



To Reduce Operating Costs and Drive Up Productivity, SMBs Must Rely on Trusted VoIP Vendors and Channel Partners

Decision Point:	Accelerating VoIP Adoption in SMBs and Mid-Market Enterprises
The Bottom Line:	SMBs should pick a premises-based VoIP vendor aligned with strong channel partners to provide pre- and post-installation support. SMBs must also understand the ROI or TCO metrics behind implementing a VoIP solution.
Who Should Read:	SMB founder, CEO, COO, CTO, VP of sales, VP of IT

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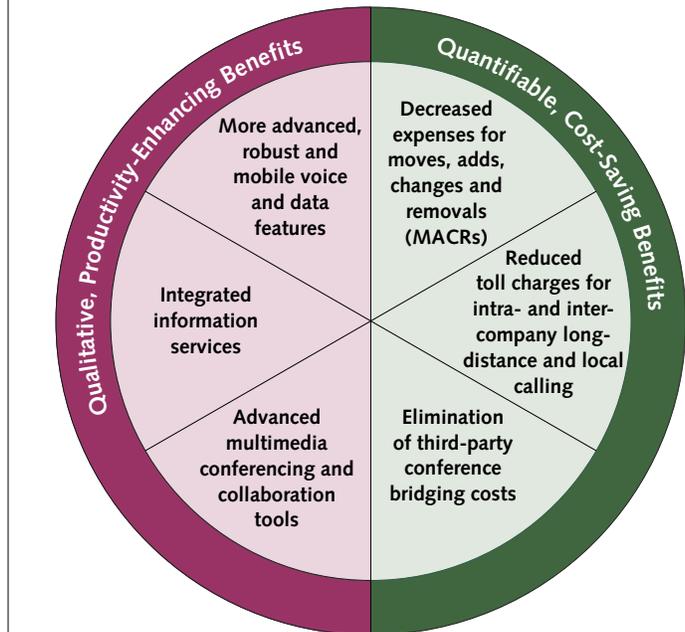
Small and Medium Size Businesses Need to Identify All Cost-Saving and Productivity-Enhancing Benefits in Their VoIP Evaluation

There are a number of reasons why VoIP has quickly become the newest, most promising and most dynamic voice communications technology within the telecommunications industry today. VoIP promises a vast array of cost-saving and productivity-enhancing benefits, ranging from reduced toll charges and network management expenses to advanced calling features and a more unified and flexible mobile workforce (see Exhibit 1).

SMBs are testing the VoIP waters with limited or carefully planned implementations. However, a lot of uncertainty surrounds the emerging VoIP market, including voice quality and service considerations, undefined total cost of ownership (TCO) and return on investment (ROI) metrics, a fragmented vendor landscape and a rapidly evolving regulatory environment. Although fewer than 10% of SMBs currently use VoIP as their primary means of voice communications, VoIP is gaining momentum as the telecom industry and the sales channel ecosystem expands their footprint with equipment and services to support VoIP.

When SMBs assess VoIP solutions, they should purchase from a vendor that can provide or assist with an ROI or TCO model for its services. SMBs are very top- and bottom-line-oriented and therefore value a quantitative selling approach to their business challenges. It's important for SMBs to measure the different cost-saving, productivity-enhancing and customer-service-improving benefits their organizations can obtain from leveraging a specific vendor's VoIP solution.

Exhibit 1. Quantitative and Qualitative VoIP Benefits



Source: Yankee Group, 2006

Business Drivers and Key Issues to Consider Before Implementing VoIP

Business Drivers: Cost Savings and Productivity Enhancements Entice SMBs to Consider VoIP Solutions

SMBs adopt on-site, premises-based VoIP solutions for cost-saving and productivity-enhancing benefits (see Exhibit 2). Premises-based solutions are ones in which the IP PBX equipment itself resides on or within a customer's site or location while the operation and maintenance of the equipment is managed remotely by a vendor or service provider. In comparison, a hosted solution is completely outsourced, with the equipment residing off-site or physically independent of a customer's location and a vendor or service provider managing it remotely.

Exhibit 2.
Premises-Based VoIP Business Drivers



Base: SMBs that have implemented or would choose to implement a premises-based VoIP solution

Source: Yankee Group 2005 Small & Medium Business Communications, Broadband and VoIP Survey

SMBs can leverage premises-based VoIP to realize significant cost savings on things such as interoffice calling, conference calls and bridge lines, and effortless moves, adds, changes and removals (MACRs). Depending on the size of the organization and number of locations, as well as the mobility of its workforce, SMBs will enhance workforce productivity from varying premises-based VoIP applications. For example, larger SMBs with satellite or branch locations can use VoIP services to improve employee productivity through more efficient collaboration and teamwork between offices. On the other hand, small businesses (SBs) and very small businesses (VSBs) that might only have a single headquarters location, but employ a large percentage of mobile workers, can leverage VoIP services to improve productivity for employees who are out of the office and on the road by using find-me, follow-me and unified messaging.

