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SPECIAL FOCUS
TELECOMMUNICATIONS & WIRELESS

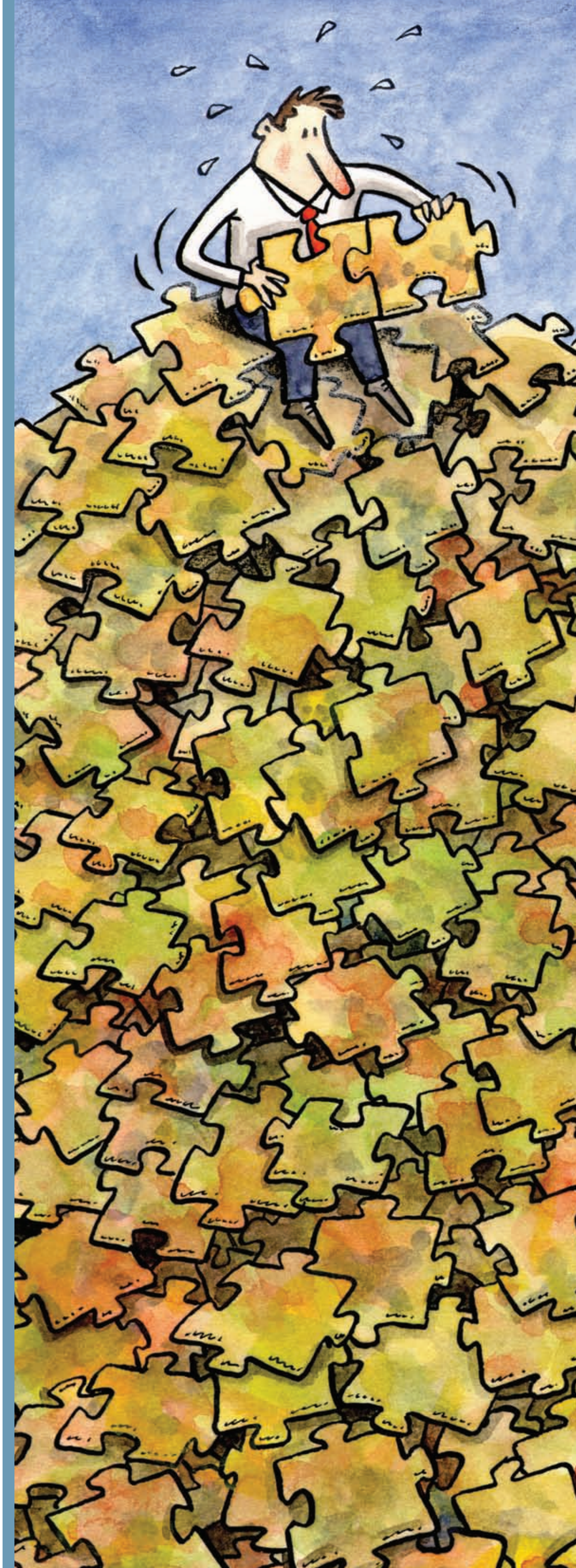
UNCHECKED EXPENSE

COMPANIES ARE CALLING IN OUTSIDE HELP TO REIN IN RUNAWAY TELECOM EXPENSES.

BY DAVE ZIELINSKI

If you want an indicator of the challenges facing organizations in managing their mushrooming telecom expenses, look no further than the evolution of Nita Singh's company, American Business Communication, Inc. (ABC), in Maple Grove. Founded by Singh in 1990 to help companies root out errors in their phone bills, ABC's services now include negotiating cell phone contracts for clients, consulting on inventory management issues, and helping organizations create processes that rein in runaway wireless and wired-line telecommunication costs.

ABC's growth reflects the increased complexity of a telecommunications billing environment that now features the convergence of voice and data services and other hard-to-track wireless spending. Telecommunications has become a top-five line-item budgetary expense for many companies, placing it firmly in the crosshairs of chief financial officers. "I think our company's continued existence speaks to the state of the problem," Singh says. "We find about 90 percent of the telecom invoices we audit have some form of billing mistake, and that we can on average save clients 25 percent on telecom billings through our auditing work."



TRACKING BILLING ERRORS

The Aberdeen Group, a telecommunications research company in Boston, estimates that an average of 7 to 12 percent of telecom service charges are in error, a figure that many local telecommunication expense management experts consider conservative. Why these errors happen is a source of hot debate. Some attribute the problem to telecom carriers' poorly designed billing systems, while others believe carriers could do far more to control inflated costs through increased standardization and automation of their procurement and billing practices.

Sheer volume and complexity of today's billing practices play a role as well. A large enterprise with multiple locations can be running many hundreds of phone lines, DSL, cable, or T1 connections, as well as have many thousands of cell phones, PDAs, laptops, and other mobile devices with voice, data, and networking access.

Factor in scores of vendors in the many different locations serving those communication needs, as well as the recent merger and acquisition activity among major telecom players, and the potential for billing *faux pas* runs high. It's no wonder businesses have trouble keeping their telecom bills in check: According to the Aberdeen Group, the typical Fortune 500 company receives 15,000 telecom invoices annually, and some 70 percent of all IT managers don't have accurate inventories of their telecom equipment or wireless plans.

"What we are seeing is a misapplication of billing principles and practices at the carrier level," says Steve Creason, an assistant professor at Metropolitan State University and a former consultant in the telecommunications practice at Accenture, a management consulting and technology services company in Minneapolis. "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." It can be difficult for users of mobile devices like cell phones, which are based on permitted usage rates, to track their minutes, and in other cases, bills sent to customers from large carriers might reflect what the carrier is being charged for services rendered to customers by third-party providers. "When a Qwest or Comcast sends a company a bill, it might be the result of several different billing organizations," Creason says.

