Slashing Telecom Expenses in a Looming Recession

June 2008

Aberdeen Group
A Harte-Hanks Company

Executive Summary

This study on Telecom Lifecycle Management (TLM) demonstrates that Best-in-Class companies can cut down their telecom costs and quickly implement a TLM solution by controlling all aspects of telecommunications procurement, cost management, invoice processing, rate oversight, plan optimization, and asset management. This approach requires companies to have a detailed understanding of their own business needs and the appropriate technologies to provide visibility into their telecom infrastructure expenses. Nearly 200 companies participated in this detailed study on the entirety of their TLM efforts.

Best-in-Class Performance

Aberdeen used four key performance criteria to distinguish Best-in-Class companies:

- Total time needed to choose a TLM vendor, complete internal contract work, and implement the vendor

- Decrease in landline spend after implementing a TLM solution

- Decrease in wireless spend after implementing a TLM solution

- Reduction of actual telecom spend compared to proposed telecom budget in the past fiscal year

Competitive Maturity Assessment

Survey results show that Best-in-Class companies shared the following traits compared to all other companies:

- 56% more likely to either match or underspend their proposed telecom budget last year

- 36% more likely to use their TLM solution for contract negotiations

- 71% completed TLM vendor negotiations less than three months after initially choosing a vendor solution

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Maintain awareness of appropriate Governance, Risk Management, and Compliance (GRC) measures based on industry needs

- Continue to update telecom roadmaps to ensure that the company's deployment optimizes usage of upcoming technologies and aligns with business needs

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Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

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Chapter One:
Benchmarking the Best-in-Class

The Business Case for Telecom Lifecycle Management

In today's recessionary environment, companies are under greater pressure to control all of their major expenses to ensure that they can maintain profitability and realize investor expectations. This threat is reflected in *The 2008 Aberdeen Report: State of the Market* report based on over 4,500 respondents, which finds that a potential recession is a top-three business challenge for this year. In the face of a challenging macroeconomic environment, IT departments must look internally to see whether each asset and operational department is mission-critical or whether there is room for improvement. As part of this business reality, companies must look at their telecommunications department and see whether there is any room for improvement.

Traditionally, companies have handled their telecommunications expense oversight by hiring employees or vendors to provide bill audits, call accounting, or Telecom Expense Management (TEM) services. These services provided exceptional Return on Investment (ROI) both in expense savings and labor management. In terms of pure telecom expense, a February 2008 Aberdeen report on wireless expense management, *Execute on Wireless Expense Management to Drive ROI,* showed how Best-in-Class companies are able to drive down their monthly wireless voice costs by 31% and their monthly data costs by 24%. And on the labor side, the November 2007 Aberdeen report *The Real Return on Investment of Total Telecom Cost Management* demonstrated how Best-in-Class companies achieved a 40% productivity increase for invoice and procurement activities.

Increasing Complexity in Telecom Management

Corporate telecom management includes several other factors that were not initially captured in the value chain of these traditional cost management solutions. As both telecommunication network deployments and telecom management solutions have expanded in scope and size, additional enabling technologies have entered the marketplace of management tools. These tools include widely disparate products including the following:

- Contract negotiations and enforcement
- Asset, device, and mobile software inventory management
- Service and rate plan optimization
- Help desk support
- Over the Air (OTA) device management
- Personal-to-corporate mobile device conversions
- Business intelligence and reporting dashboards
- Integrated wireless and wired expense management

Fast Facts

√ 84% of respondents indicate that the number of mobile devices has increased in the last two years

√ 79% of respondents currently use voice-only cell phones as business tools

With all of these additional options, several of which are only marginally related to the exercise of telecom expense management, the industry has tried to define its solutions with a dizzying array of terminologies such as telecom expense management, telecom cost management, total telecom cost management, enterprise telecom management, telecom environment management, telecom service management, and many others.

In light of all of these choices, this report will focus on the holistic importance of controlling the entire lifecycle of services and expenses from cradle to grave. Accordingly, it will use the phrase "Telecom Lifecycle Management" as a description for the solutions that companies use to handle their telecom environments. In Chapter Two, this report will go into greater detail on how each company's acquisition and deployment of capabilities and enablers has impacted the ability to influence and manage the full lifecycle of each asset and service. By demonstrating the specific value of enablers and capabilities, this report will add granular detail to give descriptive value to these solutions rather than focus on specific terminology.

The Wireless Invasion

Although mobile devices have been a part of the enterprise telecom environment for decades, the last few years have brought wireless to the forefront of every telecom manager's mind. Enterprise mobile devices have rapidly evolved from one-way pagers and single-use cell phones to belt-worn computers with the ability to store gigabytes of data, send email and multimedia messages, run a variety of powerful applications, tunnel directly into enterprise networks, and access both Wireless Local Access Networks (WLAN) and enterprise Private Branch Exchanges (PBX's). Because the robust and multi-tasking nature of devices has exponentially increased in complexity, the responsibility of mobile device management can no longer be shunted off to a random administrator or procurement analyst.

Thirty-seven percent (37%) of Best-in-Class companies have a formal wireless technology adoption roadmap compared to 31% of all other companies, which shows that even companies that are saving money now have some additional work in figuring out which technologies they need to use in the future. It is tempting for companies to simply wait for early adopters to completely vet a technology before obtaining their own solution. However, there are limits to the gains that are received through this deliberately slow adoption of technology. Companies must continue to progress and adopt these new devices to reap the benefits of higher productivity and to leverage device functionality in ways that can reduce phone costs. In this study, Laggards consistently showed a lack of willingness to consider the adoption of these new multifunctional devices and are unable to fully realize the savings that new mobile technologies can provide. (The vendor names in Figure 1 have been made anonymous to avoid the use of vendor names in our research, but the top four enterprise mobile Operating Systems (OS) are represented.)

