

Around the world on a budget

Case Study

Cisco helps boost expansion drive

KRONOPOL

In order to boost an expansion drive into the emerging Russian and Asian markets the Swiss based Krono Group, one of the world's leading manufacturers of high-density boards for the construction and furniture industries, tasked its Polish arm Kronopol with building two new factories, in Russia and Ukraine.

To initiate the process, the highly trained Kronopol engineers needed to transfer their skills and knowledge across the three countries to ensure that the planned factories conformed to Krono Group's rigorous specifications. In practise this meant they needed to spend lots of time moving and communicating between the sites while also maintaining links with the Swiss HQ.

However, once the expansion drive got underway it soon became clear that the project could be undermined because of the unreliability of the analogue telephone networks in Russia and Ukraine. To solve the problem Kronopol decided to build its own internal telephone network with satellite links connecting the three sites.



Low running costs, high savings

The company opted for an IP Telephony solution from Cisco. The decision was not only influenced by the fact that Cisco was the clear leader in the field but it was also evident that a simple and straightforward implementation was also enhanced by a rapid return on investment (ROI).

For Jaromir Wroblewski, Kronopol's IT director, the benefits were immediate: "By choosing the Cisco IP network we were able to have our communication infrastructure in Russia and Ukraine in place within two days. The advantages were easy to see and we could also see a significant ROI after one year."



“We have achieved a **return on investment** within the **first year**”

Magda Falin'ska,
Financial & Juristical
Board Assistant

Total roll out costs over Poland, Russia and Ukraine came to \$145,900 and Wroblewski explains that in addition to the quick installation, because of further benefits offered by IP Telephony the initial ROI became evident very quickly.

However, while this alone was compelling, Kronopol was further galvanised by the understanding that extremely low running costs would also earn the company a Net Present Value (savings) of \$104,000 over five years while also ensuring the costs of any upgrades to the network would be minimal.

Isolated sites but consistent communications

Because the Ukrainian and Russian sites were in remote locations and the public phone network was unreliable Kronopol needed a solution that would be cost effective, easy to use and simple to administer. Cisco's IP Telephony easily met these requirements because of its inherent features.

While it was initially only planning to use voice traffic the company understood that because IP Telephony only required one cable infrastructure to carry both voice and data it would be ideally placed to add other applications as and when required without the need for extensive capital outlay.

Key to this is Quality of Service which enables different types of network traffic to assign different levels of priority through the network – voice traffic, for example, is very sensitive to delay and needs a higher priority than, for example, email traffic.

Furthermore the ability to communicate over the WAN meant the company could bypass tolls on the public networks

making substantial cost savings. Therefore, "one of the first price benefits observed was the cost of international calls dropped by more than half," said Wroblewski.

The company also realised savings would be made from the single cable infrastructure facilitating both voice and data traffic, central management and administration and the implicit flexibility inherent in IP Telephony that would allow for the moving or adding new phones that is crucial for constantly growing factories.

Wroblewski elaborates: “We had limited resources for staffing a telephone network in all three countries but the Cisco solution allowed us to administrate remotely from Poland without the need for physical intervention. Any telephone routing changes are carried out via a Web interface.”

Maintaining the IP network meant that in terms of man-hours Kronopol could in effect assign half a person to look after an entire network. It calculated that the cost of staffing was approximately \$20,000 a year compared to what would have been \$60,000 a year if the legacy PABX network were extended.

The same savings also apply to maintenance. The company calculated that if added two further PABX's in Ukraine and Russia to complement its legacy PABX in Poland the annual cost of maintenance would have been \$60,000. By developing an IP Telephony interface for its existing PABX and rolling out IP Telephony to the other factories the maintenance cost was \$20,000.

As well as saving on maintenance and staffing costs Kronopol will also realise a five year saving of \$40,000 on the cost of moving, adding and changing to the network and also unexpected changes.



“As we add **more applications & services** to our network we are convinced that our **employee productivity** will improve”

Magda Falin'ska,
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Board Assistant

Growth and expansion

Another compelling reason for adopting Cisco IP telephony, as Wroblewski points out, was speed: "We needed to get up and running quickly, so we introduced the IP network into the IT department in Poland with five IP handsets as a pilot installation. It was then extended into the green field sites with a speed that surprised us - just two days because all we required was a single cable infrastructure."

The implementation has been a resounding success according to Wroblewski. "The benefits have been immediate and easy to see. Our engineers and directors have been able to communicate quickly and easily and we have been so impressed we plan to switch over from our legacy PABX and increase the number of IP phones as the demand for phones rises. In fact we are already in the process of adding a further 300 IP phones into Poland."

"The overall roll out cost of \$145,900 broke down into \$117,900 for the hardware and \$27,000 for implementation, including training. The price for adding to the network is increased only by the cost of the phones themselves while as a business tool the benefits increase exponentially," adds Wroblewski.

One feature, initially only available for the company directors, was an application that allowed access to a SAP R/3 back office application from an IP phone. It enabled an instant snapshot of a customer's financial and orders status. However, it has been so successful that Kronopol charged a Cisco partner with further developing an IP phone interface to roll it out as an indispensable tool for its 40 strong sales force.

"When we started the project we thought it would take two years to see a return on investment but actually after just one year we can already see the ROI. The IP telephony network from Cisco has certainly solved our problems in developing the factories. Maintaining the PABX legacy system would have been too costly and as we expand further with a factory in Vietnam we are planning to extend the IP network there too," adds Wroblewski.

Return on investment

- Annual savings of \$40,000 on staffing requirements
- Annual savings of \$40,000 on maintenance/lease
- Annual savings of \$4,000 on moving, adding, changing
- Annual savings of \$4,000 on break/fix costs
- A saving over five years of \$104,000 after \$145,900 roll out cost is recouped





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