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Small Business ROI with IP Telephony – Is it Achievable?

Are there savings to be had for small to medium size businesses (SMBs) in moving to IP Telephony, and if so, where are they? Fortunately there are many areas of potential savings, and hence cost justification for smaller companies to move to IP-PBX phone systems. Some are more quantifiable than others, but it is now clear why smaller companies are beginning to move rapidly to this exciting technology.

For the smaller business, their phone system has traditionally been viewed simply as a depreciable asset that was a necessity for doing business. Larger businesses have for some time been cost justifying (at least partially) their phone systems with complex formulas eliciting savings from things like "moves, adds and changes" (MACs) all the way to more nebulous areas such as savings from "more efficient use of IT manpower" and a "consolidated network." But the big hitter savings from MACs that larger organizations realize just don't translate well into smaller businesses.

The focus of this writing is on the IP-PBX phone system, but there are clearly benefits for some smaller businesses today who want to move their long distance to VoIP, or Internet long distance calls. If companies are using lots of 5 cents per minute long distance, then they should certainly consider trying one of the Internet services. The overall quality of these services continues to improve; and with growing adoption in the residential market, VoIP long distance is now making serious inroads into the business realm.

The potential SMB savings by replacing an existing phone system with an IP-based PBX breaks down into two general areas: Hard dollar savings which are clearly measurable and soft dollar savings which are more difficult to quantify, yet can have a huge impact on their overall business. As one might expect, many smaller businesses will reap their greatest payback from the soft savings area. Here are some specifics:

Hard Savings

While not the biggest payback for small businesses, companies should look at and measure their potential hard savings of moving to an IP-PBX phone system. There often are significant savings to be attained in this area.

VoIP – Intra-company long distance – If companies have more than one location, they can connect the phone systems in each office together over the Internet and eliminate any long distance charges associated with those calls. This goes for teleworkers too! Of course, they must net out any incremental cost associated

with improving their inter-office Internet connectivity, but this is usually far outweighed by the long distance savings and the centralized control and call detail reporting.

Moves, adds & changes (MACs) – Although the savings aren't as significant as with large businesses, MAC savings are still relevant and measurable. Instead of expensive visits by the phone system provider to make changes, with an IP-PBX system, the customer manages their own MACs, typically by the IT manager or possibly the office manager. Large businesses often use numbers in the range of $100 per change and .9 changes per year per employee. For smaller businesses, the cost is more like $50 per change and .6-.8 changes per year per employee.

Conference Bridging – Most IP-PBXs provide for multiparty conference calls (more than 3-way calling) which can eliminate the need for any third party bridging service.

Soft Savings

Soft savings are where the meat of the benefit is for SMBs. Some would argue that several of the items listed below are "hard savings" in that you can come up with a metric to determine a value to the business. And companies are strongly encouraged to do just that. But since the specific values will vary dramatically from company to company, they are shown here in the "soft" category.

Voice Mail Communications:

- Visual Voice Mail – With many IP-PBXs, users have the ability to visually see all their voice mail messages on their desktop computer. This means they no longer have to listen to all the messages sequentially, just to get to the important one they are looking for. They can also annotate the message so they never need to listen to the message a second time, hence increasing their productivity.
- Notification – Users can get immediate notification on their PC, cell phone, pager or Blackberry, not only that they have a new voice mail message, but who the call is from with the callerID data. This results in a less intrusive interruption to the employee (especially when traveling), yet makes them more available to customers and fellow employees alike.
- Forwarding – There is now a wide array of voice mail forwarding options allowing the user to annotate (with voice or text) a voice mail and send it on to others as a voice mail, or an email sound file. Again, this is a soft savings, but there is clear value in terms of better customer service and better intra-company communications.

Call Forwarding – Call forwarding (and follow me calling) is a standard feature on many of today's IP-PBXs. This powerful tool simply lets the user direct calls

going to their office extension to a different location. One user of this feature recently said: "It has changed the way I do business. My customers and prospects can now reach me at their convenience." Particularly useful for sales, marketing and customer service people, it gives their customers easy, but controlled access to them.

Enterprise Instant Messaging – This allows for employees within the business to quickly communicate with each other. It works without the interruption of a phone call, yet is more urgent than an email. By providing this feature only to users on the company LAN / WAN, it eliminates the worry of introducing global IM to the office with the inherent temptation to "chat" with family and friends. The savings is measured in terms of better internal communications (i.e. "Mr. Williams is on line 4, do you want me to ask him to hold till you finish your call?")

Computer Telephony Integration (CTI) – CTI has historically been considered to be the ability to dial a phone number from a computer application, such as Microsoft Outlook, and to get a callerID based "screen pop" with an inbound call. Depending on the customer's operation, this can offer a significant savings. The inbound screen pop in particular can save a customer a minute or two per inbound call by eliminating the customer database search. And the caller gets better customer service since the employee can immediately have their account record in front of them.

