



# WHITE PAPER: COST SAVINGS IN TELECOM

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## INTRODUCTION

Telecom costs have been identified as some of the largest indirect cost factors that companies face. Due to the rapidly changing technologies and the ever thinning line between company and private use of telecom tools, it is also a cost that is growing uncontrollably. Fortunately, telecom costs also provide the low hanging fruit when it comes to short term cost savings and budget control. An annual cost saving of 30% is not unusual in a telecoms environment that has not been optimized in the past 24 months. How? All it takes is a clear idea of your current situation, and a plan towards efficiency, simplicity and control. Of utmost importance is the realization that you can't do this on your own. You need other departments to walk the walk with you, and you should consider outsourcing the most complex parts of the project to people, who do this kind of thing for a living. Let us take you through the steps towards telecom cost optimization and control.

## AREAS OF COST SAVING POTENTIAL

There are numerous ways in which you can save money on telecoms. We outline the most important ones below.

### INVOICE VERIFICATION

**FACT: in 95% of the cases, a telecom operator will make mistakes in billing its corporate customers**

Many companies verify their telecom invoices through "spot checks". If there is nothing out of the ordinary (the invoiced amount stays within certain boundaries), the idea is that the invoice is more or less correct. Very often, this job is given to an administrative or junior person (especially for mobile invoices) that typically uses Excel to perform the analysis. Most operators also provide tools which help you identify big spenders, or expensive and/or exotic destinations and services.

These are not real invoice checks. They are a "normality" check, but it doesn't help you to identify whether your voice and data traffic was invoiced at the correct rates. In order to perform a real invoice check, you need to take a look at the CDRs (Call Detail Records), in other words: the raw data behind the invoices. Those CDRs need to be matched with what's on your invoice: do the amounts match? Do the line items match? Are the correct rates applied? If the answer to one of these questions is no, you know you have to go back in time to find when the mismatch started and to calculate the credit note that this is due to you.

The above process cannot be done via Excel. Uploading of CDRs and translation of the operator codes into understandable language is something you need to leave to an independent third party with the right tools.

## OPTIMIZATION & STANDARDIZATION

**FACT: Very few companies have a standard communication policy**

Once your invoice check has been done, you can start with the optimization and/or standardization of your telecom set up. Over the years, you have built up a telecom environment through ad-hoc ordering of different lines, subscriptions, tariff plans and services. Especially for mobile services, we find that the authorization and ordering process sits with various departments, like HR, procurement or facilities, without a clear link to a “general” telecommunication policy, managed and controlled by ICT. The lack of standardization creates overhead costs, for example because people receive data subscriptions that do not match their actual usage pattern, or because people are not restricted in the use of their mobile phones, when they should be.

There are 5 steps to follow if you wish to apply a policy of standardization and optimization:

1. Draw up an exact picture of your employees’ use of telecommunications. How do they use their mobile phone, when can they be reached at their desk, ...
2. Based on the above information, draw up a limited number of “communication profiles”.
3. Build a telecommunication policy, which defines what each profile is allowed/required to do (Acceptable Use Policy)
4. Define processes which enforce this telecommunication policy.
5. Optimize your product portfolio with fixed and mobile operators according to the rules set above.

## BENCHMARKING & SOURCING

**FACT: Benchmarking & sourcing, when dealt with professionally, can take 30% off your current invoice**

An easy way to reduce telecom invoices is to ask your provider for improved rates at the end of the running contract. Most operators will bring down their prices with 10% without you having to push hard for it.

There are several pitfalls in this process, which you need to be aware of:

- ✓ A false sense of security: when you negotiate new rates, you need to know if they have been applied properly. In other words, a detailed invoice check after 3 months is absolutely crucial.
- ✓ Usually, your operator simply lowers the rates of the services you already have. Your operator will not pro-actively optimize your telecom set-up, especially if that means lower revenues for themselves. This means you may be paying less for a service that you don’t need in the first place.

A better way to start your RFP process is to build a proper base line. 2 questions are important:

- ✓ What do you have today (number of lines, SIMs, capacity, services, SLAs, contracts, invoices, etc.)?
- ✓ What do you need in the future?

This second question needs to be answered, not only by yourself, but by every department in your company.

Next, it is important to know what the market has to offer. By this, we mean that you have to know what to ask for, not only in terms of services, but also in terms of price.

A professional telecom sourcing consultant can help you draw up a complete, market compliant telecom RFP, which will put your operators on their toes, and which will bring you the results that you are looking for. The consultant should also be able to provide benchmarking material, against which to analyze the results of the RFP. Finally, a telecom consultant will make sure that the new contract contains all the clauses to protect you against higher prices or unmet SLAs during the course of the contract.

## REPORTING & CONTROL

**FACT: A continuous controlling process reduces undesired telecom expenses to a minimum.**

It is imperative that you keep a continuous eye on your telecom spend, once you have implemented the above actions. Money spent on unwanted telecom services is irreparably lost.

It is advisable to define, up front, the type of reports you want to see on a monthly basis, and find the tool, or company, which can provide these reports to you.

Some key reports could be:

- ✓ Monthly accounting report, which gives a detailed overview of the costs that each department/cost center/division, incurs, per type of telecom costs. This report must be a 1:1 match with your telecom invoice.
- ✓ Top x overview of heavy voice and/or data users
- ✓ Top x overview of international roamers (including the type of roaming services)
- ✓ Top x of most called destinations
- ✓ Management report for each line manager, with the spend of each of their employees (overview, not details)
- ✓ An overview of all intra-company traffic

These reports can be used to continually optimize your telecom infrastructure, both for mobile and fixed usage, as well as for fixed/mobile unification purposes.

## END-USER AWARENESS

**FACT: End user awareness takes 15 % off your telecom spend.**

It is a common fact, that most employees do not know what their personal telecom spend is. This is a serious impediment to make them adhere to telecommunication policies.

If they don't know what they spend, they cannot take decisions to spend less. They also do not feel gratitude towards their employer. And thirdly, you cannot take action against heavy users, if you don't inform them first.

A monthly automated report, detailing their mobile and fixed costs, helps end-users to understand their own expenses, thereby making them more willing to change behavior and implement self-correcting rules.

Not only will your telecom spend diminish drastically, but the employee will not feel as if you are controlling their actions and checking up on them: they are in control themselves. Data privacy will not be an issue, and job satisfaction will increase.

a. New technologies

Finally, the adoption of new technologies for your telecommunication almost always guarantees a reduction in costs, but this doesn't necessarily show in the telecom invoice, and it is always longer term.

For example, the move from traditional voice and data platforms to IP platforms with unified communications means a huge increase in company efficiency. Again, it is imperative that you follow up the implementation of new technologies at close range, to make sure your telecommunication policies and processes are adjusted and updated accordingly, and to keep an eye on the running costs of the new technology.

## A LOGICAL PROJECT PLAN

Considering the above analysis, we have defined the following steps for you to control your telecom costs:

Policy and procurement:

1. Define your current ("as-is") situation through an in depth audit
2. Define end-user profiles / develop a communication policy
3. Optimize your telecom infrastructure technologically and financially via
  - a. RFP process
  - b. Telecom consultant

Measuring results

1. Define reporting for managers and accounting departments
2. Allocate costs to correct cost centers (develop a cost allocation tool)
3. Develop an asset management tool to identify ownership
4. Arrange quarterly controls of invoiced rates and items
5. Do trend analysis of usage, costs and savings over time

Involve end-users

1. Implement reports to induce correct behavior
2. Continuous improvement of costs
3. Gap analysis of existing processes and ideas for improvement