



Zultys Technologies Whitepaper

THE BUSINESS CASE FOR CONVERGENCE

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The Switch is On

Enterprise voice communications are in the midst of a dramatic transformation. Forward-thinking businesses are rapidly migrating from traditional PBX systems, based on time division multiplexing (TDM), to systems that use a fundamentally different architecture—IP telephony. With VoIP (Voice over Internet Protocol) voice, data, video, and fax are all converged over a single platform and a single network. The benefit to the enterprise is convergence. IP telephony is simply the mechanism.

Converged systems have been available for only a few years but already account for one-third of all spending on business communications systems. Leading manufacturers have all but discontinued production of TDM systems. Early IP telephony systems from large companies like Avaya, Cisco, and Nortel were costly, complex, and lacked even the base functionality of older generation TDM systems. Companies like Zultys Technologies are bringing out bold new designs that make IP telephony affordable and deliver modern communications tools to even small or medium sized businesses.

So why are businesses switching to IP telephony at such a rapid pace? According to a survey conducted by Sage Research, the two reasons most often cited are cost savings and productivity gains.

The initial cost of a traditional telephone system is only about half of the total cost of ownership (TCO). Since businesses typically keep their telephone systems for seven years or more, the TCO for a \$25,000 system could easily be \$50,000 over the full lifecycle of the equipment. The reasons for this are that a business's telecommunications needs grow and evolve with the enterprise.

The following are key components of a communications system's life cycle costs.

Moves, Adds and Changes

Moves, adds, and changes require costly service calls to physically relocate instruments and modify system software. Telephone equipment dealers will typically charge for four hours of labor to add or relocate an instrument and reprogram system software.

According to a Sage Research study, the single most frequently reported IT benefit of an IP communications deployment was the ease of workspace relocation. Almost 3/4ths of the survey respondents reported that their businesses realized substantial benefits from faster moves, adds, or changes.

With IP-based systems such as those manufactured by Zultys, there is no cost associated with moving a phone. Moving the phone can be compared to the way a laptop computer is moved within the enterprise. Users can plug in the computer anywhere on the network and still access email and documents from the new location without any intervention from an administrator.

Expansion

(It is equally possible to expand beyond an MX250, just as it's possible to expand beyond the capacity served by a legacy PBX. The focus needs to be altered. The expansion costs of adding a "terminal" (though I prefer the word "phone") may be more [higher?] with an IP phone. However, there are no additional wiring charges as there might be to service the new person's phone with a legacy system. Also, you have to add a user license and pay for it, but it's much easier and cheaper than adding line cards.)

As your business grows you will need to add capacity to your TDM system. In addition to more telephones, this often requires circuit cards to add line and telephone capacity to the central switching unit and the labor costs to install the expansion boards and terminate wire

terminations at the central control unit. However, if your growth exceeds the maximum capacity of your base system, then the cost of adding additional switching and control units (or perhaps replacing the old system altogether) could easily run into tens of thousands of dollars.

With IP-based systems like the Zultys MX250, businesses can grow from 5 to 250 users without adding any more circuit cards. Adding new employees is as simple as purchasing additional phones and software licenses. And new software features such as MXgroup and MX-cluster make it possible to expand a base MX250 system at a single site to include multiple systems located worldwide but all with a single, seamless interface.

System Enhancements

Similarly, the cost of adding major enhancements like unified messaging, call center functionality, or integrated voice response (IVR) to a traditional voice system could easily exceed the original cost of the entire system. Remember that traditional systems use proprietary architectures. Adding equipment or software from third parties requires costly integration. From a practical standpoint, businesses are virtually forced to purchase enhancements from the same company that made the switching system. Imagine what applications software and printers would cost today if you could only buy them from the original vendor?

IP-based systems like those produced by Zultys already include voice mail, instant messaging, ACD, and presence, along with all of the standard PBX functionality. Future enhancements are merely software downloads.

