

The ROI of Conference Calling Service

Why Reliability Matters

Executive Summary

- An abundance of teleconferencing options is available to businesses today; however, poor buyer choices can be frustrating and economically devastating to buyers.
 - When it comes to achieving the highest possible ROI, "reliability", not initial cost, may be the most important consideration for buyers of teleconferencing solutions.
 - While the cost of conferencing solutions has fallen materially over the last few years, these lower cost solutions have created economic issues for some providers. Buyers must look at the underlying financial condition of providers to avoid surprises.
 - This white paper explains why appropriate teleconferencing choices can enhance top-line revenues and not affect operating costs; as well as why poor choices actually hurt total revenue, raise operating costs and damage the customer's brand.
-



The business benefits of using teleconferencing are significant

Glomark Analysts found that teleconferencing:

- removes significant travel costs from sales, training and other budgets;
- improves worker productivity by enabling one employee to 'call' on many more clients/customers each day;
- enables workers to have a better personal/professional balance;
- reduces the stress of travel and the time spent away from family;
- shortens decision timeframes and improves the quality of decision making by bringing all decision makers together and sooner; and,
- promotes collaboration between peers, partners and value chain participants.

Buyers of teleconferencing solutions may be in need of a new perspective

For years, cost has been the top-rated buyer concern while reliability and quality have ranked considerably lower. For the last several years, the pricing of teleconferencing capabilities has continued to decline.

According to TeleSpan "For the past six years, conference calls have consistently grown by more than 40% a year, when measured in terms of call volume. Annual revenue growth, on the other hand, has fallen from a growth rate of nearly 50% a year in 1996 to virtually zero growth in 2002." Therefore, the implication for teleconferencing buyers is clear: buyers of teleconferencing services will now need to focus on performance factors other than cost when choosing the best solution for their firms.

Quality of service is especially important when industry pricing has been falling. Declining revenues have an adverse impact on provider profitability and, as a result, several conference providers have had to confront real cash flow issues and make service cutbacks. Other firms have sought merger partners to achieve better operating economies. Buyers should exercise care when dealing with recently merged (or soon to be acquired) firms as billing and service problems may develop if merger integration issues arise. In summary, when evaluating conferencing solutions, one must evaluate the company providing the service as well as the service itself.

Buyers should seek firms with:

- little to no debt;
- positive cash flow;
- profitable operations;
- a proven history of expanding, not contracting, services; and,
- long-term satisfied customers.

Mergers and acquisitions have been occurring with some regularity in the teleconferencing space. Some of the more notable deals have included the MCI/Verizon deal and the Intercall acquisition of Sprint conferencing. M&A deals, in any industry often possess benefits for the combined firm, the acquired firm's shareholders and the investment bankers involved in the transaction. Sadly, customers do not often benefit in many business combinations. In teleconferencing, there may exist the distinct possibility that customer service could degrade and billing and reporting errors



could increase during these combinations. For this reason, buyers of teleconferencing solutions would be advised to steer clear of firms:

- in active merger discussions;
- rumored to be in play;
- in financial difficulty; or,
- that have recently completed a material acquisition of another teleconferencing vendor.

An analysis of the factors affected by quality of service or reliability may warrant a much closer scrutiny by prospective teleconferencing buyers. Small differences in teleconferencing reliability can have profound effects on corporate profitability, worker productivity and cash flow. When teleconferencing decisions get discussed at the executive committee level, these measures will get far more attention than the low pricing for teleconferencing service.

Some low-cost teleconferencing solutions may trigger other unintended or unanticipated costs and consequences. These costs occur due to blocked calls, poor operator training, incorrect conference placement of callers, unavailable conferences, inaccurate billing, etc. However, the larger costs to the company due to a poor teleconferencing solution include lost sales opportunities, brand erosion, mistakes and higher than expected costs.

Making a great teleconferencing decision is possible when businesses are clear about the objectives of their teleconferencing usage, the type of provider desired and the metrics to be used in formulating their decision.

