

# MANAGER'S GUIDE TO TELECOM SAVINGS

*Saving money on telecom services represents a significant financial opportunity for most organizations particularly as the management of telecom expenses and assets is a complex and evolving discipline. This Guide shares recommendations from leading experts and analysts to help achieve those savings. To learn more about saving on telecom expenses please visit [www.temsource.com](http://www.temsource.com)*

## Telecom Savings Tips & Best Practices

"While the perception is that most telecom expense savings come from ferreting out errors on bills, the reality is that even bigger savings can be realized through more rigorous management of telecom use. Some of the biggest opportunities lie in standardizing contract management across the organization, improving telecom inventory management, and employing technologies that can help employees better track wireless use."

**Dave Zielinski, TwinCities Business**

[Unchecked Expense](#)

Seven quick-hit ways for small businesses to save significant money on telecom spend:

- 1) Pay your bills on time. Late-payment charges add up fast!
- 2) Locate phone numbers on the Internet instead of incurring directory assistance charges.
- 3) Freeze your local and long-distance choices to prevent slamming to another vendor.
- 4) Block third-party billers from cramming unwanted charges onto your bills.
- 5) Block collect, third-party and 900-number calls.
- 6) Review wireless bills for unauthorized downloads.
- 7) If your business is a tax-exempt entity, make sure it is not inappropriately charged taxes."

**Janice Baugh, BTU Consultants**

[How To Reduce Expenses And Improve Capital](#)

Five steps for managers to take to assess the health of their telecom spend:

- 1) Conduct an audit of all services. This audit should include an inventory of all contracts, including equipment maintenance contracts, lines, circuits used for voice as well as those for data, internet provider, wireless plans and all other monthly commitments.
- 2) Focus on wireless spending. This area of spending has ballooned over the last few years. With more users carrying PDAs and using text to communicate,

## CONTENTS – TELECOM SAVINGS

	Page
<b>Tips &amp; Best Practices</b>	1
<b>Contract Negotiation Tips</b>	2
<b>Quotes by Experts</b>	3
<b>Quotes by Business Managers</b>	4
<b>Examples</b>	4

there are many ways that old plans just don't fit the profile anymore.

- 3) Equipment maintenance. Many times customers will enact a maintenance agreement and then change equipment, but never go back to clean up the maintenance agreement. Look at the number of telephones that are under contract.
- 4) Contracts for monthly services. At this time, it will be particularly attractive to sign that long-term contract to reduce monthly costs. However, a five-year agreement is a risk, given the way technology changes.
- 5) New office. If this new office is a remote office or secondary location and it is in beta until proven to be a viable location, look at using your existing telephone system and a small number of IP phones controlled by your main telephone system before purchasing stand-alone equipment for this location.

**Julie Drake, InterBusiness Issues**

[Assessing Telecom Expenses](#)

Five suggested telecom savings steps and areas:

- 1) Review your wireless plans. Take a careful look, and eliminate or suspend any "zero users" in your office.
- 2) Review the rest. Look over everything: the number of lines you're using, price per minute of calling plans, the whole works. Consider running a traffic study to see whether both of those T1 lines are still needed. Look and see what can be cut.
- 3) Try to renegotiate your contracts.

4) Consider VoIP. For businesses with multiple locations or a presence overseas, voice-over Internet protocol (VoIP) is a cheap and practical option that can link offices with remote workers.

5) Consider doing business with an aggregator. If you've got a lot of different business lines and DSL and find yourself paying multiple bills, consider doing business with a telecom aggregator.

