



## Calculating the ROI of Video Conferencing

Over the years, the growth of video conferencing has been driven by the desire to control travel costs, a need to reduce response times, mergers and acquisitions, changes in workforce culture and the need for a more modern mode of communication and collaboration.

While many of the more social benefits are difficult to calculate, it's still important to evaluate the ROI of any technology before making an investment. In this guide, we'll share some real video conferencing ROI formulas and take a look at some industry-specific ROI success stories that you can use as you evaluate the right video conferencing solution for your needs.

### Return on Investment

Understanding the value obtained by implementing video conferencing helps management understand why video conferencing should be viewed as a necessity, not just a nicety. While many simply rely on the social- and culture-enhancing benefits of video conferencing, those who have identified useful applications have had no trouble realizing an ROI to justify both their initial capital expenditures and their ongoing recurring costs. By calculating an ROI, it is easier for management to see the clear value and, thus, understand the need to continue growing the usage of the technology.

Without understanding this value, what often happens is that when one champion of the technology departs, another is not easily found. When value is understood, everyone wants to claim that the deployment and usage of video conferencing was their idea.

## Video Conferencing ROI Formulas

Some executives intuitively recognize the value of video conferencing and see no need for a formal ROI process. As one CEO said, "I don't cost justify the use of our phones or computers, so why cost justify the use of video conferencing?" However, for those organizations still wishing to understand the real ROI of video conferencing, we've outlined a process to guide you and a few formulas to consider.

### Step 1: Understand How Your Organization Works

One step in calculating ROI is to clearly understand how the managers and executives in your organization work. This can only be accomplished by asking them! Who do they communicate with, what technologies do they use and how often do they use them, and where do they use these tools? What are the issues that keep them up at night? How do they meet their goals? Knowing the answers to these questions can help pinpoint potential areas where technology can have a positive impact. Will the use of video conferencing technology allow people to solve problems more quickly or reach a larger audience more often? The goal is to demonstrate how the use of video conferencing can help an organization make and save money and time.

### Step 2: Identify Applications and Benefits

Once you begin to understand how your organization works, you can start a conversation with those managers who need to address issues critical to the organization (e.g., get products to market more quickly, solve problems, interface with people more often, etc.) and identify where video conferencing technology would come most in handy. The four driving applications for why an organization initially installs video conferencing are:

- Management/administrative
- Sales/marketing
- Engineering/manufacturing/production
- Training

This does not mean that other groups within an organization won't have a need for it. In fact, more and more companies are adopting a video-first culture, enabling all employees with video conferencing on their laptops and mobile phones and encouraging the use of video calling in place of a traditional phone call. By working with the people in your organization who are most enthusiastic about video conferencing and helping them identify applications for the technology, the process for calculating ROI becomes relatively easy. Common types of ROI calculations include travel cost savings, productivity gains and technology displacement savings. Following are three simple formulas to include in your overall ROI evaluation.



### Travel Savings

Look at the travel costs between the sites your employees usually travel to and from. What percentage of the travel dollars can be displaced using video conferencing? Calculate an average annual travel budget and apply a reasonable percentage that can be substituted by video conferencing.

$$\text{[Average Trip Expense]} \times \text{[# of Traveling Employees]} \times \text{[# of Meetings Requiring Travel]} \times \text{[% Video Conferencing Displacement]}$$

Compare the output of this calculation against the cost of a video conferencing service. It can help give you a rough estimate of how long it will take to pay back your initial investment.

$$\text{Example: } [\$1,000] \times [50 \text{ traveling employees}] \times [20 \text{ Meetings}] = \$1,000,000 \text{ travel budget}$$

If only half of those meetings occurred over video conferencing, you could use that \$500,000 to outfit 100 meeting rooms with high definition video conferencing systems.

Many organizations have calculated a positive ROI, based on travel dollars alone, in less than six months. Some have seen savings in days. One engineering firm realized a full ROI in 67 days by calculating the saved travel costs of engineers traveling between two sites. Now when problems arise, video conferencing is used before an engineer is dispatched.

In addition to the physical price of airfare and lodging, there are also productive hours lost to travel. Traveling to and from airports, going through security and waiting to board planes are all ways that productivity is hampered. On average, eight hours are wasted in an average trip. Don't forget to include the cost of hours wasted each trip in your average trip expense.

## Increased Meeting Productivity

The average employee is scheduled for nearly 60 meetings every month. With one out of three minutes of every workday spent in meetings, it's important to maximize meeting productivity to make the most of your time.