Figure 1: Percentage of Enterprises with No Plans to Use
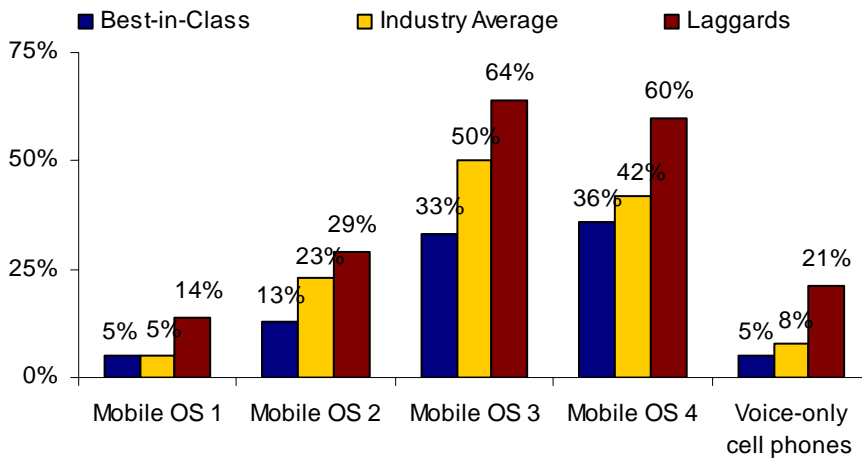
Source: Aberdeen Group, June 2008

Aberdeen Insights — Taking on Wireless Mobility

In particular, note the plans regarding a recently launched mobile operating system (OS). Its unparalleled mobile web browsing capabilities have helped make this device one of the most popular mobile devices on the market. Because of its multi-functional abilities and its market strategy of targeting white-collar workers, it has quickly become a high-demand item for information technology departments everywhere.

Now that it has succeeded as a customer product, this OS is now making inroads as enterprise device. Despite having released a Software Development Kit (SDK), creating enterprise technology partnerships with major software vendors, and gaining market share rapidly, 64% of Laggards had no plans to use, test, or even consider the this mobile OS as an enterprise tool compared to only 33% of Best-in-Class companies.

Despite the weaknesses of this OS in lacking a button-based keyboard, known security platform, and an easily-replaceable battery, its strengths as a portable computer-on-a-belt make it well suited to certain enterprise goals. It is in the enterprise's best interests to seriously consider the importance of new operating systems as corporate tools rather than ignore requests for corporate support.

Laggards show a similar pattern to avoid adopting any of the major smartphone devices, which hints at a greater problem that their lack of telecom savings is coupled with the inability to leverage mobile technology. To save money in telecom, companies must be aware of the available technologies and how their usage could affect business practices and reduce the bottom-line total cost of ownership in the corporate telecom environment.

"We have a relatively mature outsourced Telecom Expense Management system in place, but have not actively pursued the other activities that constitute TLM. We also have not pursued any real management of mobile devices of any sort, only wireline local, LD, and data services."

~ Director of Procurement, Publishing

The Pressures of Controlling Telecom Costs

There were two top pressures faced by companies seeking a TLM solution: gaining visibility into their spend habits and reducing the overhead costs (Figure 2).

Figure 2: Top TLM Pressures Faced by Companies
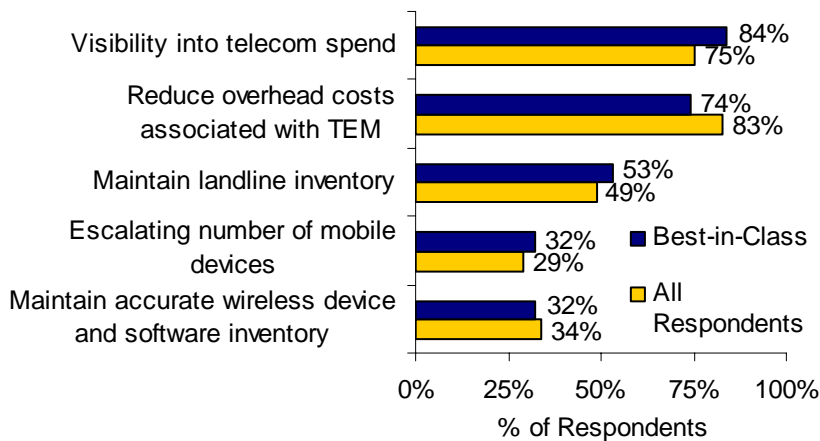
Source: Aberdeen Group, June 2008

Interestingly, Best-in-Class companies (84%) were more concerned about gaining visibility into spend than respondents as a whole (75%). Since companies cannot control what they cannot see, it makes sense that those best at controlling their telecom spend are also more focused at gaining visibility into their spend habits. This trend was reversed for overhead spending, where Best-in-Class companies (74%) were relatively less concerned than companies as a whole (83%). Although overhead costs are always an important consideration, Best-in-Class companies have reduced their invoice processing FTE's by 19% and their service order FTE's by 14% to lessen their concern in controlling their overhead.

Even so, the importance of these two pressures is in stark contrast to our November 2007 report, *The Real Return on Investment of Total Telecom Cost Management*, where 88% of Best-in-Class companies cited the pressure of supporting corporate profitability and 73% sought to manage the complexities of a mobile workforce. The difference reflects the focus of the firm in strong economic times versus the focus in leaner times.

The third most important pressure for enacting a TLM solution was to maintain visibility into landline inventory. Considering the attention that is paid to mobility solutions compared to more traditional landline solutions, this is somewhat of a surprise. However, when one considers that the average respondent had 5,998 landline-related services compared to only 4,973 mobile devices and software licenses, the burden of managing traditional phone lines, conference accounts, and toll-free numbers becomes evident.

