How Do Companies Justify Purchasing the SpectraLink Wireless Telephone System?

So you have a customer who would benefit from wireless telephones. One question you're sure to face is "How do we justify this expense?"

You will probably find that those who will use SpectraLink Wireless Telephones every day will have no trouble justifying the purchase. After all, they have the communication problems. They are the ones who get back to their desks and find they have numerous voicemail messages. When they return the calls, the other party is seldom at their desks. They have to leave a work project to locate a phone in a large building or facility.

The challenge often comes when the supervisors and telecom manager have to justify the purchase to senior management. First, senior management is often a few steps removed from the real communication problems. They are not the ones with the radios trying to find an open channel. They are not the ones working near noisy machinery so they can't hear overhead pages. Senior management wants to see hard justification about why wireless telephones are needed now, when the company has previously done without them. Why now?

Below are steps we've found will help customers and prospects justify the purchase of a SpectraLink Wireless Telephone System:

Step 1: Examine current communication problems

Define current communication problems. This will then help determine associated costs to the company. How is this done? Here are some suggestions:

- Walk the floor – Interview employees about their problems with getting calls, making calls, using radios, hearing overhead pages, having to leave jobs to take a phone call, and having to call a customer back long-distance because the incoming call was missed.
- Get the stories – Senior management may relate to actual problems that made things operate inefficiently. How did the communication problems result in difficulties completing job tasks?
- Call your local SpectraLink Account Manager for help. You can obtain contact details by calling your Sales Consultant at 800-676-5465.

Step 2: Identify which employees should receive SpectraLink Wireless Telephones during a trial, and what areas of the facility need to be covered in order to benefit those employees

Step 3: Establish baseline documentation so after the Wireless Telephones are distributed, the improvement can be verified.

Step 4: Install a trial system

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Step 5: Document the improvements

Here are some ways that companies document the actual improvements and attach a dollar figure to them. Not all of these methods apply to every situation. However, when the savings from those that do apply are added together, hard dollar justification frequently results.

Responsiveness to Customers

Companies tell us that competition is more acute than ever. Their customers are expecting them to be both quick to answer questions about the status of orders, and flexible in responding to changes in orders.

Without exception, companies with SpectraLink Wireless Telephones believe that our Wireless Telephones improve their service to customers. One method of documenting this value is to estimate the value of retained customers. Companies often know the average profit per customer per year. Through interviews with employees they estimate the number of customers they anticipate saving through improved responsiveness to customer concerns. Often, if they can retain one or two customers per year, significant dollar savings result. For example:

2 customers retained / year x $5,000 average profit/customer =
$ 10,000 savings

Many companies do not have this high average dollar profit per customer. However, our experience is that those companies have many more customers, so their estimate of the "number of customers retained" tends to be higher. For example:

1 customer retained/week x 52 weeks/Year x $ 100 average profit/ customer =
$ 5,200 savings per year

Supervisor Timesaving

It takes supervisors a significant amount of time to get to an available wall or desk phone within large facilities. For example, 20 seconds lost walking both to and from a wall phone is not a lot of time, but when it happens 20 to 30 times per day (not unusual), it adds up. Companies have conducted time and motion studies like this:

20 seconds to and from wall phone	= 40 seconds saved/call
25 calls per day x 40 seconds saved/call	= 1000 seconds saved/day
1000 seconds saved /day / 3600 seconds/hour	= .278 hours / day / supervisor
.278 hours / day / supervisor X 8 supervisors	= 2.22 total hours saved / day
2.22 hours saved/day x $15 salary/hour	= $ 33.30 saved/day
$ 33.30 saved/day x 300 work days/year	= $ 9,990 saved per year

In this example, $ 9,990 is saved per year just by supervisors not having to find an available wall phone.

Efficiencies Gained through better Utilization of Supervisor's Time

The ability of supervisors to respond to problems or concerns real time is hard to estimate, but SpectraLink users are convinced that this is a significant benefit of the Wireless Telephones. They tell us, "The reason we pay supervisors more is because they have more experience and are able to solve problems. If supervisors are just responding periodically to voicemail messages, we aren't getting our money's worth from them." One manufacturer noted that they only give the Wireless Telephones to "mission-critical personnel" — the ones from whom they need quick decisions.

Companies tend to document this benefit through anecdotal stories. It only takes one or two specific stories to help Senior Management assess the value of this benefit. For example,

"During the harvest last fall, right before closing time, one of our customers called in desperately seeking assistance in repairing a piece of machinery. I was able to immediately transfer him to our Supervisor who made the decision to Federal Express necessary replacement parts, even though the customer had clearly caused the damage himself. I am sure this customer is now 100 percent loyal to our company."

