

Does IM Have Business Value?

Bob Bellman

Sure kids love instant messaging, but so do corporate users—and they aren't just socializing.

Instant messaging is on the march in the business world. According to Osterman Research, 91 percent of North American enterprises, including government organizations, will be using some level of IM by the end of 2003. The Radicati Group projects growth from 33 million corporate users this year to 140 million in 2007. IDC forecasts 200 million corporate IM users by 2006.

What's the attraction? Do we really need another way to communicate? We already have telephones (wired and wireless), voice mail, email, fax, FedEx and the U.S. Postal Service. Isn't that enough? Or does IM offer real business value that the other modes don't?

In fact, according to IM vendors and early adopters, IM offers a unique combination of convenience, speed and productivity. Presence, the most novel feature of IM, lets users know in advance who's available to chat and who's not. Near-real-time message delivery makes IM more interactive than email. And since users can exchange text messages with multiple correspondents while working on other tasks, IM makes them more productive. Together, these features help business users work faster, smarter and more efficiently. On the downside, they also expose companies and their networks to substantial risks.

Voice Mail is To The Phone As Email is To IM?

IM is a cross between email and the telephone. Like a phone call, it is quick and interactive, just right for brief exchanges—ask a question, place an order, quote a price. Like email, each IM session is private, so users can conduct multiple IM "conversations" simultaneously. Thus, IM combines the immediacy of voice calls with the multi-threaded productivity of email.

This combination would be useful enough on its own, but presence makes IM even more valuable. Presence lets you know, before you send any messages, who's online and available, who's online but unavailable, and who's offline. With the telephone, you often waste time playing phone tag. With email you don't know when your mes-

sages will be read. But with IM, the delay and uncertainty are eliminated. You know if the person you want is available, and you reach them at once.

Presence also gives you more control over incoming traffic than either email or the telephone. Before someone adds you to their IM roster or buddy list, they have to get your permission. This limits unwanted interruptions and keeps IM virtually spam-free. Indeed, presence is so convenient that it is spreading to other applications and changing the way some people use the telephone.

Time = Money

When users and vendors discuss IM's business benefits, they talk mostly about speed. "IM lets you work more effectively in a information-rich, time-critical world," said Jon Sakoda, founder and director of products at IM management software vendor, IMLogic, Inc.

"With IM, companies can disseminate information more rapidly and make quicker decisions," according to Sakoda, who offered this example: "A stockbroker IMs with a client about a potential investment. The broker loops in an investment analyst familiar with the industry segment. A buy decision is made on the spot." Email would be too slow for this kind of transaction, he maintains, and the telephone, too cumbersome.

Stephanie Ludmer, vice president of marketing at institutional brokerage firm Bridge Trading, agrees. "Time is so essential in securities trading that IM is a big benefit," said Ludmer. "With IM we can see who's online and available to do business." Bridge Trading started out using public IM services but switched to Reuters Messaging, an enhanced service that includes business-grade security and control, plus the logging and archiving features needed to comply with government regulations. "Reuters Messaging is open only to the financial community," said Ludmer, "so we know exactly who we're dealing with."

Stock traders aren't the only workers benefiting from IM, according to Bruce Friedman, director of the Mobile Computing Services group at Sprint. He described a Sprint customer's sales organization that replaced three-part order forms with IM on mobile phones. Previously, sales personnel would fax hardcopy orders to headquarters at the end of each day. If an item was out of stock or delayed in shipment, it would take a day or more to find out.

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IM And Finance

The story of instant messaging at FTN Financial, a Memphis-based provider of financial products for the banking and investment community, is typical of many organizations. “Our users just started downloading IM clients, unbeknownst to us,” recalled Tommy Wright, vice president and manager of information systems development. FTN customers who were already on an IM service would ask FTN salespeople to start using it, and the sales force would install AIM or Yahoo or MSN Messenger clients on their PCs. Often they had to install multiple clients to reach all their customers.