What Businesses Should Be Looking For

When businesses select teleconferencing solutions, they should consider more than just cost. The first challenge is to "define reliability". When you look for a teleconferencing solution, you will likely encounter several terms that suggest reliability but be careful –"SLA" or Service Level Agreement is a term used to define the contractual level of service your firm will receive.

Many firms commit to a 95% service level or better but what does that really mean?

Some firms will define "availability". This often refers to the level of uptime their proprietary network will deliver. Many solution providers will promise 3-5 nines (99.9% to 99.999%) of availability. However, availability in this sense doesn't often cover the last mile of the connections and this is where many reliability and connection issues occur. For example, the conferencing solution provider's network may work great but if too many of your employees try to teleconference all at the same time, they may overload the conferencing provider's local PSTN calling office and many calls will suffer. (note: Some vendors may not count this type of failure against the 5 nines of their network.) Reliability is not the same as availability but it is reliability that businesses need.

Businesses should measure 'incidents' or other proxies indicating customer dissatisfaction with calls.

When users have difficulty connecting, staying connected, experiencing clear audible sound, allocating conference calling costs, reporting on calls and/or following up with individual callers, these 'incidents' are affecting the company and the bottom line. These are the metrics to define service levels and value.



Businesses should examine how different groups within their firm will use and be affected by a teleconferencing solution. For example, sales and marketing personnel need solutions that:

- are very easy to use – no training should be required to setup and run calls (customers and prospects should require no training and have operator assistance available, if needed)
- accommodate voice, data and a variety of common supporting materials (e.g., Word, Excel, pdf, PowerPoint, etc.)
- present a professional image of the company to prospects
- capture potential leads as a result of introductory calls
- support a wide range of participants on a single call (i.e., from 2-3 persons to hundreds)
- offer interactive, personal, real-time support to callers should they experience calling problems
- respond to support requests in a very timely fashion (i.e. less than 60 seconds)

Sales and Marketing will want any solution to meet critical objectives of theirs like:

- increase productivity of Sales professionals
- shorten sales cycles
- provide the prospective buyer with confidence (show the prospect this is a professional firm they are dealing with)
- capture more leads
- enhance follow-up opportunities with prospects and leads

Other organizational entities within your firm will also have their business needs and objectives.

Some of these may include:

- lessened number of support calls (re: teleconferencing) to IT or office administration
- elimination of misdirected callers
- avoidance of support calls to IT or office administration
- eliminate the need to manage service activations/deactivations
- use a single source for all teleconferencing activities
- allow many simultaneous calls originating from the company
- reliable billing that clearly points out the originating department/cost center responsible for calls
- high quality calls
- consolidated billing
- elimination of face-to-face meeting travel costs
- need for error-free conferences
- minimal call setup time required
- minimal wait times for operator assistance
- reduce time spent allocating teleconferencing costs to different departments, cost centers, business units, etc.

The Type of Provider Desired

Many types of teleconferencing solutions and providers are available to both business and consumer buyers. However, significant differences in the offerings and reliability of each exist and should be examined closely.



Operator availability is one of the most crucial components of any teleconferencing decision.

This is particularly true when teleconferencing is used to connect employees with third parties (e.g., customers or prospects) or to connect employees across significant geographies. Operator assistance should be instantly available to any conference call participant. This is particularly important with reservationless or automated teleconferences which make up the bulk of all conference calls. A provider should also offer operator facilitated conferences that provide for the placement of callers with the appropriate call, resolve technical issues and help manage the orderly conduct of the call. The lack of operator assistance and operator facilitated services should be a big red flag in many business teleconferencing decisions.

Common wisdom in the telecommunications industry indicates that the vast majority of U.S.-based conference calls occur between 10 am – 4 pm CST. Additionally, almost all of these calls are scheduled to start either on the hour or at the half-hour. Because of this, there exists a real potential for operator shortages during peak demand times. Should your business choose a teleconferencing provider that is either understaffed or fails to staff correctly for peak demand times, your business could:

- experience delays in starting conferences;
- face a larger number of drop-offs or non-connects for critical sales conferences, webinars, etc.; or,
- appear to prospects as disorganized, less professional, cheap and/or making a poor choice of business partners.

