



e-Meetings ROI Analysis

Premise Hosted vs. ASP Hosted

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Introduction

E-Meetings are emerging as the next possible “killer application” in the collaboration technology market. E-meetings are gaining widespread interest and adoption by businesses of all sizes. There are currently more than three dozen vendors generating an estimated \$670 million in data/web conferencing revenue in 2003, with \$350 million of that specific to the e-Meetings segment. With a projected 40% CAGR, the e-Meetings market is expected to double to \$700 Million by 2006.

E-Meetings vendors are using three distinct business models in offering their solutions:

- Premise-hosted solutions (PHS) that are software or appliances hosted and managed by the customer.
- ASP hosted solutions (ASP) that are priced on a seat-per-month basis.
- ASP hosted solutions (ASP) that are priced on a seat-per-minute basis.

While each model has its benefits, there is confusion in the marketplace as to the most appropriate model to choose, and what factors to consider during the decision process. CS completed an analysis to determine these various factors and provide a clear ROI model for making a choice.

The following sections will provide an overview of the e-Meetings market, the business and technical requirements for PHS and ASP solutions, an ROI analysis structure for each, and a comparison using pricing from representative PHS and ASP vendor solutions.

Based on the study, CS concludes that the PHS model has a faster cash recovery period and a superior ROI than either of the ASP models. While there are close seconds for the ASP-per-minute model for cash recovery and ROI during the first year of operation, the PHS model is the clear leader when using a 2 or 3 year ROI. The PHS solution returned an impressive 1427% ROI by year 3. Furthermore, its ROI exceeds the ASP model by an average of 201% by year 2 and 247% by year 3.



e-Meetings Market Overview

CS has been tracking collaboration tools for the last 15 years and has covered many changes in technology, infrastructure, and market dynamics over that period of time. Recently a variety of factors have come together to create what we describe as the “sweet spot” of collaboration: web conferencing solutions, a portion of which we call the e-Meetings market.

E-Meetings are at the nexus of a number of converging technologies including: collaborative team spaces or workspaces, IM/EIM (including presence and status detection), high security, and support for the meeting process. E-Meetings also embrace all three types of interactive real-time media (audio, video, and data), and generally offer a better user interface than previous incarnations of these technologies.

CS believes that e-Meetings enable the to be incorporation of horizontal collaborative functions into the enterprise infrastructure for the first time. We believe this area of collaboration technologies is the next “killer application” in the collaboration technology market (the previous two being e-mail and instant messaging).

e-Meetings and RTC

CS research suggests that the real-time collaboration (RTC) technology marketplace – comprised of data/Web conferencing, audio conferencing, and video conferencing systems – is converging and evolving into a spectrum of offerings that serve three core functions for customers:

- **e-Meetings:** Support highly interactive events among small groups of 2-20 participants that occur on an ad hoc basis. These events include sales presentations, cross-functional team meetings, executive briefings, and key outbound message delivery.
- **Virtual Classroom e-Learning and e-Training:** Support classroom-sized groups led by one to three designated instructors/subject matter experts (SMEs). Such events generally include limited interaction between participants and range from 20-100 individuals.
- **Large Events and e-Presentations:** Support “Webinars” which have a clear leader/moderator and involve very limited interaction among the participants. These events are designed for a large numbers (100-1000+) of participants.

e-Meetings Capabilities

CS has identified several key characteristics that distinguish e-Meeting technologies from other types of data/Web conferencing systems:

