



IP COMMUNICATIONS

The long term benefits of implementing an integrated IP Communications environment are overwhelming but the financial case for IT and Finance Managers is less clear. This is especially true for the initial stages of deployment when the majority of the capital expenditure is likely to be incurred.

The principal drivers behind IP Communications are the reduction of operational costs and the overall improvement in communication capabilities across the organisation. In building a business case, IT and Finance Managers need to:

- Aggregate expenditure on all communications to establish overall budget spend
- Identify areas of cost reduction through the introduction of IP Communications
- Identify new applications to improve efficiency

Converged communications equals converged budgets

IP Communications is the convergence of all communications applications across a single network infrastructure for voice, data and video. When preparing the business case it is therefore important to aggregate the individual budgets currently available for different technologies and applications. Budgets for both capital expenditure and operational costs should be included as both will be impacted by the new technology. In analysing overall communication costs these are some of the questions to be considered:

- What is the annual cost of running and managing the existing data network?
- What is the annual spend on fixed/mobile telephony and audio/video conferencing?
- What is the annual spend on call centre technology?

Aggregating expenditures provides a clear indication of the size of the overall budget available.

Reducing operational costs

The most significant operational cost savings can be made by reducing the overall cost of network ownership. According to a recent survey undertaken by Imago, Next generation for Business 2006, most companies achieved a return of between 25 and 50 per cent. According to Cisco Systems the average payback time is 16 to 18 months. Initial return of investment (ROI) analysis gathered by Cisco Systems indicates that, on average, contributions to the total cost savings are:

Average % saving contribution

Equipment & maintenance	34%
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Network administration	44%
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Network carrier costs	22%
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Reducing equipment and maintenance costs

Reduction in equipment and maintenance costs can provide significant tangible benefits early in the deployment of a communications strategy. Areas to investigate and questions to consider are:

- Combining multiple networks infrastructures into a single IP-based network
 - Is there currently a separate network for voice, data, video and conferencing?
- Centralised call processing
 - Are there separate telephony systems at the central site and the remote offices and are they managed independently?
- Equipment upgrade and maintenance support
 - Is existing technology difficult and costly to maintain? Is it easily upgradeable?
- Connection Costs
 - Are new sites being deployed which require connectivity externally and internally?

Reduction in network administration costs

IP Communications creates the opportunity to converge technical staff to support both voice and data environments. Existing personnel can be used to centrally support new sites and applications or replace contract staff deployed for telephony moves, adds and changes. This is especially relevant when associations are expanding rapidly with the addition of new sites and personnel.

Reduction in telecommunication costs

Continued savings can be made by ensuring that standard technologies are used for all applications including inter-site voice, video and conferencing. Additional consideration should be given to the best access methods for remote and mobile workers.

Applications to improve business efficiency

Until recently two components of IP Communications, VoIP and IP Telephony have been widely deployed to reduce overall network costs. Once the network infrastructures have been integrated and IP telephony has been deployed the cost of adding new applications is significantly lower than on traditional PBX systems.

Many organisations are looking towards applications that provide seamless communication with employees, contractors and suppliers. It is within these areas that the biggest potential benefits can be achieved. Examples include unified messaging, IP contact centres and IP video.

Improved efficiency and productivity can be measured for each application:

- Improved efficiency is measured in man-hours saved per day by each employee
- Improved productivity can be measured by the number of customer service calls handled by an IP contact centre within a given period. Time savings in excess of 30% have been achieved by creating a virtual call environment and routing the calls to the most appropriate staff

Adopting a strategic approach

The business case for IP Communications dictates a strategic approach and an association wide communications strategy needs to be developed. Short and medium term procurement decisions need to be made within the context of the overall strategy. For example:

- Will a new telephone system at a branch office fit into the overall solution?
- Should an investment be made in a dedicated call centre today or should a virtual contact centre environment be set-up?

Budget aggregation will lead to an earlier adoption as tangible savings can be identified at an early stage. A full implementation will be completed over two to three years, however, this timeline can be reduced in a green field environment.

FOCUS

IP Communications is the convergence of all communications applications across a single network infrastructure for voice, data and video.



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