

Forrester Consulting

HELPING BUSINESS THRIVE ON TECHNOLOGY CHANGE

February 2006

Unified Communication Industry Study

A commissioned study completed by Forrester Consulting on behalf of Cisco

FORRESTER®

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Executive Summary

Study objectives

Businesses realize that speed in meeting their commitments is essential to achieve growth and profitability. Emerging next-generation applications enable productivity gains across the enterprise and create new agility in business communications. This report looks closely at three vertical industries and measures how unified communications improve work processes within each industry. Although specific work activities within these industries were evaluated, work processes and potential benefits for unified communications map across multiple industries. These surveys uncovered several findings that reveal businesses overlook several opportunities to drive greater efficiencies and improve employee productivity. Unified communications is not about replacing existing applications; it is about improving the functionality of existing applications through the use of Session Initiation Protocol (SIP), which enables businesses to connect quickly to the intended party for actionable results.

Surveys conducted by Forrester Research to knowledgeable employees within healthcare, retail, and banking industries endeavored to discover communication shortfalls and to determine how these problems could be improved with unified communications. Survey respondents were not provided with specific vendor or product information. They responded based on a general explanation on how unified communications would function in their business environment and improve connectivity among workers. All survey participants had first hand knowledge of the business processes identified for their respective industry. Forrester interviewed over 100 employees for each vertical market and customized its questions to reflect defined business processes. A summary of key points from these surveys are listed below.

Major Findings

Communications silos dominate current market landscape

Workers have many communication devices at their disposal, such as wired and wireless telephones, PCs, PDA, RIM devices, pagers, and several types of messaging systems. Each mode of communication requires a separate address to contact one another and calls for separate management, administration, and directories. Communication silos increase the complexity of managing business communications. Despite the increase in number of voice and data communication devices, workers still lack the ability to effectively reach others for time-critical events as needed. Not communicating effectively lowers worker productivity and potentially results in business loss due to delays in meeting business targets.

Reliance on traditional communications hampers business

Most organizations experience slowdowns or cause workers to spend considerable time during the day attempting to reach others for key business decisions. Due to these delays, organizations are not optimizing their resources, which results in higher costs to the business. With unified communications, organizations reduce many delays and employees spend more time getting work accomplished rather than playing message tag. Easy to use interfaces allow all employees to make better use of existing technologies and respond more quickly to changing conditions.

Bottlenecks occur in virtually all industries

In virtually all organizations, time is an essential factor in meeting critical deadlines, providing quality services, and supporting its demanding customer base. When a business fails to improve its

performance, costs rise making the business less competitive than its industry peers. Additionally, employees often experience frustration due to their inability to keep up with the increasing demands of workloads and to collaborate effectively with others as needed. Although Forrester chose three vertical processes that illustrate the impact of communication shortfalls, similar communication processes are replicated across many industries.

- **Retail stores need to swiftly address outages during promotional campaigns.** Retail stores invest heavily in new product launches and sales promotions. When products are unavailable, stores need to respond quickly to meet customer demands, achieve sales forecasts, and avoid penalties from suppliers for non-compliance. In this fast paced environment when a product is not on the shelves, it is critical for store managers, marketing departments, and supply chain partners to coordinate efforts to replenish stocks quickly. Unified communications allow key personnel to communicate and resolve problems much faster than before to meet promotion objectives. This results in higher revenues due to improved campaign performance, which directly correlates to the store's sales attainment and growth and may account for 10% or more of store revenues. Importantly, 87% of those surveyed indicate it would also provide higher customer satisfaction.
- **Hospitals need to improve communication methods to offset nursing shortages.** Nurses are in short supply, and every minute engaged in tracking and locating others reduces a nurse's availability for patient care. Nurses spend much time communicating with the hospital staff, most of whom are mobile. If nurses could send messages to others using only a single address and know that their messages are delivered on the most expedient device, they would save valuable time during their shift. By improving the nurses' ability to communicate more efficiently, hospitals increase a nurse's floor time with patients and improve their ability to service more patients without increasing staff levels. By providing higher-quality services, hospitals also can attract more patients in a consumer-driven healthcare system, which enables them to optimize the use of their facility to provide more cost-competitive services.
- **Banks' lending processes aren't optimized for competitive advantage.** In banking small business and commercial lending are highly competitive services. Customer service is important, and banks that process loan requests more quickly gain a competitive advantage. Unified communications address communication lapses that cause delays in the loan process. Although loan representatives and loan officers are relatively stationary compared to more mobile industries, they also have a compelling need to find key decision makers to facilitate timely response for the bank's customers. A notable finding of the surveys is that loan representatives indicate that unified communications would allow them to increase the number of loan applications inquiries processed on a daily basis and deliver faster responses to customers while maintaining existing staff levels. It would also enable loan officers to accelerate the decision process by collaborating in real time and making decisions more quickly, which improves the bank's ability to respond to customers sooner. Easy user interfaces promote end user adoption.

Companies have been using technologies such as conferencing, messaging, and collaboration as part of their business processes for years, but the real payback for these technologies remains elusive due to difficulties in installing and managing these technologies. Session Initiation Protocol (SIP)-enabled solutions allow companies to manage applications on a single network more cost efficiently. The integration of communication and collaboration applications provides business agility not previously possible. It improves business results by shortening process time, speeding up response to critical situations, and eliminating redundant work efforts due to limited collaboration among workers. Importantly, workers do not need to do more in facilitating this process — they do less — while the underlying network does the searching and coordination.

Unified communications transforms business interactions

Unified communications signifies a new paradigm in business communications and supports real-time accessibility across communication channels. It decreases isolated communication channels and simplifies connecting to others. Based on IP technology and Session Initiation Protocol (SIP), a single address reaches several devices simultaneously or intelligently routes voice and data messages to the best suited communication device based on a user's profile. This reduces communication roadblocks and improves a businesses ability to respond to its customers and partners more quickly. Respondents to the survey indicate that increased flexibility due to unified communications improves work processes and saves time in meeting business goals.