- **Integrated voice, video, and data:** The tight integration of voice, video, and data are necessary to support the level of interaction that e-Meetings require. It is the delivery of IP voice, video, and data conferencing at the desktop that will provide the access necessary to make e-meeting technology productive and cost effective. Multi-point video conferencing enhances interaction and helps reinforce teamwork and community, etc.
- **Persistence of content:** While IM and e-presentation tools support some interaction during an event, when this interaction ends, much of that data is often lost. In a virtual team space, documents, threaded discussions, task status, and so forth are all saved in a secure and stable environment. E-Meeting systems provide the best of both worlds.
- **Presence and status detection:** This is the ability to create an organized list of contacts and to determine whether they are online and available. Presence detection is an area where e-Meetings are differentiated from virtual classroom and e-presentation technologies in that e-Meetings generally enable ubiquitous expertise detection and access throughout the organization and, in some cases, beyond.
- **Highly secure:** e-Meeting systems are built for security and generally provide SSL encryption of the data for Internet transport. Such systems do not decrypt data on external servers – or even store it there, in an ideal scenario – only allowing the content to be decrypted by a key within the application on the receiving PC(s). Other collaboration technologies (e-mail, IM, large Web events, etc.) are insecure and vulnerable to eavesdropping by comparison.
- **Effective meeting processes:** Such systems can improve the way meetings are conducted as well as their quality. Although e-Meetings can never replace face-to-face meetings, they can make the process less expensive, more productive, and provide access to content and resources that might not be available in face-to-face meetings. As more organizations see the level of pain around their meetings rise, CS anticipates the use of e-Meetings technologies will expand rapidly.
- **Process-oriented collaboration:** e-Meeting technologies offer a solution that more closely supports the way people actually work than previous generations of RTC systems.

CS found that many RTC vendors are aligned with the e-Meetings trend. Indeed, roughly twice as many vendors are represented in this sub-segment than in either the virtual classroom or e-presentation sub-segments.

e-Meetings Value Proposition

From recent research, CS believes that following benefits and drivers are the main elements fueling the rise in the use of e-Meeting solutions:

- Save time and money by reducing or eliminating travel requirements. This is related to the belt-tightening within many organizations today, in which IT and travel budgets are being frozen or cut.
- The need for converged, rich business communication/collaboration has increased significantly. Shortened development cycles and economic pressures are inducing organizations to increase efficiency. Globalization, decentralization, and telecommuting are important aspects of this.
- IP connectivity, bandwidth and computing power are rising even as the costs for all of these are falling. Prices are being driven down by competitive pressures between vendors in those markets; the deployment of fiber optics, ATM, gigabit Ethernet, and ISO Ethernet is creating increased affordable bandwidth to corporations and consumers, enhancing cheap connectivity from home or at work. In turn, this makes e-Meetings more attractive as the marginal costs for deploying them decline.
- Business travel has been curtailed due to personal safety and security, even as travel costs in some cases have continued to decline. It is fair to say that some businesses will never go back to their former travel levels, and RTC technologies are picking up this slack.
- e-Meetings help to facilitate knowledge management, e-learning/e-training, and human capital management, all of which can lead to improved worker productivity, employee retention, and numerous other benefits.

e-Meetings can be used to address several other specific business needs, such as building customer relationships and loyalty, generating sales leads, delivering MarCom information inexpensively, shortening product development cycles and sales cycles, and educating the workforce, partners, and customers.



Data Center Requirements

The data center requirements for the PHS model are similar to other standalone web application server technologies. The software and hardware must be acquired, installed, and brought into production. Several vendors are now shipping a pre-installed plug-and-play appliance. All vendors surveyed have web-based interfaces for administration and end-user modes.

The ASP models have no in-house hardware or software requirements. Users and administrators interact with the system entirely through web-based interfaces. One of the primary value propositions of ASP vendors is the elimination of internal maintenance and support costs via their outsourced solution.

End User Requirements

If the user can browse the web, they can generally use e-Meetings technology. For either model, the user requirements are similar: a current browser that supports the viewer technology (generally a multi-platform Java plug-in or JavaScript) and, for archive playback, a sound card and internal or external speakers. In many cases, vendors have alternate means of delivering their enabling technology so that companies are not required to download executable code through their firewall. For organizations with highly restrictive rules regarding the use of Java-enabled technologies in browsers, CS recommends a thorough investigation of the technical requirements for e-Meeting solutions being evaluated.



