What's the REAL ROI of Video Conferencing?

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Over the years, the growth of video conferencing has been driven by the desire to control costs, a need to reduce response times, negative events (e.g., war, weather, terrorism, illness), mergers and acquisitions, corporate downsizing, and decreased technology costs.

The average user wants technology that is transparent to them and easy to use, allowing them to conduct business independently and efficiently. If used with purpose, video conferencing can help users be more strategic and competitive.

Users want to improve productivity, increase access to subject matter experts, and allow meetings to be held when needed. While these factors may be difficult to quantify and place a dollar value on, there are ROI formulas that can be used to cost justify the deployment and usage. The problem is that few users, or vendors for that matter, take the time to do the cost justification. As a result, video conferencing usage languishes.

Yet, even with these factors in place, many organizations continue to struggle to get users to view video conferencing as a necessity and optimize usage of the technology.

The use of this technology has the potential to increase productivity and efficiency by reducing unproductive travel time, preventing meeting delays, creating shorter and more structured meetings, and providing faster exchange of information. It allows for greater reach of messages since individuals may now obtain information when it is convenient for them. Video conferencing also allows for an increased number of participants and allows people who might never meet, yet who work together, to meet virtually—face to face over video. With video conferencing, and the data collaboration tools that are now used with it, all individuals who need information can access it the way that is easiest for them on a real-time or convenient basis. By increasing usage, organizations will quickly see a financial return on investment (ROI).
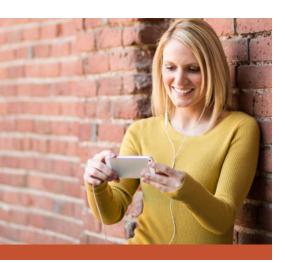
How We Got This Way

When video conferencing was first commercially introduced in 1982 by CLI and NEC, as an industry we made the mistake of telling everyone that it looked like a television and sounded like a telephone.

As a result, users felt that a video conferencing unit would last 20 years before needing replacement and that making a video call would be the same as making a standard telephone call. We all know now that these systems are really computers that require regular software updates.

But the technology behind it is not the only issue. People resist change and find nothing wrong with their current work styles. They need to be shown the value of using video conferencing.

So what is the real ROI value and how is it calculated and measured?

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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 believe the benefits are to be measured with soft dollars, those who have identified useful applications have had no trouble developing 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 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.

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 (i.e., 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 the success of the organization. Following are examples of video conferencing success stories with an explanation of the ROI process and value.

FINANCIAL INSTITUTION

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

The benefits were numerous. The subject matter experts now reached more people more quickly. Employees and customers were learning not only from the subject matter experts, but also from one another, and the subject matter experts were traveling less but 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 was reduced travel costs, and the second was the more important benefits related to increased productivity, increased sales, and significantly less wear and tear on the experts.

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.

The end result was that products were 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 was not travel cost savings 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 at remote sites 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.

Calculating ROI

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, following are a process to follow and formulas to use.

STEP 1: UNDERSTAND HOW YOUR ORGANIZATION WORKS

The initial step in understanding ROI is to clearly understand how the managers and executives in your organization work. This can only be accomplished by asking them! With whom do they communicate, using what technologies, how often, and with which locations? 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. Can video conferencing be used to reach more people more effectively? Will the use of this 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 the work process is known, you can work 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.). 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 (e.g., HR, legal, finance, etc.).

Work with those individuals receptive to using video conferencing and help them identify applications for the technology. Once the applications are identified, the process for calculating ROI is relatively easy.

Types of ROI calculations include travel cost savings, increased productivity, and time efficiency.

The ROI Process

Identify how work is currently accomplished and then how this technology can impact that process. For example, one company found that they achieved a return on their investment after only 67 days because they paid for their equipment by not traveling. Another company increased productivity to enable them to get a product to market three months sooner, thus saving millions of dollars. A third company discovered that using video conferencing across the country and around the world actually gave them more productive hours each day. Work that previously took weeks to complete now took only days.

Following are three simple formulas to follow to calculate the real ROI of video conferencing.

TRAVEL SAVINGS

Once you have identified a specific application, look at the travel costs between the sites involved. What percentage of the travel dollars can be displaced using video conferencing? Calculate the number of people traveling between the sites involved and their current travel costs. Apply the percentage you selected as a reasonable displacement of travel costs by using video conferencing. The math calculation will demonstrate how long it will take to pay back your initial investment cost. Now apply this formula to all the applications and tally the result. A reasonable payback is less than 18 months. Many organizations have calculated their savings, based on travel dollars, in less than six months. Some have seen savings in days!

One engineering firm realized an 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.

INCREASED PRODUCTIVITY

While traveling, most people, even with the advent of mobile technology, are not as productive as they are when at their offices. Traveling to and from airports, going through security, waiting to board planes, and so on are all ways that productivity is hampered. On average, eight hours per trip are wasted when traveling. Increased productivity can be calculated by taking the number of people traveling, their salary values, and multiplying them by the hours wasted per trip. People can be more productive using video conferencing instead of waiting to go to meetings, and there is a value associated with this improved productivity.

TIME EFFICIENCY

If individuals can be more efficient with their time, there is a monetary value to that improved efficiency. As one C-level person put it, "I can now work with my people around the globe in one day, without the need to travel to any site. I am supplementing my travel with video conferencing, and using the technology allows me to see my people more often. I have become more efficient and increased my reach." The calculation for time efficiency follows a similar approach to the increased productivity calculation. What is the value of more time given to an individual each day? How many more hours of efficiency does one achieve? Obtain the answers to these questions from the managers you interview and multiply the number across the organization to determine a value of time efficiency.

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. The technology will quickly be seen as a necessity like a computer or cell phone.

What's the REAL ROI of Video Conferencing?

Expanded Video Applications

Video conferencing technology is a powerful communications tool. It is not just a meeting tool. Use video conferencing equipment to record content, stream information to many, produce information, and create "webinars."

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 multiple sites, allowing others to view the meeting in real time. This allows for increased meeting participation from those at a distance.

PRODUCE INFORMATION

Video conferencing can be used to produce content to be disseminated to 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.

CREATE "WEBINARS"

Video conferencing systems can be utilized to create events over the web where the video, audio, and content are shared with distant participants. Known as "webinars," these events are often used to share information given by a subject matter expert or to provide training.

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—decreasing network and equipment costs and the need for businesses to compete in a global economy—continue to propel the adoption and usage of video conferencing at a rapid rate. Video is now available on a variety of platforms, including mobile devices. Until an organization views video conferencing as a necessity, it is helpful to develop a plan to efficiently and effectively measure the ROI for video conferencing to ensure its successful and ongoing usage.

Users need to get the benefit of quality technology that works flawlessly, is easy to use, and designed to meet ongoing needs. Management wants to quantify cost savings and feel the technology is positively impacting the bottom line. Many organizations already realize the value of video conferencing, but for those who do not, developing an ROI to demonstrate the value of video conferencing will make the process easier.