

Collaboration Cost Models: Measuring the Benefits of Real-Time Communication

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Agenda

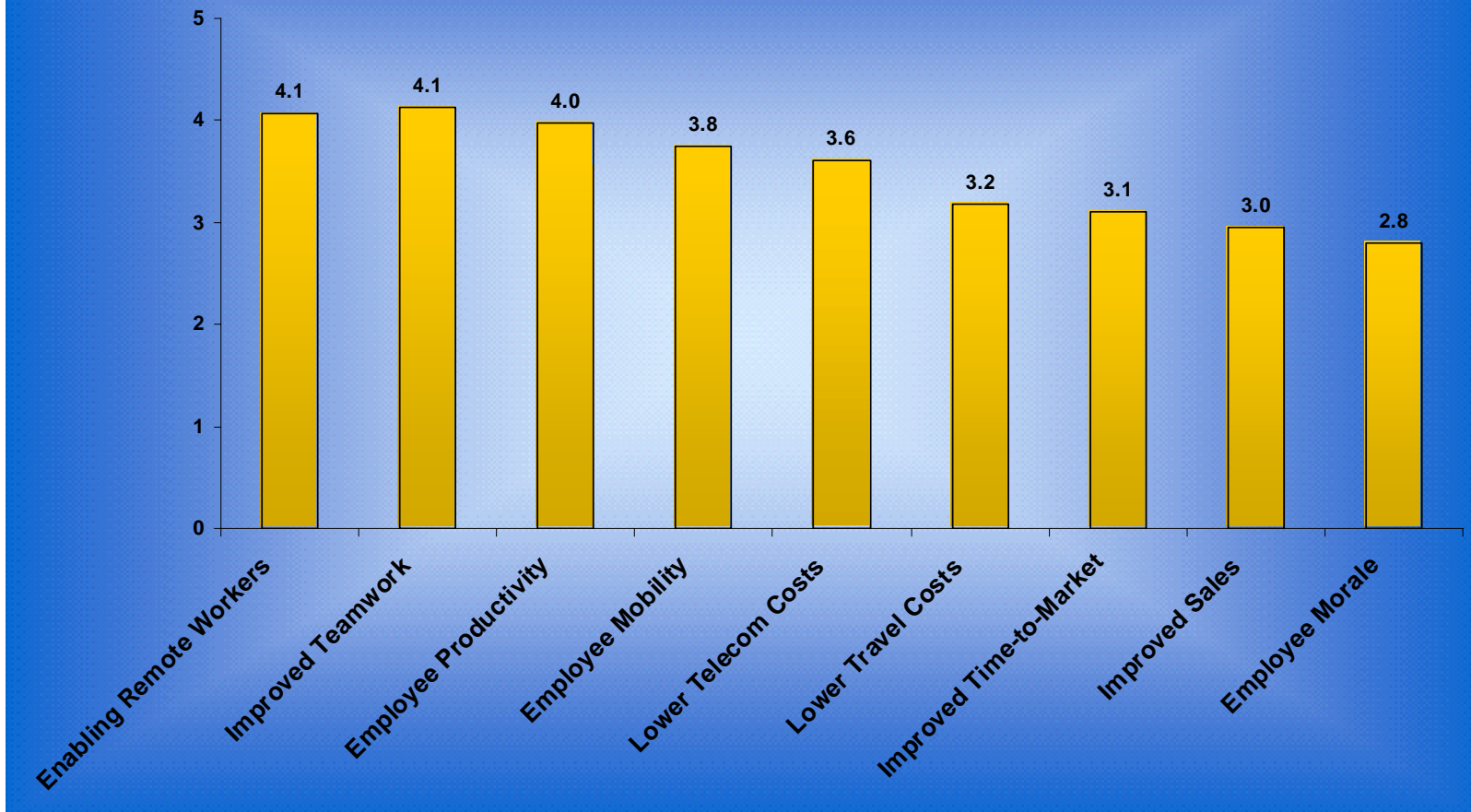
- ⊕ Drivers for Collaboration
- ⊕ Where the Benefits Lie
- ⊕ Benchmarking Benefits
- ⊕ Caveats
- ⊕ Questions

Calculating the Benefits of Collaboration is TOUGH

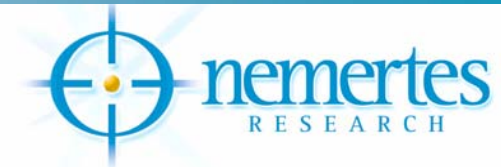
Key Benefits Are:

- ⊕ Enabling Remote Workers
- ⊕ Improved Teamwork
- ⊕ Productivity
- ⊕ Quick Communication