The myriad features and services of a premises-based VoIP solution appeal to SMBs. SMBs have begun gravitating toward adopting the types of features and services that can reduce operating expenses; improve teamwork,

collaboration and productivity among employees; and increase customer service and support levels. Services such as the ability to have voicemails, faxes and e-mails delivered to one mailbox are the most highly desired by SMBs. The ability to receive notification of voicemails, faxes or e-mails on any number of different devices is also an indispensable tool for SMBs.

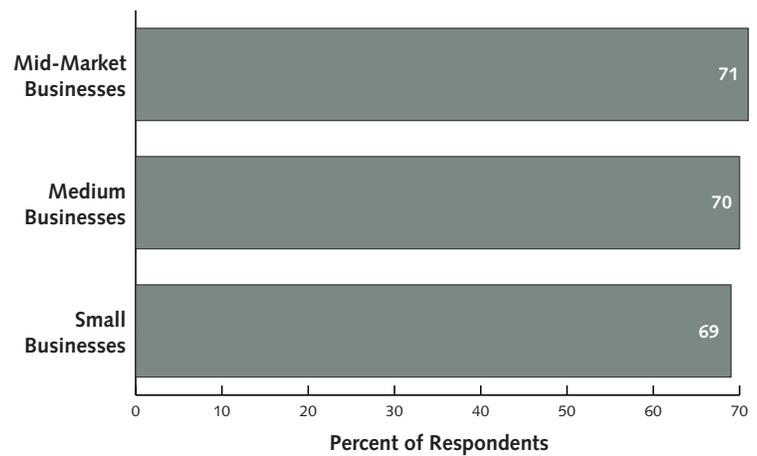
Key Issues When Considering an IP PBX Solution

Approximately 70% of the VoIP solutions currently implemented by small businesses, medium-sized businesses and mid-market enterprises have been on-site, premises-based solutions (see Exhibit 3) as opposed to hosted or broadband-based VoIP deployments.

As such, there are a number of key issues that SMBs should consider while working through the decision-making process for actually selecting a premises-based VoIP solution as opposed to a hosted or broadband-based VoIP solution:

- **SMBs should seek out a viable channel partner to act as their trusted advisor for pre- and postsale support.** Generally, SMBs lack the experience and expertise to make technology purchasing decisions. So having a supportive channel partner throughout the entire process can make it run much smoother than if they were to go it alone.
- **The IP PBX itself should come from a reliable and reputable vendor known for high-quality voice communications equipment.** SMBs, which often possess limited financial resources, can ill afford to spend them on inferior technology products—considering that the phone system is the lifeline of any SMB and needs to 100% reliable at all times. Picking a reliable, quality vendor will save countless headaches later in the life of the IP PBX.
- **SMBs should conduct a network assessment before implementing a VoIP solution.** VoIP systems must be built on top of an adequate network infrastructure in order to perform properly. The network must have the appropriate bandwidth, topology, security and QoS (to prioritize time-sensitive VoIP traffic). Network assessment is an essential part of the VoIP planning process to determine whether any network upgrades are required and the cost. Most SMBs do not have the networking expertise to do a proper assessment and should turn to a technology partner for help.
- **SMBs that currently use some form of a PBX as their primary type of phone system should consider purchasing a premises-based VoIP solution.** According to the Yankee Group *2005 Small & Medium Business Communications, Broadband and VoIP Survey*, 58% of SMBs with a non-VoIP PBX indicated they would be interested in adopting a premises-based VoIP solution (see Exhibit 4).
- **SMBs should consider purchasing a premises-based VoIP solution if they possess any or all of these characteristics:**
 - Want to retain control over their phone system
 - Have security concerns and want to keep their phone system equipment in-house
 - Have sufficient internal IT staff or strong outsourced IT relationships to effectively manage the solution
 - Need the flexibility to make their own moves, adds, changes and removals at their convenience