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The Maturity Class Framework

Aberdeen used four key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: **Top 20%** of aggregate performance scorers	▪ **8.4 months** to choose and implement a telecom lifecycle vendor ▪ **31% decrease** in landline spend ▪ **32% decrease** in wireless spend ▪ **3% under budget** in past fiscal year
Industry Average: **Middle 50%** of aggregate performance scorers	▪ **11 months** to choose and implement a telecom lifecycle vendor ▪ **13% decrease** in landline spend ▪ **13% decrease** in wireless spend ▪ **1% under budget** in past fiscal year
Laggard: **Bottom 30%** of aggregate performance scorers	▪ **22 months** to choose and implement a telecom lifecycle vendor ▪ **7% decrease** in landline spend ▪ **0% decrease** in wireless spend ▪ **3% over budget** in past fiscal year

Source: Aberdeen Group, June 2008

The Best-in-Class PACE Model

Using Telecom Lifecycle Management to achieve the Best-in-Class results demonstrated in Table 1 requires a combination of actions, organizational capabilities, and enabling technologies that can be summarized as shown in Table 2.

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Provide visibility into telecom spend	▪ Increase executive visibility to telecom spending reports ▪ Centralize enterprise service order and help desk functions ▪ Change or consolidate carriers and providers	▪ Centralized repository of inventory records ▪ Wireline appropriate usage policies ▪ Consistent approval process to order wireless voice, data and text plans ▪ Consistent approval process to procure wireless devices ▪ C-level interdepartmental telecom cost reduction plans ▪ Enterprise-wide consistent reporting and analytics	▪ Telecom contract negotiations / enforcement tools and support ▪ Inventory management database ▪ Call Detail Record (CDR) alerts and chargebacks ▪ Automated billing interface and reconciliation ▪ Automated exception reporting and dispute resolution abilities ▪ Consistent process for personal-to-corporate cell phone conversions

Source: Aberdeen Group, June 2008

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Best-in-Class Strategic Actions

Best-in-Class companies take several key actions in implementing their TLM solutions. These actions are based on the pressures that companies feel when they decide to implement a TLM solution and represent the general course of action that these companies pursued their solution. The following holistic strategic actions were used by a majority of Best-in-Class companies:

- Increasing executive visibility to telecom spending

- Centralizing service order and help desk functions

- Changing or consolidating carriers and providers

- Tracking historical telecom spending

Each of these actions contributed to a framework of internal abilities and technological enablers which allowed companies to effectively control their telecom environment and the full lifecycle of the devices and assets in that environment.

One of the differentiating characteristics of Best-in-Class actions is that their adoption of key strategic actions is greater than Industry Average and Laggard companies (Figure 3).

Figure 3: Best-in-Class Strategic Actions
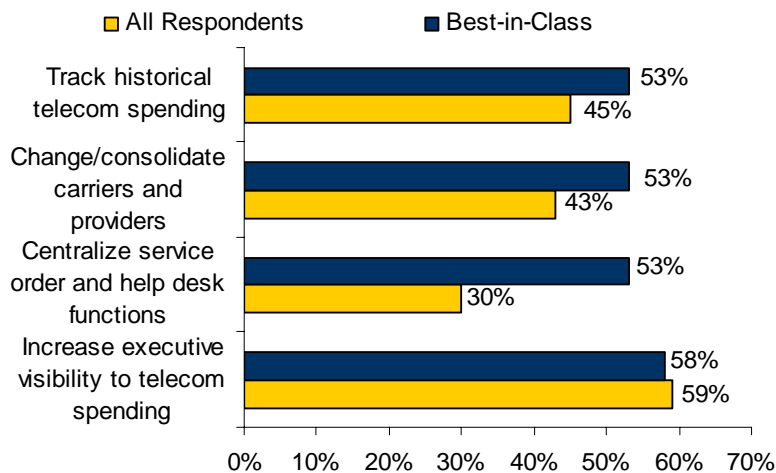
Source: Aberdeen Group, June 2008

Executive visibility is an important goal for TLM solutions, but this is apparent to a majority of companies based on their actions. Best-in-Class companies differentiate themselves by pursuing additional courses of action to control the full lifecycle of telecom assets.

One important action which reduces complication in TLM management is the ability to choose the carriers and providers that give the most favorable rates, conditions, and Service Level Agreements (SLAs). Although this may

seem fairly straightforward, 53% of Best-in-Class companies make this action a top strategic goal. In comparison, only 46% of Industry Average and 32% of Laggard companies that pursue the consolidation and strategic choice of telecom carriers as a top strategic action. This action is a key initial step towards shaping a TLM strategy, since each carrier has a specific set of abilities in its billing, service management, and strategic technology roadmap which support a company's overall telecom efforts. In addition, the consolidation of telecom spend can provide a significant bargaining chip from a procurement standpoint and can simplify service order and support efforts to reduce the total cost of ownership related to each circuit, mobile device, or conference account.

Centralizing help desk and service order functions is another key strategic factor for Best-in-Class companies. Although telecom support has traditionally been handled as a relatively undifferentiated administrative task, the increasing complexity and operational importance of telecom force companies to own this process from a technical and financial standpoint. To this purpose, 53% of Best-in-Class companies chose centralized service order and support services as a key strategic action, compared to 26% of Industry Average and 23% of Laggard companies. This action is a true differentiator for Best-in-Class companies. By centralizing this support structure, Best-in-Class companies are better situated to track their new assets and services from the initial order to the final termination request. In addition, the ability to track all support requests through one central help desk, rather than a series of vertical administration channels, creates a better understanding of the service demands that each asset and service places on the company.