ROI Methodology

The following question should be considered before presenting the results of our ROI study:

“How should one quantify the value of communication and collaboration?” Reduction in cycle time and attributed person-hour costs is a possibility, or the elimination of travel time and other “elective” costs associated with face-to-face meetings. These are obvious choices. However, these simple metrics do not cover the total value of collaboration. There are tangible and intangible values of collaboration, and the intangible values are not easily measured.

In looking for the value of collaboration within an organization, one has to look at measurable artifacts (time and money) that are affected by changes in behavior due to collaboration. Collaboration itself is a human behavior. Therefore, we are trying to measure the direct effects of this behavior, as well as its cumulative effects, across the organization or within a value network. Another option is to measure its potential or estimated effects. This sounds simple, but there are a few other intangible concepts tied up with collaboration, such as trust and relationships, that can complicate the calculation.

To simplify the calculation, and eliminate the interpretation of intangibles, we focused this study on the real, measurable dollars spent or saved when choosing an e-Meetings solution. The measurement of tangible ROI is constructed using the following simple formulas:

- Cash Recovery Period = Investment Costs / Current Monthly Costs (before investment)
- 12-Month ROI = (Gains - Investment Costs) / Investment Costs
- 2 or 3 Year ROI = (Gains - (Investment Costs + TCO Costs)) / (Investment Costs + TCO Costs)

where:

- Gains = Current Costs - Post-investment Costs
- TCO Costs = software and hardware maintenance, admin costs, overhead costs.

CS believes ROI should be based on the metric(s) most important to the customer. In our case, we focused on capital expenditures, travel cost reduction, and administrative costs. However, it is important to be flexible in the approach to ROI and “meet the customer in the middle.”

ROI Use Case

CS constructed a hypothetical use case with the following parameters to compare the ROI of PHS vs. ASP e-Meeting solutions:

- Current Method: Face-To-Face Meetings; not using e-Meeting technology
- Test Periods: 12, 24, 36 months
- Participants: up to 20 per meeting
- Uses per Month: 2.5 meetings per person/month
- Time per event: 60 minutes, or 3000 min/month
- Traveling Users: 20 % current; 0% planned after
- Per Traveler Daily Costs: \$ 895 (Hotel: \$175, Air: \$550, Per-Diem: \$125, Auto: \$45)

CS included the following assumptions in the ROI calculations:

- 0.25 FTE required (1FTE=\$30,000/yr.) for administrative support of the e-Meeting solution that would not be required if regular meetings were used instead.
- Based on these parameters, the current monthly costs are \$ 8,950 (20 people X 20% X 2.5 X \$895) less the admin FTE monthly cost of \$625, for a net savings per month of \$8,325.
- We did not distinguish between meeting types such as sales presentations, internal meetings and training sessions. We have also not included materials costs or per-event administrative costs in this case as they would be the same regardless of solution type.
- CS did not include the following tangible costs:
 - o Bandwidth/connectivity
 - o PSTN or VoIP costs
 - o Staff costs for content preparation and delivery
 - o Facilities use
- CS did not include any intangible costs such as salary costs for travel-related downtime, opportunity costs for revenue, etc. While these costs and gains should not be ignored when determining overall ROI, CS chose not to include them here since regardless of the solution chosen, these costs would be the same. CS assumed the e-Meeting services required by this case would be:
 - o Web Conferencing (not including audio)
 - o Archive Record (1/2 Day turnaround)
 - o Archive Web-link Playback (with Video to enable "as presented" experience)



Premise Hosted Solution

CS has used pricing for WebDemo™ 3.0, published by Linktivity, to calculate ROI for PHS solutions. WebDemo™ is a Web-based, real-time collaboration software solution that provides a simple way to deliver on-line presentations and to interact with an audience of remote participants, all of whom only require a PC and an Internet connection.

