

White Paper

# **Telecommunications Expense Management Services: Assurance, Savings & Business Excellence**

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*Establishing a competitive edge with telecom consulting  
services*



## Synopsis

Management's process for evaluating the cost benefit of engaging external consulting services can be cumbersome. Time constraints, limited resources and business priorities can challenge the notion that external assistance or advice is truly value add. An organization's portfolio of communications services is a key component of the business. Telecommunications is usually among the top five line item expenses for businesses. However, businesses are often reluctant to engage an outside process to tackle these services with the objective of network/design optimization, regular variance reporting and overall cost reduction, instead relying on vendor assistance or the status-quo.

An independent, professional telecom consultant can help businesses reduce their communication and technology expenses without compromising on service quality.

A knowledgeable consultant can provide valuable insight into the application of technology and policy to improve the effectiveness of the organization, while off-loading the management of the telecom network and expenses, resulting in both monetary and operational benefit to the organization.

An effective Telecom Expense Management process enables managers to forecast, rationalize and justify telecom spend to key stakeholders and leadership teams.

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Unfortunately, most managers responsible for an enterprise's telecom systems perceive hiring an external consultant as an extra cost rather than a focused effort that will improve the bottom line.

They perceive an extensive drain on their time and the need to allocate internal resources when both are fully occupied with more crucial business, as well as the perception that the process will highlight issues and gaps which will cast doubt on their managerial and decision-making abilities.

*Above all, the general perception is that external consultancy services are fault-finding exercises at best or time-draining, unproductive and a strain on budgets which are already stretched to the limits.*

The objective of this white paper is to allay these concerns and demonstrate how a telecom consultant can help business managers look beyond cost savings and incorporate cutting-edge telecom technology systems and tools to achieve and sustain a long-term competitive advantage in the market.

## 1. Introduction

### 1.1 Background

Cost optimization is one of the key mantras for running a successful commercial enterprise, irrespective of market, industry, size and location. Increased global connectivity and the necessity of maintaining a competitive edge by expansion, diversification or other strategic methods, also means that communication costs are now among the top five costs for most companies. Another inescapable fact is that a majority of companies use different service providers for different means of communication, even to the extent of utilizing multiple network/service providers in multiple locations, both domestic and international.

Multiple communication services and the dependence on paper-based invoicing lead to cursory checks of invoice totals and release of payments. One basic and inescapable fact is that telecom bills – single-line or bulk billing – are frequently in error and without a thorough scrutiny; these errors are

easy to miss. At a conservative estimate, around 7-12% of all telecom bills are in error, showing up with charges in excess of actual usage, or billing for services not utilized by customers.

Modern-day companies operate under enormous pressures focused on trimming costs to the barest minimum on one hand. On the other, the lack of time and adequate personnel to monitor and track telecom expenses proactively means that not only are companies losing substantial amounts of money, but also that they may not be aware of these losses or realize the potential gains of having a Telecom Expense Management (TEM) process in place.

A professional and independent telecom consultant can help you:

1. Pinpoint expense leakages in the existing telecom framework
2. Recommend measures to plug leakages and devise strategies which enable your organization to optimize and integrate the entire telecom and technology framework
3. Negotiate better rates with service providers
4. Adopt the latest communications technology, while maintaining expenditures at acceptable levels
5. Build and preserve a competitive advantage without forfeiting innovative business practices and organizational excellence
6. Provide ongoing verification of savings through regular analysis and reporting

## 1.2 TEM Services

A TEM services package involves focused telecom consulting and optimization, with the underlying theme of consolidated, proactive and cost-effective telecom expense and usage management. A standard full-service consultation package includes analysis of existing inventory, billing accuracy, contract review and vendor management.

Additionally, it involves the assessment of telecom technology needs and the design, implementation and continued evaluation of a comprehensive telecom management framework, tailored to suit the specific needs of your business.

Telecom consultants and providers of managed TEM services work independently of any telecom vendors or service providers, i.e. their only principal is the company/business hiring their expertise.