By implementing appropriate capabilities and technological enablers to pursue these actions, companies are able to significantly reduce spend. On average, Best-in-Class companies save 31% on their wireline spend and 32% on their wireless spend, which far outperform Industry Average and Laggard companies (Figure 4).

**Figure 4: Savings after Implementing TLM Solution**
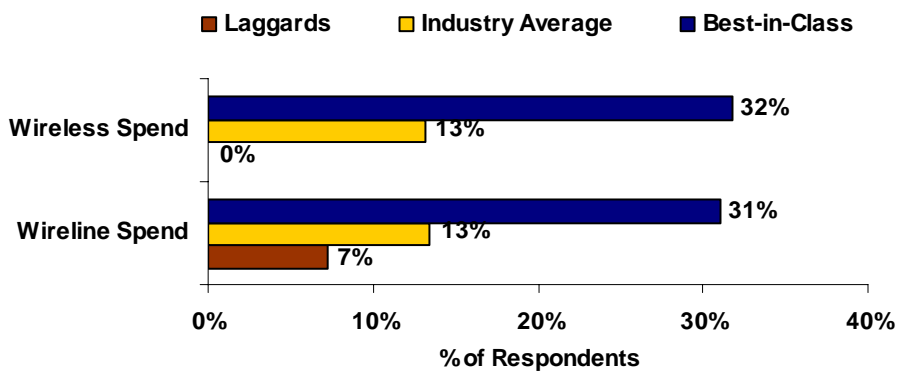
Source: Aberdeen Group, June 2008

In contrast, Laggard companies have a different set of strategic actions. The only action that a majority of Laggard companies agreed to was the need to increase executive visibility to telecom spend. Sixty-eight percent (68%) of Laggard companies believed that this was a key action compared to only 58% of Best-in-Class companies – and the results show that Laggard companies simply have less support from their executives in controlling telecom costs. Since Laggards do not improve their wireless spend and take nearly two years to implement a solution , it is no surprise that Laggard companies seek executive visibility to the challenges of telecom spend more than their Best-in-Class counterparts.

Laggard companies simply lack the ability to execute in a timely manner. Even after they had chosen a vendor for a TLM solution, these companies took over six months to negotiate the vendor contract and create a final contract. Afterwards, the company spent an additional 11.8 months to configure, test, and implement the solution (Figure 5). All of this time represents a loss of savings originating from the inability to implement a solution in a timely manner. Compared to Best-in-Class companies that are able to complete a contract and implement a solution a full year faster, Laggard companies put themselves at a disadvantage just to get to the starting line and begin to find savings.

Figure 5: Time needed to implement TLM vendor
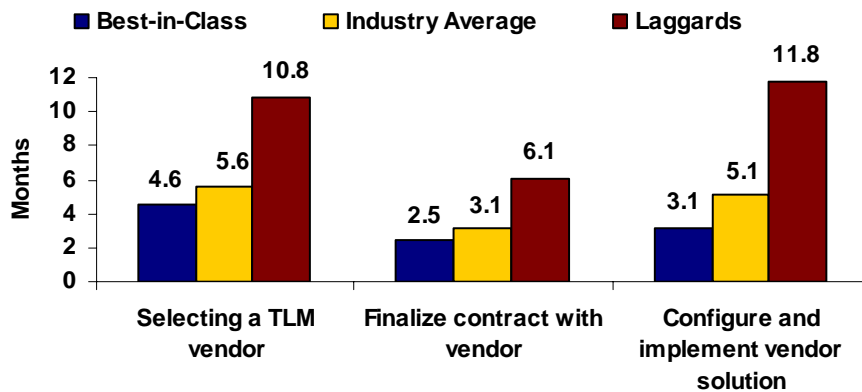
Source: Aberdeen Group, June 2008

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two:
Benchmarking Requirements for Success

The implementation of a TLM solution must be supported with the internal processes and capabilities to support automated technologies and enablers. Even the best of policies can fail without adequate technical support and the best of technologies can fail without proper administrative oversight. The combination of these internal capabilities and external enablers play a crucial role in the ability to use these strategic deployments and realize the outstanding cost savings that Best-in-Class companies accomplish.

Case Study — InterContinental Hotels Group

InterContinental Hotels Group (IHG) is a global hospitality company with hotel brands including InterContinental Hotels & Resorts, CrownePlaza, and Holiday Inn. They maintain over 3,800 hotels in over 100 countries. Due to the number of locations, granularity of phone services, and the geographic diversity of business locations, IHG required a multinational telecom lifecycle management solution that provided oversight and savings in every part of its telecom inventory and service portfolio.

To solve these problems, IHG chose a TLM vendor which provided support throughout the telecom lifecycle. First, IHG and the vendor conducted strategic meetings to determine that the solution would fit into IHG's business objectives and all service areas were covered, including outbound calling, toll free services, conferencing, data, and internet services. A detailed inventory was built for all of these categories, complete with a historical audit used to baseline expenses and services that could be used for RFP and contract purposes. The vendor also managed the bidding and procurement process for new services, from evaluation to contract negotiations.

Through these capabilities, IHG was able to realize several discrete benefits. They achieved an RFP and contract solution that was in greater alignment with their business processes, which resulted in annualized savings of over 36%. The audit process provided additional savings when the vendor identified opportunities for future savings and remedied previous overcharges. IHG also gained detailed knowledge regarding their current deployed technological solutions, which was leveraged to assure that new contracts and services were aligned with the business's strategic technological roadmaps.

continued

Case Study — InterContinental Hotels Group

"InterContinental Hotels Group required a strategic telecom advisor to drive results," affirmed Bates Turpen, Senior Vice President of Technical Operations at IHG. "[The vendor's] dedicated team of professionals expertly crafted an RFP, managed the carrier negotiations and customized terms and conditions that made this effortless on behalf of our internal team."

