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Telecom Risk Management: How can we reduce Telecom cost?

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Telecom Risk Management – How can we reduce telecom cost?

Why telecom rates in a down economy are not always the most important factor.

In today's competitive landscape companies are reviewing telecom vendor relationships and negotiating new and improved voice and data telecommunications contracts. Wireless services are adding to the complexity of managing both telecom assets and costs. This dynamic landscape is a good time to evaluate telecom risk and cost management strategies. In evaluating a telecom arrangement experts note that price is only 40% of the equation. The contractual terms and conditions customized to your specific business is 60% of what make a good deal.

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The guiding principle here is to focus on terms and conditions that are clear, actionable and fair to the business. Having actionable business provisions in your telecom agreement is essential. Provisions that cover business downturn, rate review triggers and technology migration are three essential clauses every agreement should include.

Actionable is not defined as a generic statement that the "carrier and customer will meet periodically to discuss service options". Rather, actionable is an agreement that the carrier and customer will activate a specific service or trigger a contractual billing modification when a defined change or event occurs. Too often consultants are pulled in simply to mediate disputes between a client and their carrier because the business terms and conditions are not clearly defined and the final decision is at the discretion of the carrier. The next time a carrier account rep says to you that this is the best he/she can do, consider the value of an independent second opinion.

To be clear, the focus of this discussion is on core business service levels, probable market place events and agreed renegotiation triggers. It is wise to have the attorneys to review the legal risk and standard contractual terms and conditions based on your business model.

The economy will cycle up and down, but a good agreement will minimize your risk regardless of where your business is in that cycle.

Who owns voice?

Voice technology is undergoing fundamental changes in several areas driven by the migration of voice delivery from TDM switches to VOIP servers. Telecom managers work long hours behind the scene to keep an enterprise's dial tone forever available. Anytime workers picked up the handset and do not hear dial tone they immediately contact the telecom group because telephone access is often mission critical to their work.

The changing technology, TDM Switch to VOIP servers, is driving a change in the ownership of service delivery. Because voice technology is migrating to a server based solution, voice delivery is now generally the responsibility of the IT department that manages enterprise data servers. The mantra is "a server is a server", right?

The key message here is that as you move from a traditional telecom shop to an IT supported delivery model with VOIP, an organization should continuously updated and modify their service levels to ensure internal and external customer service and delivery.

"Seven out of ten telephone invoices have errors" ----- Correct them and next month pull the same ten, what will you find?

Did you ever look at your residential phone bill? It is confusing and many think it was constructed to be that way. Sit down sometime and try to calculate the charges and see what you get. Now imagine a firm or corporation with several locations, all receiving "Local Exchange" invoices. A great deal of time is required to analyze and validate these charges for payment.

Business customers are provided with invoices with multiple billing categories, line charges, usage charges, plan usage, long distance, third party and of course fees and taxes. Because of the time required to verify all the charges, most customers simply pay the bill and life goes on. If your staff does not know and understand the providers' billing systems then you can easily approve more than contractually required.

When an organization does make the investment to review and correct their telecom billing, often the next month there will be a new set of issues and circumstances that will result in additional errors.

There are several better practices to manage the risk of excessive telecom billings. First, it is important to have procedures in place to address billing changes that may result in an error versus appropriate contractual charges. Second, there are proven technology based solutions in the market that will allow the customer to gain and maintain control of these costs. These solutions vary and selecting and implementing the right one for your organization with the corresponding business process changes is critical. In addition, training and technical expertise are important to managing telecom cost. An organization needs knowledgeable staff that can recognize and promptly resolve billing issues.

"Wireless service assets and costs are the most difficult to control"

Seven actions that can reduce wireless telecom costs today.

Wireless service started as a retail offering but no one in business today would suggest that it is not a factor in business expense control.

What once was looked upon as a discretionary luxury is now a mainstream business asset. Like any other business asset, wireless devices and service must be safeguarded. Without formal governance, policies and procedures it is very challenging to cost effectively manage the assets.

Wireless is about to cross another threshold in business now that the Internal Revenue Service has identified wireless services supplied by companies to employees as an employee benefit.

There are seven actions you will want to consider moving forward:

1. Develop an accurate inventory of who has wireless service that is either supplied by or is expense reimbursed by your company and what each received in the current year. You will need this when the IRS finalizes the taxing guidelines.
2. Break out wireless cost management as a specific responsibility of management. For many organizations it is a strategic technology.
3. Develop a strong policy regarding wireless use and requirements. This can both cut your expense and reduce risk to the company brand.
4. Review current expenses practices. Expense management for wireless services is more complicated than with wire line services. There is a clear benefit to organizations that manage telecom costs with strong vendor management and expense control processes. It is a best practice to review employee use and reimbursement practices early and often.
5. Consider implementing an ongoing cost management system for wireless expenditures. The average ongoing savings under a managed system ranges from 12% to 18% monthly.
6. If you do not have appropriate internal expertise, consider using outside resources to quickly develop the business case justification, identify cost saving opportunities and develop ongoing monitoring processes.
7. Telecom infrastructure is an asset and as such requires a governance approach, including a periodic audit, to maximize your return on the investment. Better practices dictates that companies spending as little as 10% of their expense budget on telecommunication services should include the telecom department in their annual audit program. At a minimum an audit of telecommunications should consider:
    - Business Alignment
    - Financial Risk
    - Capacity Planning and Monitoring
    - Security Controls and Review Processes
    - Business Continuity Planning
    - Supplier Capabilities

Conclusion

In a rapidly growing business or an organization that is dealing with change on a number of fronts the day to day challenges of running a successful organization often leave little time to for management to focus on the strategic processes that are needed to take an organization to the next level.

With a clear focus on and accountability for the risks and cost of telecom services, organizations will be better prepared to manage risk, will free up working capital for future growth and will build sustainable long term processes that will grow and evolve with the organization.

About Safire

Many consulting firms focus on providing you with templates, tools, and reports instructing you on how to improve your business bottom-line. With an army of professionals billing you to tell you what you already know, those outputs may not translate into real management outcomes that you want.

- We know you want to grow your business.
- We know you want to manage your risk.
- We know you want to innovate and beat your competition.

We know, because our team has decades of experience helping organizations meet demanding goals. We will be there asking the right questions and doing the work that translates into bottom line results. We are Safire Solutions.

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