Research Brief

Aberdeen Group
A Harte-Hanks Company

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The ROI of Video Collaboration

Over the past 12 months, Aberdeen has studied the video collaboration usage patterns of over 380 organizations to gain a better understanding of how companies gain business value from their video deployments. By studying the usage of video collaboration solutions (including the subset of telepresence) and how it is aligned with use cases in sales, marketing, service, product development, and project management, this document provides clarity regarding the advantages that video collaboration provides to the enterprise. This Research Brief is based on four reports: *Telepresence and the Video Frontier* (November 2010), *The Enterprise Value of Video Content* (May 2011), and *Enterprise Video Collaboration* (September 2011), and the February 2011 benchmark report *Streamlining the Top of the Funnel*,

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Defining Video Collaboration

Video collaboration (see definitions of video conferencing, video collaboration, and telepresence in the sidebar) has become a powerful tool in the enterprise to improve both revenue-driven and operational tasks. As video endpoints have become increasingly common in the workplace, employees have gained additional value from video based on several different trends:

- **Greater need to support real-time collaboration by geographically dispersed teams**. In the November 2010 study *Telepresence and the Video Frontier*, 63% of companies identified this need for real-time collaboration as a key pressure while only 39% indicated that travel reduction issues (which have traditionally driven the video collaboration market) were a key pressure for adopting video. This business-driven justification for video collaboration represented a sea-change as it demonstrated that *video improved work environments as a standalone technology* and was not simply a second-class option for reducing travel costs.
- **Employee demand to spend less time travelling and more time being productive.** Video plays an important role in providing work-life balance by allowing employees to stay in their home area while working with remote colleagues. By being more efficient, employees are able to use their time more flexibly and maintain high levels of work satisfaction.
- **More employee requests to use video.** As video conferencing has become more common in the consumer world, enterprises have started to identify line-of-business demand for video collaboration that *mirrors demand for mobility and social tools.* In the September 2011 report *Enterprise Video Collaboration*, a quarter of

Definitions

Terms used in this document:

√ **Video conferencing** is the use of video to provide face-to-face interactions. This may not include content sharing or presence, but represents the basic video capabilities typically available through consumer solutions.

√ **Video collaboration** often combines video, content and document sharing, data sharing, and sometimes other collaborative tools to create a more custom environment for identified use cases, process integration, and defined stakeholders.

√ **Telepresence** is a subset of video collaboration which refers to interactive presence with a remote location. Today, this is typically achieved through high definition video, voice, and life-sized simulations of people and documents.

respondents identified this need to provide more social and immersive environments for a younger generation as a key pressure for adopting video collaboration. The ensuing video accessibility allows multiple departments to utilize video collaboration tools previously only available for the C-suite.

Who is Using Video Collaboration in Business Settings?

Before defining the ROI associated with video collaboration, Aberdeen sought to determine which departments were currently using video collaboration tools (Table 1).

Table 1: Departments Using Video Collaboration

Department	Percentage Adoption (N=237)
Information Technology (IT)	57%
Executive Teams	56%
Learning and Development	47%
Business-to-Business Marketing	39%
Project and Portfolio Management	36%
Business-to-Business Sales	36%
Product and Service Development	34%
Customer Service	30%
Talent Acquisition	24%

Source: Aberdeen Group, September 2011

The top two departments involved in video collaboration represent traditional stakeholders in video collaboration. IT typically represents an operational overlay for many video efforts, such as setting up group meetings and training programs. In the executive suite, video collaboration technologies have long been used to connect remote leaders tasked with key strategic decisions. However, the value proposition of video has always been difficult to quantify for collaborative situations where the end result could not be directly correlated to a top-line or bottom line business goal. Although learning and development endeavors are better tracked through Learning Management Systems (LMS) that provide metrics, these efforts can also be seen as additional overlays when they are not explicitly associated with a functional business role.

However, as video has become used more often as a line-of-business tool, it has been utilized in a number of revenue-based activities and operational use cases that are well tracked in the organization. The direct and immersive capabilities associated with video collaboration have proven useful in Business-to-Business (B2B) sales and marketing opportunities where product demonstrations and close personal relationships are important prerequisites to closing deals. Improved talent acquisition has allowed organizations to identify and acquire strategic and rare skill sets that can be used to improve the business. Advances in product and service development within the organization can bring new products to market

more quickly, which is increasingly important in markets that require greater innovation or evolution.

Which Value Propositions Are Associated with Video?

To better define the value associated with video collaboration, Aberdeen asked which metrics and improvements were specifically associated with business video collaboration. Other than learning and development and project management, no departmental value proposition was identified by over 25% of respondents. Despite the investment placed into video collaboration, companies were reluctant to identify specific video-based goals other than the broad-based desire for travel reduction (Table 2).