By pursuing a vendor that provided an integrated telecom lifecycle management solution, IHG gained control over several important aspects of TLM. Their vendor was able to assist in providing contract negotiation support, inventory, and a technological roadmap to provide a holistic solution that supported the strategic communications initiatives and evolutionary transitions to support the company.

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure their results to improve their business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Wireline appropriate usage policies		
	68%	60%	58%
	Consistent workflow to transfer personal cell phones to a corporate account		
	47%	39%	21%
Organization	C-level interdepartmental involvement in telecom cost reduction plans		
	57%	35%	13%
Knowledge	Centralized repository of inventory records		
	72%	59%	34%
	Enterprise-wide consistent reporting and analytics		
	56%	52%	13%

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	Best-in-Class	Average	Laggards
	TLM technologies currently available:		
Technology	▪ 76% use tools for contract negotiations or enforcement ▪ 53% possess automated billing and reconciliation interfaces ▪ 50% can automate exception reporting and dispute resolution ▪ 44% maintain an employee portal for service orders, asset requests, and support	▪ 51% use tools for contract negotiations or enforcement ▪ 51% possess automated billing and reconciliation interfaces ▪ 47% can automate exception reporting and dispute resolution ▪ 42% maintain an employee portal for service orders, asset requests, and support	▪ 18% use tools for contract negotiations or enforcement ▪ 14% possess automated billing and reconciliation interfaces ▪ 11% can automate exception reporting and dispute resolution ▪ 22% maintain an employee portal for service orders, asset requests, and support
Performance	Service Level Agreement (SLA) monitoring		
	53% monitor vendor SLA's	44% monitor vendor SLA's	38% monitor vendor SLA's

Source: Aberdeen Group, June 2008

Capabilities and Enablers

Based on the findings of the competitive framework and interviews with end users, Aberdeen's analysis of Best-in-Class organizations demonstrates that an effective TLM solution requires a varied selection of internal corporate capabilities and technological enablers. Best-in-Class companies show a variety of abilities that surpass those of Industry Average and Laggard companies.

Process

Best-in-Class companies succeed in creating appropriate wireline use policies. Since landline usage still represents about 55% of a typical respondent's telecom spend, companies need to make sure that they have official policies in place to control the usage of corporate telecom assets. Fifty-three percent (53%) of Best-in-Class companies also had wireless use policies, which exceeded the adoption of this capability by all other companies (47%). By actively deciding which activities and usage capabilities are permitted for corporate telecom equipment, these companies place themselves ahead of their competitors in developing a complete TLM solution.

Fast Facts

√ The average respondent spends over $5 million per year on landline services

√ On average, over 6 FTE's are allocated to wireless lifecycle management and help desk functions.

In addition, the value of moving personal mobile devices used for company business onto corporate plans provides valuable benefits. First, these companies place themselves in a situation where they can meet compliance standards such as the Federal Rules of Civil Procedure and Sarbanes-Oxley. Second, they have started the groundwork needed to provide sufficient documentation for IRS listed property rules regarding the use of cell phones within the workplace. Third, the use of personal devices is often associated with expense reports or reimbursement reports. Recent Aberdeen research regarding Travel and Entertainment (T&E) expenses shows that a single expense report costs about $10 to process, which creates an additional hidden cost for each mobile device that is reimbursed by the company. Finally, by moving all personal devices onto a corporate plan, companies can leverage their total usage into pool plans or flat-rate plans that best allocate the company's mobile expenses to provide maximum savings.

Organization

Fifty-seven percent (57%) of Best-in-Class companies have a C-level interdepartmental plan for reducing telecom costs. This C-level participation far outperforms those of Industry Average and Laggard companies and demonstrates the importance of having executive oversight and visibility into solving a problem. Simply put, the problems that receive executive attention will get more resources than those that do not rise up to the C-level.

In addition, telecommunications assets and services are used by practically every department in a company. It is impossible to create a truly representative policy that will effectively cut costs unless business practices are analyzed throughout all aspects of the company: sales, manufacturing, marketing, information technology, research and development, and all other departments. Companies that are serious about cutting telecom costs make the effort to gain high-level and wide-ranging internal support and feedback to support their efforts.

Knowledge Management

A centralized inventory of telecom assets and services may seem like such a common sense concept that companies may take this capability for granted. However, in reality, only 53% of all respondents currently have the ability to see all the assets and services listed under their company. This means that nearly half of all companies are trying to make telecom budget decisions without fully understanding what assets and services are currently under the corporate umbrella.

One of the initial forms of telecom cost management was to conduct formal audits of all telecom assets and services to determine what the company owned. Although these accounting audits are not as transparently interesting and newsworthy as decisions regarding the latest WLAN standards or deciding on which new Blackberry or Windows Mobile device to support, telecom inventory audits still can provide great benefit and

transparency to the 47% of companies that do not have a centralized inventory of their own assets and services.

Enterprise-wide analytics also play a key role in providing visibility into the telecom environment for all important stakeholders.

Aberdeen Insight — TLM Business Intelligence

An organization cannot control what it cannot see. This concept is practically a mantra in the world of business intelligence, but it continues to hold true and is especially relevant to the challenges of TLM. Twenty-five percent (25%) of respondents were unable to provide a value for their current spend on landlines. How can these companies be expected to effectively visualize their telecom spend, much less control it and find savings?

To assist with this challenge, Best-in-Class companies seek solutions that will effectively display and analyze telecom spend and other metrics in easily digestible forms that will allow telecom, procurement, finance, and executive groups to easily visualize and understand this information. Fifty-six percent (56%) of Best-in-Class companies had the ability to produce enterprise-wide consistent reporting and analytics for their telecom environments, which surpasses the abilities of their Industry Average (52%) and Laggard (13%) counterparts (Figure 6).

