

# UC: Adding To The Bottom And Top Lines Today

Manjula Talreja, Shailesh Chandra and Bryan Tantzen

## IP-telephony and unified communications are a critical tool in strategic efforts to both reduce total cost of ownership (TCO) and transform business.

**A** converged IP-based networked communications platform (that is, unified communications) is a growing business priority because UC is helping companies achieve compelling benefits. Companies are realizing 20 to 40 percent reductions in their annual voice operating costs compared with legacy time-division multiplexing (TDM)-based networks. The reasons for deployment, though, go far beyond simple expense reduction.

Companies are starting to regard an IP-based communications platform and the new capabilities it provides as an essential tool to achieving their corporate goals. “IP-based systems are the future of enterprise communications. Their ability to integrate and interact with other key applications within the enterprise sets the stage for productivity gains and business-altering models,” said Maribel Lopez, vice president and principal analyst at Forrester Research. “Development of capabilities like presence, personalization and multimedia collaboration have emerged as a result of the focus vendors of these systems have put on IP-based platforms.”

Similarly, Blair Pleasant, president and principal analyst at COMMfusion, said, “The most important change impacting enterprises in the next few years will be business transformation, enabling companies to improve customer relationships, while providing services not previously available, in a cost-effective manner. Business transformation goes beyond incremental productivity enhancements, to changing the way in which companies interact with customers, partners and suppliers while revolutionizing their business processes.”

Every organization is different; each has a

unique, diverse set of requirements and goals. Current deployments, however, provide valuable insights for a business considering the implementation of an IP-based communication platform. This article will review how a few companies made their decisions, and how they calculated the total cost of ownership (TCO) and derived business transformation benefits.

### Making The Decision

Clearly, the future of communications platforms is IP-based. Still, a company needs to decide exactly when and how it should move to a next-generation communications platform. An organization should generally consider three key points when making its decision:

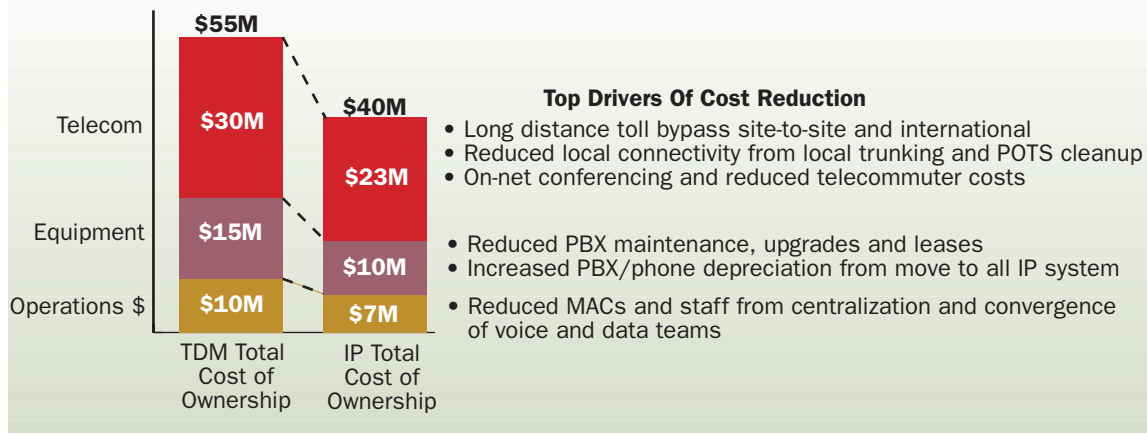
■ **Convergence-driven TCO**—Many IT departments do not attain the potential 20 to 40 percent benefit from IP communications because they evaluate costs in a very narrow way. Companies that experience the largest benefits tend to assess the economic return in light of two key factors. First and foremost, they analyze their baseline comprehensively: What are they spending today on TDM communications equipment, operations and telecom usage? The overall costs to the company for voice are not fully visible to IT departments, as many elements are hidden in the operating costs of other business functions (for example, telecommuting, hotel long-distance connections and mobility costs are typically expensed outside IT). Second, when mapping savings and benefits from IP communications against that baseline, companies should evaluate at a global or at least country or regional level.

■ **Productivity via collaboration**—Organizations today are facing time and process inefficiencies due to high “human middleware” interventions in globally distributed processes. Without new solutions, these processes will become more inefficient and costly. An IT department, in partnership with the business, needs to figure out how the platform helps employees better collaborate to reduce communication inefficiencies. While these savings can be “soft,” they enable organizations to grow without increasing headcount.