The core twin objectives are: (a) realizing immediate cost savings; and (b) partnering with clients in working out a suitable and optimized telecom and technology infrastructure for future, long-term use and rationalized return-on-investment (ROI).

## 1.3 Telecom & Technology Challenges in the 21<sup>st</sup> Century

Remaining competitive in today's dynamic business environment requires aggressive expense management processes across the entire organization. In many organizations, telecom costs rank among the top five expense. Balancing the cost/benefit equation in this environment requires detailed knowledge of the technology, its application, and the shifting vendor cost structures.

The rapid growth of technology and increased global connectivity has created new procedural and operational conundrums for management:

- Diversified/distributed workforces functioning in different markets/locations
- The necessity for telecommuting and/or mobile personnel
- Migrating and integrating multiple business operations on to a unified infrastructure platform, while forecasting and planning for future needs and anticipating new risks and challenges

The major problems faced by companies in controlling and managing telecom expenses are threefold:

1. A majority of telecom invoices are still issued in paper format and a substantial number of companies receive invoices from multiple providers covering a range of billing periods.
2. Billing, payments and provisioning are managed separately across multiple offices and locations, with billing often based on individual user, service or network features.
3. Telecom expense and infrastructure management is decentralized and reactive.

Decentralization of telecom sourcing, spending and payouts leads to the inability of companies to maintain control of expenses as well as their inventory of devices and networks. Gaps in financial and accounting compliance can also result. Inaccurate billing results in unnecessary expenses due to invoicing for underutilized services and duplication of services for employees who have moved out of the organization or have been transferred to other locations.

Decentralization also increases telecom costs for several reasons: Since service and usage plans are frequently provisioned on an individual basis, there is little or no control of purchasing and a lack of monitoring of service contracts; there is no benefit from volume purchasing and rate negotiations; delayed payments result in extra fees and penalty charges; and additional staff resources in each cost center are required to manually record, track and manage expenditures, duplicating costs. All of the above gaps can lead to 20%-30% higher telecom costs – money which can be used elsewhere for more profitable endeavors.

## ***2. ABILITA Telecom Expense Management Services***

### ***2.1 Service Description***

The consulting and TEM services package offered by ABILITA works on a simple, dual-stage premise:

1. A complete audit of the existing telecom infrastructure, covering contract reviews, expenditure over the previous period, billing errors, pricing and redundant/expired service plans
2. Detailed recommendations on consolidation and management of the entire TEM cycle, immediate cost savings through credits and recovery of excess or erroneous payments, rationalization and optimization of telecom and technology usage and spending and planning for future telecom/technology infrastructure



Figure 1: Managed TEM Process

At each of the two stages mentioned above, immediate, quantifiable benefits are visible, more than offsetting the amount spent on hiring an independent consultant such as ABILITA. Part of this is due to the flexibility and freedom provided by ABILITA's pricing system for services rendered (explored in section 2.3). Another part is that the TEM solutions recommended and/or implemented by ABILITA are neutral and independent of the network/service provider; the benefits derived and the consulting focus are solely directed towards the client company.

## 2.2 Benefits & Savings

ABILITA has a proven track record in assisting enterprise clients track, optimize and facilitate proactive management of the entire spectrum of telecommunication services and technology infrastructure. For our clients, this has resulted in monetary and non-monetary benefits, often transforming from a telecom-focused engagement to a strategic consulting partnership, focused on People, Process and Technology.

### Overall Benefits

- Effective management of procurement and billing
- Accurate voice, data and network inventory
- Optimized network pricing and performance through proactive reporting
- Ready availability of data to negotiate competitive rates with carriers and service providers
- Increased staff time available for productive business activities
- Validation of enterprise processes and invoices with periodic audits
- An effective plan for future technology investments that are supported with realistic cost/benefit analyses designed to win senior leadership approval

### 2.3 Pricing/Fee Structure

When faced with the proposition of hiring an external consultant/firm, most companies balk at the prospect, seeing this as an additional cost to already-stretched budgets, not to mention the additional man-hours and resources diverted from critical business operations, preferring to continue with the status quo or postpone the decision to a future uncertain date.