Figure 6: Best-in-Class Usage of TLM Business Intelligence
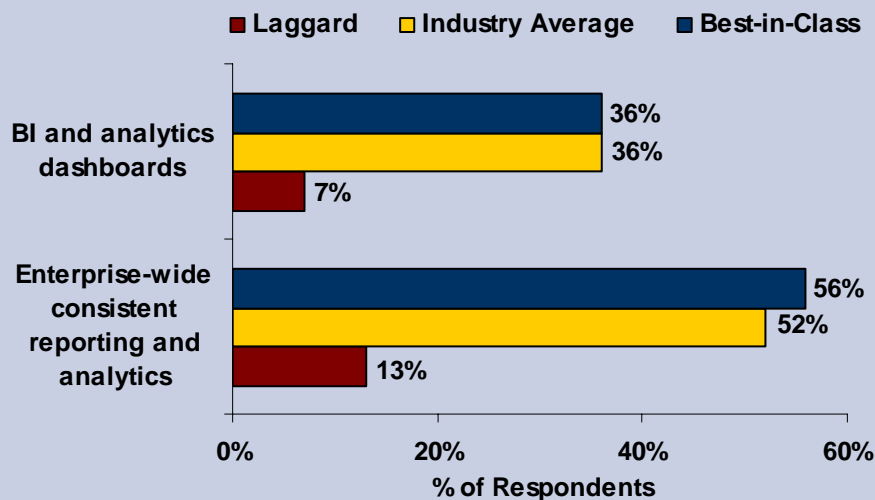
Source: Aberdeen Group, June 2008

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Aberdeen Insight — TLM Business Intelligence

Given that the goal of increasing executive visibility to telecom spend was the top strategic action for all respondents as well as Best-in-Class companies, the importance of consistent business intelligence dashboards displaying real-time spend status cannot be underestimated.

Although 36% of both Industry Average and Best-in-Class companies have standardized business intelligence and analytics dashboards, both groups of companies have room for improvement in providing telecom information as mentally digestible dashboards for time-starved executives looking for a quick net-net description of the telecom environment.

Technology

The enablers provided either through internal development or through external vendors can provide a series of productivity gains throughout the telecom lifecycle. Telecom contract negotiations can be assisted through tools that track the tariffs, agreements, and rates that each company negotiates with vendors. By having all of this historical information in an organized and methodological system, companies are in a better position to ask for more advantageous terms that fit into the usage patterns demanded by best business practices. As a result, companies with assisted contract negotiation tools are able to create a more advantageous baseline for their rates, prices, and even SLAs by understanding the historical basis for each contract term and the extent to which the vendor was able to provide the negotiated deliverables.

Once the baseline terms have been negotiated, companies can use automated tools to handle invoice processing, invoice reconciliation, and dispute resolution. By pursuing automation of repetitive processes, these technologies result in FTE savings of nearly 18% for Best-in-Class companies pursuing these activities and allows for a quicker comparison of invoices with contract terms. Both Best-in-Class and Industry Average companies have adopted these automated tools to a far greater extent than their Laggard counterparts, which is no surprise when considering that these companies have place more attention to the entirety of options for reducing the overhead of telecom costs and reallocating employees to activities providing greater value to the company (Figure 7).

"Billing was a nightmare. All of the invoices were paper, so it was very difficult to validate the charges. Also, the bills were decentralized, so a lot of people ordering their own services and paying their own bills. As a result, the CPM (cost per minute) was much higher."

~ Director of Strategic Sourcing, Financial Services Company

Figure 7: Automated TLM Technology Enablers
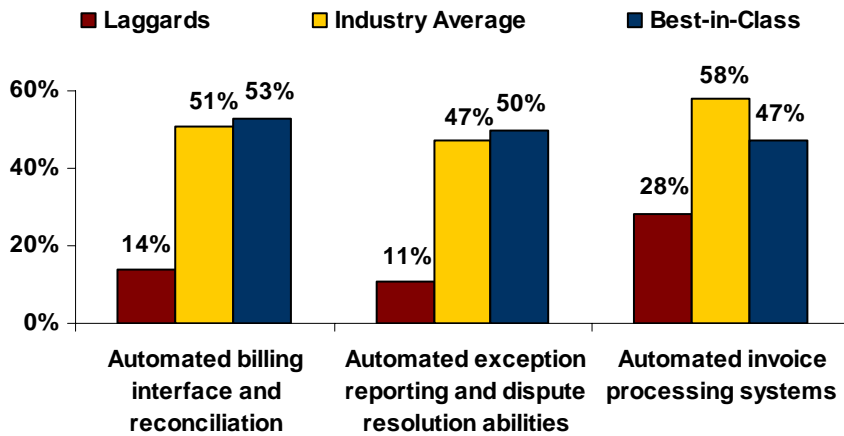
Source: Aberdeen Group, June 2008

Best-in-Class companies have slightly higher adoptions for billing reconciliation, exception reporting, and dispute resolution, all of which are value-added services that can save labor and produce hard savings. However, these same companies have not focused on automating the invoice processing workflow. Considering that 19% of respondents saw an increasing number of FTEs processing invoices and only 9% saw this number decline, there are a fair number of companies that could either save labor or reallocate telecom resources to value-added tasks by automating this process.

Performance Management

The monitoring of SLAs is vital to supporting a TLM solution. Without a strong understanding of whether SLAs are being upheld, much of the contract negotiation process becomes moot. Consider that SLAs often determine discounts, contract terms, and even compliance standards for some vendors. It is definitely in the vendor's interests to ensure that SLAs are being followed, but only 44% of respondents can even tell if vendors are following them or not.

