THE ROI OF TELEPRESENCE IN A WORLD OF ECONOMIC AND GEOPOLITICAL UNCERTAINTY

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In 2011, the world sits at the crossroads of economic and geopolitical uncertainty. On the economic side the United States faces growing difficulty financing its astounding deficit spending. According to Mary Meeker, the former Morgan Stanley analyst who now runs analysis for KPCB, the country’s cash flow (the difference between government’s cash intake and outflow) was negative $1.3 trillion last year, equivalent to $11,000 per household. Cash flow has been negative for nine consecutive years, totaling $4.8 trillion. She puts the United States’ net worth at negative $44 trillion, including unfunded Social Security and Medicaid commitments over the next 75 years. Boston University economist Laurence Kotlikoff calculates U.S. government debt, including Social Security, Medicaid and similar programs, at $200 trillion. That’s 840 percent of the current GDP.

The Producer Price Index has now jumped three percent over the last four months. And no, that’s not an annualized figure. The PPI number is for ‘finished goods’ that are ready to be sold direct to consumers. In the category of ‘crude goods,’ the figures are far worse – up 33% in January, and up a staggering 15.8% over the last four months.

I predicted in our 2006/2007 publication, Telepresence, Effective Visual Collaboration and the Future of Global Business at the Speed of Light, that dollar devaluation and rising fuel prices will threaten air travel and promote telepresence and visual collaboration. Specifically I wrote:

The commercial aviation industry relies on cheap seats and full planes. Reducing either side of this equation creates a vicious cycle for the carriers. Rising fuel prices equals higher ticket prices, which reduces demand for seats. Less passengers leads to even higher ticket prices as carriers cover flying costs at reduced capacities. Higher ticket prices leads to decreased demand for seats. Dramatically more expensive oil could deal another significant blow to the international aviation industry, which saw five bankruptcies in 2005 and is still reeling from six straight years of net losses, with 2006 set to be number seven. The International Air Transport Association recently raised its 2006 net loss forecast to $3 billion from $2.2 billion, and a major increase in the price of jet fuel would substantially increase these losses even further and most likely see marginally profitable routes and flights eliminated making air travel even less convenient. Additional airline bankruptcies will inevitably lead to reduced competition, which equals higher costs and less convenience.

Now this dynamic is repeating itself. As of early April 2011, WTI crude has just hit a 2½-year high over $108 a barrel. Brent crude is trading at $119. To compound the problem we have massive destabilization in the Middle East and North Africa threatening oil supplies. NATO has launched a military campaign to support the foreign and domestic military forces opposing the Gaddafi regime which has publicly threatened a scorched earth policy against oil infrastructure. The Egyptian government has recently changed hands in what appears to be a military coup with a thin patina of engineered demonstrations while military and security forces in both Yemen and Bahrain have both openly massacred protestors. Saudi Arabia, Syria, and Jordan are also seeing protests and the entire region remains a tinderbox.

In 2008, oil went over $100 per barrel hitting $145 in July. In the process the world ended up losing over two dozen airlines to bankruptcies, service cessations, and mergers and acquisitions, which increased the cost and decreased the convenience of physical travel.

What does this have to do with Telepresence and Visual Collaboration?

Quite simply in an inflationary environment where physical travel is getting more expensive and less convenient, improving your organization’s ability to effectively do business both domestically and globally, is one of your best strategies for business continuity. In addition, telepresence and visual collaboration provide a
disaster recovery capability that allows for continuity of operations should the economy worsen or physical travel become impossible for reasons including but not limited to: Currency collapse, war, terrorism, or Icelandic volcanoes.

Let’s look at the business case for telepresence and visual collaboration as economic and geopolitical business continuity:

1. **Intra-company business travel is often the largest controllable expense in most corporations.**

Telepresence and effective visual collaboration (videoconferencing, unified communications, and webconferencing) are the best solutions for reducing travel expenses while maintaining and improving a company’s ability to effectively manage operations.

2. **Commercial aviation will continue to become more costly and less convenient.**

The rising price of oil and recession-related demand destruction in commercial aviation will ultimately lead to more airline bankruptcies, service cessations, and mergers and acquisitions.