The IT department wasn’t aware of IM activity until users started asking for help. In some cases, IT had to adjust the corporate firewall to let IM traffic through. When IT questioned the sales force about IM, they responded that competitors were talking to their customers with this tool, so they needed it to compete—to get in front of customers instantly.

Over the past year-and-a-half, IM has spread to about 14 percent of all employees, including about 30 percent of the sales force. “We use it office-to-office internally,” said Wright, “but the big push is still from

customers.” Wright isn’t sure if increased IM use has led to decreased telephone use, since so many users do both simultaneously.

While IM has not caused any network operations problems, it did catch the attention of the Compliance Department. The SEC, NASD and NYSE each maintain archiving, reporting and supervisory requirements for electronic communications.

FTN Financial captures all email traffic and monitors it for certain words and phrases and the Compliance Department asked Wright to capture and monitor IM traffic as well. Wright deployed IMLogic’s IM Manager to do the job. End users still see the same IM clients and services as before, but now IM Manager transparently scans and stores all their messages.

Wright expects IM to continue spreading through FTN Financial and is anticipating enhancements. The first, already in progress, will be to integrate the capture of email and instant messages, mostly to make life easier for the Compliance Department. The second may be to automatically alert customers to new securities issues via IM □

IM’s ongoing display makes it easier to handle multiple threads than with email, which has to be sorted and opened

“They were losing 20 percent of their orders due to late or out-of-stock situations,” said Friedman. “Now the salesperson places the order via IM and gets a confirmation or problem report while still in front of the customer.” The time to confirm an order dropped from days to minutes and the losses due to ordering problems fell to near zero.

IM not only increases speed, it also improves productivity. With the phone, you can talk with just one person or group of people at a time, but with text messaging you can carry on two or more IM conversations in parallel.

Think about the many email threads that you juggle from day to day. With IM you can do the same thing, but in real-time. Call center operators, for example, can handle two or three IM-based customers at once. Experienced IM-ers maintain that IM’s ongoing display of the conversation makes handling multiple threads much easier than with email, which has to be sorted by subject or sender and each message opened to recapture the thread.

Securities traders keep five or six threads going concurrently, according to Christopher Dean, senior vice president of marketing and business development at IM software vendor FaceTime Communications, Inc. “IM penetration on the trading floor is deep and broad,” he said. “Traders use IM to communicate both within the trading floor and outside to customers. Each trader has five or six windows open, using them to put blocks

of shares together.” Because traders can conduct several conversations simultaneously, they can assemble trades and fill customer orders more responsively.

Perhaps the most common workplace example of multi-threading is using instant messaging in parallel with the telephone. During the phone interview for this article, for example, Christopher Dean exchanged IMs with his administrative assistant about his next meeting. Another example would be a help desk worker contacting a supervisor or specialist without putting the caller on hold (see “Fetch the Expert and Close the Sale,” p. 42). During a sales pitch, a member of the sales team can “whisper” answers to tough technical questions to a remote expert via IM without disrupting the flow of the presentation.

Welcome Side Effects

Besides the expected benefits of speed and productivity, some IM vendors say their customers also are saving money on other modes of communication. Susan Phemister, program director at Reuters, talked about international commodities traders who use the Reuters Messaging service. “They’re replacing huge international phone bills with IM,” said Phemister. “It wasn’t their original purpose, but a welcome side effect.” They’re also taking advantage of presence to make telephone use more efficient, she added, as someone who’s present on IM is likely to be near the telephone.

Fetch The Expert And Close The Sale

Johna Till Johnson

Collaborative tools like presence, audio-conferencing and instant messaging (IM) can be used to cut sales costs and shorten sales cycles, according to a recent study of service companies by Nemertes Research. The real “bang for the buck,” however, comes with using collaboration to close more sales quicker.

For example, when consulting and financial firms use collaborative tools to bring experts into the sales process on a just-in-time basis, they can improve their close rate for project sales by from 1 to 5 percent. Details are shown in Tables A and B.

