment to record content, stream information to many, produce information, and create “webinars”.



Expanded video applications allow flexibility in the use of videoconferencing

Record Content

Video conferencing sessions can be recorded for playback at a later date. This feature is useful for individuals unable to make the meeting or for archiving information to be viewed at a later date.

Stream Information

Meeting information can be sent (streamed) over existing networks to multiple sites, allowing them to view the meeting real time and not leave their work locations. This allows for increased meeting participation from those at a distance.

Produce Information

Video conferencing technology can be used as a production facility to produce content to be disseminated to employees and customers. The information produced can be archived for retrieval at a later date or streamed to individuals as needed. Save time with HR training by using video conferencing equipment to present and record company policies. Create a special CEO message and send it out to all employees.

Create “Webinars”

Video conferencing systems can be utilized to create events over the web where the video, the audio and the content are shared with distant participants. Known as “webinars”, these events are often used to share information given by a subject matter expert or to provide training.

Video Conferencing Applications

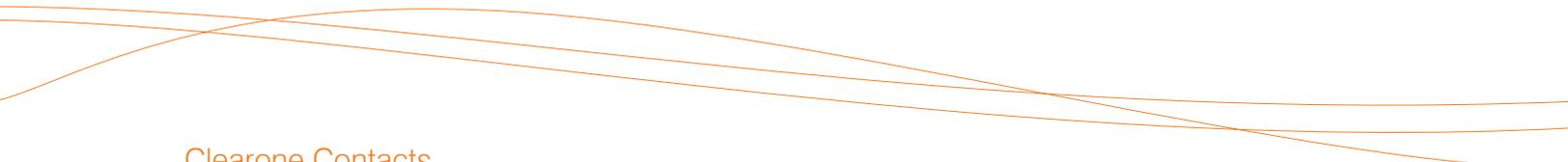
The four top applications why video conferencing is installed are: management meetings, sales & marketing meetings, for engineering, manufacturing or production, and for training. This does not preclude other groups from using the technology (i.e. the HR department, the legal department, and finance), but studies conducted by TRI have shown the primary reasons why firms install video conferencing relate to the top four applications noted above.

Additionally, video conferencing has been used for a variety of other applications including product demonstrations to new customers, “townhall” type meetings and HR training. Given the longevity of video conferencing usage, all industries have developed useful applications for video conferencing. It is no longer a matter of if you will use video conferencing, it is only a matter of when. Make your video conferencing system work for you to get your message to everyone, internally and externally.

The future of video conferencing is bright. Dynamic changes in the global communications environment – decreasing network & equipment costs and the need for businesses to compete in a global economy – will help propel the adoption and usage of video conferencing at a rapid rate. It is important for organizations to develop a plan to efficiently and effectively measure the ROI for video conferencing to ensure its successful and ongoing usage.

Users need to get the benefit of quality technology that works flawlessly, is easy to use, and designed to meet ongoing needs. Management wants to quantify cost savings and feel the technology is positively impacting the bottom line.

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