ABILITA's fee structure is a simple solution to these concerns, at least in terms of monetary costs. The pricing structure is based on two possible scenarios:

One, the customer hires ABILITA to carry out a historical audit and present findings for which regular hourly or project fees are payable;

OR

Two, ABILITA conducts a thorough audit, presents findings and submits recommendations/solutions, which the client may accept and engage ABILITA for implementation. In this situation, ABILITA works on a contingency fee basis, i.e. payment as a percentage of actual realized savings.

As a prospective client, it is entirely up to you (the company) to choose one of the above two options, suitable to requirements. Additionally, ABILITA is not associated with any carrier or service provider and does not make preferential recommendations about choosing one service provider over the other. The consultant will, of course, assist the client company with choosing the best and optimal service packages from the entire range available in the market.

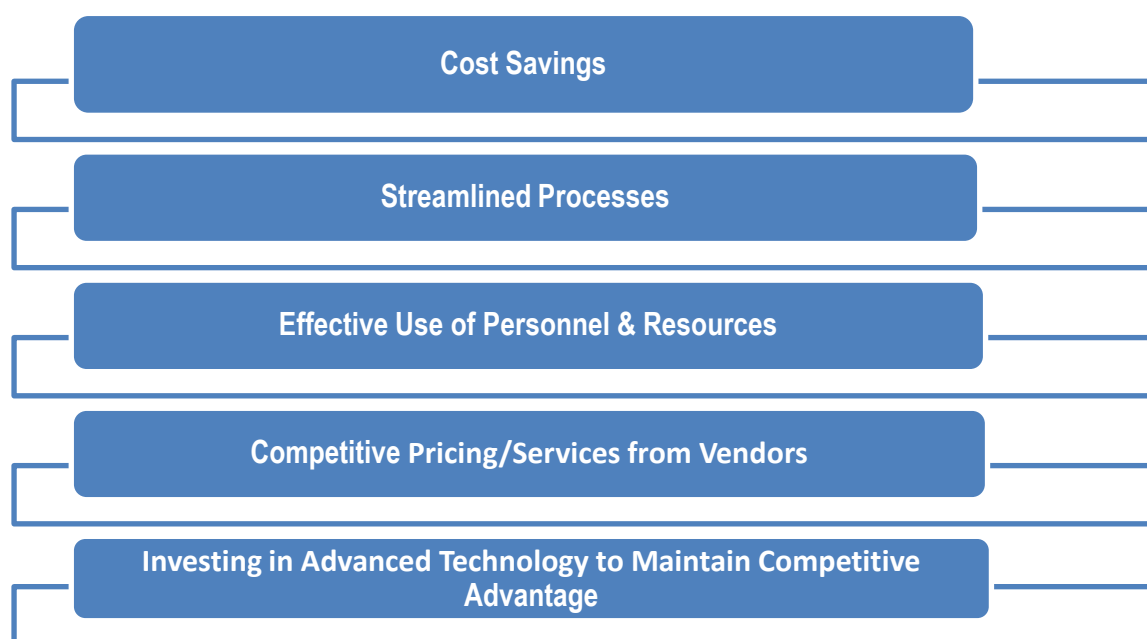


Figure 2: Benefits from Managed TEM Services

### 3. Management Bias & Perceptions about Telecom Consulting & TEM Services

#### 3.1 Common Concerns & Objections

A general perception in the business world, and indeed, elsewhere, is that hiring an independent consultant for projects is an additional burden on existing resources and time and the end-results are not always obvious or even quantifiable to justify the time and resources allocated.

The perception about outsourced TEM services is somewhat similar; common concerns and objections to hiring a telecom consultant and adopting a new system to rationalize costs and optimize telecom infrastructure and usage stem from the following reasons:

- Satisfaction with the current status quo – existing vendors, contracts and processes
- Additional time and cost of reviewing and changing the current system
- The project can be managed internally, realizing cost savings without bringing in an external resource and paying for their services
- The company is already carrying out an audit of telecom expenses or has done one in the past and there is no need to ‘reinvent the wheel’
- An independent telecom consultant may recommend changing telecom vendors, but current contractual obligations prevent the company from implementing such changes.
- Recent contracts executed with new or incumbent provider.

