AVAYA

Up to your assets in technology?

Why now is the time to review your communications portfolio and reevaluate your strategy

Overview

Many businesses consider their telecom system a utility—an asset base that is just there and hardly worth thinking about. Yet that very nonchalance is a symptom of just how essential communications systems are. Ask most organizations what they would do without phone and Internet access, and the answer would likely be that their business would come to a screeching halt. The communications portfolio has become that important to businesses today—and, ironically, all too often taken for granted.

Yet this casualness creates certain problems. Too few businesses closely examine their communications architectures or equipment after the initial deployment. They made a buying decision years ago based on requirements, cost analyses and the technology choices available at that time. Our experience with customers around the world indicates that many enterprises rarely, if ever, have time to revisit those assumptions. Despite the sheer amount of communications hardware and software they have installed—and the tremendous amount of duplication they might find if they looked—few businesses regularly reassess their communications infrastructure. The kind of reconciliation that routinely takes place elsewhere in the IT function simply isn't happening in the communications space.

Why not? It's a question that should be asked, especially now when cost containment is top of mind and legacy time division multiplexing (TDM) telephony systems have given way to Internet Protocol (IP) telephony and, more recently, Session Initiation Protocol (SIP)-enabled systems. These latter technologies, coupled with virtualization, are driving down the cost of business communications and enabling the creation of new features, functionalities and services that enterprises increasingly expect from communications solutions.

In terms of a systematic evaluation of an asset base, we're not talking about pennies shaved off of balance sheets, but potentially millions of dollars in operating and support costs that can be eliminated directly from profit and loss (P&L) statements. The value you can add to your organization by examining past assumptions and reengineering processes can go far beyond cost reduction to driving significant competitive value.

Could a telecom expense management solution help?

"Leading industry analysts have reported IT spend as a percentage of revenue ranges from 2 percent to 8 percent, averaging 5 percent across all industries surveyed. The analyst reports include sufficient detail that allows us to estimate how much of total IT spend can be attributed to telecom. Combined spend for telecom, including voice and data networks, fixed and mobile telecommunications charges, and related costs for management and administration, amounts to approximately 25 percent of total IT spend.

"How significant is this amount of spend? Let's put it into context. A company generating $1 billion in revenue spends approximately 5 percent or $50 million on IT, which includes about 25 percent or $12.5 million in telecom costs. Industry sources and our own customer data show that TEM [telecom expense management] can reduce this amount of telecom spend by 5 to 20 percent, for a total telecom savings of $600,000 to $2.5 million annually."

**Tony Mazzullo,
President and CEO, Veramark Technologies**[1]

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[1]"Telecom Expense Management: By the Numbers," Veramark Blog, August 20, 2009, http://blog.veramark.com/2009/08/
telecom-expense-management-by-the-numbers.html.

keeps shrinking. In our experience, the cost of a server over a 36- to 48-month period for many companies is close to $65,000. Despite this, capital appropriations are what most organizations focus on when they talk about reducing budgets and containing costs.

After considering cost burdens, the next question should be: Are the cost assumptions that were made four, six, eight or even 10 years ago still valid? Too often the answer is no.

Take voice. Long-distance rates have declined 90 to 95 percent over the past decade, yet many businesses have not analyzed how they route calls or the effects of that approach on their operating expenses. For example, an organization with 60 or 70 servers dedicated to routing enterprise call traffic may spend upwards of $1 million a year on such devices. However, when asked if route analysis has been considered, the answer may be "we've always done it this way," despite the fact that performing a deep architectural review from the ground up could result in dramatic cost savings. Indeed, it would seem that with the cost advantages that can be achieved by virtualization alone, few organizations can afford not to do this type of review.

The fact is, many enterprises are too busy or there is inertia based on an operational "comfort zone." Although that operational comfort zone may "feel good" for human beings, it may have a negative effect on profit margins. Taking a more strategic approach to asset management and driving rigorous cost and technology analyses positions companies to grow their top lines and margins without linear costs associated with that growth (i.e., pumping the same amount or more traffic into less infrastructure).

Let's get started:
Take the five-year test

Given the speed of innovation, if a company's communications systems are three or more years old, the underlying assets are candidates for reevaluation. However, given the advances in technology, a routine checklist is not sufficient for this effort. Instead, companies would be better served by developing a strategic plan that assesses the total cost of their systems; examines if their original assumptions for deriving value and ROI still hold; and evaluates whether an upgrade or even out-and-out replacement is in order to cut costs today and drive value for tomorrow.