---

*Manjula Talreja is senior director customer business transformation, Cisco Systems Voice Technology Group. Shailesh Chandra and Bryan Tantzen are both directors, customer business transformation for Cisco VTG.*

**FIGURE 1 Reduction In Total Voice Operating Costs**



■ **Business transformation benefits**—The ultimate benefit of deploying IP and unified communications is achieved when the new capabilities are integrated into applications and key business processes to transform decision-making and customer interactions. Companies that use the platform to transform and re-engineer core processes will help the company drive measurable revenue growth via new and faster business processes and converged channels of customer interaction.

Companies have done this before. In the 1990s, online operations drove both employee productivity and business process transformation. Most organizations used online transactions to change the way they operated, empowering customers with greater choice, flexibility and convenience. IP and unified communications can take this transformation even further, allowing companies to improve how they interact with their customers, partners and suppliers—for example, improving the customer experience and as a result minimizing customer churn, maximizing up-sell and cross-sell opportunities and meeting constantly rising customer expectations for fast, accurate and secure services.

Here are some real examples:

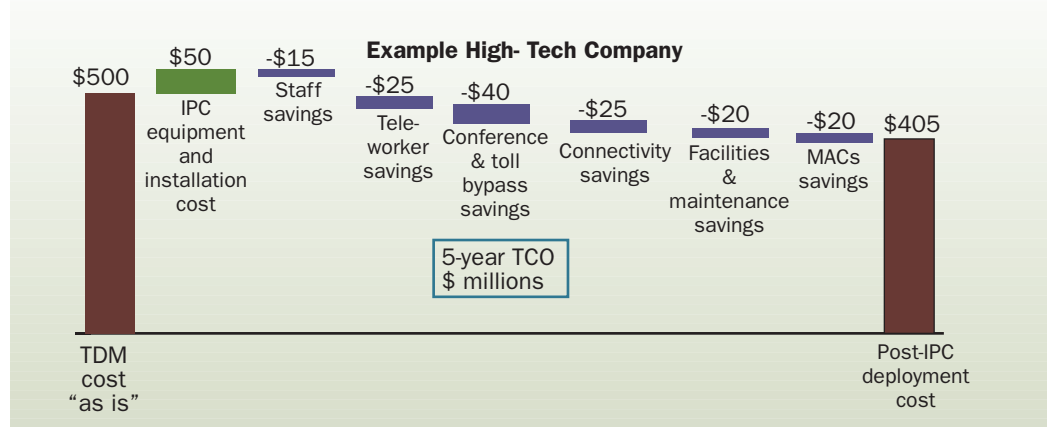
**TCO In The Real World**

When estimating the TCO savings from IP/unified communications deployments, some companies focus on reducing the costs of continuing operations; others want to slash expenses associated with conferencing or support and maintenance. Most companies try to reduce several cost areas at once. Where—and how—you reduce your TCO depends on the specifics of your company. How communications-intensive is your company? How geographically dispersed is it? What types of employees do you have?

For example, one major high-technology company wanted, above all, to reduce the escalating operating expenses of its extensive voice communications infrastructure. Its internal system was encumbered with the complexity of more than 500 PBXs and 750 locations, each with growing support, relocation and conferencing costs. To reduce its TCO, this company put an aggressive plan in place to replace the hundreds of traditional PBX systems with fewer than 15 centralized clusters for IP call control. It will migrate more than 200,000 employees worldwide to the new platform over five years.

“We will drive a 25 to 30 percent savings in

**FIGURE 2 Reduction In Voice Communications TCO**



voice expense by moving to IP communications,” stated the director of the company’s global voice initiative (Figures 1 and 2).

In addition to the drop in phone costs, the integrated infrastructure will deliver numerous other benefits to the company. When complete, the deployment is expected to deliver 3 million hours in near-term productivity time efficiencies, which should save the company more than \$25 million a year just in its North American operations. For instance, it will help accommodate the needs of an increasingly mobile workforce, which now comprises about 40 percent of all users. Moreover, it will transform the company’s voice communications operation into a more strategic, collaborative environment that will support robust interactive applications, such as instant messaging, Web conferencing and other on-demand capabilities.