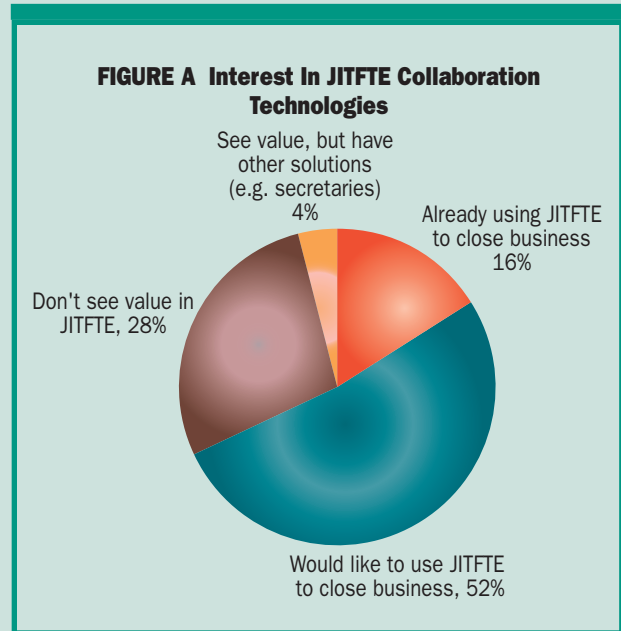
Using just-in-time fetch the expert (JITFTE) for sales involves a combination of presence, audio-conferencing and instant messaging. “Presence” means real-time knowledge of the availability of the expert, who can then be “conferenced in” during the sales process to credibly demonstrate subject-matter expertise. The salesperson, or other sales team member, uses IM to provide the expert with appropriate background information, enabling him or her to join the call smoothly.

For example, a consulting firm’s salesperson and team leader might be onsite with a prospective client, discussing the firm’s abilities in a particular area, with other experts participating remotely via teleconference. If an additional consulting opportunity comes up and the appropriate expert can be found and smoothly introduced to the prospective client, the deal is more likely to close.

The consulting firm illustrated in Table A generates approximately \$7 million in gross new revenue annually and has a typical project size of \$260,000. To generate that much business, the firm needs to close 27 new projects per year. If the firm had a close rate of 75 percent (an aggressive, but not unrealistic rate), the firm would need to bid on 36 projects per year to close the anticipated 27. Improving the close rate by 1, by 2.5 and by 5 percent produces substantial additional revenues as shown in Table A.

Table B illustrates how a community bank might benefit by improved close rates on consumer, business, and real estate loans. A “close rate” improvement of 5 percent would increase total revenue by nearly a million dollars.

How realistic is this? Bank officials we spoke with indicated that 30 to 45 percent close rates are typical. Reasons for loans failing to close include poor credit ratings



and otherwise unqualified applicants, which technology is, of course, unable to address. But bank officials also indicated that a certain percentage of failures to close result simply from customer reluctance or disinterest. In some cases, receiving accurate information in a timely fashion could make the difference between failure and success. This indicates to us that a projected close rate improvement of 1 percent is not unrealistic.

Other Findings

Besides talking with banks and consultancies, Nemertes also discussed work processes and collaborative tool usage with 30 other mid-sized firms, including credit unions, hedge funds, management, accounting and engineering firms. Our basic goal was to better understand how service companies might use such real-time tools to improve productivity.

We found that 16 percent of firms were already using some combination of IM and audio conferencing for JITFTE to close sales, and another 52 percent said they would be interested in doing so. Only 4 percent said they could see the value in JITFTE but had other solutions for it (e.g., secretaries), while 28 percent said they couldn’t see the value in JITFTE (Figure A).