Rejecting the engagement of an outside consultant based upon these reasons, represent what many might classify as an irrational fear of change, and is one side of the coin. On the other side, prospective clients are open to hiring the consultant and implementing the project, but certain factors impede the conversion of initial enthusiasm into a solid decision to go ahead with the exercise. These include, but are not limited to:

- Putting off the final decision-making due to a shift in focus to the day-to-day challenges of running a business, other priorities with more immediate value than a TEM project
- Concerns about the time required to be spent on the project where there is none to spare: the business can manage without the additional amount of potential savings, rather than adding yet another responsibility to the already-existing overload
- Psychological issues, e.g. ‘fear’ of being found wanting or derelict in their work, when revenue leakages are identified during the audit project; the perception that “bigger (or more-expensive) is better” and there’s no value in switching to another service provider; and the mistaken belief that the consultant’s job can be managed internally and more money can be saved by not having to pay an external party
- Concerns about telecom consultants being paid to promote a particular vendor, carrier or service provider, or that consultants will follow their own agenda and sacrifice the client’s interests for their own.

All of these issues are valid and certainly merit rational consideration. The underlying theme seems to be an emphasis on individual elements and no focus on the ‘big picture’, which is [\*gaining substantial cost benefits, while ensuring that the organization follows a revamped and forward-looking telecom/technology policy as opposed to the current piece-meal strategy.\*](#)

**If your organization is not  
executing on an active strategy to  
lower costs, then almost certainly  
an opportunity to reduce costs exists.**

This is addressed in the following section.

### 3.2 Rationale for Independent Consulting & TEM Services

***“We do not need or cannot adopt outsourced TEM consulting and services, because: we’re happy with the status quo: current vendor/we do not have the required time, money or resources/ we are restricted by contractual obligations.”***

Here are some points to ponder, pertaining to hiring an independent, well-established and reputable telecom consultant (such as ABILITA) and implementing a managed TEM system. According to a Gartner Inc. research report<sup>1</sup>, not conducting a historical telecom audit—as a standalone activity or as part of a bundled TEM solution—means losing at least 10%, if not more, of a telecom budget to network providers on an annual basis. Further, the research summary<sup>2</sup> states:

*“Enterprises are challenged with the auditing of their telecommunications invoices (paper and electronic) and reconciling network inventories. The challenge is due to the lack of resources and staff understanding of telecommunication services terms and conditions and of billing formats. The result has been overpayments, stranded assets and the inability to effectively manage the telecom expenditures. Implementing a historical audit through a consulting arrangement will identify discrepancies, identify stranded assets and recover the overpayments.”*

The following sub-sections further illustrate this summary.

#### 3.2.1 Contract, Billing, Fraud & Missed Disconnect Errors

No matter how good, affordable and service-oriented a vendor is, the fact remains that vendor representatives are paid to increase revenues for their employers and cannot, or are unwilling to, validate inventory or carry out a rationalization/optimization exercise.

A DIY approach, i.e. reviewing Terms & Conditions (including the fine print!) and monthly billing invoices from multiple vendors (for LAN/WAN, voice, wireless, VoIP and more) or even a single vendor offering multiple services, most of which are still paper-based, is a time-consuming, laborious and frankly, monotonous exercise. Most organizations do not have the time or resources to spare and are frequently willing to let the current status quo prevail.

An independent telecom consultant works for you, with the core objective of helping you assess current telecom expenditures and to identify cost savings. Achieving this objective does not necessarily imply changing vendors or altering the relationship equation with your current provider(s).

Additionally, telecom services providers are themselves part of a dynamic and competitive market, who need to retain existing enterprise clients in an environment where carrier turmoil and network consolidation is a common occurrence.

##### 3.2.1a Benefits

- Contracts: ABILITA’s TEM process validates invoices against contract T&Cs and provides:
  - (a) Corporate discounts on meeting pre-guaranteed annual minimum revenue numbers;
  - (b) Reversals of charges for erroneously-recorded delayed payments;
  - (c) Refunds of excess payments made due to wrong rate plans being applied; and
  - (d) Credits for carrier failures to meet agreed SLAs and service quality standards.