A second global company faced a challenge that’s becoming increasingly common for multinationals: reducing voice conferencing expenses. As this company’s global workforce ballooned, so did its need for constant collaboration across continents via virtual meetings. More and more, the company employed voice conferences, which were provided, as they are in most companies, through an off-network service. Over the years, these voice conferencing expenses mounted to unacceptable levels.

To remedy this situation, the company decided to deploy an IP communications infrastructure for phones as well as a multimedia conferencing solution that provides fully integrated voice, video and Web conferencing capabilities for real-time remote meetings. In other words, the company took its voice conferencing in-house, transforming an expensive, externally provided service to a far less expensive, on-net, on-demand, managed service.

To date, the solution has been rolled out to about 25,000 users, already resulting in savings of \$20 million over the first two years, according to a post-deployment study. When the deployment is complete, the new infrastructure will have about 100,000 users. The company expects cost reductions to exceed \$100 million over just the next few years. Furthermore, this company’s post-deployment study found that a pure IP solution (versus hybrid) was essential to capturing this value by enabling lower costs, consolidation of staff, and a standards based open platform architecture that was quickly deployable to any location around the world.

### **Enhancing Productivity In The Manufacturing/Distribution Industry**

JJ Food Service is a UK-based company that delivers food to restaurants. The company has approximately 650 employees and annual revenues of \$206 million. Eighty percent of JJ Food Service’s contact with its customers comes in through its call center. As a result, the company

receives an average of more than 3,000 calls a day, with each call lasting approximately 2.5 minutes.

One of JJ’s primary goals was to improve customer service. In their new contact center environment, when a customer calls, the system queries the company’s customer relationship management (CRM) system for information about how the calling party should be treated. Eighty percent of the time, JJ has that information available. In cases where the customer has a new or a different number, the agent inputs that number and the system automatically enters this number into JJ’s CRM system, making that system more valuable.

Having information about the customer enables the system to route the call to an appropriate agent, which means that the call is answered by the agent who talked to the customer last, or one of the agents that spoke to the customer in the recent past. It also means that when the agent answers the call, they can answer in the customer’s preferred language, greet the customer by name and be more effective in their interaction with the client because their screen has been populated with pertinent information such as the client’s credit rating.

“Being able to intelligently route the call to an appropriate agent also reduced the number of times that a call was transferred, or a customer had to be called back, by more than 162,000 instances a year,” said Rif Kiamil, who manages all IT for JJ Foods. “Not only did this improve customer satisfaction, it also resulted in a \$6.5 million productivity gain. Developing this capability required 10 days of work on the part of the JJ Food Service’s Web developer.”

A traditional contact center deployment with similar integration and capability would have cost more than 50 times this deployment’s cost, according to our estimates.

### **Business Transformation In The Retail Industry**

For many companies, IP/unified communications is deployed primarily to reduce TCO, which is certainly an important objective. Some businesses, though, have even loftier goals and are using the technology to transform the way they operate and interact with customers. Such is the case with Mitsukoshi, which runs a worldwide chain of exclusive department stores.

Mitsukoshi, by design, attracts a very high-end consumer. In a demanding environment, Mitsukoshi is trying to increase sales while minimizing costs and maximizing use of its limited floor space.

Fitting rooms are especially difficult areas for retailers. The rooms take up valuable floor space that could otherwise be used to display merchandise. In addition, the use of fitting rooms is highly inefficient. A customer may go back and forth between the room and the sales floor many times, trying to find suitable sizes and styles, thereby occupying the room for long periods. In other



**An IP-based contact center deployment took a fraction of the time and cost that a traditional solution would have**



## A department store integrated RFID and supply chain systems to streamline use of fitting rooms

cases, customers try on clothes, but don't opt to buy them—and then the shopper leaves immediately. How can a retailer improve this situation? How can it increase customer satisfaction and sales?

Mitsukoshi's answer was especially creative. As part of a pilot for the "Japan Future Store," the company deployed a communications platform in the jeans department fitting rooms at its Ginza store, installing IP phones outfitted with radio-frequency identification (RFID) tag readers. The communication platform has been integrated with the supply chain application. As a result, a customer who enters a fitting room is able to swipe a RFID tag attached to a pair of jeans against a reader. The supply chain application then displays to the customer which other sizes of that item are available in that store. It can also inform the customer of complementary styles.

The results have been impressive. Mitsukoshi customers at the pilot site now spend 20 percent less time shopping for a pair of jeans, because the changing rooms are more available. Over six months, the company increased sales of high-end jeans by 113 percent at the pilot store. Anecdotally, customers report much greater satisfaction with the overall buying experience.