With the growing acceptance of interoperability protocols, businesses can expect to see a rapid growth in third party applications, many specific to your industry. This is exactly what happened in the computer world with the de-facto standardization of operating systems. Specific savings with IP telephony depend on the application, but the savings in installation costs alone should shave 15 – 20 percent off the cost of the enhancement. Over time, competition from third party software companies will continue to drive down the cost of add-on tools and system enhancements.

One Wire to the Desktop

For businesses opening new offices, the savings in cabling alone will be significant. Since both voice and data travel over the same LAN, the number of wiring drops declines by up to 50 percent. PC's and telephones use the same Ethernet ports. As well, there is only one set of cables to monitor and maintain. This can also reduce the number of Ethernet switching ports required in the network closet since phones manufactured by Zultys have multiple ports allowing the connection of additional phones and peripherals.

Centralized Administration

IP-based telephone systems do not require switching units at each branch of a multi-location business. Everything is controlled and administered from one central point with a user interface that can be accessed from virtually anywhere. A small inexpensive gateway at each branch assures smooth interoperability across the entire enterprise. Employees can even call their colleagues at other locations by dialing an internal extension, just as if they were sitting across the hall. Site visits to correct minor problems or to add or remove system features are all but eliminated. Furthermore, companies using IP systems at remote locations are saving up to four weeks in the time it takes to open new offices.

Reduced Toll Costs

Although toll costs have dropped dramatically in recent years, long distance charges are still a significant expense. The average business spends about \$5,000 a year on long distance. If we consider only mid-size businesses, the annual cost grows to \$25,000 a year or more (and

millions for giant corporations). With IP-based systems, voice traverses your WAN or the Internet. Like surfing the web, there is no incremental cost.

For businesses that are already paying for high-speed private networks, adding voice and video means more efficient utilization of network facilities. The savings can be substantial, particularly for intra-state calls, which remain regulated. If IP telephony reduced toll costs by only 20 percent the investment could easily pay for itself in toll savings alone.

In addition to these hard savings from the IP architecture, most businesses find that the more important benefits to them are that their businesses simply run more efficiently and productively.

One of the main benefits of convergence is that both voice and data can be delivered real time to a multitude of wired and wireless communications devices. Presence technologies inform message originators of both the availability and optimum communications mode for reaching people now—and these technologies are seamlessly integrated with the phone system. Intelligent routing features automatically redirect calls and messages to the number or device where you can be reached.

Consider how much time is lost and business opportunities are missed simply because key employees can't communicate in real time. An oft-quoted statistic (attributed to AT&T) is that only one out of ten business calls is completed to the intended party on the first attempt. One reason is that office workers simply aren't in their office when you call. The same SteelCase study showed that office workers are at their desk only 50 percent of the time.

When decisions need to be made quickly, trading voice mails and e-mails is a poor substitute for live human discourse. The hard working sales rep ready to close her biggest deal (if she can just shave 3 percent off the price) does not want to tell her prospect "I'll get back with you as soon as I can reach my boss." The Sage Research survey referenced earlier reported that fully half of the participating businesses experienced less phone tag after their IP telephony implementations. Most participants saw this as making their businesses more competitive.

Although it may be difficult to quantify, making better decisions faster is the ultimate productivity improvement. And ultimately, that is what convergence can bring to the enterprise.

Three questions to ask yourself:

"What is the most important investment in my office?"

"What is the one system that is most essential to building positive customer relationships, stimulating employee teamwork, and maintaining real-time access to my customers, suppliers, and investors?"

"What is the one system I cannot afford to do without?"

In all cases, the answer has to be your communications system. Your telephone system needs to be the focal point for future-proofing your business. No matter how hard you work, you do not know for certain what the future holds for your business. The one thing you do know is that your business must—and will—change. And you need a modern communications system that can grow and change with your needs. An affordable, reliable IP telephony system from Zultys is the best way to meet your communications needs—today and in the future.