Efficiencies in Maintenance of the Production Line

Maintenance personnel are some of the most enthusiastic users of SpectraLink Wireless Telephones. The Wireless Telephones allow them to:

- Be notified and respond to production line malfunctions immediately.
- Repair machinery using both hands while receiving instructions on the Wireless Telephone directly from the machinery manufacturer's technical specialists. This eliminates errors and wasted time spent walking to and from a wall phone after each repair instruction.

The continuous operation of production lines is vital to companies. Most companies know what the value of production is per hour. For example, one manufacturer told us that if the production line goes down, the company loses $1,000 of production per hour. To attach specific dollar savings, supervisors asked their maintenance engineers to highlight specific instances where the Wireless Telephones have been utilized and then estimated the number of minutes saved. Their valuation of this benefit looked like this:

Minutes saved per repair	= 15 minutes = .25 hours
Frequency of repairs where Wireless Telephones made a significant difference	= 1 time / week
Value of production / hour	= $ 1,000 / hour
Dollar value of efficiencies = 25 hours x 1/week x $ 1,000/hour	= $ 250/week x 52 weeks/year =$ 13,000 savings per year

Cost Savings from Immediately Answering Calls from Long Distance Customers

Companies tell us that if their customers or suppliers are statewide or national in scope, their long distance telephone bills are significant. By immediately answering incoming calls from customers and suppliers, companies save the cost of returning those long distance calls later.

Average dollar cost per long distance call	= $ 2.50
# of long distance calls per day per supervisor not made due to the use of SpectraLink Wireless Telephones	= 2
# of supervisors	= 6
# of work days per year	= 300

Dollar Savings = $2.50 x 2 x 6 x 300 = $ 9,000 per year

Improved Efficiency of the Receptionist

Companies tell us their receptionists spend significant time trying to find employees who have received phone calls. They are constantly using overhead paging or calling pocket pagers to reach these employees. The SpectraLink Wireless Telephone System frees receptionists to work on other tasks. One company told us they were able to eliminate one of two receptionist positions and move the employee to another function. An *example* of this benefit is:

Average percentage of time saved by the receptionist= 20%	
Average salary of receptionist (including benefits)	= $ 14,000
Average value of time savings = .20 x $ 14,000	= $ 2,800

Conclusion

As you can see from the above examples, companies use many different methods to assess the dollar benefit of the SpectraLink Wireless Telephone System. They tell us that the justification for their purchase usually is not based on just one of the above methods, but a combination of them. In most cases, the ***pay back period*** for the SpectraLink Wireless Telephone System is ***less than two years***. To take advantage of the payback immediately, remember that the customer can always lease the system now, then purchase or lease it in the next budgetary period.

Sample Cost Justification Form from a Manufacturing Plant

Below is an example of a cost justification form developed for one manufacturer to assess the cost and benefits anticipated from the installation of the SpectraLink Wireless Telephone System:

	Maximum	Minimum
A. Minutes of increased spray booth uptime per week	__ minutes	__ minutes
B. Value of production per minute	$_____	$_____
C. Value of increased spray booth uptime per year = (A x B x 52 weeks / year)	$_____	$_____
D. Value of prototype production per minute	$_____	$_____
E. Number of minutes of prototype production saved each week by using wireless telephones	___ minutes	___ minutes
F. Prototype value saved per year = (D x E x 52 weeks / year)	$_____	$_____
G. Percentage increased efficiency of plant engineering	___%	___%
H. Number of plant engineers receiving Wireless Telephones	_____	_____
I. Yearly fully burdened salary of plant engineers	$_____	$_____
J. Annual value of plant engineering efficiency (G x H x I)	$_____	$_____
K. Minutes of production per month saved by Computer Support using Wireless Telephones	___minutes	___minutes
L. Yearly value of increased Production due to Computer Support = (J x B x 12 months)	$_____	$_____
M. Value of long distance calls saved by directly answering telephone calls from those outside the plant	$_____	$_____
N. Minutes of machine time saved per month using OAI to notify of machinery malfunction	___ minutes	___minutes
O. Yearly value of OAI time saved (N x B x 12 months)	$_____	$_____
P. Total dollar benefit of SpectraLink Wireless Telephone System (C + F + J+ L + M + O)	$_____	$_____
Q. Proposed cost of Link Wireless Telephone System	$_____	
R. Anticipated wiring costs	$_____	
S. Total Investment (Q + R)	$_____	

Anticipated payback period for investment (S / P) = ***minimum months***

Anticipated payback period for investment (S / P) = ***maximum months***

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