Automatic Call Distribution (ACD) – For departmental use and for inbound call centers, ACD can be an effective tool. By routing calls to a department or group of operators rather than an individual, businesses can provide quicker service for their customers, and their operators spend less time routing and re-routing calls.

Interactive Voice Response (IVR) – While normally more difficult to quantify, the IVR systems of IP-PBXs carry huge potential savings. From the simplest feature of say, offering directions to the office (i.e. "press 4 for directions"), to providing their customers with 24 X 7 access to their account information, the company benefits from better customer service and higher employee productivity.

Teleworker Integration – With most IP-PBXs, telecommuters as well as road warriors can be completely and transparently integrated into the office phone system. This means that calling their normal extension will ring their phone at their home office or their soft phone on their PC in their hotel room (if they are logged in). And, the teleworker and employees in the office can all "see" the status and availability of each other on the presence management screen on their computer. Company managers also have immediate and complete visibility into their employees' telephone activity. This technology now makes the overall concept of teleworkers feasible for small businesses, and has the added potential benefit of extending the business' hours of operation.

Integration of Calls with Customer Database – By doing some backend database work, IP-PBX users now have the ability to automatically integrate their telephone activity with customers directly into their customer database. Businesses are doing such things as putting the call detail record of each call, along with a link to any recordings of the call, into their primary customer database as an activity. Some companies that record their calls are putting the actual recordings directly into their customer database. By putting this key data element (the phone call) into their customer relationship management system, smaller companies enjoy a huge new area for IP-PBX payback opportunity.

Reporting – With most IP-PBXs, the call detail records are readily available to the company's management. Of course management can observe the live calls at any time, including who is on the phone with what customer. They can get their normal reports on a regular basis, but they also now have the capability for quick ad-hoc information. For example, from a web browser they can request to see all of the calls made today by any employee or group of employees. Of course the value of this management tool will vary from company to company, but many report getting higher productivity when their employees know all of their phone calls are visible to management.

There is a wide range of technology areas where an IP-PBX can pay for itself. Many companies will see one of the biggest payoffs to be the integration of the IP-PBX with their customer database system. Then look to voice mail management, branch office and teleworker integration, and interactive voice response as areas of strong payback potential.

A great many of the features and savings areas described above have never before been available to smaller businesses. Small businesses can benefit from this technology in other ways, including reduced telephone tag, easy use of formerly complex features (e.g. conference call), more employee mobility, higher employee productivity, better information for faster decision making. When added up, there is a powerful IP-PBX return on investment to many smaller companies (see sample ROI chart below).

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Sample Small Business IP-PBX Return on Investment			
Cost Item	**Calculation***	**Specific Value**	**Annual Savings***
VoIP - Intra-company Long Distance	$0.05/minute * minutes per year	2 teleworkers at 4 hrs/month	$ 288.00
Moves, Adds & Changes	$50/change * .75 changes /year * # empl	25 employees	$ 937.50
Conference Bridging	$0.10/minute * minutes per year	4 connection hours per month	$ 288.00
Voice Mail Communications			
Visual Voice Mail	1 hr/month * $30/hour * # employees	25 employees	$ 750.00
Notification		Better customer service**	$ 500.00
Forwarding		Better customer service**	$ 500.00
Call Forwarding		Better customer service**	$ 500.00
Enterprise Instant Messaging	1 min/day * 21 day/mo * 25 people * $30/hr	25 employees at 1 min/day	$ 3,150.00
Computer Telephony Integration	15 secs/inbound call * nbr of inbound calls	100 inbound calls/day	$ 3,150.00
Automatic Call Distribution		Better service, balanced work**	$ 500.00
Interactive Voice Response		Better customer service**	$ 500.00
Teleworker Integration		Better internal & external communications**	$ 500.00
Integration of Calls with Customer Database		Better customer records**	$ 2,000.00
Reporting Benefits		Better management**	$ 250.00
Total Annual Savings			$ 13,813.50
Approximate IP-PBX Cost			$ 20,000.00
Approximate Payback in Years			1.45
* Assumptions:			
Number of Employees	25		
Average Cost per Employee Hour	$30		
** All companies will not get benefit from all the cost items above.			
Companies should try to assign a perceived value for their business for each of these areas.			
The numbers used here are estimates for a typical small business.			

Paul Vance is vice president and general manager of FacetCorp. FacetCorp develops, markets, sells and supports FacetPhone, their state-of-the-art IP-PBX telephone system for small to medium sized businesses. FacetPhone completely integrates the company phone system with the user's desktop computer.