TABLE A Hypothetical JITFTE ROI To Consulting Firm

Average Project Size	Typical Project Margin	Typical Close Rate	Number of Projects Bid On Per Year	Bottom-line Value of New Projects to Consulting Firm	Incremental Impact of Increasing Close Rate By 1%	Incremental Impact of Increasing Close Rate By 2.5%	Incremental Impact of Increasing Close Rate By 5%
\$260,000	60%	75%	36	\$4,212,000	\$56,160	\$140,400	\$280,800
Total ROI to Consulting Firm of Deploying JITFTE Solution					\$56,160	\$140,400	\$280,800

FIGURE B: Hypothetical ROI To Financial Firm

Consumer Loans				Dollar	Incremental	Incremental	Incremental
Average Loan Size	Typical Loan Margin	Typical Close Rate	Number of Loans Considered Per Year	Value of Loans Awarded to Bank	Impact of Increasing Close Rate By 1%	Impact of Increasing Close Rate By 2.5%	Impact of Increasing Close Rate By 5%
\$15,000	0.50%	35%	15,238	\$400,000	\$11,429	\$28,571	\$57,143
Business Loans				Dollar	Incremental	Incremental	Incremental
Average Loan Size	Typical Loan Margin	Typical Close Rate	Number of Loans Considered Per Year	Value of Loans Awarded to Bank	Impact of Increasing Close Rate By 1%	Impact of Increasing Close Rate By 2.5%	Impact of Increasing Close Rate By 5%
\$280,000	1%	40%	446	\$500,000	\$12,500	\$31,250	\$62,500
Mortgages And Real Estate Loans				Dollar	Incremental	Incremental	Incremental
Average Loan Size	Typical Loan Margin	Typical Close Rate	Number of Loans Considered Per Year	Value of Loans Awarded to Bank	Impact of Increasing Close Rate By 1%	Impact of Increasing Close Rate By 2.5%	Impact of Increasing Close Rate By 5%
\$160,000	0.50%	45%	1,806	\$650,000	\$14,444	\$36,111	\$794,444
Total ROI To Bank Of Deploying JITFTE Solution					\$38,373	\$95,933	\$914,087

Clearly, collaborative tools can improve top and bottom lines. By improving the close rate on sales, tools like presence, audio conferencing and IM can help companies lower costs, improve sales and increase customer service. □

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IM's impact on communications goes beyond long-distance savings. A February 2003 study by Osterman Research found reduced phone use in nearly 81 percent of responding companies and reduced email use in 67 percent. Maybe lower phone and email bills will pay for IM services.

Jeff Burke, executive vice president of managed services and IT at PAETEC Communications, found IM to be a handy management tool in his past life as CEO of NetSetGo and Netrica. "I used to enjoy IMing employees at odd hours to say hello and let them know that the CEO knew they were working hard—particularly those in remote offices," Burke remembered. "I used IM as my remote 'management by walking around' tool."

Some companies see IM as a moneymaker, or at least as a stepping stone to new revenue.

Reuters Messaging, for example, is free. "We want to facilitate better use of other Reuters products," explained Susan Phemister. Built on a pre-release version of Microsoft Office Real-Time Communication (RTC) Server 2003—formerly known as Greenwich—Reuters Messaging is integrated with a number of other Reuters products, including its flagship Reuters 3000 Xtra securities trading terminal. "Also," said Phemister, "we plan to sell value-added services to Reuters Messaging users, on top of Reuters Messaging, as Microsoft improves its RTC software."

Other companies are rolling out IM "bots," applications that interact with end-users via IM. The Keebler Company, for example, sponsors RecipeBuddie. Reachable via AOL Instant Messaging (AIM) and sprinkled with ads for Keebler

One study found that IM use can cut telephone and email costs

IM And Help Desks

Virginia-based systems integrator Intelligent Decisions, Inc. (ID) is both a customer and a reseller of AOL's Enterprise AIM service. Within the company, the sales team uses AIM to communicate between field personnel and from the field to headquarters. Externally, ID has added Enterprise AIM to the suite of capabilities that it offers government agencies. One of the areas that ID expects to target is the use of IM to make help desks more productive.