**Mary O. Foley, Inc. Technology**

[Budget Cuts? Telecom May Be a Place to Trim](#)

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## Telecom Contract Negotiation Tips

Vendor Tricks and Clauses to Avoid:

- 1) Escalating annual commitments
- 2) Discount incentives for higher commitments
- 3) Tiered discounts that lead to no discount at higher spend levels
- 4) Auto renewal clauses
- 5) Obligatory exclusivity
- 6) Exclusivity by tariff
- 7) Open ended "quasi governmental" fee pass through
- 8) Termination penalties based on pre-discount (gross) commitments
- 9) Non-contributory services
- 10) Sub commitments
- 11) Rates based on price guides
- 12) "Services not addressed by this agreement may be ordered at standard list rates"
- 13) Added language to contract amendments
- 14) During final negotiation with vendor legal department additional contract changes are made other than requested
- 15) Making verbal promises during negotiation process to get customer concession and then saying "we were not authorized to make that promise"

**Gary Eckert, Telytics**

[Secrets of Successful Telecom Contract Negotiation](#)

Critical components that should go into an SLA:

1) Performance. SLAs should specify end-to-end latency, jitter and packet loss. If the provider offers multiple QoS classes, the SLAs should be defined for each class. And SLAs should include average and maximum levels both for individual circuits and the network as a whole.

2) Provisioning. SLAs should specify average and maximum provisioning times for all types of services, including new-circuit installations, turning up VPN services, and activating calling cards and other voice services.

3) Response and repair times. Service providers should specify exactly how long it will take them to respond to trouble-tickets and requests, and how long it will take them to restore service.

4) Escalation procedures. Providing - and adhering to - detailed escalation procedures is the mark of a superior service provider. Telco managers should know exactly what will happen in the event that the above SLAs are breached, when the issue will be escalated and to whom.

Getting all this into the contract isn't always easy and often requires several rounds of negotiations.

Telecom managers should be prepared to invest the time and energy upfront. They'll be glad they did.

**Johna Till Johnson, Network World**

[Shaping an SLA](#)

The "gotchas" that often lurk in a telecoms contract can often delay the contracting process. Clauses that buyers might pass off as boilerplate terms and conditions or leave to legal to decipher in other spend areas can have a serious bottom-line impact, especially as they can exceed any rates that a buyer negotiates. One of these clauses is the Minimum Annual Revenue Commitment or the MARC. Sure, companies will get the volume discount they want if they negotiate well, but Basili says many buyers get caught by surprise when suddenly they haven't met the MARC set and those volume discounts they fought hard for don't come through.

**Maria Varmazis**

[Watch For Hidden Risks in Telecommunications Contracts](#)

Business Imperative Action Plan: Enterprises need to include fixed and mobile TEM as part of their outsourcing strategies, along with cellular, data, long-distance, Wi-Fi hotspots, dial-up and any other remote access services. Enterprises must set a list of expectations about how TEM will change the way telecom services are sourced and managed regarding key elements such as expected return, responsibilities and effect on head count.

**Phillip Redman, Gartner**

[IT Infrastructure & Operations Leaders Key Initiatives: Mobile and Remote Working](#)

## Telecom Savings Quotes by Experts

"An average of 7 to 12 percent of telecom service charges are in error."

**Aberdeen Group**  
[Unchecked Expense](#)

"Enterprises that are not auditing their telecommunications invoices are forfeiting an extra 10% or more of their network services spending to the network service providers (NSPs). Historical audits recover overpayment, identify stranded assets and increase budget efficiency."

**Al Cullen, Gartner**  
[Historical Telecom Audit Is Still a Valuable Function](#)

"A new Blackberry or Web-enabled cell phone in a salesman's hands may be great for productivity, but the telecom expenses can sure be a budget buster for a bank. Last year, Gartner reported that corporations' per-user mobile phone expenses nearly doubled to \$150 a month with the use of these devices-and that's on top of burgeoning expenses for long distance, call centers, data networks and conferencing services."

**Bank Technology News**  
[The Innovators](#)

"Buy a telecom expense-management service. It pays for itself and more."

**Gartner**  
[Gartner Recommends 20 Ways to Cut IT Costs](#)

What we are seeing is a misapplication of billing principles and practices at the carrier level. The reason I think much of it happens is not nefarious, but rather due to the complexity of the wireless and wired-line billing process. When a Qwest or Comcast sends a company a bill, it might be the result of several different billing organizations.

