UC Investment Value Increases with Percentage of Knowledge Workers, Employee Population Density

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Where Do UC Investments Deliver the Highest Returns?

When companies upgrade their telecommunications infrastructure, they look for ways to prioritize key sites and target users where return on investment will be the highest. In two previous IBSG Research & Economics Viewpoint papers, we showed that unified communications (UC) technology investments deliver tangible value returns, and that these results are consistent across industries.

The first phase of Cisco® IBSG's analysis demonstrated that it is preferable to invest in UC—with average tangible cost savings of $595 per user over five years—than to maintain a fully depreciated legacy communications infrastructure where the telephony equipment is "free."

The second phase of our analysis considered the value of UC investment by industry. Results show that, while UC investment returns are consistently positive across industries, the value opportunity is highest in five sectors: hospitality, financial services, retail, healthcare, and manufacturing.

The third analysis—the focus of this paper—reveals that the profitability of UC investments increases with the percentage of knowledge workers by industry, and with employee population density by site. This explains why UC investments are most successful in corporate or headquarters locations.

Approach Compares UC Costs to Those of Traditional Voice Infrastructure

This analysis investigates the financial value and costs of Cisco Unified Communications investments for a variety of companies in five industries. It shows an opportunity to save on communications infrastructure costs while creating a platform that enables future productivity and collaboration enhancements. This paper summarizes the projected financial value of Cisco UC investments from a study of 164 customer business value cases conducted by the market research firm Salire Partners. These value cases compare the total cost of ownership (TCO) of two communication infrastructures: (1) costs under an existing traditional voice infrastructure, including local PBX switching voice transport across the enterprise; and (2) current and future investments and costs under a UC infrastructure.

Companies with a UC infrastructure enjoyed positive value and payback. These firms created a foundational platform that paid for itself with IT-based TCO savings alone, but also took the first steps toward enabling long-term productivity and transformational benefits.

The analysis found that each IP phone provides average net cash value of $595 over five years. In comparing traditional telephony and UC, the cost for UC was consistently lower across industries, returning positive value for most companies surveyed. UC investments offer 15 percent overall savings over five years versus a traditional telephony infrastructure. The average payback period for UC investments is 39 months. Five value drivers represent more than 92 percent of the total benefits: (1) avoidance of voice toll charges; (2) lower network costs; (3) equipment maintenance and wiring costs; (4) moves, adds, changes, and delete costs; and (5) elimination of conferencing charges for a majority of meetings.

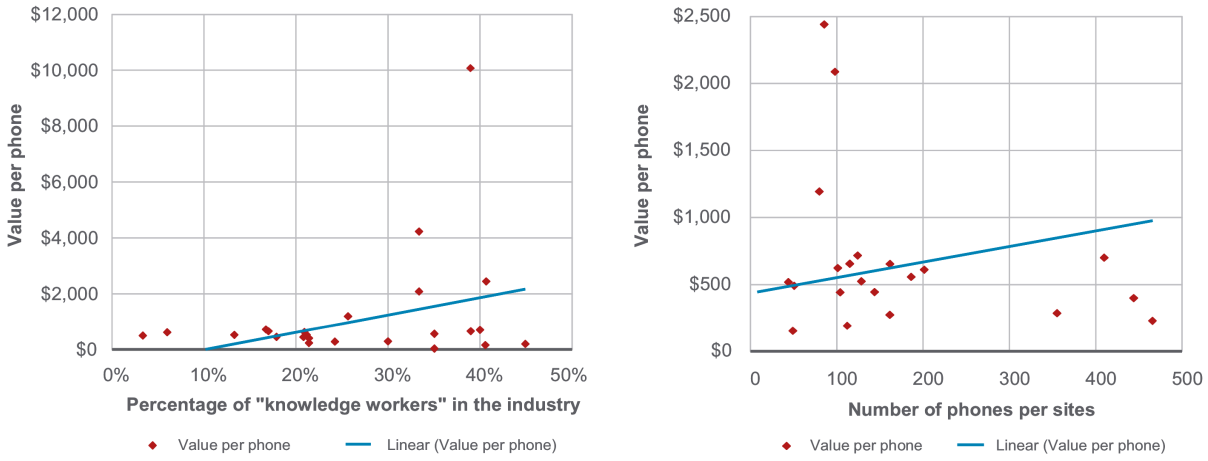
The following analysis provides a view of the value of UC investments as a function of the percentage of knowledge workers per industry, and as a function of the number of employees per site.

Value of UC Investments Increases with Proportion of Knowledge Workers

The value per IP phone is greater when firms have a higher proportion of knowledge workers. Using U.S. Bureau of Labor Statistics data, and assuming that knowledge workers are employees with a bachelor's degree or above, the analysis used $52,200 annual earnings as a threshold to establish the knowledge worker population by industry. The graph below shows a positive correlation between the proportion of knowledge workers by industry and the gross value delivered per IP phone.

Population density by site is another factor that explains the higher value of UC investments. The analysis found a positive correlation between the number of IP phones per deployment site and the gross value per phone.

Figure 1. Value per Phone, Based on Percentage of Knowledge Workers and Number of Phones per Site.



Source: Cisco IBSG Research & Economics Practice, 2011

Endnotes

1. "Unified Communications Investments Deliver Positive Financial Returns, $595 Net Tangible Value per User over 5 Years," Cisco IBSG Research & Economics Insight, May 2009.
2. "UC Investments Pay for Themselves in 3-5 Years—Case Studies: Hospitality, Financial Services, Retail, Healthcare, Manufacturing," IBSG Research & Economics Viewpoint, May 2011.
3. Salire Partners UC TCO analysis of 164 public and private organizations, 2008.
4. U.S. Bureau of Labor Statistics, 2009.

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More Information

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