Focus on the basics:
What are the true costs?

Many organizations do not understand the full cost burden of their communications solutions. Although the incremental cost of adding an additional server for a TDM system can seem negligible, studies show that the true cost of owning that server is significantly higher. For example, IDC estimates that the cost of acquiring the hardware is just 20 percent of the total cost of ownership (TCO), which leaves 80 percent of costs attributable to setting up, operating and supporting the hardware.[2] Indeed, the ratio of capital to operating expenses

Layer on process improvement
to create added value

Once a company has passed the five-year hurdle and understands the costs of operations, it is time to move on to the truly strategic part of the process: finding new ways to enable the workforce through process improvements. For many companies that operate call centers for sales and customer support, this largely involves identifying and eliminating wasteful activities.

For example, a manufacturer of industrial equipment discovered through a process review that its call center technicians were spending 22,000 hours a year answering a single question over and over—a question that arose from a misprint in its product catalogue years earlier. With each call costing a total of $20, that added up to $440,000 a

[2]"Forecasting Total Cost of Ownership for Initial Deployments of Server Blades," IDC, 2006.

year—nearly half a million dollars in excess costs that were completely eliminated by sending a single e-mail message to the marketing department dictating a fix to the catalogue. If the firm had been tracking metrics on the types and frequencies of calls coming into its call center—and had been on top of process inefficiencies—it wouldn't have been literally leaking revenues for all those years.

The real challenge when making process improvements? Understanding the cost and benefits of modern systems compared to systems deployed years ago. Only after this comparison can a company truly comprehend the potential value-add of a new process and determine whether it is worth keeping. The issue of measurable value-add is critical, as corporate functions that truly do not add any value are usually outsourced at the lowest possible cost.

Putting it all together: Determining the strategic value of communications systems

Companies can follow a four-step process to determine if their communications systems are providing strategic value:

- What is the true TCO of the solution? Without understanding all the expenses that aggregate—and there can be multiple components, such as hardware costs, software costs, software maintenance costs, training and support, among others—it is difficult to calculate the value-add that a particular solution offers.

- Did the solution deliver the expected value? Have the devices paid for themselves as expected?

- Is the solution still needed? Does it need to be upgraded? Can it be replaced with a more cost-effective or efficient solution?

- Finally—and this is the strategic part of the analysis— is this solution integral to the business, and, if so, in what way? Does it save money in a way that contributes to overall profitability? Does it take better care of customers? Does it allow you to scale effortlessly in a volatile market? What strategic value would be lost if the function were outsourced?

Businesses that understand the specific value proposition of a system are much better positioned to choose the solution that meets their needs most effectively and delivers optimal results.

Understand the past, but look to the future

No deep-dive cost and architectural analysis would be complete without considering the future direction of the technology and the solution's marketplace. Today, it is hard to imagine putting a strategic road map in place for a telecom plan that doesn't encompass an enterprisewide SIP architecture. Such an architecture should consider automatic detection of user presence across devices and applications to allow services to be implemented just once and deployed across the entire organization; a simpler deployment model; and reduced training and support requirements. Additionally, most organizations today are looking at next-generation systems that unify voice, messaging, e-mail, voice mail and more in a single platform without detracting from the quality, reliability and security of the overall solution.

Next steps

Pulling together a business strategy with a **comprehensive implementation plan** is paramount in today's dynamic enterprise environment. One way to **jump-start this type of process** is to seek the aid of business and technology professional consultants who can perform an **objective analysis** of where you are today and whether your current communications assets and processes are still delivering value at the lowest possible cost. After that, you can **develop a strategy that supports growth and meets future needs** while allowing for continuous reevaluation of the entire process. Once the strategy and implementation plans are in hand, then your company can be certain that it isn't resting on its communications laurels at a time when it should be **proactively using technology to drive competitive advantage** in the call center and beyond.

When researching consultants for your organization, it's important to **talk to best-in-class experts with a proven track record.** Avaya Strategic Communications Consultants have been helping organizations develop strategic plans for many years. To find out how you can leverage your asset base and reduce your telecom spend, visit www.avaya.com.

About the author

Aaron Ziebro is a strategic communications consultant for Avaya, Inc. He has been a subject matter expert in IP telephony and IP contact centers for more than a decade, with vertical industry experience, including banking, technology and insurance.

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