Table 2: Value Propositions for Video Collaboration

Department	Value Proposition	Percentage Adoption (N=216)
Business-wide Value	Travel reduction	72%
	Efficiencies in operational business processes	40%
	Green footprint	27%
	Ability to virtually attend corporate and work-related events	26%
	Reduction in IT infrastructure and bandwidth	20%
	Revenue created through video collaboration	16%
Learning and Development	Improvements in learning and development	31%
Business-to-Business Marketing	Product training demonstrations	15%
	Return on Marketing Investment (ROMI)	10%
Project and Portfolio Management	Acceleration of strategic projects	26%
Business-to-Business Sales	Improvement in sales conversion rates	6%
Product and Service Development	Products and services developed with video collaboration	15%
Customer Service	Improved customer service	16%
Talent Acquisition	Costs reduced through improved remote talent acquisition	15%

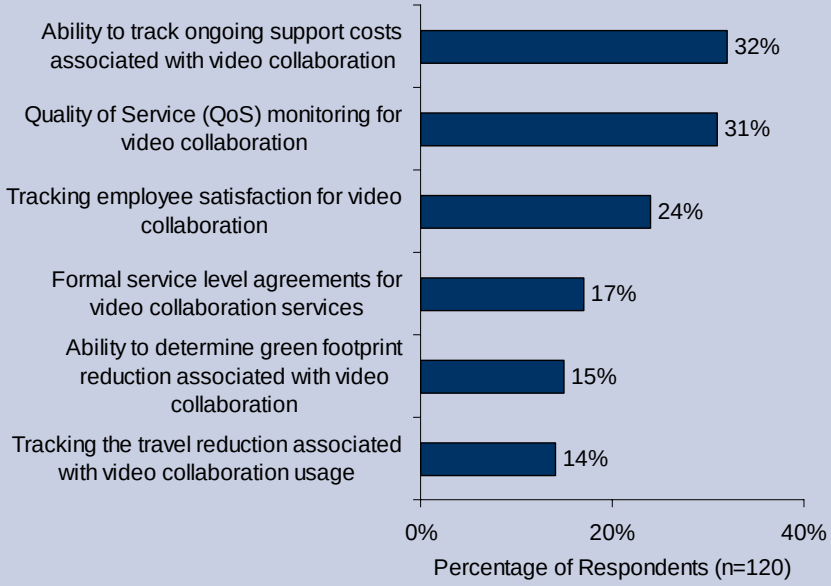
Source: Aberdeen Group, September 2011

Travel reduction was traditionally touted as the key value proposition for video conferencing, so it is no surprise that travel reduction is cited most often to measure the value of video. Surprisingly, Aberdeen discovered a vast gap between the majority of companies indicating travel reduction is a key pressure and the few companies that actually track travel reduction.

Aberdeen Insight — How Important is Travel?

Although 72% of respondents indicate travel reduction is a key value proposition for video collaboration, only 14% surveyed in the September 2011 study *Enterprise Video Collaboration* tracked video-based travel reduction. This contradiction was unique among all performance metrics, as other value propositions associated with video (such as accelerated talent acquisition or IT reduction) were measured by a majority of respondents that identified this value. To understand why, consider other metrics measured more frequently than travel reduction (Figure 1).

Figure 1: The Real Metrics of Video Collaboration



Source: Aberdeen Group, September 2011

Despite the business case built around travel reduction, most companies do not track travel regularly. The first metrics adopted to determine the performance of video collaboration are operational: support costs, quality of service, service level agreements, and customer experience. As companies discover the true value justifications for video collaboration are based on employee use in a wide variety of business tasks, IT support and service quality become more important to the business. Aberdeen still recommends measuring travel reduction as part of the value proposition of video collaboration, but the reality is that most companies using video are not measuring this metric consistently.

Best-in-Class Video

In the September 2011 study for *Enterprise Video Collaboration*, Best-in-Class companies (the top 20% of respondents) were defined by the following performance:

- √ 17% decrease in travel over the past year
- √ 88% use video for strategic or revenue-based use
- √ 71% of employees have access to room or desktop solutions
- √ Average of 120% quantitative ROI for video solution

In contrast, Laggards (bottom 30% of respondents) were defined as achieving:

- √ 5% increase in travel over the past year
- √ 0% use video for strategic or revenue-based use
- √ 32% of employees have access to room or desktop solutions
- √ Complete inability to determine any quantitative ROI for video

To gain more insight on how video collaboration affected various departments, Aberdeen asked departmental users in sales, marketing, learning and development, product development, and project management more focused questions regarding the business results that were accomplished through their video collaboration solutions.