SIP Enables Communications To Leap Forward

Session Initiation Protocol (SIP) is an IETF application layer control protocol that provides the foundation for new services and applications previously unavailable on communication devices. It establishes, modifies, and terminates multimedia sessions or calls. SIP enables companies to tie together diverse multimedia and collaboration applications into a single medium. As a core protocol for IP applications, SIP enables communication devices to interoperate with Internet services such as email, instant messaging, calendars, and other collaboration applications. The simplicity of SIP makes it especially suited for the development of compelling new business applications.

Presence is a key feature of unified communications

Presence allows employees to make known their status to other co-workers and to specify which communication mode is preferred at given times. The client's desktop indicates the status of a work group member prior to contact. The desktop will not only indicate if another team member is on their PC but also indicates if the person is on the telephone or away from the office. Intelligence in the network directs calls or messages to the most appropriate medium. The result is that there is only one message sent; employees no longer need to second guess how to reach others because their message is delivered over the most expeditious route. Presence shortens the response time for messages and facilitates speedier communications.

Multimodal support connects people to people in real time

Unified communications integrates voice and data applications that are both wired and wireless. The underlying SIP architecture is device agnostic and forks messages across several devices to multiple modes of communications such as wireline phones, cell phones, and email servers. Natural language speech applications allow users to easily interact and navigate data applications with voice prompts. Users require only a single address that automatically routes a call or message to the most appropriate device. This eliminates multiple messages sent and received when attempting to reach others on a critical issue and provides business connectivity that is independent of where a person is physically located.

Next-generation messaging changes users' experience

Unified messaging integrates voice and email into a single message repository and adds new capabilities with SIP. With unified messaging, voice messages become data objects in the message store and, like email, can be retrieved, deleted, or stored. A natural language interface enables the user to retrieve email messages and control commands with voice prompts. It also integrates with wired and wireless devices, so messages can be readily accessed from multiple types of devices. Employees have the ability to retrieve their messages with ease over whatever device is most convenient. Additionally, integrated calendar functions provide greater visibility into daily calendars and allow users to check appointments and make changes with simple voice commands.

Collaboration and *ad hoc* conferencing create virtual workspace

Employees often need to collaborate in real time to facilitate rapid decision making. Unified communications provide employees the ability to quickly set up conference sessions by pointing and clicking to names on their desktop. The system places outbound calls to invite others and launches a conference session. Conference attendees have the ability to move easily from audio-only to web conferences, and to view and share documents in real time.

New Levels Of Business Collaboration Provide Financial Benefits Across Industries

Companies need to find new and better ways to improve business performance. Unified Communications offers solutions that provide demonstrable benefits to business. When employees have the ability to reach others without costly delays, they make decisions more quickly and experience fewer setbacks when responding to critical situations. The ability to confer with others regardless of location can save hours or even days when multiple employees are involved in the decision process. Quantifiable savings in terms of improved business performance, faster time-to-market, and shorter time for problem resolution are key drivers for unified communications. The following section describes how specific processes within healthcare, retail, and financial services benefit from collaborative IP communications.

Retail Stores: Promotional commitments require prompt action

Retailers gain a large share of their revenues from promotional campaigns and tie trade funds to the successful execution of these campaigns. Promotional campaigns span across multiple types of stores and include specialty, apparel, e-commerce, food, and general merchandise establishments. In order for a campaign to be successful, stores require close coordination with their supply chain and retail marketing department to deliver merchandise on time and to meet fill rate targets. Prior to a campaign launch, a retail company runs the promotional campaign in newspapers, in flyers, on the Web, and through TV and radio advertisements. This requires substantial upfront costs prior to the start of the actual campaign.

Retailers rely on meeting fill rates for promotional merchandise to improve sales revenues and foster customer loyalty. Stores forecast the sales “lift” targets for managing a promotion campaign and rely on their revenue stream to meet financial goals. Not having an item available at the onset of a promotion causes potential financial issues for retailers and affects customer satisfaction. Additionally, vendors track trade funds for having the product available and on the shelf and make payments based on a store’s compliance to its commitment. When a product is not on the shelf, this may result in financial penalties for the retailer. For example, vendors will often withhold trade funds ranging from a small percentage of the agreement to full cancellation, which may run in the hundreds of thousands of dollars for large retailers.

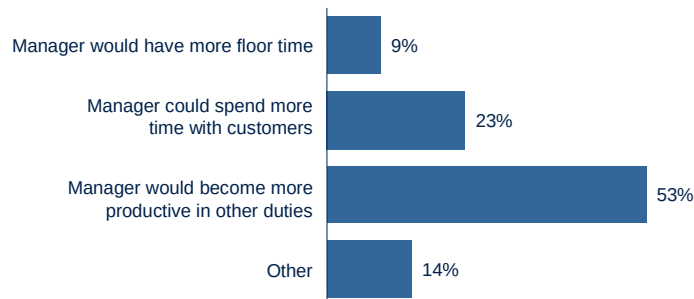
Addressing promotion shortfalls triggers intense and urgent communication efforts

When a product does not appear on the shelf on time, stores must scramble with their supply chain and/or marketing departments to expedite shipments, substitute products, or issue rain checks. When stores experience promotional shortages, the following activities and potential consequences occur:

- **Buyers must communicate rapidly to solve a shortfall.** Buyers must scramble with their supply chain and/or marketing departments to expedite shipments, substitute products, or issue rain checks.

- **Buyers must contact numerous divisions to make decisions on a course of action.** Buyers require immediate contact between the supply chain and/or marketing and operation (regional, district, or store managers, depending on the severity of the issue) to prepare stores to be out of stock or to decide whether the promoted product can be expedited in time or another product can substituted,.
- **Buyers have a narrow window of time to comply with commitments. Buyers must respond to issues** quickly, or they put the store at risk for being in noncompliance with vendor agreements and of not meeting its customer expectations.
- **Missed deadlines result in penalties.** If delays in shipments cannot be resolved by the promotional deadline, stores lose sales and lower revenues, which can lead to potential trade penalties ranging from a small percent of the payment amount to full cancellation of the contract.
- **Store managers are less effective at their job.** Store managers are less productive when they must spend extensive time coordinating efforts with warehouse managers, mobile district managers, and multiple staff at headquarters. Managers that cannot be attentive to employees and customers often experience attrition of both, leading to higher marketing costs and recruitment fees.