Mitsukoshi is also exploring how it may integrate its communications infrastructure with additional applications to provide further innovative and unique customer experiences. One application, for instance, will automatically notify sales associates—who will be equipped with wireless IP phones—which clothes items a customer in a changing room is looking for. A salesperson will be able to bring the apparel to the fitting room proactively, again speeding the sale and dramatically improving the customer experience. Another application will tell customers of possible complementary purchases based on their past purchases and the feedback of other customers. In this case, the IP phone display might read, "Customers who bought these jeans also bought this shirt." This additional information and service should lead to greater up-sell and cross-sell opportunities.

### Business Transformation In The Financial Services Industry

Financial services have a high potential for business transformation through IP/unified communications because of the importance of improving customer interactions to drive revenue growth. One of many emerging examples is a leading bank in a rapidly growing emerging market economy that is deploying an IP-based communications infrastructure to speed growth, improve customer service and boost the bottom line.

This bank struggled to hire and train people to keep up with the rapidly growing emerging market environment in the small/medium business (SMB) banking segment. Furthermore, even a few days' delay in providing credit to rapidly growing

SMBs meant business lost to the bank's competitors. In addition, local branch staff frequently had a limited understanding of off-mainstream products and loan requirements, a shortcoming which became a growth bottleneck. To make matters worse, local account executives often did not have easy access to contact information for the right specialists in HQ when help was required.

With an IP/unified communications system, a banker who receives an unfamiliar customer request can immediately call up a "menu" of product managers on the IP phone screen, with an indication of those product managers' "presence" availability to join a customer conversation. The constantly updated menu lists experts in such areas as investment loans, small-business products and loans. With a single click, the banker connects with an available specialist (either via a voice call or immediate videoconference), and that specialist will help the banker make the sale or will jointly serve the customer.

Based on a deployment of this virtual expert solution in the summer of 2007, the bank is projecting a business case with three major components:

■ **Stop revenue leakage**—Clients receive the needed service on the spot even when a branch specialist is not available, without the need to schedule a later visit—no more lead loss, and immediate lead qualification. Customer and specialist can even discuss likely approval and rates so clients can start the application process right away, reducing the chances of the customer searching for the same services/advice at a competing institution.

■ **Capture interest premium from rapid response**—Customers in urgent need of working capital to buy raw materials or staff to fulfill growing orders are willing to pay a premium to shave weeks off loan funding lead time.

■ **Accelerate new banker ramp-up and increase cross-product share of mind**—The product specialist discussion with the customer happens in front of the banker, allowing him to learn on the job about the product fit, sales process and how to handle the unique requirements of that particular product.

Overall, the bank conservatively estimates these three benefits from the Virtual Expert solution will add 7 percent in profit to the business banking bottom line. Furthermore, this will be a key enabler of its continued rapid growth by freeing up 20 percent of the organizational bottleneck.

### A Unified Future

Unified communications is already changing the way businesses sell to consumers, interact with customers and operate internally. Looking ahead, these advances will only become more dramatic, as more organizations deploy an IP-based infrastructure. In fact, it's easy to envision a time when IP-technology will help unify organizations of all

types, bringing greater productivity, improved efficiencies and deeper, real-time interactions on a worldwide basis.

An organization's IT professionals, of course, will have an essential role to play in this future. Often, the most intriguing ideas on how to make the best use of technology come from the IT department, and the evolution to unified communications will be no exception. Therefore, the IT staff should lead the initial steps for the deployment, such as approaching key executives, discussing the possibilities with business unit leaders, and perhaps even beginning a TCO and business transformation analysis. If necessary, they should pull in a business adviser or outside partner who already has the trust of management.

Longer term, selling the solution internally will likely take a dedicated effort focused on business

value. IT workers tasked with this project will need an understanding of how unified communications fits in with the company's goals, mission and strategy. Then they will have to build a clear, concise business case for the solution. They'll have to explain its value in terms of cost reductions, enhanced productivity and business transformation, as well as the operational benefits of a streamlined voice, video, data and mobility infrastructure. If they succeed, the benefits to the organization will be dramatic□

#### **Companies Mentioned In This Article**

JJ Food Service ([www.jjfoodservice.com](http://www.jjfoodservice.com))

Mitsukoshi ([www.mitsukoshi.com.hk](http://www.mitsukoshi.com.hk))