Your choice of teleconferencing partner will matter most when:

- your callers can dial-in rapidly and easily;
- login to web conference rapidly and easily
- your billing statements are accurate, easy to understand, simple to allocate to the originating cost center, etc.;
- employees are spending almost no time in setting up calls, notifying calling participants, resolving problems/troubleshooting, etc.

Appropriate provider selection for businesses users of teleconferencing services involves:

- **Seeking a balance between cost and service level.** Low cost teleconferencing services may be anything but when setup, administrative, brand damage, etc. costs are factored into the equation.
- **Evaluating the capacity, access levels and service levels of the provider.** Again, several very low cost options have little documentation available regarding these three critical data needs. When your business depends on a technology like teleconferencing to sell and deliver its goods and services, is it too much to expect that service, access and capacity limits are disclosed?
- **Assessing the stability of your provider.** Financial turmoil or assimilation issues due to acquisitions are red flags for quality of service as management focus may not be on customer care.
- **Assessing the financial underpinnings of the provider.** Not all providers are the same when it comes to the balance sheet. Be sure your provider has the financial wherewithal to serve your firm for years to come.
- **A review of the provider's track record.** Some providers may be new to the space and have not had their systems seriously tested by large numbers of business users. Reliability is more likely to be found with providers who have proven systems and personnel.



- **Ease of use of the technology by your sales and marketing personnel.** For most firms, these personnel will lead the use of the teleconferencing service and their use will certainly have the most top line (revenue) impact if the service performs well.
- **The negligible impact it should have on your IT and back office personnel.** When done well, teleconferencing should not introduce any additional administration burden on your firm. Solutions that do not will increase the workload of accounting, IT, management reporting, accounts payable and other functions.

Key Decision Metrics

Glomark believes that there are significant economic, tangible and intangible factors businesses must consider when choosing a teleconferencing solution. Some of these factors affect top line revenues, operating costs, cash flow and even hard to quantify items like corporate brand/image.

We will use the data of a \$100 million annual revenue firm to illustrate how the reliability of an organization's teleconferencing solution affects both top and bottom line business performance. Note: The \$100 million revenue example was intentionally chosen to allow the readers of this white paper to easily scale the findings up or down to their business size.

We have compared the performance of this company assuming it used a reliable (with incident-free performance rate of 99.85%) and a less reliable (95% incident-free rate) teleconferencing solution. The major differences are identified below:

- Poor teleconferencing decisions can have a material impact on sales/top line revenue. In our example, a modestly less reliable solution reduced sales by \$194,000 annually.
- Less reliable solutions create aggravation, work and re-work for the IT, telecommunications and administrative staff. In our example, we conservatively identified approximately \$42,700 of additional costs attributed to less reliable solutions.
- Reliability affects Sales & Marketing groups materially and, depending on your industry, could be the largest group affected within your firm. In some Professional Services firms, the use of teleconferencing to aid in project management, client meetings, sales meetings, etc. is so prevalent that a less reliable solution could have far-reaching and economically punishing aftereffects.
- Other costs were identified as part of our analysis. Certainly, cash flow is adversely affected when sales calls are postponed and then rescheduled. Your firm could miss critical month-end sales targets due to a missed or unworkable conference call.
- Intangibles, like your company brand, were not directly considered for this example; however, the damage to a firm's reputation could be significant if prospects have an unacceptable first impression of a company due to an avoidable but unreliable conference experience.



Reliability Economic Analysis

Comparison of a Reliable to a Less-Reliable Teleconferencing Solution

Note: The following assumptions were used in this analysis:

- Company Annual Revenue: \$100 million
- Percentage of Sales Driven by Teleconferencing: 10%
- Sales Volume at Risk via Teleconferencing: \$10 million
- Number of Days Lost When Teleconference Must Be Rescheduled: 14 days
- Cost of Capital: 7%