"IM is a handy tool for getting small bits of information quickly," said Ted Ritter, ID's director of strategic business development. In a sales meeting, a prospective government customer might ask what ID is doing at another agency, say Treasury. With IM, the ID salesperson can quickly locate someone on the account and find out. "Presence makes a huge

difference," said Ritter. "We used to use Blackberrys, but that just sends an email. You don't have a clue if anyone is there to answer." Ritter also feels that IM is less intrusive than other methods. "It's very disruptive to pull out a phone during a meeting, but IM allows you to multitask," he said.

As currently implemented, presence doesn't go far enough for Ritter. "You don't really know if someone is at their desk," he said, "and there's no biometric that tells you if the person at the other end is the right person. IM needs a stronger form of authentication." With the telephone, you can at least recognize a familiar voice. Of course, strong authentication is particularly important in ID's target market. AIM is moving in the right direction, Ritter feels, by adding support for PKI-based personal digital certificates and end-to-end encryption □

products, RecipeBuddie is a free service that helps you find recipes on the Internet. Keebler's software supplier, ActiveBuddy, Inc., specializes in building and running interactive agents, first demonstrated with its highly visible SmarterChild bot. More than nine million users interacted with SmarterChild in its first year, using the bot to retrieve news, weather reports, sports scores, games and reference material. The free trial was terminated, however, as ActiveBuddy sought paying applications.

Catch Me if You Can

But IM isn't all fun and games. For one thing, it has a tendency to sneak up on IT managers. Consumer-grade IM services are available free from major providers, including AIM, Yahoo Messenger and Microsoft's MSN Messenger. Anyone can download and install the requisite client software in a matter of minutes—without asking the permission of their IT department.

IM use has little impact on network operations, since users install their own clients and maintain their own buddy lists. Nor does IM cause network congestion. Messages are many but short, and although most IM services support file transfer, users prefer peer-to-peer systems like Kazaa for exchanging bulky music and video files. Those systems, of course, are notorious for jamming enterprise networks.

Still, consumer-grade IM gives IT managers the heebie-jeebies because it threatens network security. Viruses and hacks can ride in on IM-enabled file transfers. And IM makes it all too easy to distribute proprietary information or conduct business transactions without the proper record keeping—a growing concern in this era of HIPAA, the Sarbanes-Oxley Act and other regula-

tions. In addition, many end-users give themselves fanciful screen names, that project an unprofessional image and make it difficult for management to associate IM traffic with specific users.

Once end-users turn instant messaging on, however, it's nearly impossible to turn off (see "IM And Help Desks"). Through port hopping and other subterfuge, public IM services can breach nearly any corporate firewall. Management edicts against IM are equally ineffective. Dmitry Shapiro, founder and chief strategy officer of IM software vendor Akonix Systems Inc., offered a couple of examples:

■ An IT manager at a big energy company thought he'd completely blocked IM. Akonix persuaded him to install Akonix Rogue Aware, a free network sniffer that reports on public IM and peer-to-peer file sharing traffic. "Ten minutes after turning on Rogue Aware, the IT manager reported 153 IM log-ins," said Shapiro. "After two and a half hours, he reported 2,500 log-ins." All this after IM was, supposedly, blocked.

■ At a large financial institution, brokers were using public IM services to communicate with customers. Worried about security, IT tried to shut IM down. "The brokers freaked out and published a 'reverse ROI,'" Shapiro recounted, "quantifying the drop in their productivity." IT was forced to reinstate IM.

Shapiro tells these stories because they illustrate Akonix sales opportunities. Like IMlogic, FaceTime and a number of other companies, Akonix develops and sells software that adds enterprise-grade security and control to public IM services. Recently, major IM providers also began offering enterprise-grade versions of their public services (see "IM And Help Desks," and *BCR*, January 2003, pp. 59–62).

You Can't Get Here From There

Although many companies are sold on IM's benefits, others aren't so thrilled. Because instant messages pop up on your computer screen and interrupt what you're doing, some people find IM more irritating than convenient.