Using WebDemo™, presenters can extend a view of their desktop including documents and applications to anyone, located anywhere, using only a web browser. Audiences can observe presentations, interact with on-screen demonstrations, as well as interrelate with each other.

The investment costs for the WebDemo™ solution are:

Software License/Set-up Fee	\$5,000 (20 users @ \$250/user)
Hardware Acquisition	\$3,500 (Server Equipment)
Total	\$8,500

The yearly TCO costs are:

Software Maintenance	\$ 750 (15% maintenance)
Hardware Maintenance	\$ 525 (15% maintenance)
IT Administrative Costs	\$1,875 (2.5% of \$75,000 per FTE)
IT Overhead Costs	\$ 489 (5.0% of h/w and s/w costs)
Total	\$3,639

For this example we are using a market-leading web conferencing solution provider that provides both a subscription-based service, and a pay-per-minute service. The investment cost for this solution is zero because there is no up-front hardware or software investment required by the customer.

ASP Hosted Solution

Service Type	Usage	Cost Basis	Yearly Cost
Subscription	20 licensed users	\$75/mon/user	\$16,800
Pay-per-minute	3000 min/month	\$0.35/minute	\$12,600



ROI Results

The results of this analysis are shown in the table below. WebDemo™ has a faster cash recovery period and a superior ROI than either of the ASP solutions. The ASP-per-minute solution runs a close second for cash recovery and ROI during the first year of operation. However, WebDemo™ is the clear leader when using a 2 or 3 year ROI assuming the ASP costs remain the same as year 1. Not only does WebDemo™ return an impressive 1427% ROI in year 3, its ROI exceeds the ASP solution by an average of 201% by year 2 and 247% by year 3.

ROI for 20 Users:

Cash Recovery		12 months	24 months	36 months
WebDemo™	1.46 mon	723%	1,161%	1,427%
ASP per-Mon	2.02 mon	455%	455%	455%
ASP per-Min	1.51 mon	693%	693%	693%

CS calculated the number of months required for ROI's of each of the solutions to overtake the other:

- WebDemo™ overtakes the ASP-per-month solution in 8 months and the ASP-per-minute solution in 12 months.
- The ASP-per-minute solution overtakes the ASP-per-month solution in 1 month and never overtakes WebDemo™.
- The ROI of the ASP per-month solution never overtakes ASP per-minute solution or WebDemo™.

To further validate the results, CS tested the scenario using different user counts with the following results:

ROI for 10 Users:

Cash Recovery		12 months	24 months	36 months
WebDemo™	2.53 mon	375%	610%	746%
ASP per-Mon	2.34 mon	413%	413%	413%
ASP per-Min	1.64 mon	633%	633%	633%