Area of Economic Impact	TCO of Reliable Solution	TCO of Less Reliable Solution	Difference
Top Line Revenue			\$194,000
Lost Revenues Due to Poor Teleconferencing Choice	\$15,000	\$500,000	
Revenues Recovered With Subsequent Sales/Teleconference Calls	\$9,000	\$300,000	
Net Revenue Permanently Lost Due to Con Call Reliability Issue	\$6,000	\$200,000	
Cash Flow			\$11,943
Impact of Delay on Annual Sales	\$345	\$11,507	
Lost Interest on Delayed Working Capital	\$24	\$805	
Impact on Free Cash Flow	\$369	\$12,312	
Operating Costs: Administration			\$15,715
Cost to Re-Schedule Calls	\$44	\$1,473	
Cost to Re-Allocate Costs of Calls	\$74	\$2,455	
Cost to Re-Create and Correct Billings/Reporting Errors	\$368	\$12,273	
Operating Costs: IT / Telecom			\$26,985
Time Spent Troubleshooting Outages and Blocked Calls	\$835	\$27,820	
Operating Costs: Sales and Marketing			\$30,887
Personnel Downtime Due to Lack of Timely Operator Presence	\$92	\$1,572	
Cost of Lost Lead Due to Poor Reporting of Conference Attendees	\$37	\$1,249	
Cost of lost Lead Due to Difficulties of Prospects Attending Call	\$37	\$1,249	
Operating Costs: Professional/Management/Operations Staff			\$6,963
Personnel Downtime - Due to Lack of Timely Operator Presence	\$102	\$1,730	
Productivity Loss Due to Missed Conferences	\$165	\$5,500	
TOTAL RELIABILITY COST DIFFERENCE FOR \$100 MILLION BUSINESS			\$286,493

Note: Glomark Corporation would be pleased to conduct this type of TCO analysis for any company interested in a custom study.



Conclusions

Glomark believes reliability will displace cost soon in teleconferencing selections. The economics of bad selection decisions should become part of a potential user's thought processes. We believe buyers of teleconferencing solutions should calculate the cost of reliability and devise contracts with service providers to ensure maximum business value and minimum business loss.

About Glomark

Glomark Corporation is headquartered in Columbus, Ohio and has a global client reach with the delivery of services and products to over 300 corporations around the world. Glomark assists technology and service buyers in forecasting, comparing, and tracking the economic value of investments/projects, and also assists technology and service providers in implementing an economic value selling approach.

We enable companies to go beyond ROI. With thirteen years of experience, Glomark has learned what it takes to ensure economic value creation success. It takes more than consultants. We have developed tools, best practices, services, and support that have evolved from our client successes. Our Economic Value Creation™ (EVC™) methodology enables true economic value assessment and justification.

For more information on Glomark call 1-614-459-5282, or visit our website at www.glomark.com.



This white paper has been made available to you via a special arrangement by ConferencePlus™.



About ConferencePlus™

Since 1988, ConferencePlus has been providing a full portfolio of wholesale and retail conferencing services. Our services are provisioned on industry leading technologies backed by unparalleled customer service. We are proud our incident free call rate is over 99.4% and over 99.8% for those incidents within our control.

The ConferencePlus Difference

- + ConferencePlus is a dedicated conferencing company – conferencing is all we do. We are completely focused on providing a complete portfolio of world-class collaboration services that will benefit your organization on a daily basis.
- + By providing the highest quality services to our customers, we have been able to consistently earn customer satisfaction ratings over 99.5%.
- + ConferencePlus has unmatched billing and reporting capabilities. Through our proprietary Conference Reservation and Billing System (CRBS) we provide accurate and timely billing at a rate of over 99.9% with reporting at the corporate, geographical, cost center, or user level.
- + ConferencePlus is profitable and has no debt. While many of our competitors are struggling to meet debt payments, reducing headcount, and closing facilities, we are able to invest in our people, our processes, and our systems to meet and exceed our customer's needs.

These facts illustrate that there is a difference. At ConferencePlus, we focus on providing the highest level of support and service through a tailored conferencing solution that meets your global needs. You can be sure that your conferencing needs will always be a top priority to us and that we will continually strive to improve your service.

To learn more about ConferencePlus, go to <http://www.conferenceplus.com> or call 877 CONF 4U2 (877 266 3482).