The Value of Video in Sales

In November 2010, when sales personnel were asked in research for *Telepresence and the Video Frontier* about the key business pressures driving them to use video, they settled on two key themes: 1) the need to improve remote sales opportunities, and 2) managing additional territory without increasing headcount. Sales people expected to improve both the quantity of sales opportunities and the quality of interactions through their use of video collaboration. How did these respondents measure success?

Since over a third of Aberdeen's respondents use video collaboration in their sales departments and there are straightforward metrics to measure sales success (such as quota and revenue delivery), it would seem that many companies would track the value of video in the sales process. Although sales respondents tended to know what percentage of sales calls were video-based, only 6% of the 58 sales-related survey respondents tracked how video affects their sales conversion rates.

To use video effectively, these same sales people focused on treating video collaboration as a viable option to sales-based travel. Although this may seem similar to the general need to reduce travel, sales-based travel requires the employee to represent the company and improve the current relationship. Without physical access to the customer, this can be challenging but video collaboration can potentially assist these goals.

By using video collaboration, sales representatives were able to gain several benefits: a lifelike and responsive interaction where both voice and body language could be shared, data sharing capabilities to reduce potential confusion, and document and text sharing abilities that could support asynchronous communications simultaneous with conversations. This reduction in potential confusion provided video-driven sales representatives with advantages over phone-driven or even web conferencing-enabled salespeople. Video allowed sales representatives to more easily reach the key inside sales goals identified in Aberdeen's February 2011 benchmark report *Streamlining the Top of the Funnel*, including increasing reach rates, creating opportunities for 1-on-1 conversations, and generating the largest pipeline possible. As a result, these video-aided B2B sales people managed to move an average of 20% of their video collaboration contacts to a sales funnel where the average deal size was over half a million dollars.

Video Collaboration for Marketing Success

Interestingly, marketing metrics and goals are rarely considered part of the video collaboration value proposition even though this department contains one of the highest concentrations of line-of-business video collaborators. However, a majority of marketers were quick to identify two key pressures driving the need for video, such as gaining audience awareness for key products (61%) and improving customer interactions (57%), especially in a B2B marketing setting where education and immersion were the twin goals. By using branded video collaboration forums and presentations, including telepresence capabilities that provided immersive interactions to multiple people at one time, marketers were able to create custom events that attracted a desired audience. Marketers using video to target potential contacts indicated that on average, 42% of their video-based interactions were with contacts matching the marketing target. This accuracy is based on a combination of well-designed video-based marketing efforts and the ability to personally engage targets through video.

Video Driven Learning and Development

Organizations using video collaboration to enable learning and development had two key pressures. The first, identified by 47% of respondents, was that the economics of on-site learning and development environments were untenable in a challenging economy. Second, 41% of organizations sought to become more flexible with their learning delivery to support newer workforce generations. Video as a viral and consumerized technology is strong in this use case, since a large plurality of companies actively sought to bridge generational gaps and differences through video collaboration.

The 61 respondents identified as video-enabled learning and development organizations averaged 6.5 weeks to bring new employees to productivity and $2,500 in training costs per employee. However, companies using video perceived advantages in creating a stronger work community. Video-enabled companies averaged a 7.7% reduction in voluntary turnover of talent and a 4% increase in employee productivity over the past 12 months.

Remote and Collaborative Product Development

Video-driven product development organizations tended to be market driven rather than reactive to their competitors. Their top two pressures were based on the need to capitalize on new market opportunities and to new changes in customer preferences. Through video, these product development teams were better able to work together in a persistent and immersive manner without the need to travel. This collaborative and synchronous capability was vital for this type of teamwork, which was shown by the self-provided estimates that these companies had cut their time to bring new products or services. Based on 21 product development departments polled in November 2010, *Telepresence and the Video Frontier*, the average time to develop a new product was 7.4 months for a product that was expected to provide $1.3 million dollars in revenue. The time needed to bring products to market was reduced by an average of 16%

through video collaboration. This represents a full 1.2 month advantage over other competitors managing a dispersed product development team without the combination of video conferencing, data sharing, document sharing, and additional technologies associated with video collaboration.

Video-Based Project Management

In November 2010, *Telepresence and the Video Frontier*, Aberdeen studied 18 project managers using video collaboration as part of their business processes. They overwhelmingly identified two key pressures: the need to manage projects in global and distributed environments (67%), and the need to access rare and remote skilled resources to complete projects (61%).