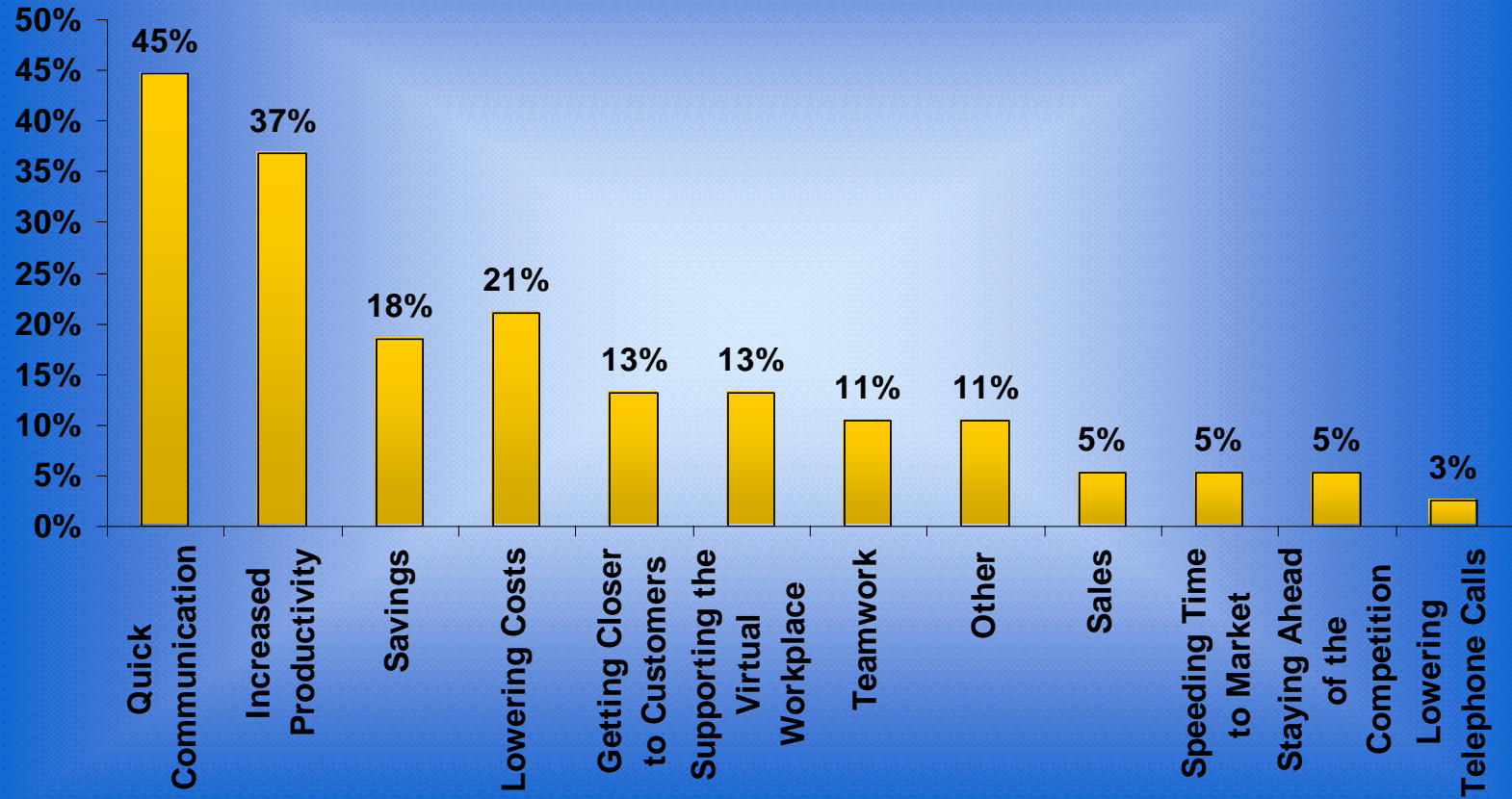
Cost Justifiers



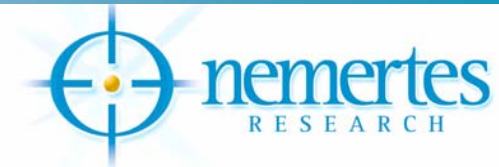
Source: Figure 6 "Virtual Workplace", Nemertes Research, LLC



Business Drivers



Source: Figure 5 "Virtual Workplace", Nemertes Research, LLC



But Other Benefits CAN Be Measured

- ⊕ Facilities Savings
- ⊕ Personnel Savings
- ⊕ Travel Savings

Facilities Savings

- ⊕ Real estate in large metropolitan areas is expensive
- ⊕ Savings from remote workers can reach more than \$9 million per year.



Step One: Benchmark the overall costs of supporting three different types of workers:

- ⊕ Headquarters Employees
- ⊕ Remote-Office Employees
- ⊕ Home-Office Employees

Step Two: Assess Costs per Group:

- ⊕ Facilities costs (the cost for rent, utilities, and common area maintenance).
- ⊕ Hardware costs (desktop/laptop, PDA, etc).
- ⊕ Standard business applications costs.
- ⊕ Telephony & network costs (including WAN, voice services, and hardware).
- ⊕ IT support costs.
- ⊕ Virtual worker applications (including a suite of audio-conferencing, video-conferencing, and presence tools).