<sup>1</sup> Cullen, A., *Historical Telecom Audit Is Still a Valuable Function*, July 10, 2008, Gartner Research, p.1

<sup>2</sup> Ibid., p.2

“Enterprises forfeit 12% to 18% if they do not have a proactive approach to cost management that leverages technology and process improvement through business process outsourcing, hosted or licensed software” (Aberdeen).

- Billing: TEM systems help in matching billed service charges with data recorded in a master TEM database and identifying:
  - (a) Closed accounts of employees who’ve left the organization;
  - (b) Wrong locations or previous locations which are no longer operable and notice of the same has been provided to the service provider;
  - (c) Transferred toll-free numbers;
  - (d) Erroneous long-distance charges; and
  - (e) Other and miscellaneous charges for inactive, unutilized or cancelled features.

Billing-related costs can be saved with the ABILITA system.

- Fraud: Manual audits or even sample checks made by your account team cannot trace and identify fraudulent/ unauthorized usage of telecom facilities, such as reimbursements claimed for personal usage, overseas calls where such access is not permitted or approved by the company for a particular number or account.

Fraud continues to exist in the telecom environment and can result in substantial costs which are easier to trace and pinpoint with an effective TEM process.

- Missed Disconnects: These include expenses arising out of M&A activities, such as the integration of telecom infrastructure of new or acquired entities with the existing infrastructure of the parent/holding entity, leading to:
  - (a) Bills from service providers whose services have been discontinued;
  - (b) Charges for Internet access not cancelled by the service provider when the line/account was cancelled;
  - (c) Charges for sites no longer in operation post the merger/acquisition; and
  - (d) Bills for cell phones used by former employees.

### 3.3 Barriers to Proactive Decision-making on Managed TEM Services

***“We would like to implement a TEM solution, but: we don’t have the time or resources to spare/we can do it on our own, saving on consultancy fees/we’re afraid that gaps exposed by the initial audit will reflect poorly on us or past decisions/policy approving expensive and unnecessary services will come back to haunt us.”***

Often, telecom managers or executives with decision-making authority are gung ho about adopting an automated TEM package and the prospect of significant cost savings excites them. However, this initial enthusiasm dims with day-to-day work pressures, lots of second-guessing or a growing conviction that the entire exercise can be self-managed, saving the outlay on consulting fees, even if they’re on a contingency basis.

This category of prospective clients differs from the previous one discussed above, in the sense that while they see the value of utilizing an external consultant to implement and manage the optimization project, fear or other psychological barriers prevent them from taking the final step. Alternatively they decide on a DIY approach, which results in additional complications and leads to prospective

savings not being actually realized or realized at a diminished level, well below the level of benefits, had a consultant such as ABILITA been hired as per the initial buy-in.

Reiterating the arguments and explanations listed in the previous section, only an exclusive, dedicated resource with the relevant experience and expertise can facilitate the smooth transition from a complicated, decentralized and largely manual process, into a centralized, automated and optimized telecom management system; the benefits of which are tangible, immediate as well as self-sustaining in the long run, with periodic checks and balances.

To substantiate, listed below are actual benefits realized by ABILITA's clients across multiple industries, locations and company sizes, along with some sample cases (included in the Appendixes).

- An average of 30 percent savings across hundreds of TEM optimization projects, e.g. with an annual telecom spend of \$10,000 for voice services, an immediate recovery of \$3,000! Extending this illustration to additional telecom services such as data, cellular, wireless networks, multiple devices, users and locations, the realized savings are huge and have a significant, positive impact on the bottom-line.
- Continued expense scrutiny and reporting over a 24 month period providing a proactive validation of billing and usage patterns.
- Increased efficiency in internal accounting and reconciliation procedures with customized reports generated automatically or as per periodic requirements.

### 3.3.1 Why ABILITA's TEM Services

1. ABILITA is completely independent of service providers, equipment vendors, and all other industry participants
2. Abilita takes no commissions, kickbacks, or agents' fees
3. Abilita works only for the clients' best interests, finding the best possible combination of services and costs –providing truly independent communication and technology solutions expertise.