To meet these challenges, 83% of these project managers actively evangelized video collaboration usage to distributed project team members in projects that lasted for an average of over eight months and cost an average of $506,000. Through video, the typical project manager was able to reduce time by 5% and cost by 8% for each project. By accelerating the quality of information that remote team members were able to share, these project teams were able to work together more quickly. In addition, the combination of working more quickly and avoiding unnecessary travel were effective in cutting costs for the Project and Portfolio Management Office (PPMO) with complex and geographically dispersed projects.

Project Management Highlights

- √ The typical video collaboration-enabled project pursued by Aberdeen's community **reduced project times by two weeks** through the use of video collaboration
- √ Time saved and optimized resource allocation through video collaboration **saved an average of $40,000 per project** in Aberdeen's community

Aberdeen Insight — Sample ROI Considerations

Take, for example, a technology organization that has decided to implement a video-based learning and development program. Through video collaboration, it can reduce hard costs in several ways.

First, it can maintain a smaller real-estate footprint, since not all students need to be in a physical classroom. By reducing the instructor/employee ratio and the square footage/employee ratio, the organization provides more education at a lower cost. In addition, the cost of travel for any remote attendees can be removed through a video solution. This is a two-fold benefit as attendees both save the cost of travel and can maintain productivity by continuing to be on-site or in the field to a greater extent.

The results of an expanded educational effort may also be measurable in terms of greater sales or service-based upsell/cross-sell opportunities, improved product launches, or improved employee retention, all of which can be tracked on a year-to-year basis.

continued

Aberdeen Insight — Sample ROI Considerations

To calculate the true return from this video collaboration solution, the physical footprint, instructor labor costs, employee labor, employee productivity, and departmental benefits should all be considered. This exercise in value is not intended to simply provide a hypothetical assumption, but to demonstrate the "soft benefits" which can be associated with strategic technology purchases. By better understanding the full business value associated with any given technology, IT and operational departments can better prioritize the support resources that should be provided for all technology assets and plan for upgrades or replacements based on an accurate calculation of business demand.

Recommended Actions

Video collaboration has evolved into a cross-departmental solution for providing business benefits. To create IT and business alignment that provides the opportunity to achieve value-driven results from video collaboration, Aberdeen provides the following recommendations:

- **Provide multiple form factors for video collaboration.** Video conferencing has traditionally been a room-based technology, which is reflected in 86% of Aberdeen respondents who had room-based video collaboration deployments. As video usage has become more strategic, companies are more likely to use a variety of form factors based on whether they seek team collaboration, departmental collaboration, or peer-to-peer interactions that are integrated with their work environments. Accordingly, consider the needs for desktop or PC-based video collaboration solutions and the potential value of mobile video collaboration to allow key salespeople and other employees with strong 1-to-1 relationships to succeed.
- **Support a self-service approach where employees have the ability to schedule video collaboration resources.** Video collaboration, especially room-based resources, should be treated as an enterprise resource that can be scheduled rather than an ad-hoc technology that must be requested through a single individual or non-standard practice. In Aberdeen's September 2011 report, *Enterprise Video Collaboration*, only 30% of Laggards currently have an enterprise calendar for room-based videoconferencing and only 41% have a directory showing which employees, rooms, and locations are video-enabled. By providing these video collaboration resources to employees, employees can simply work with each other rather than wait on an IT overlay.
- **Identify business departments that can be optimized through video collaboration, especially customer service and learning and development.** Only a quarter of Industry Average companies in the September 2011 report *Enterprise Video Collaboration* thought their customer service and learning and

development departments were improved by video collaboration. In contrast, 63% of Best-in-Class companies indicated that video helped customer service efforts and 67% indicated that video collaboration aided learning and development activities. Industry Average companies seeking to reach Best-in-Class status must consider how video can help improve both internal and external collaboration throughout the enterprise rather than simply use video as an undifferentiated communications broadcast channel.

By shifting from a pure technological mentality to a more flexible and business-aligned video collaboration environment, organizations can reap both hard and soft benefits from their video investments.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Telepresence and the Video Frontier; November, 2010	*Streamlining the Top of the Funnel*; March 2011
Lights, Camera, Action: Video Enabled Talent Acquisition Takes Center Stage; December 2010	*The Enterprise Value of Video Content*; May 2011
Delivering Videoconferencing to the Enterprise; March 2011	*Conquering the Fear, Uncertainty, and Doubt of Managing Integrated Communications*; July 2011
Real-Time Collaboration: Innovate Your Business and Increase Revenue; March 2011	*Enterprise Video Collaboration: Strategic and Revenue-Producing Video for the Business*; September 2011

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