Step Three: Calculate Costs

- ⊕ Virtual Workplace Tools are inexpensive:
 - ⊕ Increases the “baseline” IT costs per employee by 12%-19%.
- ⊕ Facilities Costs Dwarf all Others for Office-Based Workers:
 - ⊕ A headquarters-based employee costs approximately \$22,072 per year to maintain—of which \$11,875, or 54%, is facilities-related.
 - ⊕ A home-office employee, in comparison, costs a total of \$5,980 per year to maintain.

Personnel Savings

- ⊕ Virtual Workplace Eliminates the Need to Relocate or Replace Employees.
- ⊕ We benchmarked these cost savings at more than \$21 million over five years, or \$4 million per year.

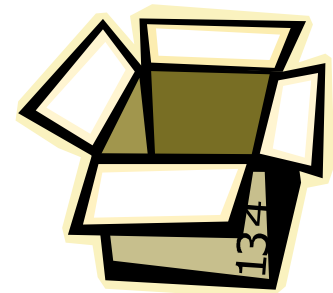


Personnel Savings Come from Eliminating...

- ⊕ Moving Costs
- ⊕ Replacement Costs
- ⊕ Together they can average \$41,671

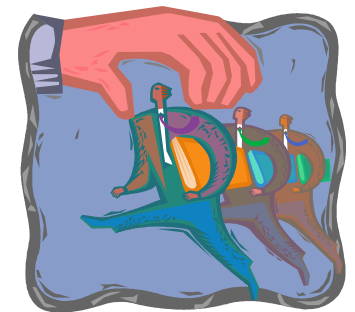
Moving Costs

- ⊕ On average, a company spends \$55,175 to move an employee (moving, packing, and closing costs).
- ⊕ Lower-level employees may receive lower levels of support or none at all.



Replacement Costs

- ⊕ Replacing an employee (terminating the employee and recruiting, hiring, and training a replacement) is expensive!
- ⊕ On average, a company spends \$28,167 to replace a \$65,000-per-year employee.



Travel Costs

- ⊕ A 50-person meeting costs an average of \$6,750 virtually, and \$43,750 in person.
- ⊕ Annual savings can be substantial—as can the opportunity gained by not tying employees up in travel to and from meetings.



Travel Benefits

- ⊕ Replacing a single meeting with a Web conference pays for the software for those attendees for at least a year.
- ⊕ Everything that comes after that is gravy:
 - ⊕ Improved productivity from employees who are traveling less.
 - ⊕ Improved productivity from employees who continue to use Web conferencing when they might otherwise not have met at all.

Calculating Travel Benefits

- ⊕ Total the number of meetings held annually.
- ⊕ Categorize these as “first-time” or “team meetings.”
- ⊕ Assume approximately half the team meetings can be replaced with virtual meetings.
- ⊕ Calculate the cost savings of that percentage of team meetings.

Not ALL Meetings Can be Replaced

- ⊕ **First-Time Meetings:** the human factor of literally “breaking bread” together is of paramount significance.
- ⊕ **Strategic Team Meetings:** it’s best to hold meetings that involve dramatic changes in strategy or direction in-person.
- ⊕ **Large Meetings:** meetings with more than 50 people don’t lend themselves to virtual interaction and participation.

One More Critical Caveat:

The shift to remote and home-based workers will *increase* IT's costs (even as it decreases the costs of the company overall).

IT Costs Fall into Three Main Camps:

- ⊕ Virtual workplace applications.
- ⊕ Networking costs.
- ⊕ Support costs.



Virtual Workplace Applications

Costs:

- ⊕ Network Effect Applies: To enable managers to effectively oversee remote workers, all workers—not just remote ones—need to be outfitted with the appropriate tools.
- ⊕ IT executives need to spend at minimum \$700 per employee for outfitting them with virtual workplace technologies.
- ⊕ They should also plan (and budget) for user training, and additional development time to integrate these tools into their existing business processes and technical solutions.

Networking Costs:

- ⊕ Per-user networking costs are far higher (300%-400%) for remote and home workers BECAUSE:
 - ⊕ Headquarters employees can statistically multiplex available bandwidth.
 - ⊕ Bandwidth costs less in bulk.

Support Costs

- ⊕ Our cost models assumed a cost for IT support that's consistent whether the user is in headquarters, remote offices, or at home but...
- ⊕ ... support costs are likely to be higher in remote offices and for home-based workers.

But They Don't Eliminate Value

The facilities,
personnel and travel
savings far exceed
the costs



Conclusions & Recommendations

- ⊕ IT Must Work with Other Departments to See Value
- ⊕ Get HR and Operations on Your Side
- ⊕ Growing Companies Can Benefit Enormously
- ⊕ Evaluate When Virtual Workplace Technologies Work—and When They Don't

THANK YOU!

QUESTIONS?