## 4. Conclusion

ABILITA Telecom Expense Management Services is a powerful end-to-end solution that shows immediate savings and benefits across the enterprise...

1. You'll gain the visibility and control needed to optimize the price/performance of your voice, data and wireless infrastructure
2. You'll be able to refocus staff and increase accuracy as you automate invoice analysis and auditing
3. You'll be able to reap the rewards of new and exciting technology through business-intelligent analytics.

With ABILITA's TEM service, you won't just enjoy a reduction in annual telecom costs; you'll be able to thrust your company ahead of the competition.

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## Appendixes

### Case Studies

#### *Midwest Based Manufacturing Company*

This company headquartered in Chicago has one main location and two satellite locations. It employs about 400 people and their combined voice, data, wireless and long distance spend was about \$325,000 year. Abilita completed a cost optimization study and delivered recommendations that were implemented saving the organization over \$115,000 a year.

- Lowered the cost per mobile device by 30%
- Structured a renewal agreement with the incumbent carrier providing a 36% discount.
- Provide ongoing quarterly analysis and reporting on spend, savings received and new opportunities to lower costs
- Provide a single point of contact for telecom vendor related issues.

#### *International Distribution (MRO) Company*

This company headquartered in the southeastern US operates 350 branches located in North America, Europe and Asia. It employs over 20,000 people and offers industrial MRO safety and electrical products and services. Their voice, data and wireless network spend in North America was \$5.5 Million per annum. ABILITA was retained over a 3-year period to:

- Perform detailed reviews of technical and commercial proposals for MPLS, frame relay, router rental and management
- Review their ATM Metro network and provided recommendations to improve resiliency of the network

Deliverables included:

- Working closely with the Tier 1 engineers to refine proposals
- Optimizing the data network and router services
- Intensive negotiation at the VP level for total service package.
- Saving \$3 Million over a 2.5 year contract

#### *A Mortgage and Loan Foreclosure Services Company*

Initially ABILITA was engaged to perform an audit of the Company's data services and make recommendations to optimize them. ABILITA's recommendations included significant cost reductions and the need for the Company to standardize its data services into a strategic platform that would accommodate forecasted growth.

As a result the Company retained ABILITA to perform a Technology Review and develop a technology plan that would help the company prepare its technology infrastructure to accommodate its growth expectations. The review included:

- Existing phone systems
- Wide Area Network performance, Local Area Network performance, data center infrastructure
- Security policies and Disaster Recovery protocols
- Current and future needs assessment based on user group interviews
- A review of the Company's Strategic Plan and objectives

Subsequent to the completion of the Technology Review, the company requested ABILITA's assistance with:

- A network and security assessment so that it could enhance the performance of its network.
- Managing the design and build of a new 5,000 square foot data center
- Managing the transition of voice and data services from the old location to the new location
- Managing the telephone equipment move from the old location to the new location
- Local area network design at the new location

In addition, the Company introduced ABILITA to its parent company and ABILITA has completed engagements for the parent company.

#### *A Midwestern Regional Bank*

The engagement with this regional bank (80 branches) was an all data project. ABILITA managed the entire RFP process for the client and advised them in the signing of a \$5 million data services contract. ABILITA designed a resilient network that allowed the Bank to support current applications while providing a solid foundation for their future network growth. Tasks included:

- Review and analysis of the client's existing data network infrastructure
- Recommendations on decreasing network complexity
- Eliminating single points of failure
- Determining the number and types of connections used and the recovery methods employed
- For the head office connectivity, key options were considered and recommendations made with regard to MLPP vs. CEF, Tasman router vs. direct to Cisco router, Single v. dual homing gateways and Single vs. dual CPR router.
- IPSEC Implementation across geographically diverse PoPs and gateways
- Routing of circuits across diverse SONET multiplexers and fibers to ensure shared infrastructure on the transmission layer is not replicated at the IP layer.
- Site resilience and Route diversity
- Designed a network without bottlenecks or choke points.

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