What would be the major benefit if the store manager did not need to spend the same amount of time on coordinating shipments for out-of-stock merchandise?



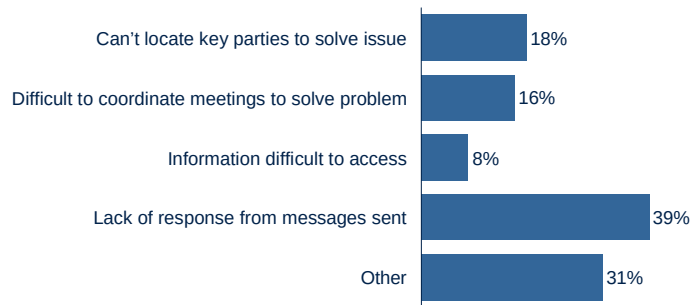
Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Key findings of retail store survey

- **Communication delays are a frequent occurrence.** Survey respondents reveal that communication delays occur on a regular basis and cause slowdowns in the time it takes to meet fill rates. Communication delays occur at varying intervals and range from one or more times per week to a few times per quarter. Each delay impacts the store's ability to deliver products to customers as promised. As seen in the following chart, survey respondents indicated various communication delays in their business.

What communication bottlenecks occur when trying to meet demand for promotional products (% of respondents answering yes)?

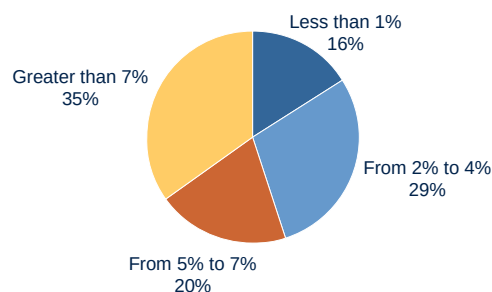


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Communication delays reduce attainment of store revenue goals.** Stores spend money for campaign development to attract buyers to their promotional items, and 84% of stores expect from 2% to more than 7% revenue gains for achieving their promotional fill rates. These revenues roll directly to the store's sales targets and attainment, and account for a significant part of store's sales goals. Also, 78% of store managers indicate they have goals based on the successful implementation and fulfillment of promotional items. When these goals are not met, it has a negative effect on both store manager's bonus and customer satisfaction.

What is the percentage of gains, on average per year, in revenues due to total promotional campaigns?

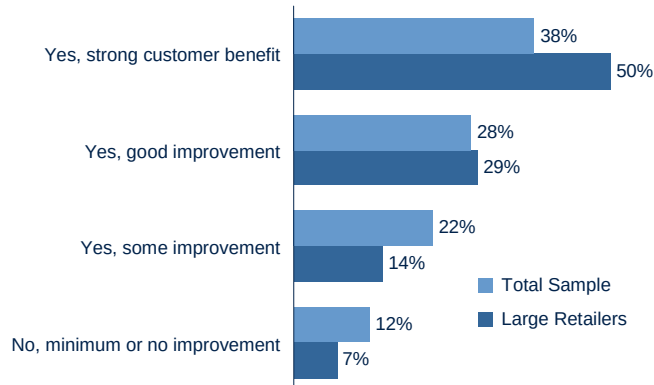


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- Customer satisfaction improves with unified communications.** Survey respondents indicated that there would be an improvement in customer satisfaction with higher store response to out of stock items. Most stores rely on repeat customer business, and meeting performance goals for promotional items is one of the many ways that retail stores can improve their operational effectiveness. Store managers felt that faster response to out-of-stock situations would have offered a positive benefit and improved customer satisfaction.

Can you estimate the improvement in customer satisfaction if customers experienced fewer problems with out-of-stock issues?

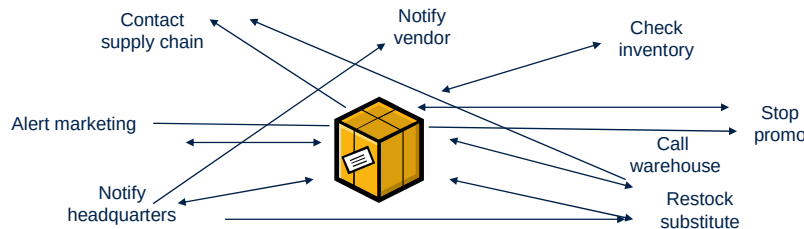


Source: Forrester Research, Inc.

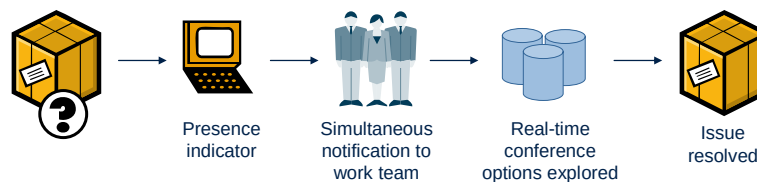
Source: A commissioned study completed by Forrester Consulting on behalf of Cisco

Retail responds to promo item fill rates

Current situation: When an item is out of stock (OOS), valuable time is lost getting problem resolved.



With unified communications: When an item is out of stock (OOS)

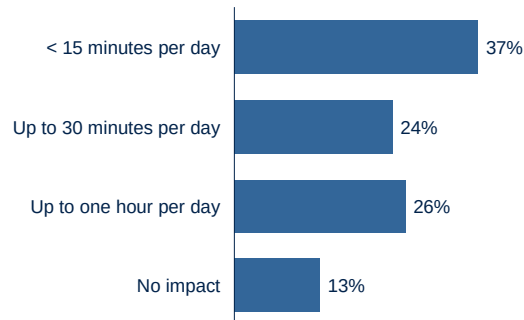


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Store managers' productivity is optimized with better communications tools.** Store managers would have more time for core duties if they did not spend time coordinating shipments for out-of-stock merchandise. Overall survey respondents felt managers would be more productive with other duties, spend more time with customers, and have more floor time. By improving a store manager's availability to customers and employees, retail companies attain higher service levels and employee satisfaction. Retail stores experience high turnover rates, and with the cost to hire and train a new employee ranging from approximately \$1,500 to \$3,000 per employee, maintaining employee loyalty reduces the high costs associated with employee attrition.