**Steve Creason, Metropolitan State University**  
[Unchecked Expense](#)

"To get a handle on telecom expenses, and ultimately on telecom strategy, an organization needs to assemble six areas (sourcing, procurement, invoice reconciliation, inventory management, analysis and reporting, and payment) and manage them together. Everything in the telecom lifecycle is interrelated. If you focus on just one or two areas, you'll have leakage in the other areas that will more than eat up any savings."

**Joe Basili, Aberdeen Group**  
[Roping Telecom Chaos](#)

"In most businesses, mobile devices are managed the way that laptops were ten years ago-as a kind of 'wild west' with employees at all levels either demanding laptops or buying their own when their company wouldn't supply one. Everyone expected IT to support whatever machine they had-a costly, time-consuming effort because every laptop was different. To regain control, IT gradually began standardizing on, and clearly communicating, what they would support in terms of laptops, operating systems, applications, and security."

**Nokia**  
[A Guide for Creating a Corporate Mobility Policy](#)

"Businesses may want to use telecom expense management services to analyze expenses and get the best deal, and also root out problems such as 'zero usage phones' that are no longer used but are still accruing monthly charges. That could save an organization anywhere from 10% to 35% on its telecom costs."

**Phillip Redman, Gartner**  
[Cost Cutting Trend May Hit IT Industry Like a Thunderbolt](#)

"[Telecom Expense Management] is not something that everybody is doing, but it's something that everybody should be doing. The challenge is choosing the right provider, based on your needs."

**Ralph Rodriguez, Aberdeen Group**  
[Cost Controls](#)

"Most enterprise IT shops deliver better network communications services than the business actually needs... During today's worsening recession, slashing network and telecom costs might be the key to significant costs savings without a significant impact on performance."

**Rafael Ruffolo, ComputerWorld**  
[Don't Issue That Company BlackBerry](#)

"Remote management and Telecom Expense Management will be key outsourcing tools to realize user expectations."

**Eric Goodness, Gartner**  
[Outsourcing In Uncertain Times](#)

"The carrier billing systems are just a mess, and it has only gotten worse with (carrier) consolidation."

**Kathleen Adams, Gartner**  
[Roping Telecom Chaos](#)

"You don't run a manufacturing facility without a good inventory control system or a fleet of vehicles without a preventative maintenance program, so why run a million dollar telecom asset without establishing a system to ensure you can root out costly errors or effectively manage expenses?"

# MANAGER'S GUIDE TO TELECOM SAVINGS

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Steve Lambros, Renodis  
[Unchecked Expense](#)

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## Telecom Savings Quotes by Business Users

"The problem is that because we have no [mobile device] management strategy, the IT department orders and issues the devices, but nobody really checks the bills."

**Betsy Ami, IT Director, LifeLong Medical Care**  
[Trouble Ahead: Most Companies Don't Have A Mobile Device Management Plan](#)

"When I first got involved at the start of a [telecom expense management] group for Ikon, we did not have a standard contract, we had 300-plus offices doing their own thing, we had a gamut of plans, of minutes, of everything. It was really important for us to get control of what we were paying for."

**Larry Van Etten, Ikon**  
[How to Cut Mobile Telecom Costs](#)

"We've put in VoIP for new buildings or where we needed to replace obsolete equipment, and we've seen a \$500,000 improvement in our telecom costs. The fiber WAN will drive down our telecom costs even further."

**Nicole Fontaynek, Broward County, Florida**  
[Interview: Nicole Fontayne - CIO of Broward County, Florida](#)

"When we started, we had individual cell phone users whose bills exceeded US\$1,500 per month. Now, these top spenders have reduced costs to roughly half of that monthly spending level, and are able to justify these costs, through usage during times of international travel, for example. Everyone has become more aware and users are being smarter about asset usage. The drastic change in behavior has come from the visibility and from the knowledge of the costs. The Cisco culture has shifted dramatically - previously, it wasn't considered a problem if your service costs were high. Now, it is not acceptable. Everyone knows that they can't spend excessively on any service and they know the options available to avoid that."