"IM interruptions can be a real problem," said Michael Osterman, president of Osterman Research. "You either love it or you hate it." And there's a potential dark side to IM, since presence can be used as an informal time clock.

Part of the solution will be differentiated presence. "IM is the evolution of email," said Akonix's Shapiro, "but it won't become the preferred medium until it has more granular presence management." Users must be able to exhibit several levels of presence simultaneously; for example, online-and-available for customers, online-but-busy for boss and spouse, offline for everyone else.

Another source of annoyance is the lack of interoperability among IM implementations. AIM users can "text" only with other AIM users; Yahoo users, only with other Yahoo users; etc. Similar barriers block communication between corporate IM packages like IBM Lotus Sametime and Microsoft Exchange. "Every time we walk into a customer of any size," Christopher Dean remarked, "they have a heterogeneous environment." Although there are third-party products that attempt to hide the differences, most end-users rely on multiple IM clients to reach all their contacts.

IM standards are maturing, however, and may eventually help with interoperability. Besides the proprietary protocols used by AIM, MSN and Yahoo, several vendors—including IBM and Microsoft—have sworn allegiance to the IETF's developing suite of SIP/SIMPLE protocols. On the other hand, an estimated seven to 10 million end-users already rely on Jabber, a pre-standard, open-sourced version of IM that is based on XMPP—the XML-based messaging and presence protocol. According to Joe Hildebrand, chief architect at Jabber, Inc., a distributor of proprietary Jabber tools, between 150,000 and 200,000 copies of Jabber open source server software have been downloaded.

"A vast silent majority [of Jabber users] will 'come out' once XMPP is standardized by the IETF," predicted Laura Lear, director of marketing at Jabber, Inc., and XMPP's relative simplicity will win out. "SIMPLE just isn't," quipped Hildebrand.

Nonetheless, it will be years before IM is as universal and interoperable as email. That's why the Radicati Group predicts 349 million corporate IM accounts in 2007 but only 140 million corporate users. In four years the average business user will still need two or three different IM services.

It will also be a few years before companies understand how best to use IM. When is an instant message better than a phone call or email? What job functions benefit most from IM? How much

IM use is productive? A new software package from DYS Analytics, Inc., called Collaboration CONTROL!, collects performance and usage data that can help answer such questions. "Collaboration CONTROL! helps IT adapt to the real-time load of conferencing and IM," said Andrew Wolff, vice president of products at DYS. "It's a new ballgame compared to email." By relating usage levels to productivity, companies can determine which job functions benefit from IM and which would be better off without it. Today, Collaboration CONTROL! works only with IBM Lotus Sametime, but, "We are looking to expand to other packages," said Wolff.

Conclusion

IM is here to stay. Its combination of speed, privacy and convenience enable new business practices that early adopting end-users love—and that neither email nor the telephone can support. Already changing the way we communicate, IM and presence will soon be taken for granted—another part of the business infrastructure that we can't live without □

Standards are maturing, but not fast enough to eliminate the need for multiple IM clients

Companies Mentioned In This Article

ActiveBuddy (www.activebuddy.com)
Akonix Systems (www.akonix.com)
AOL Instant Messenger (www.aim.com)
DYS Analytics (www.dysanalytics.com)
Facetime Communications (www.facetime.com)
IBM Lotus Sametime (www.lotus.com/sametime)
IDC (www.idc.com)
IMLogic (www.imlogic.com)
Intelligent Decisions (www.intelligent.net)
Jabber Software Foundation (www.jabber.org)
Jabber (www.jabber.com)
Microsoft (www.microsoft.com)
MSN Messenger (<http://messenger.msn.com/>)
Osterman Research (www.ostermanresearch.com)
PAETEC Communications (www.paetec.com)
Radicati Group (www.radicati.com)
Reuters Messaging (<http://about.reuters.com/productinfo/messaging/>)
Sprint (www.sprint.com)
Yahoo Messenger (<http://messenger.yahoo.com/>)