How much time could a store manager save per day if he/she did not have to track down product shipment delays?

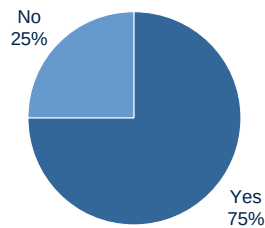


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **A majority of store managers find unified communications to be a major benefit.** The ability to locate key decision makers quickly streamlines a store manager's ability to connect with others as needed. This promotes faster problem resolution, improves event coordination, and reduces time consuming message tag. A large majority (75%) of store managers said they would save from several minutes to up to one hour per event with this capability, which would allow them to direct more efforts at sales generation.

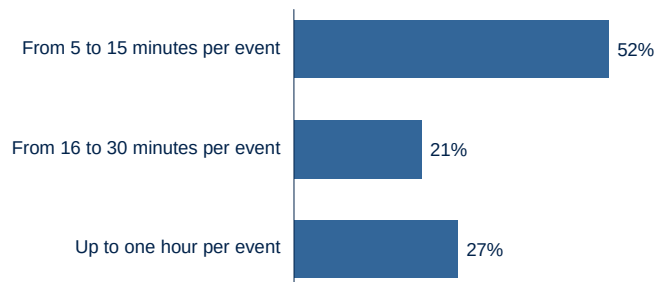
If you could locate a key decision maker over any device using a single address would this save time?



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

How much time would this save?



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Healthcare: Hospitals need better communications tools to offset nursing shortages

Hospitals face a crisis with rising costs and scarcity of trained medical personnel. This is especially true for nurses; hospitals struggle to attract and retain a full nursing staff. Due to the nursing shortage, hospitals often require nurses to work longer shifts, which results in overworked employees and less attention for patients. Hospitals need new ways to improve the available time nurses spend with patients and to reduce lower value tasks that affect the efficiency and effectiveness of their nursing staff.

Nurses currently manage several station duties in addition to their medical care. A regular duty for nurses is to coordinate calls with medical staff and doctors throughout their shift. When a nurse has a question for a doctor or other medical staff member, the nurse attempts to outcall or send a page to the recipient. Most messages are sent to staff members who are highly mobile and seldom at their desks. Due to this mobile environment, nurses spend a large amount of time going back and forth to the nurse's station to manage these routine communications, which reduces time needed for patient care.

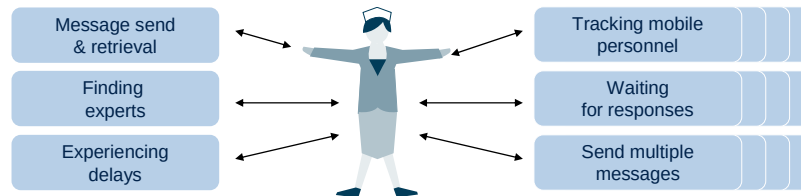
Technology obstacles hinder efficient communications among the nursing staff

Hospitals are constantly trying to improve their internal communication processes but find that it is extremely difficult to manage real-time communications with a highly mobile staff. Major obstructions in the communication process include the following:

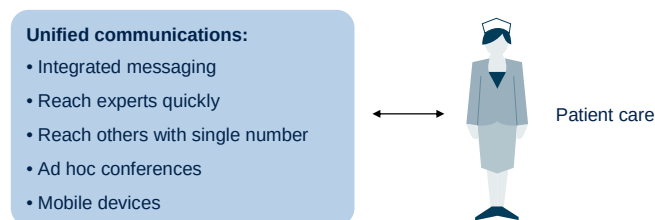
- **Nurses' communications tools are mostly wireline phones.** This requires the nurse's physical presence at the nursing workstation for several periods throughout their shift.
- **Medical personnel with whom nurses need to communicate are very mobile.** Medical staff can be at several locations: in their office, in an exam room, consulting with physicians, in transit, or away from hospital.
- **Nurses often search for emergency assistance using multiple addresses.** In emergency situations, nurses search for other parties using several forms of communications such as telephones, cell phones, pagers, and email.
- **Medical staff must locate available experts on a regular basis.** There is often a need to collaborate in real time among staff members, and locating an available expert is often challenging.
- **Non-emergency situations are often subject to delayed communications.** In non-emergency situations, long delays occur in finding and coordinating conference calls or other collaborative forms of communication.

Nurses productivity gains with unified communications

Current situation: nurses lose valuable time each shift



With unified communications: spend more time with patients and less on administrative tasks



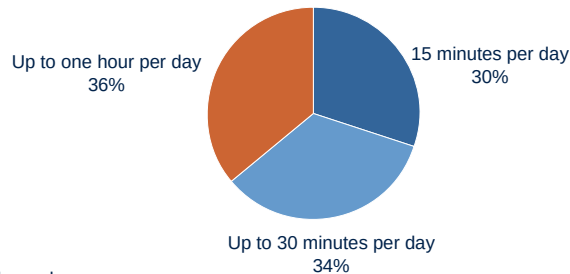
Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Key findings of healthcare survey

- **Outmoded communication tools add unnecessary costs for hospitals.** Hospitals face rising costs yet fail to look at how outmoded communications affect a nurse's ability to provide professional medical services. The survey found that several activities that cut into a nurse's day could be dealt with more effectively by using communication tools that enable nurses to better locate and communicate with others. Each activity separately is not a major factor, but, collectively, they are time consuming and costly. The majority of nurses stated they would save somewhere between 30 minutes to one hour per day with instant access to experts, which translates into more effective operations and better control over expenses for hospital administrators. This ultimately results in better patient care and lower staffing costs due to increased nursing efficiency. Managing communications for efficiency also reduces the amount of overtime payments required in many facilities due to staff shortages, which can represent substantial savings during peak periods.