**Exhibit 3.
Premises-Based VoIP Implementations**



Source: Yankee Group 2005 Small & Medium Business IT Infrastructure Survey

Benefits of VoIP

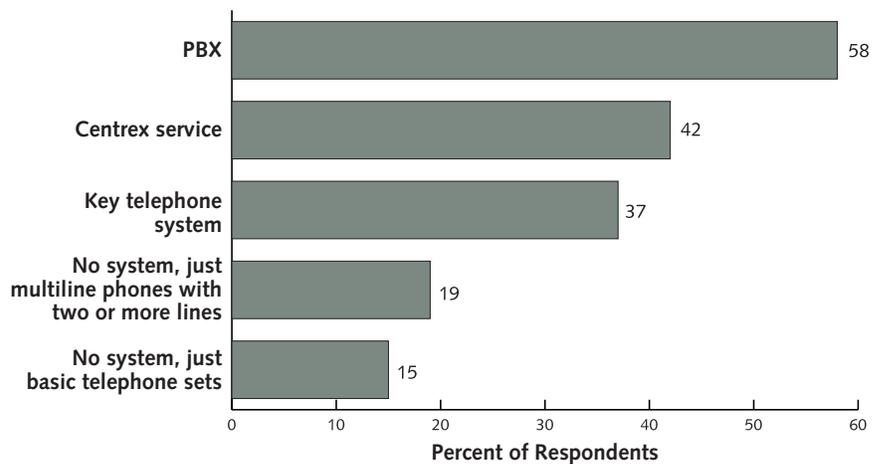
A premises-based IP PBX solution can provide both hard cost savings (from reduced operating expenses) and productivity improvements (from converged databases, integrated data and voice communications, and advanced and mobile calling features) for SMBs.

IP PBXs reside within organizations' premises but offer significant advantages over their legacy PBX predecessors. Because IP PBXs support IP protocols, VoIP voice communications can be sent as data packets over the existing data network, eliminating the need to own and manage two separate networks for voice and data. IP PBXs also enable organizations to leverage advanced calling features. These voice features that are transmitted and communicated over IP networks via IP PBXs are essentially treated like applications—they can be accessed anywhere by anyone at anytime and at minimal cost.

These are additional advantages from using VoIP applications:

- SMBs can move employees, set up new extensions, edit user profiles and preferences or change phone lines instantaneously, which enables them to avoid the \$50 to \$300 charge by phone system providers for support services each time they want to do an MACR.
- Employees have the ability to conduct intra- and inter-company multiparty conference calls without the expense of a third-party bridging service. In addition, by taking advantage of toll bypass, SMBs can avoid recurring monthly line fees and usage charges for local, regional and long-distance calling.
- SMBs can have calls routed to any phone that employees use, whether they are at home, on the road or in the office. This means that communication is seamless, facilitating more ad hoc, real-time conversations.
- Employees can receive notification of new voicemails, faxes or e-mails on cell phones, pagers, PCs, laptops or PDAs. This means they are never out of touch and always accessible. Additionally, they can have their voicemail, fax and e-mail delivered to one mailbox that can be retrieved by phone or e-mail. This decreases communication clutter, allowing employees to operate in a more organized, efficient and productive manner.
- Incoming, outgoing and missed calls can be tracked and logged into CRM systems, which can be custom developed to integrate with e-mail and contact directories. This leads to more personalized customer service and support. Consequently, customer satisfaction levels increase, lowering churn and creating potential up-sell opportunities.
- SMBs gain easy and cost-efficient access to new features as they become available, such as video applications that enable users to add visual components to their phone calls. This provides them with more advanced and personalized communications capabilities.

Exhibit 4.
Current Phone System Usage and SMBs' Preferences for Premises-Based VoIP Solutions



Source: Yankee Group 2005 Small & Medium Business Communications, Broadband and VoIP Survey

Using ROI and TCO Models to Gauge VoIP Solutions

SMBs Need a Quantitative Approach to Valuing Their VoIP Decisions

SMBs hesitate to adopt VoIP services because they are concerned about price. The majority of SMBs have limited IT, financial and human capital resources to make technology purchases. SMBs purchase technology solutions based on their needs, not because they want the latest and greatest product or service available. As a result, price is consistently one of the biggest barriers to adoption of new technologies among SMBs.

Vendors must develop ROI models that outline both hard and soft savings that their VoIP solutions can provide. They must prove to SMBs that their VoIP solutions are worth the money by demonstrating the ROI potential behind them—and they must convey this potential through quantifiable measures. VoIP is a new technology in an emerging market. Because SMBs are accustomed to purchasing specific solutions to their communications needs rather than just technologies, VoIP products and services can present a risky, unproven and costly proposition from their perspective.

ROI models are similar to reference customers in that they prove the credibility and viability of a vendor’s VoIP solution. The difference is that reference customers can validate the experience of purchasing and using a specific VoIP product or service, but ROI models can quantify it. ROI models incorporate specific line items and the detailed financial metrics associated with them provide cost justification for investments. They offer a clear representation of the costs and benefits of adopting a new technology by assigning tangible, quantifiable, numerical metrics to an investment decision, which enables CEOs, CFOs and CTOs to financially assess the situation rather than having to rely on strictly qualitative judgments.