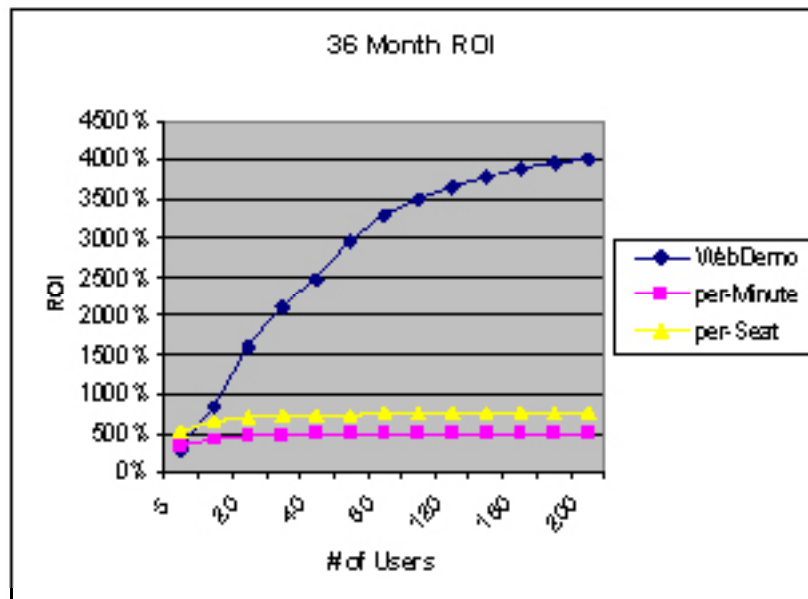
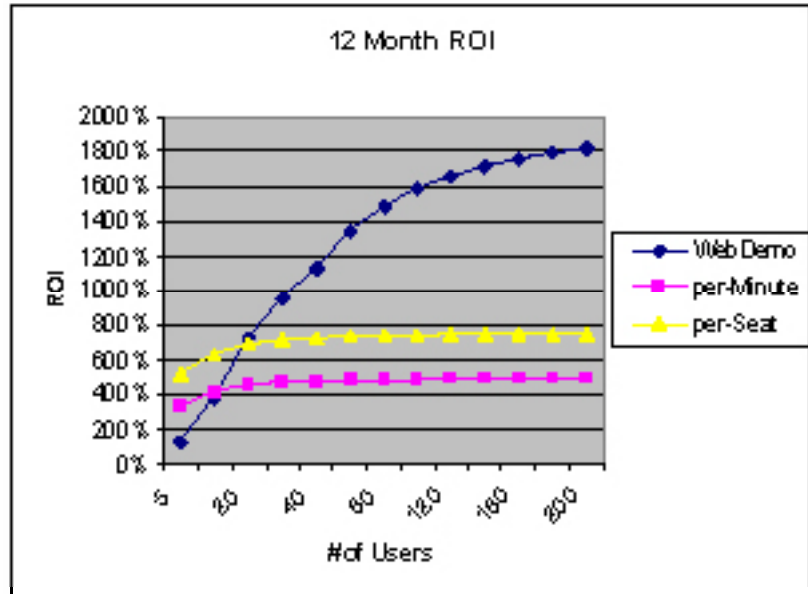
In this case, the cash recovery period is longer and WebDemo™ does not eclipse the ROI of other solutions until the end of 24 months. At the 36-month mark, WebDemo™ is clearly ahead.

ROI for 40 Users:

Cash Recovery		12 months	24 months	36 months
WebDemo™	0.98 mon	1,122%	1,827%	2,279%
ASP per-Mon	2.08 mon	476%	476%	476%
ASP per-Min	1.46 mon	723%	723%	723%

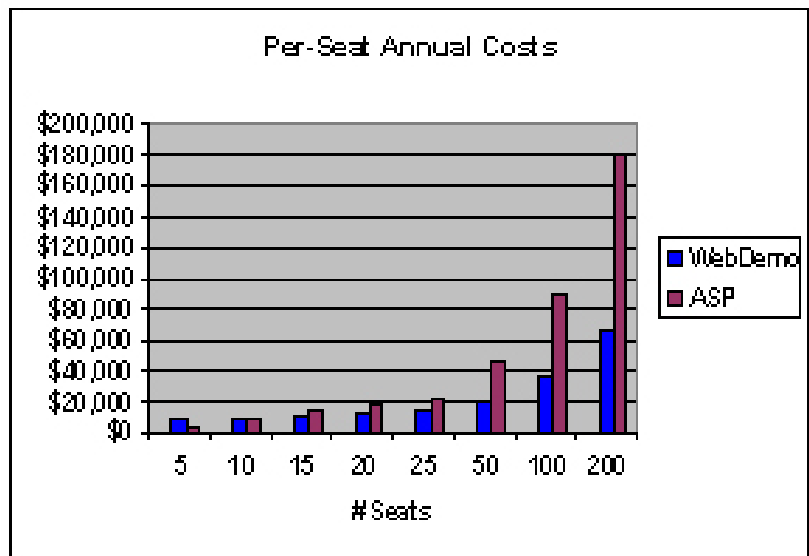
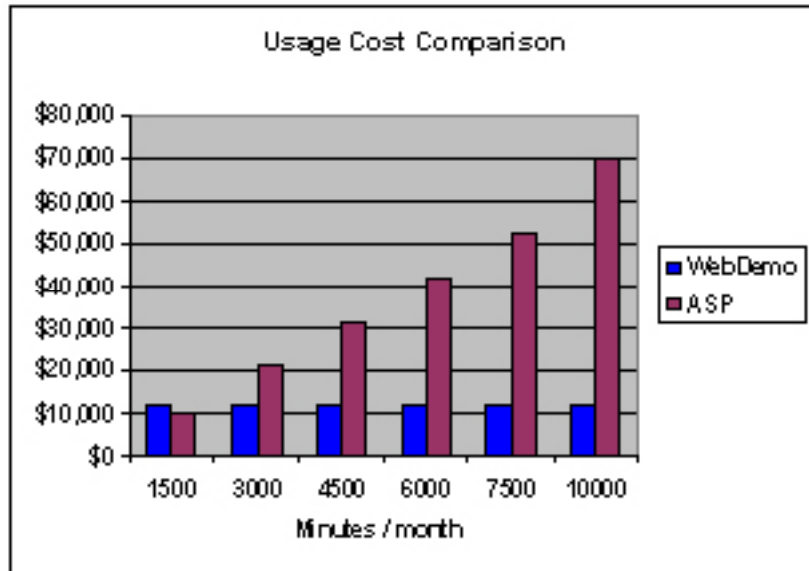
ROI Results