If more sophisticated communication enabled instant access to experts, how much time could this save the typical nurse?*



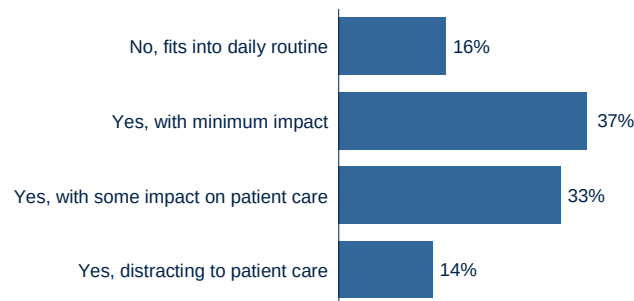
* Question paraphrased

Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Communication obstacles reduce the medical staff's availability for patient care.** The survey asked respondents if the time they spent trying to reach medical staff had an impact on patient care. Eighty-four percent reported it had an impact on patient care, but the degree of impact varied. Fourteen percent felt that it was significant and distracting to patient care, and 33% of respondents indicated it had some impact. Another 37% reported it had only minimum impact, with the remaining 16% indicating it fits into their daily routine with no impact. Reducing time for patient care puts the hospital's reputation at risk. Hospitals must increasingly compete for patient care in a world of consumer choice for hospitals. Hospitals with stronger reputations for patient care attract more patients to their medical facility, which also places them in a stronger negotiating position for reimbursement by insurance providers.

Does time spent trying to reach other medical personnel impact a nurse's time spent with a patient?

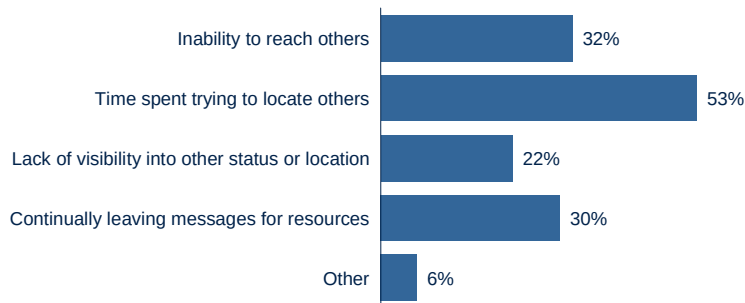


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Inefficient communications contribute to nurses' overloaded schedules. Nurses indicated the major communication issues that affect their productivity, including time spent trying to reach others, time spent leaving messages for others, and lack of visibility into other's status. A sizable percentage of nurses — 65% — said they spent from 20 minutes to more than one hour per day trying to reach other medical staff. This includes 26% that spend more than one hour per day and another 39% that spend from 20 minutes to one hour. When this time is multiplied by the number of nurses in any given facility, the time taken away from patient care is significant. Hospitals must compete to attract and hold on to qualified nursing staff and incur direct costs for recruiting and maintaining staff. By creating an environment that supports quality patient care, hospitals retain more skilled nurses and reduce recruiting expenses that run in the thousands of dollars per employee.

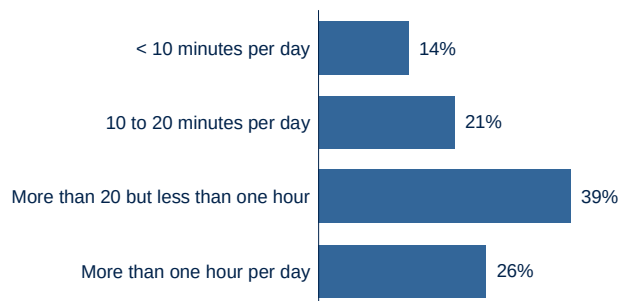
What are the major communication issues which impact a nurse's productivity (% of respondents answering yes)?



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

How much time per day is spent by nurses trying to reach another medical staff resource or doctor?

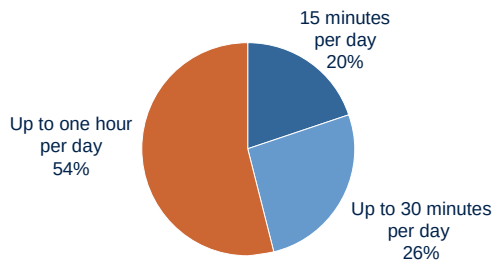


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Eliminating phone tag gives nurses more time. More than 66% of those surveyed also said they needed to search on more than one channel when trying to reach others. This results in duplicate messages being left at more than one device as nurses attempt to reach others. When asked if using a single address to locate a person across multiple devices would save them time, the respondents were highly positive. Estimates of up to one hour per day would be saved by 54% of nurses, and another 26% indicated it would save them from 16 to 30 minutes per day. This results in more floor time for patient care and less time at the nurses' station improving the patient's experience with the hospital.

How much time could be saved if nurses could successfully reach physicians using a single number on the first try?*



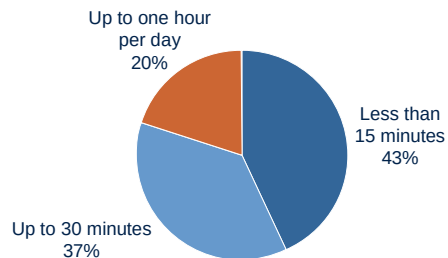
* Question paraphrased

Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Message retrieval also is a major time drain.** While responding to messages is part of a nurse's normal routine, having to spend time chasing others to respond takes time and attention away from other duties. Fifty-seven percent of nurses indicated message retrieval and attempted call backs took more than 30 minutes per day.

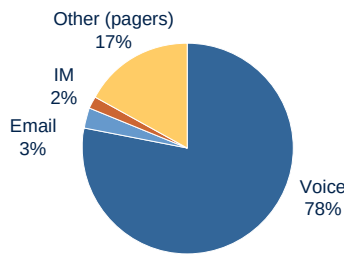
How much time a day do nurses spend retrieving and attempting to return messages?