Consider that an entire Telecom Expense Management (TEM) industry has been built around company frustrations with the carrier billing process. This industry has been well received in the greater Information Technology community and gained customers based on the proposition that TEM providers can help parse and challenge carrier-generated errors. Based on this, it seems odd that these same companies that support the TEM industry and other telecom cost reduction efforts would give telecom carriers unmonitored leeway in other aspects of contract fulfillment. This is why 53% of Best-in-Class companies use to enforce their contracts and drive additional savings, compared to only 38% of Laggard companies.

Fast Facts

√ **71%** of Best-in-Class respondents used Sarbanes-Oxley in developing telecom policies

√ **50%** of all respondents placed **no** importance on complying with United States IRS Listed Property Requirements in their telecom policies

Aberdeen Insights — SLA and GRC

SLA monitoring is important from an expense management perspective. For example, companies often use SLAs to include stipulations about uptime and quality of service with the threat of financial penalties. However, the business reasons related to each part of the SLA should also be stipulated. If there are specific uptime requirements for one business unit because of compliance issues, that part of the business needs to be treated separately from the rest of the business if possible. Otherwise, the key business unit will receive the same inferior service that the rest of the company receives.

Companies face a whole new array of compliance risks that didn't exist a decade ago. Simply think about the changes that Sarbanes-Oxley and the Federal Rules of Civil Procedure have created for data management and communications. At this point, it is necessary for companies to keep complete call records and to treat all communications as potential evidence. What happens when these records become unavailable because of vendor downtime? Will the company be held liable or will the vendor share fault or responsibility?

In surveying respondents, Aberdeen found a great amount of interest in many forms of compliance and policy in shaping corporate telecom policies. Seventy-one percent (71%) of Best-in-Class respondents considered Sarbanes-Oxley in their telecom policies and 65% considered Payment Card Industry Data Security Standards (PCI DSS), as shown in Figure 8.
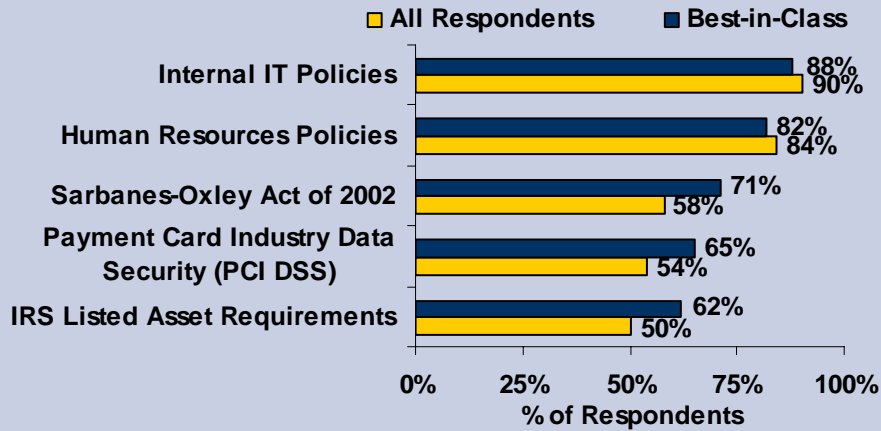
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"End to end lifecycle management and ITIL integration remain critical growth areas"

~ Manager of Information Services, Delivery / Transportation

Aberdeen Insights — SLA and GRC

Figure 8: Compliance Measures for Telecom Policies

Legend: ☐ All Respondents ■ Best-in-Class

Category	Best-in-Class	All Respondents
Internal IT Policies	88%	90%
Human Resources Policies	82%	84%
Sarbanes-Oxley Act of 2002	71%	58%
Payment Card Industry Data Security (PCI DSS)	65%	54%
IRS Listed Asset Requirements	62%	50%

% of Respondents

Source: Aberdeen Group, June 2008

Companies must ensure that as they are increasingly held responsible for maintaining compliance, vendors are able to provide necessary data in a reliable and consistent manner.

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Chapter Three:
Required Actions

Companies will need to take different paths to success based on whether they are Laggards, Industry Average, or Best-in-Class. Because there are so many TLM solutions in the marketplace, it is vital to understand the functionalities and services that each solution provides. Laggard companies need to build basic capabilities to realize telecom savings. And even though Best-in-Class companies reduce their telecom costs by 31% and their invoice processing labor by 18%, they still have room for improvement as well.

Regardless of the current status of the company, the following actions will help spur productivity and value-based improvements for companies at all stages of TLM deployment:

Laggard Steps to Success

- **Accelerate the coordination of a holistic TLM solution.** Laggards took **over six months** to finalize contract negotiations with a vendor and **nearly a full year** to test and implement a new solution, both of which are over twice as long as Best-in-Class companies. By reacting so slowly and lacking a coordinated effort, these companies take longer to realize the benefits of TLM. Best-in-Class companies were able to complete contract negotiations, test a solution, and fully implement it a full year faster than Laggard companies.

- **Develop enterprise-wide consistent reporting and analytics.** Thirteen percent (13%) of Laggard companies currently have the ability to provide consistent reporting to the entire company. Because telecom is a vital tool for the entire company, employees and managers must be able to track corporate usage to support company policies.

- **Use Call Detail Record (CDR) alerts and chargebacks.** Only 18% of Laggard companies have software that allows them to see individual call detail (compared to 55% of Industry Average and Best-in-Class companies). The ability to sort and track individual calls is a great divider between Laggards and other companies.

Industry Average Steps to Success

- **Gain C-level buy-in on lowering telecom costs.** Although telecom management efforts must be inter-departmental because of the ubiquitous use of telecom assets and services, 65% of Industry Average companies currently **do not have** telecom cost management plans that have been approved at the C-level.