**Pam Lisotta, Cisco Systems**  
[Business Management Case Study: How Cisco IT Reduced Telecom Costs Through Centralized Invoice Tracking](#)

"The leverage I have is that at some point, that contract is going to come to an end, and I'm going to be more likely to switch vendors when someone is not willing to be flexible."

**Thomas Catalini, William Gallager Associates**

[IT Shops Renegotiate Contracts to Wring Savings Out Of Vendors](#)

"The result has been dramatic. The company has been able to deactivate approximately 500 unused or barely used mobile phones, it now has a near-complete inventory of all its wireless devices, and it can continuously analyze wireless device usage to ensure it is always using the most financially advantageous plan."

**Elizabeth Bennett, Baseline Magazine**  
[Wireless Expense Management: How Sodexo Reined In its Devices](#)

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## Telecom Savings Examples

"But saving money is only one aspect of TEM. Another is helping customers mine the vast amount of data that's included with their invoices. For one national retailer of office supply products, that data mining capability has made it possible to flag third-party billing scams. The telecom manager, who asked that her name and company not be published, says there has been a sharp increase in third-party billing scams. She started noticing calls that cost \$20 apiece on her telecom invoices from 10 retail locations in the New York region. These calls were made to a company called Jobs Hotline, which operates much like a 900 service. The telecom manager points out that she blocks all outgoing calls to 900-like numbers, but the problem with the phone numbers going to Jobs Hotline was that they used a standard area code and exchange. She also believes the calls were never placed from the 10 stores. In fact, about eight calls were placed back-to-back from the fax numbers at each store."

**Denise Pappalardo, Network World**  
[More Turning to Telecom Expense Tools](#)

Cisco Systems recognizes the following benefits from their Telecom Cost Management initiative: "In its first years with manually managing the invoices and initial spending reports, dramatic cost savings resulted from the identification of billing errors and changes to spending habits within the Cisco user base. The automated telecom billing solution is now well established in the U.S. and continues to trim telecom costs from quarter to quarter. Since its inception, the [Cisco] Telecom Cost Management program has delivered an overall 15 percent reduction in networking, telephony, and PC vendor services spending. Several years ago, these services accounted for more than US\$300 million in operating

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costs, and therefore the 15 percent reduction translates into millions of dollars of trimmed expenses. This savings can be considered even more dramatic when considering the technology and business changes that have taken place over the same time period: 1) Headcount has increased. 2) Major technology innovations have been introduced, including numerous improvements to the network infrastructure, the introduction of IP telephony, and the migration to a companywide mobile desktop platform. 3) The numbers of service providers has increased significantly, with many more services now offered to Cisco employees. For example, when choosing a network access solution, an employee has almost twice as many options available today compared to early days of the Telecom Cost Management program."

**Pam Lisotta, Cisco Systems**

[Business Management Case Study: How Cisco IT Reduced Telecom Costs Through Centralized Invoice Tracking](#)

"When Craig Haught signed on as VP and CIO for lithographic equipment manufacturer Cymer in June 2006, he learned the nasty truth about telecom: No one was really in charge. There was no strategy in place to ensure that costs were controlled, that

inventory was managed and-perhaps most critically for the CIO-no way that IT could develop and deploy effective strategies involving telecommunications."

**Galen Gruman, CIO**

[Roping Telecom Chaos](#)

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## Telecom Expense Management Reference Materials

The Telecom Expense Management (TEM) Resource Guide is an online source of high-quality telecom information available. Visit the guide at:

[www.temsource.com](http://www.temsource.com) :

- To learn how leading organizations are implementing TEM,
- To help you make better decisions about telecom services and spend for your organization,
- To gain access to valuable TEM best practices, and
- To save time learning about the latest trends and insights from industry experts,