Source: Forrester Research, Inc.

- **Voice communications are key to improving nurses' productivity.** Most medical facilities rely on their telephone communication systems as the principal channel for internal communications. The vast majority of nurses — 78% — rely on telephone communications to reach others. Paging is the second most common form of communications but comes in as a far distant second to voice. Email and instant messaging are relatively uncommon. With voice as the dominant form of communication, improvements for voice communications are essential for realizing productivity gains for nurses.

What do nurses use primarily to contact experts?

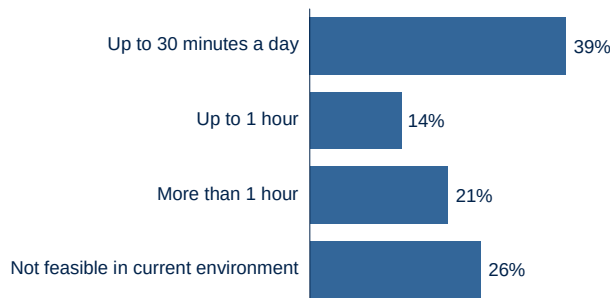


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Wireless devices are a big time saver for mobile nurses.** Respondents were asked how much time would be saved if they had wireless portable devices to respond immediately to critical calls while they were on the floor. Most respondents — 74% — indicated this would save time. The amount of saved time varied, with 39% saying it would save up to 30 minutes per day, 14% indicating it would save up to 60 minutes per day, and another 21% indicating it would save more than one hour per day. Each minute gained by nurses enable hospitals to service more patients without increasing staffing levels.

How much time could be spent each day if nurses were able to have a portable device to respond immediately to critical calls while on the floor?



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Banking: Expediting lending processes is essential for competitiveness

Commercial lending is a highly competitive business, and banks strive to shorten review times to provide higher value customer service. Decision delays upset customers and result in customer attrition. However, many banks lose valuable time due to internal communication issues. The loan approval process is a multi-step collaborative effort and requires banks to complete several activities prior to loan approval. Banks that are agile and process loans more efficiently manage more loans with the same number of personnel providing them with a competitive advantage.

The process for commercial loans for small and midsize businesses (SMBs) is similar across most banking institutions. In a typical scenario, a customer calls or visits a bank branch to inquire about a loan and gather basic information. The customer applies for a loan usually with a “first line” staff person or loan representative who is the liaison with the loan officer. Loan officers often request additional documentation from the customer in the form of tax returns, corporate filings, etc. There may be several iterative communications between the loan officer, the loan representative, and the customer to obtain more information or to clarify information. When the information gathering is complete, the loan officer either approves or declines the loan.

Communication bottlenecks slow down loan approval decisions

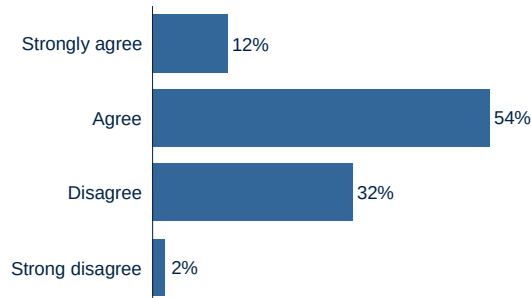
Every loan is individualized for the business. Each of these steps requires time and may slow down the loan approval process. The loan approval process is often subject to the following bottlenecks:

- **Every loan is individualized for the business.** Loans follow general rules, but expert advice from the loan officer and other information is often needed during the initial processing of the loan.
- **Loan representatives lack power in the decision process.** The loan representative does not make decisions and serves as a liaison between the customer and the loan officer. This requires many collaboration sessions with loan officers and loan representatives, and the inability to connect often results in process delays.
- **Loan officers put loans on hold awaiting documentation.** Loan officers may need additional documentation when reviewing the loan and can request it from the first line person. This results in a slowdown in the approval process because the loan officer is not able to communicate in real time with the loan representative to get the information needed. Banks hold off the decision review while waiting for receipt of the documentation.
- **Multiple loan officers are often involved in approvals.** For loans over a stated dollar amount, multiple loan officers may be required to approve the loan necessitating that real time collaboration meetings are set up.

Key findings of banking survey

- **Banks can process more loans per day with unified communications.** Employees are expensive, and banks strive to reduce operating costs to improve their operating profits. However, banks still relying on traditional loan processing procedures are paying far too much in terms of human capital. By not optimizing employee productivity, banks continue to rely on other cost cutting measures, some of which may affect customer satisfaction. Enabling employees to process more loan applications, while at the same time improving customer service, results in a win-win for the banking business. Survey respondents indicated that if they could save time coordinating calls, 66% of loan specialists could increase loan application inquiries. On average, banks spend \$2,000 to acquire customers looking for a new loan, with approximately \$800 of this spent on handling loan inquiries. Banks that lower the cost for processing loan applications save money and become more competitive.

Loan sales/loan specialist would increase loan application inquiries per day if they could save time coordinating calls?**

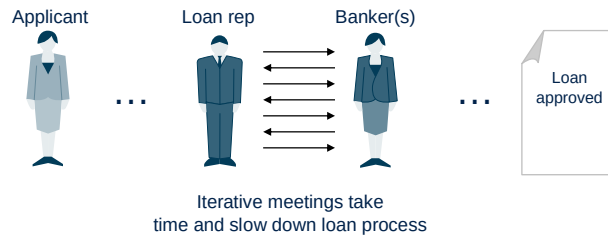


Source: Forrester Research, Inc.