While most businesses are well aware of rising hard costs of travel, many haven’t done the calculations on the rising soft costs of reduced convenience, less flight options, and lost capacity in the system to re-route business travelers when delays or cancellations occur. With less airlines to choose from and fuller planes on fewer routes, executives are getting delayed, stranded or rerouted on a multi-hop flights. In January 2011 the airline cancellation rate hit 4% of flights due to inclement weather. This figure didn’t include delays, mechanical difficulties, missed connection or other travel disruptions. Multiply the hard and soft costs of a 2-4% flight failure ratio vs. hundreds, thousands, or tens of thousands of business trips annually and it becomes clear why many organizations are seeking alternatives to physical travel.

3. **Companies facing job cuts will require doing more with less.**

Organizations forced to cut jobs often face the same amount of work with less employees. Telepresence lets you do more with less — it improves the individual productivity of executives, managers and subject matter experts who are, quite literally, leveraged around the world at the speed of light.

4. **Bankrupt suppliers, partners and customers require lightning fast responses.**

How much would it cost your company per day to idle a production line because you lose a major sub-component manufacturer to bankruptcy? Telepresence lets organizations rapidly connect with new partners to continue operations.

**Strategies for Success in Crafting a Telepresence Strategy for Organizational Productivity, Travel Avoidance, and Business Continuity**

- When building the business case for deploying a robust telepresence and visual collaboration capability, don’t just focus on avoided travel and improved productivity. Evaluate the investment as part of your overall disaster recovery and business continuity plan. Understand the hard, soft, and opportunity costs involved if physical travel became prohibitively expensive or impossible for both short and extended periods of time.
- Evaluate a telepresence and visual collaboration strategy that will connect you with the greatest number of your partners, vendors and customers at the greatest possible quality.
- Get your partners, vendors, and customers on-board — Negotiate network connections, IP and dialing plans, call directories, and firewall traversal before there is a crisis. Develop internal and external programs to promote visual collaboration up and down your supply and demand chain.
- Have an interconnection strategy that allows you to rapidly provision connectivity with other firms.
- Make sure your telepresence investment is interoperable with standards-based videoconferencing systems, including systems that run over ISDN to ensure you can reach the maximum number of global endpoints. Leverage publicly available telepresence and videoconferencing facilities to reach vendors, partners and branch offices that don’t warrant a dedicated system.

In summary, the ROI for telepresence and visual collaboration has always been superb and is growing. The utility of who you can reach and what can be accomplished in a telepresence environment has never been better and rising energy costs along with economic and geopolitical uncertainty is pushing the ROI even higher. Smart organizations should view their visual collaboration investments as part of an overall economic disaster recovery and business continuity plan to weather any storm.

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**ABOUT THE AUTHOR**

Howard S. Lichtman is the president of the consultancy Human Productivity Lab which advises clients how to deploy and optimize telepresence and visual collaboration investments to improve organizational productivity. He is the author of the Inter-Company Telepresence and Videoconferencing Handbook which details how to create an inter-company visual collaboration program to connect fluidly with partners, vendors, and customers.
Reduced Intra-company Business Travel and Use of Executive Aircraft — Both are quantifiable hard dollar ROIs.

Productivity — You can shorten decision times, accelerate the speed of business, and reduce time in transit and out of the office.

Flexibility — Break free of the limitations of physical travel and even the space-time continuum: you can be in multiple locations simultaneously.

Cost Efficiency — More of the team can come to a meeting than would have otherwise traveled there.

Knowledge Transfer and Management — Some telepresence environments can be used to capture, stream and archive content (including both video and data) created in the environment.

Time-to-Market Advantage — Reduce the cycle time to launch new product offerings and integrate them into production.

True Lease Tax Advantages — Many telepresence systems can be leased with an equipment write-off tied to the lease term, which can be shorter than IRS depreciation schedules, meaning larger tax deductions each year.

Merger and Acquisition — The M&A process gets a lot easier with the telepresence advantage:
  - Key executives from each team to are "right down the hall" from each other.
  - The M&A costs in hard-dollar travel, lost productivity and technical integration shoot way down.
  - More contact means more knowledge and cultural transfer between organizations.

Quality-of-Life — Business travel can be hard on personnel, families and the lower back.

Relationship Management — Board members, clients, vendors, shareholders, the media and everybody else gets more face-to-face time to nurture important business relationships.

Employee Health and Safety — You can keep on doing business in regions made dangerous by terrorism, war or public health emergencies.

Disaster Preparation and Business Continuity — The ability to effectively manage after a disaster or during restrictions of air travel due to war or terrorism.

Improved ROI from Existing VTC Investment — Many telepresence solutions end up increasing the usage of legacy videoconferencing systems, not just replacing them.