- **Acquire contract negotiation and enforcement tools.** Only 51% of Industry Average companies currently have technologies to

Fast Facts

√ **45%** of telecom spend consists of wireless assets and services for the typical respondent

√ **25%** of respondents were under budget for their telecom spend this year

help them with their contracts, despite the complexity of telecom contracts, tariffs, and agreements and the importance of these documents in setting a baseline for telecom spend.

- **Create a formal convergence or Unified Communications (UC) roadmap.** As telecom equipment and services quickly evolve, companies will struggle to comprehend the cost and value propositions involved with each option. Since 69% of Industry Average companies have not built this roadmap, they are susceptible to the difficulties of cost containment in the future.

Best-in-Class Steps to Success

- **Develop usage mining analytics.** Although 56% of Best-in-Class companies have call detail record alerts, only 39% have tools to analyze these call records in greater detail. This discrepancy provides some Best-in-Class companies with a chance to improve their call detail data usage.

- **Improve OTA capabilities for wireless devices.** On average, these companies manage over 5,400 devices, but only 29% of these firms have the ability to backup data, provide firmware updates, and kill lost or stolen devices. This represents a significant GRC risk that could potentially outweigh any amount of telecom savings.

- **Create a formal wireless technology roadmap.** Thirty-seven percent (37%) of Best-in-Class companies currently have a plan for their wireless adoption. Considering the options for mobile devices in context of third and fourth generation cellular networks, 802.11n, and an increasingly mobile workforce, this roadmap will be necessary for companies to effectively enact change management and technology conversions.

> "[Our vendor's] expense management solution is a comprehensive and easy-to-implement telecommunications expense management solution that has saved our company hundreds of thousands of dollars per year."
>
> ~ Danny Lujan, Vice President of IT, Pharmavite

Aberdeen Insights — Summary

Telecom Lifecycle Management (TLM) solutions have progressed far beyond the initial cost management and asset management solutions that first generation TLM solutions brought to the market. In today's integrated, mobile, converged telecom market, companies need a holistic solution that assists in managing the full lifecycle of each service plan, hardware asset, and software solution used to support employee work efforts. This solution must be a merged partnership between the organizational capabilities of the company and technological enablers that can be developed, leased, bought, or leveraged from strategic partners.

In pursuing this solution, companies cannot lose sight on accomplishing basic goals. TEM is still the cornerstone of the TLM process. Companies that do not have an automated process in place for reporting billing exceptions, reconciling bills, and managing invoice disputes are indicative of Laggard behavior, since these processes are more common in Best-in-Class and Industry Average companies.

continued

Aberdeen Insights — Summary

However, companies must also look at a wider range of categories in determining whether their TLM solution is meeting their business needs. From an internal perspective, the TLM solution must reflect the inter-departmental business needs of the end users. This may be reflected through a wide variety of internal capabilities, such as supporting preferred devices, setting appropriate policies, complying with industry-specific policies, technology roadmaps, company-wide IT and procurement strategies, and real-time reporting and tracking dashboards for inventory and service order activity.

All of these capabilities can be used to improve the TCO of each corporate telecom asset and ensure that telecom is being strategically implemented to improve employee productivity rather than be taken for granted as standard-issue equipment for all employees.

TLM solutions must also manage a greater variety of services than ever before. As converged and mobile services continue to expand their influence in telecom departments, communications managers and directors face increasing challenges in merging this support with a legacy landline support system. Although Best-in-Class companies still view wireline policies and inventory as important segments of their TLM solution, they also keep an eye to the future by being 16% more likely to create a mobility roadmap and investing 17% more in wireless support than their Industry Average and Laggard counterparts.

Ultimately, telecom must be seen as a vital strategic partner to the business units. To meet this demand, telecom departments must be held to the same stringent oversight, management, and organization which all strategic partners and core business units are expected to achieve. By implementing a full-service TLM solution, telecom departments can take a significant step towards reducing expenses, aligning telecom management with business concerns, and increasing their value to the business.

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Appendix A:
Research Methodology

Between May and June 2008, Aberdeen examined the use, the experiences, and the intentions of more than 190 enterprises using Telecom Lifecyde Management (TLM) in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on Telecom Lifecycle Management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: procurement, supply chain, or logistics manager (14%); operations manager (7%); IT manager or staff (41%); sales and marketing staff (19%); and senior management (18%).

- *Industry:* The research sample included respondents from a number of industries. Telecommunications services were the largest segment with 18% of the sample.

- *Geography:* The majority of respondents (69%) were from North America. Remaining respondents were from the Asia-Pacific region (6%), the Middle East and Africa (7%) and Europe (15%).

- *Company size:* Thirty-four (34%) of respondents were from large enterprises (annual revenues above US $1 billion); 26% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 40% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Twenty-five percent (25%) of respondents were from small enterprises (headcount between 1 and 99 employees); 25% were from midsize enterprises (headcount between 100 and 999 employees); and 50% of respondents were from large businesses (headcount greater than 1,000 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding IT and procurement executives completed an online survey that included questions designed to determine the following:

√ The degree to which TLM is deployed in their operations and the financial implications of the technology

√ The structure and effectiveness of existing TLM implementations

√ Current and planned use of TLM to aid operational activities

√ The benefits, if any, that have been derived from TLM initiatives

The study aimed to identify emerging best practices for TLM usage in controlling corporate telecom environments and to provide a framework by which readers could assess their own

Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, June 2008

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, June 2008

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, June 2008

Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *The Real Return on Investment of Total Telecom Cost Management*; November 2007

- *The 2008 Enterprise Mobility Benchmark Report*; November 2007

- *Strong SLA Management Causes Increased Customer Satisfaction*; November 2007

- *Execute on Wireless Expense Management to Drive ROI*; February, 2008

- *The 2008 Aberdeen Report*; March 2008

- *T&E Expense Management; Leveraging Data to Drive Performance*; April 2008

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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