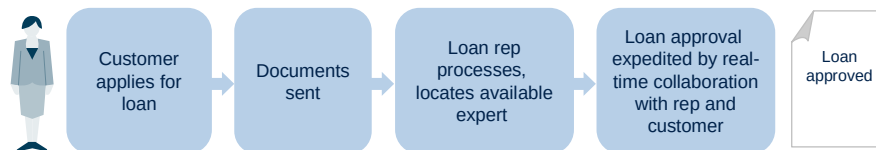
Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Banking lending process shortened

Current situation: small business loan application



With unified communications: small business loan application

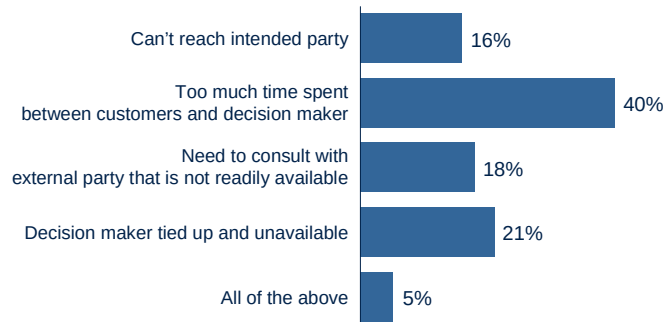


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Traditional methods don't optimize employee productivity or customer satisfaction.** A major finding for this sector is that unified communications provides value for those employees who are relatively stationary as well as those who are mobile. Contacting others requires that employees must search across many addresses including cell phones, voicemail, pagers, or fax machines to complete a business process. The collection of information and coordination among loan officers, loan reps, and customers is a time consuming activity and results in costly delays. Loan reps estimated that they would save four or more hours per loan if they had immediate contact to an expert for decision-making. This allows banks to process more loan applications without increasing the number of loan reps, while also shortening turnaround time for their loan applicants.

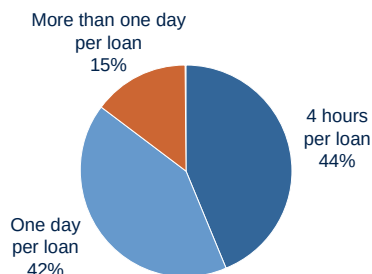
**Where are the communication bottlenecks in your application processing today
(% of respondents answering yes)?**



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Of those interviewees who felt that contacting expert via multiple channels affected response time, how much time would be saved?



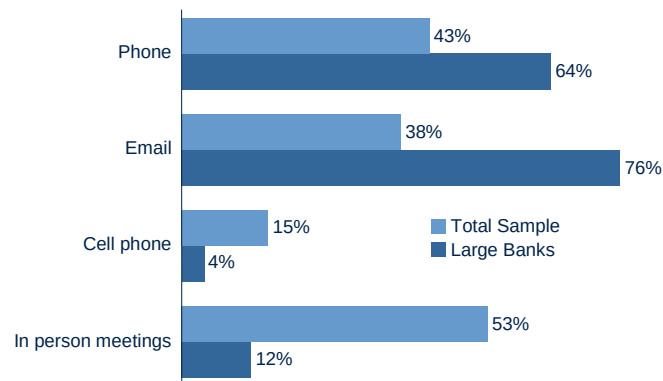
Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Midsize and larger banks are especially challenged by communications silos.** Loan reps need to coordinate many activities with customers and loan officers. Time is spent trying to locate loan officers and decision makers on a daily basis. For small self-contained banks this is often done by walking to the loan officer and speaking in person; these banks may not be candidates for unified communications. For midsize and larger banks, usual methods for contact include the telephone and email. It is often difficult to locate a key decision maker quickly, resulting in delays in the decision process. Banks that continue with

inefficient response to customer loan requests are at risk from other institutions that use unified communications combining email response with collaborative sessions to make decisions more efficiently and to lower costs in processing loans.

What method is typically used by the loan sales/loan specialist to contact the loan officer/decision maker (% of respondents answering yes)?

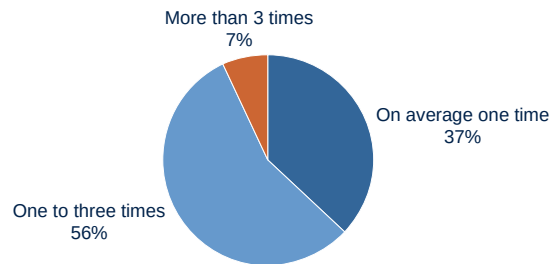


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Loan processing suffers delays with traditional communications modes.** Loan reps must spend time during their day contacting loan officers and coordinating activities. These back and forth communications are subject to delay and ultimately affect the response time to customers. Many activities are still paper based, and loan reps must handle these documents non-electronically, which adds to processing time. Banks need to address the current workflow for loan processing and evaluate its effect on customer satisfaction, competitiveness, and employee productivity. Sixty-three percent of loan reps must go back and forth multiple times to the applicant for additional information for each loan resulting in lost productivity for processing new loans. When banks take a long time to service customer loans, sales staffs may be more reticent in promoting new loan activities, which results in lost opportunities.

How often do your reps need to go back to the applicant to request additional information per loan?

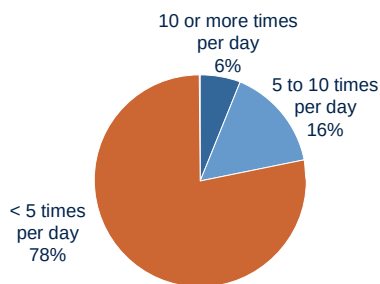


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Banks actively market fast loan decision processes.** Improvement in customer loan approvals is a decidedly competitive advantage. The survey indicated that 64% of banks surveyed published marketing that promoted a fast decision for the loan application. Despite this claim, only 48% of loan reps are goaled on time spent processing a loan application. Too much time is lost by loan reps and loan officers going back and forth in the application process, with too little time spent on making the process more efficient. Banks with outmoded processes that result in delays during the loan process fall short in meeting their marketing claims. Although unified communications improves a bank's ability to respond more quickly, it is also important for banks to improve their existing processes to optimize the benefits of improved communications.

How often do the loan sales/loan specialist accepting the loans need access to the loan officer/decision maker?