As might be expected, doubling the number of users has the effect of reducing by half the number of months WebDemo™ needs to eclipse the ASP solutions. We have summarized the 12-month and 36-month ROI for various user populations in the charts below.



ROI Results

Another useful way to evaluate the results is to examine the monthly and annual costs:



With the possible exception of very small e-meeting populations, where the concurrent user count never exceeds 5-10 persons (where per-minute services are a good value), the choice is clear: PHS solutions, such as WebDemo™ deliver the best overall value.

Summary

While the results of the analysis clearly point to the use of a premise hosted solution as the best value, many customers are lured into the seemingly attractive pricing and easy implementation of ASP solutions. In addition, several challengers are offering similar or reduced-feature offerings priced at steep discounts when compared to the leading ASP's. Because of the reluctance to switch e-Meeting vendors, companies often end up with multiple solutions for different uses: per-minute ASPs for small, ad-hoc meetings, premise-hosted for larger, scheduled meetings, and another ASP to provide per-event services for company-wide broadcasts, earnings conference calls, etc. and several voice or video conferencing services.

There is a key additional cost factor to consider as well. ASP services charge organizations that go over their seat or minutes allotment. While some view this "use what we need" model as a very convenient and useful feature, these fees are often several times more than the pre-paid rate, are typically not controllable/limitable in advance, and often shock the user when the bill arrives.

PHS licenses are typically sold per concurrent user with no ability to exceed the purchased count. This helps to protect the organization from "surprise" over usage fees. Organizations can use this built-in capability to better manage e-Meetings so that higher value meetings are moved to this platform and ROI's do not disappear via extra charges.

When evaluating PHS or ASP-based solutions to support e-Meeting requirements, ROI should play an important role in making the decision. Some additional factors to keep in mind include:

- The spending rate on e-Meeting solutions will double in the next 3-5 years.
- The internal adoption rate can be rapid once e-Meeting solutions are implemented in an organization. They can be very viral in nature.
- E-Meeting solutions will become the rule, rather than the exception, for content delivery, both internal and external to the organization.
- Limiting the growth of e-Meeting solutions by imposing strict policy or administrative controls, without taking an enterprise perspective, can cause user communities to adopt competing and incompatible solutions that increase the overall costs to the organization.

Collaborative Strategies has other resources available that cover the entire collaborative marketplace. Please visit our website at www.collaborate.com, or email us at collaborate@collaborate.com or contact us by phone at +1.415.282.9197.

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