A VoIP ROI model must also include estimates of the soft savings that an SMB can realize. Many of the most compelling business and investment drivers behind VoIP come from qualitative benefits that are often hard to measure. ROI models must be well designed to capture these types of soft benefits to fully capture the value of any technology investment.

SMBs Must Include Quantitative and Qualitative Items in an ROI/TCO Tool

When evaluating VoIP vendors, it’s important to measure the different cost-saving, productivity-enhancing and customer-service-improving benefits that your organization can realize by leveraging their VoIP solutions (see Exhibit 5). Some examples of the types of items that should be detailed and measured include:

- **Quantitative items**, which produce hard, *cost-saving* benefits that can have a measurable impact on SMBs’ top and bottom lines:
 - Expenses for MACRs
 - Toll charges for intra- and inter-company long-distance and local calling

Exhibit 5.
Examples of Quantitative and Qualitative VoIP Benefits

<i>Quantitative</i>		
<i>Hard Savings Item</i>	<i>Assumptions</i>	<i>Hard Savings Value</i>
Expenses for moves, adds, changes and removals (MACRs)	- 100 users - 1 MACR/user/year - \$100 per MACR	<i>\$10,000 per year</i>
Toll charges for intra-company long-distance	- 100 users - 200 long-distance minutes/user/month - \$0.04 per minute	<i>\$9,600 per year</i>
<i>Qualitative</i>		
<i>Soft Savings Item</i>	<i>Example</i>	<i>Soft Savings Value</i>
Advanced, robust and mobile voice and data features	- Unified messaging - Find me/follow me - Visual voicemail - Remote worker integration - Voicemail notification	<i>More effective and efficient internal and external communications</i>
Integrated information services	- Integration with CRM software - Automatic link between customer telephone activity and customer databases	<i>Improved customer service and customer satisfaction; reduced churn</i>
Advanced multimedia and collaboration tools	- Multiple users - Simultaneous peer-to-peer voice, data and video	<i>Increased employee productivity, collaboration</i>

Source: Yankee Group, 2006

- Routing costs for initiating and transporting voice calls over the PSTN (public switched telephone network)
- Maintenance and lease charges for location-specific phone systems
- Third-party conference bridging costs
- Operating expenses from running separate voice and data networks
- Cost of accessing advanced call features via plain old telephone service (POTS) and public switched telephone network (PSTN) service
- **Qualitative items:** These produce soft, productivity-enhancing and customer-service-improving benefits that can have intangible effects on SMBs, their employees and their customers.

Productivity-enhancing benefits include:

- Access to advanced, robust and mobile voice and data features
- Advanced multimedia conferencing and collaboration tools
- More insightful and detailed documentation and reporting of calls
- Increased flexibility in phone system management and maintenance
- Improved employee attitude toward new technology

Benefits that *improve customer service* include:

- Integrated information services
- Improved call routing and queuing functionality
- Centralized call center (either physical or virtual)
- Personalized service
- Presentation of a professional face to customers

An ROI model should attempt to calculate the quantitative and qualitative benefits of VoIP in each successive time period. By understanding the various cost and revenue drivers, SMBs will be empowered to make more informed VoIP decisions.

Bottom Line for SMBs

- **Before making an investment in a VoIP solution, compare the support that each vendor provides its sales channel.** The best vendors have deep, trusted relationships with their channels. Vendors should offer regular training programs, certifications and 24x7 channel support to their sales channels.
- **Select a channel partner that has reliable and responsive technical and customer support.** Be sure to get reference customers from both your channel partner and the vendor of your premises-based solution.
- **Pick a trusted advisor or channel partner that understands the converged communications world.** Telecommunications, infrastructure and applications are quickly merging in the business world, and SMBs that have appropriate solutions will increase operational efficiencies, lower costs and drive top-line growth. The right trusted advisor will save you time and money in the short and long term.
- **Purchase a VoIP solution from a vendor that understands, addresses and provides answers to SMBs' specific voice communications needs.** Too many vendors are approaching SMBs with technology products rather than solutions to tangible business problems. Ensure your vendor provides a solution that solves your business challenges today and can point you in the right direction for the future.
- **Purchase a VoIP solution from a vendor that can provide a tested and proven ROI or TCO model.** A compelling ROI model that outlines both hard and soft savings that a vendor's VoIP solution can provide will prove that it's worth your money. Likewise, a detailed TCO model that presents the true cost of leveraging a vendor's VoIP solution will enable your organization to make an informed purchasing decision.

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