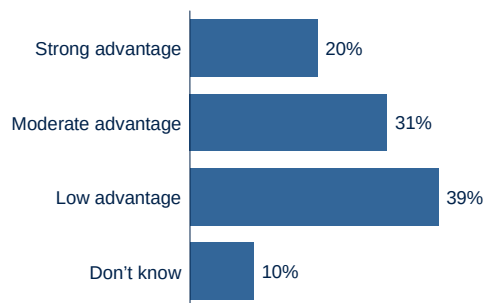


Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

- **Video conferencing improves collaboration for loan processes.** The large majority of those surveyed agreed that video collaboration would enhance the collaboration between loan reps, loan officers, and customers. Video conveys real-time interactions and discussions among banking staff and customers and eliminates the current linear processes. Bank workers are aware that customer interactions based on slow loan approval processes are not efficient, and the decision making process is impaired by lack of collaborative communications. As seen in the following chart, 51% felt video conferencing would have moderate to strong advantages. Another 42% stated it had low advantage. Although considered a newer technology for banks, video offers strong potential for improving customer communications and creating a more intimate experience for the customer

Would video conference capabilities enhance collaboration between loan reps, loan officers, and customers?



Source: Forrester Research, Inc.

Source: A commissioned study completed by Forrester Consulting on behalf of Cisco, February 2006.

Summary

In each industry communication blockages occur, and valuable time is wasted on routine communication issues. Although many organizations spend large sums to improve the productivity of its workers, many common communication delays go unnoticed and not quantified. Although unified communications represent cost savings across many areas of a business, it is not just about acquiring a new technology. The primary advantage of unified communications is to help organizations use technology better, simplify the user experience, and improve business performance by adding speed and agility to common business processes. Major findings from industry surveys indicate the following:

- Communications silos dominate the current market landscape
- Reliance on traditional communications hampers businesses

- Bottlenecks occur in virtually all industries
- Easy user interfaces provide end user advantages
- Unified communications transform business interactions

Changing the way employees communicate may be challenging in some industries, but businesses cannot afford to ignore the many benefits available today from transforming their communication activities with real-time collaborative communications.

Appendix A: Supplemental Material

Related Forrester Research

Methodology

Retail stores survey

Forrester's survey of operations managers (region or district), retail marketing executives, retail managers, and executives determined the benefits for unified communications within their stores. The survey questioned the respondents on the potential opportunities within retail for unified communications. The survey explored whether real-time unified communications would provide the following benefits:

1. Expand sales opportunity
 - a. Meet customer demands at time of promotion
 - b. Meet supplier compliance requirements (avoid penalty for out-of-stock products)
 - c. Achieve revenues from forecasted sales lift from promotion
2. Increase store fill rate on promotional products
 - a. Avoid lost revenues for out-of-stock issues
 - b. Reach daily sales objectives for promotion
 - c. Achieve higher revenue potential from fill rate in 90 percentile versus 80 percentile
3. Streamline internal communications
 - a. Reduce time to notify key stake holders in fill-rate issues
 - b. Collaborate with supply chain quickly to solve problems.
 - c. Ad hoc conferencing with marketing and supply chain to remedy problem
 - d. Reduce hours store manager spends in office versus floor time with customers and employees
 - e. Reach decision makers quickly to remedy situation (minutes versus hours or days).
 - f. Reduce administration time for supply chain management
4. Improve customer satisfaction (and ultimately competitive advantage)
 - a. Improve customer loyalty and retention rates in highly competitive market
 - b. Improve service quality and response time to customers

Healthcare survey

Forrester surveyed nursing supervisors and hospital administrators at leading medical institutions to determine how unified communications would improve nurses' productivity. Several groupings of medical facilities were surveyed and included the following types of hospitals:

- a. Major medical centers
- b. Specialized nursing care facilities
- c. Outpatient facilities
- d. Regional and local centers

Survey respondents were asked to describe current communication obstacles facing nurses. They were then asked if features found in unified communication technology would result in improved

communications and productivity. Potential benefits for unified communications for nurses include the following opportunities:

1. Increase nurse productivity:
 - a. Provide a single address, providing the most efficient means to reach the nurse
 - b. Eliminate time spent coordinating calls at nurse's station
 - c. Reduce job interruptions to manage internal communications
 - d. Allow nurses to do more medical versus administrative duties
2. Increase response to emergency situations.
 - a. Provide status of on-call experts available to respond immediately
 - b. Locate another person with a single number across numerous devices
 - c. Immediately launch real-time conferencing session to discuss urgent situation
 - d. Provide communication capabilities over voice, data, and video in single session
 - e. Link quickly to other locations for sharing information
 - f. Access a person by role, rather than by name. (e.g., "Call the attending physician for patient Fred Smith.")
3. Improve patient care
 - a. Improve availability of nurses for floor duties
 - b. Respond more quickly to critical medical issues
 - c. Tap into external expertise as needed with long delays
 - d. Coupling desktop conferencing with telephony to provide quick shared access to patient medical records during a call

Banking survey

Forrester surveyed 128 banking personnel to determine how unified communications would benefit the banking industry and chose the small business and commercial lending application and adjudication process as a representative process that requires interactive real-time communications. Surveys were conducted with small business lenders at banks and with commercial lenders at banks across several groupings. These groupings included the following divisions:

1. Institutional
2. Municipal
3. Educational
4. Middle market
5. Real estate
6. Leasing
7. Structured
8. Specialty

Survey respondents answered questions regarding their current processes and were asked if real-time integrated communications would improve their current operations. The following lists potential benefits from the use of unified communications within the banking industry:

1. Boost productivity
 - a. Ad hoc conferencing with loan officer during initial information gathering stage
 - b. See availability of loan officer during loan processing to contact and resolve outstanding issues more quickly while eliminating message lag later on in process
2. Increase decision turnaround time
 - a. Real-time collaboration and ability to see status of expert team on desktop facilitates decision-making among multiple loan officers.

- b. Improved communication flow enables loan reps to collect all appropriate information earlier in the process to improve turnaround time
- 3. Improve customer satisfaction (and ultimately competitive advantage)
 - a. Simplification of the process through initial and fast access to experts improves the experience
 - b. Reduction of “back and forth” communication speeds the process and improves experience