At Lifesize, our average meeting time continues to clock in at about 18 minutes — well under the 30 or 60 minutes your calendar would suggest. By reducing the time it takes to ask “Who just joined?” ten times a call and removing nonverbal miscommunications, you're able to get right into the meeting at hand. It may seem like a minor contribution to ROI, but even 5 minutes a meeting saved over 60 meetings nets you 5 extra hours a month.

$$\begin{aligned} & \text{[Monthly Average \# of Meetings]} \times \\ & \text{[Average Minutes Saved]} \end{aligned}$$

Multiply that by the salaries in the meeting room, and you'll quickly find a return on your investment.

## Technology Displacement

A third ROI consideration takes the form of technology displacement. Typically video conferencing is deployed as a replacement for an outdated web conferencing or audio conferencing solution. Take the money that would be used on traditional conferencing and apply it to an all-in-one solution that covers audio, web and video conferencing. You may be able to justify the cost of a modern cloud-hosted solution just by retiring an outdated and underutilized service.

$$\begin{aligned} & \text{[New Video Conferencing Subscription]} - \\ & \text{[Retired Conferencing Subscription]} \end{aligned}$$

Of course, the real ROI of video conferencing is the value placed on the technology by the users. If users perceive a benefit to video conferencing and find it easy to use, they will use it as the technology will quickly be seen as a necessity like a computer or cell phone rather than a nicety.

## ROI Success Stories

It has been more than 30 years since the initial commercial offering of video conferencing. Since that time, every industry has adopted its use in one format or another (e.g., room systems, desktop systems, mobile systems). Many organizations have embraced video conferencing to the point where the technology is a daily tool that is important to their success. Here are some examples of video conferencing success stories with an explanation of the ROI process and value.

## Financial Institution

An NYC-based financial institution needed to educate employees and customers on new offerings in a quick and efficient manner. Before using video conferencing, subject matter experts physically traveled to sites to deliver training and seminars to employees and customers. This approach was time consuming and caused excessive wear and tear on the experts. The decision was made to install video conferencing equipment at key sites.

The benefits were numerous. Not only were subject matter experts able to reach more people way faster, but employees and customers were learning from the subject matter experts and from one another. Experts were traveling less and accomplishing more by using video conferencing to reach a greater number of people in a shorter time frame. The ROI for this case was calculated two ways: the first being reduced travel costs, and the second being increased productivity.

## Pharmaceutical Firm

Prior to video conferencing, many pharmaceutical firms developed new drugs through team development projects. Team members were often not located at the same place but worked together on a regular basis. With the advent of video conferencing, one large firm decided to utilize the technology to allow teams to meet more frequently. Now, individuals who had worked together for years but had never met face to face were seeing one another on a regular basis.

Products were now getting to market more quickly. In one instance, four months were shaved off the product development cycle, which equated to millions of dollars. The benefit wasn't necessarily travel cost savings like the previous example, but the ability to get a product to market more quickly. The ROI was calculated by evaluating increased productivity and time efficiency.

## Engineering Firm

Prior to the deployment of video conferencing, one engineering firm solved problems by flying engineers to distant locations. On average, it took 15 minutes to solve the problem but cost the firm two days' time to make the trip. By deploying this technology, not only were travel costs saved, but engineers were able to address more problems at various sites more quickly. Although the initial ROI was calculated using travel cost savings, the ongoing ROI has been calculated by looking at productivity.



## Expanded Video Applications

Video conferencing technology is a powerful communication and collaboration tool and is more than just a way you meet face to face without travel.



## Record Content

Video conferencing sessions can be recorded for playback. This feature is useful for individuals who are unable to make a meeting and for archiving information to be viewed at a later date.



## Stream Information

Meeting information can be sent (streamed) over existing networks to several sites, allowing tens of thousands of attendees to view the meeting in real time. This allows for increased meeting participation from those at a distance and opens organizations up to new ways to host events.



## Produce Content

Video conferencing can be used to produce content for employees and customers. The information produced can be archived for retrieval at a later date or streamed to individuals as needed. Save time with HR training by using video conferencing equipment to present and record company policies. Create a special CEO message and send it out to all employees.

# Summary

It is no longer a matter of if you will use video conferencing — it is only a matter of when. Make your video conferencing system work for you to get your message to everyone, internally and externally.

Dynamic changes in the global communications environment such as decreasing network and equipment costs and the need for businesses to have a global reach continue to propel the adoption and usage of video conferencing at a rapid rate. Until an organization views video conferencing as a necessity, developing a plan to efficiently and effectively measure the ROI for video conferencing ensures its successful and ongoing usage.

Users need to understand and receive the benefits of quality technology that works flawlessly, is easy to use and is designed to meet their ongoing needs. Management wants to quantify cost savings and see that the technology is positively impacting the bottom line. Many organizations already deploy video conferencing and understand its value, but for those that do not, developing an ROI to demonstrate the value of video conferencing makes the adoption process a lot easier.



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WP\_Real-ROI-of-Video-Conferencing\_0618

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