

Managing Your Telecom Expenses: The Best Money You Never Spent

BY LACINDA ATHEN

Building a business from the ground up is hard work. Keeping it standing can be even harder. With the diverse economic pressures coming to bear on modern business owners, it is often hard to stay on top of best practices in managing your expenses. Payroll, insurance, shipping, training, bathroom tissue, paper clips.... the bill seems to get bigger every day.

Add to that the complexities of running a business in today's technology-saturated marketplace, and the impact to the bottom line grows yet again. To compete effectively, you have to have the right tools. This means telephones, smart phones, pagers, expensive high-speed internet connections, laptops with wireless capabilities, the list goes on and on. And, over time, the list not only gets longer as new gadgets hit the market, but the number of people within your organization who needs these things goes up.

And while most firms see the value in upgrading their technology infrastructure, they often don't realize how ripe with opportunity this sector of their spending might be. Opportunity for savings.

Complexity and Costs

Savings from where? Well, the avalanche of circuits, phones and data plans your firm is managing creates complexity, and complexity causes problems. First and foremost, it can lead to errors.

Forrester Research estimates that "billing errors average 5% to 12% of ongoing telecom services budgets". Nancy Peckham, CEO and founder of Valicom, a woman-owned telecom expense management firm in Madison, Wisconsin, concurs with that. "In our 20+ years of doing telecom audits, we've found that over 35% of invoices have some type of error. And if you're not watching for them, you don't see them. In just one example, a health care facility client made their way to us after this incident. They had torn down a building. Later, they were reviewing some telecom invoices, and determined that they had been getting billed, and had been paying for, fifty landline telephones in a ghost building that was now a parking lot! For twelve years!"

Now that is a huge error, and you think you'd find it yourself — but guess what? With complexity also comes workload. Your telecom landscape may include tens, hundreds or thousands of monthly invoices, circuits or devices. And the latest trend, to hand telecom management to an already overworked IT staff that often isn't familiar with telecom services and thus doesn't know what to look for, isn't helping.

There can be outside market pressures at work too. Things are constantly getting more heavily regulated and more expensive. According to AberdeenGroup Research, firms are also dealing with "financial regulations like Sarbanes Oxley compliance, implementation of new technology, globalization, carrier consolidation and increasing security concerns, like wireless e-mail/PDAs with sensitive data that is not centrally managed."

Getting a Grip

All of this points to a need for strong oversight and control. That is where telecom expense management comes in. "Telecom Expense Management" has been around for decades. Essentially, it's an all-encompassing term that refers to the monitoring and handling of the wireless, voice, and data assets of your company, for the purpose of exposing and correcting overexpenditures, errors and misuse of resources. This can be done via various homegrown internal processes, through a third party software solution or by hiring a partner firm to do it for you. Whoever does it, in plain language, it means gathering all of your telecom bills and looking for overcharges and mistakes through a telecom audit, finding ways to save money, searching for contract violations, and negotiating directly with your telecom vendors to get a better deal.

That sounds like it wouldn't be so hard, but it's an area where small to mid-sized businesses do very poorly compared to larger firms. AberdeenGroup has done extensive research on this topic. Taking advantage of their recent study analyzing the differences between "best in class" firms, laggards who are doing little with regard to telecom expense management, and

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the industry averages, Aberdeen was able to show where small to mid-sized businesses are doing well in controlling telecom and wireless costs, and where they are not. It also discusses how on-demand, web-based tools can help smaller firms manage their telecom expenses. This data was showcased in a recent webinar with Valicom. The webinar stream can be accessed at www.valicomcorp.com/knowledge/webinars.aspx

According to Hyoun Park the Research Analyst for Telecom Lifecycle Management at Aberdeen, and a presenter in the webinar “Aberdeen Group research shows a large need with middle market organizations for on-demand telecom expense management (TEM) solutions. This TEM technology brings the control and cost efficiencies of large enterprise expense management to mid-market corporations who have historically lacked the internal resources and expense volume to realize benefits.”

This information is critical to your business. As stated by the AOTMP report *The Value of TEM to SMB* (small-to-mid-sized-business), “SMBs with a TEM program save 22% more than companies who do not.” The majority of these companies spend anywhere from \$150k to \$5M in annual telecom expenses. 22% savings on these expenses would equate to \$33,000 - \$1,100,000 in annual savings! In a down economy, a savings like that could be the difference between making it or not. It allows you to keep staff in place, and increase efficiencies in your IT department.

Steps Towards Savings

So what should you be doing to access these savings? Here is a short list of “must do’s” in TEM.

- **Get all your data in one place** — Whether you use a simple spreadsheet, or a streamlined web-based telecom expense management software, you want to put all your info where you can see it. Invoices, order changes, cancellations, additions, inventory, etc. You need visibility to generate good management.
- **Keep track of your telecom inventory** — This means everything — telephones on desks, data circuits, pagers, mobile phones, smart phones, etc.
- **Audit your invoices** — Review your monthly bills closely for things like overcharges, incorrect setup fees, slamming & cramming, proper application of credits and service additions & cancellations.
- **Identify zero or low use users** - All wireless vendors offer basic billing summary reports that you can use to identify users who are using their device very little, or not at all. Spread your view over a three-month period, to adjust for usage fluctuation. Once identified, those services can be adjusted, or eliminated.

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- **Implement a wireless policy** — Smart phones and data plans can kill you. A recent AOTMP report “The Importance of Effective Wireless Policy” found that 69 percent of large firms have a formal wireless mobility policy in place. And that those firms with wireless mobility governance policies spent 40 percent less per user on mobile voice services. So implement a wireless policy, and standardize the equipment and plans available. That can take you a long way.
- **Negotiate with your vendors** — Before renewal time arrives, do some homework on what you’re paying for now, what competitors are offering services for, and what current marketing specials your vendor is offering. Maybe get some benchmarking data from a TEM firm, so you know what you should be paying. Then take that information to the bargaining table, or put out a new RFP. Never shy away from asking for a better deal — you won’t get anything if you don’t ask.

These few tasks are just the beginning of a path to strong telecom expense management. But even baby steps can offer savings, that over time can grow. Historically, when implementing a TEM plan with a client, according to Nancy Peckham of Valicom “...we’ve found that companies save an average of 30.4% on their annual telecom spend.” As the title said, you may find that “The best money you never spent.”

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