Singh's company was recently hired to do a perfunctory billing audit for a large, Twin Cities–based company with about 10,000 locations. Three months later, her company had unearthed close to $1 million dollars in billing errors. "These were problems flying under the radar, like lines that the company was being billed for that were no longer in use, or locations that had been shut down and were still being billed for telecom services," Singh says.

A local telecom expense management consultant who wishes to remain anonymous offers another example that he says isn't an anomaly. A California company hired him to help negotiate a new cell phone contract for the purchase of 5,000 phones. The advertised price of the phones was $99, but the consultant was able to negotiate a volume price of 99 cents per phone. But when the bill arrived, the organization had been charged $99 for each phone by the cell phone company. "So we had to manually go in and review all of the billing, then have the appropriate credit placed on the bills so it was allocated properly," he says.

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.

Most of the clients of Renodis, a telecommunications expense management firm in St. Paul, are large organizations with multiple locations that spend a minimum of $25,000 per month on telecom expenses. "In many organizations, telecom is one of the top five expenses, and if we can save them 20 to 30 percent on their bills, that is substantive," says Steve Lambros, president of the company.

He says Renodis was able to save one local law firm about $86,000 on its $3,332,000 annual telecom bill by applying control measures such as standardizing contracts with vendors and improving telecom inventory management. Renodis lumps typical savings from its billing audits into three categories: waste (unused telecom services or features), credits (corrections for misbillings), and pricing improvements (paying non-market rates.)

Lambros says conducting an audit pays the biggest dividends after a company adds new telecom services. "For any large organization with multiple locations, getting the telecom bill to match what was contracted for is a real challenge out of the gate, and can be a problem in 50 percent of the cases," he says. "Telecom environments are not static in large enterprises. New services are frequently added or discontinued, and when there is change, there is greater opportunity for error. Most people have problems with their telecom billing because they didn't get it right in the first place."

Singh believes that inventory management has emerged as a major issue for companies seeking to get a better handle on telecom expenditures. "You would be surprised how often [it happens] in companies that when employees need a phone line, they just order it on their own without any centralized oversight or procurement," she says.

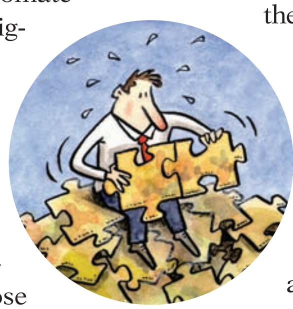
AROUND THE CLOCK WIRELESS

Wireless costs are one of the fastest growing expenses for organizations, and as managers plan for increasing use of personal digital assistants (PDAs), smartphones, and other mobile devices that enable wireless data and voice access from the field, those costs are likely to keep rising.

One of the best ways to harness those burgeoning costs, experts say, is to create well-documented corporate policies for wireless use. Formal plans help track inventory (cell phones and service plans), personnel status (how many people are using devices and which plans they use), job function, usage, and costs, resulting in more employees contacting carriers when they leave a company.

Non-standardized purchasing and contract management can lead to a greater number of rate plans and widely varying contract terms; managers, for example, might get their employees new cell phones for free by signing them up for a provider's two-year plan. But that often means paying a lot of unneeded activation fees and carrying plenty of unused wireless accounts. An Aberdeen study says that "best in class" companies—those most adept at managing their wireless expenses—cut their costs by reducing the number of mobile devices, service plans, and carriers that they manage. Most also automate invoice processing and have rigorous processes for invoice approval and bill payment.

When Singh's company, ABC, was asked to audit the wireless bills of a large local company with over 5,000 cell phones in its inventory, it discovered that 2,000 of those phones were no longer in regular use. The unused services were quickly disconnected and Singh helped the company get a retroactive credit for the time phones were being billed but not used.



She says client companies won't often challenge carriers in such situations owing to a sense of guilt or shame. But she has no hesitation to play the "bad guy" in dealing with carriers. "Companies often think they took their eye off the ball for allowing a misbilling situation to happen, and they often give in," she says. "But we function as the client's advocate and will fight carriers tooth and nail if they're in the wrong."

New technologies also have made it easier for companies to track and trim their burgeoning wireless expenses. A tool called Minute Traq from Tangoe, Inc., a telecom expense management software company in Connecticuit, for example, provides real time tracking that sends alerts to cell phone subscribers when they are nearing their set monthly minutes of use. Subscribers receive either a text message or e-mail when they reach that threshold of usage.

TOWARD PROCESS IMPROVEMENT

For the billing quandary to improve, experts say, both telecom carriers and companies need to take greater responsibility for creating change. One telecom management consultant believes carriers and vendors first need to take a hard look at their billing practices. If large retailers or grocery stores with thousands of product SKUs can develop billing systems that create relatively few errors when customers check out, he says, telecom providers should be able to match that performance. "The billing challenge in other industries is far more complex than the handful of items you see on your phone bill, yet many carriers can't seem to accurately bill for their services," he says.

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For their part, organizations should create the same kind of telecom expense controls they do for other parts of the enterprise, Lambros believes. "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?" he asks.

Change happens in baby steps, and simply paying closer attention to your monthly telecom bills is a good way to start trimming costs. "I would say it's a good practice to audit your telecom services regularly, if for no other reason than to understand if you are getting a good deal," Creason says. "I think you are negligent if you're not auditing your bills every month, particularly at a large enterprise." **TCB**

Dave Zielinski is a freelance writer based in Burnsville.

Runaway Telecom Bill?

Have you ever audited your telecom expenses? Take our poll at

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