RESEARCH NOTE
THE ENTERPRISE CASE FOR TELECOM EXPENSE MANAGEMENT

THE BOTTOM LINE

Nucleus has found that multiple companies reduced unmanaged telecom, network, and wireless costs up to 25 percent on a one-time basis and obtained a minimum of 3 percent savings on an ongoing basis by implementing Asentinel telecom expense management software and services. Telecom expense management (TEM) is a complex spend management practice focused on centralizing inventory and invoice management, optimizing support structures, and auditing communications usage.

THE SITUATION

Large enterprises must manage telecom, network, and wireless spend that is typically between 0.6 percent and 1 percent of annual revenues. For a billion dollar company, this equates to a 6 to 10 million dollar annual expense. However, because these costs are often managed at each location or within each region or country where a company does business, companies lack centralized spend visibility.

Even if organizations centralize their inventory, service order, and invoice activity to a single location, companies may simply be placing orders and processing invoices without any feedback from an auditor or a manager responsible for profit and loss (P&L). This lack of visibility and oversight allows employees to purchase overtrunked circuits, extraneous mobile devices, and unnecessary features and applications regardless of what a corporate policy may define as an appropriate purchase. Over time, an unmanaged and unaudited enterprise communications environment will result in annual expenses that are at least 20 percent greater than they would be in a well-managed spend environment.

Organizations seeking to control these costs often begin to manage these costs by assigning an employee to look at these invoices and orders on a part-time basis. However, the sheer documentation associated with supporting tens of thousands of employees on an annual basis can be overwhelming. Because there is such waste accumulated over time, this employee may find $500,000 in waste quickly through Excel-based cost comparisons or sharp-eyed audits of recent service orders and rate plan analysis. Estimating the cost of a fully loaded employee at $80,000 per year (including benefits, plant, and materials), this effort has paid off a first year return on investment of

more than 500 percent. Although this observation is mathematically accurate, telecom and network departments must understand the full potential for telecom, network, and wireless savings.

A typical organization with 15,000 employees and 5 billion dollars in annual revenue can expect to have a combined annual network, telecom, and mobility spend around 50 million dollars if it has not been managed. Nucleus estimates that an unmanaged organization of this size has 10 million dollars in overprovisioned, unnecessary, or overbilled services. Compared to this gap, the ability to manually find $500,000 represents only 5 percent of the total cost savings opportunity.

THE SOLUTION

Asentinel provides hosted, cloud, self-managed, managed services, and business process outsourcing deployment options for telecom expense management. Since 2002, Asentinel has supported enterprise telecom provisioning, asset and expense management. Nucleus found that customers identified Asentinel as being comprehensive, easier to use, less expensive than other competitive solutions, and more timely in responding to customer requests compared to other TEM providers. These customers also articulated the benefits that they received by deploying a full-featured telecom expense management solution to support network, telecom, and mobility environments throughout a full lifecycle starting with procurement and ending with asset retirement or service disconnection.

REDUCING AND REALLOCATING HEADCOUNT

Nucleus explored the telecom billing environment of a financial services organization with over $20 million in annual spend which needed to process over 1,000 invoices every month. The effort simply to read this paperwork and enter it into corporate systems required the full-time labor of two analysts. By using Asentinel's technology to process invoices, this organization was able to fully reallocate these analysts on settling billing disputes and service issues that bring money back to the organization.

Asentinel allowed a financial organization to reallocate the work of two analysts to audit bills, which allowed the firm to uncover errors and billing issues adding up to one percent of the total telecom and network budget on a year-over-year basis.

Family Dollar, a retail organization with over 7,500 locations, saw similar efficiencies when they implemented Asentinel. Over a two year period, Family Dollar was able to increase the efficiency of their telecom management and reduce one full time equivalent (FTE) from their team.

> *"We chose Asentinel for three reasons: the telecom group felt this solution was easiest to use out of the 18 that we considered; the cost structure made sense for us; and we were able to meet all the folks on the team so our comfort level was greater with Asentinel."*
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> ~ Aleda Cotty, IT Manager, Family Dollar

ELIMINATING LATE CHARGES

A health care organization implemented Asentinel to support its TEM efforts. By moving to a fully electronic invoice management environment and using Asentinel's managed services, the company was able to eliminate late charges of up to 1.5% of the monthly bill for invoices that previously could not be manually processed in a timely fashion. In addition, these invoices could now be processed and analyzed on a timely basis, which eliminated the organization's end-of-month crunch to process all of its bills before closing the books each month. Previously, this rushed process prevented the organization from auditing or optimizing its billed services.

INFRASTRUCTURE RATIONALIZATION

A financial services organization with over $150 million in annual telecom, network, and mobility spend sought to consolidate its data center infrastructure to gain efficiencies and reduce cost. Because of the centralized visibility provided through Asentinel, this organization was able to pursue over $10 million in savings associated with the circuits and sites that could be shut down.

> A financial services organization used Asentinel to find over $10 million in savings associated with rationalizing data center resources.

Family Dollar was also able to reduce its infrastructure more directly by shifting its Asentinel TEM deployment from a hosted model to a Software-as-a-Service (SaaS) model. By making this change, Family Dollar was able to eliminate the cost of six servers and the corresponding Oracle server licenses. This shift to an on-demand enterprise application deployment represents an ongoing trend that Nucleus has tracked with greater savings and return on investment (Nucleus Research *m108 – Cloud delivers 1.7 times more ROI*, September 2012).

DIRECT COST SAVINGS

A large retail organization with over 10,000 stores sought to manage the full lifecycle of its telecom and network spend. After implementing Asentinel, this organization was able to fully manage orders, optimize assets and services, provide reports to business units, and use this spend visibility to improve contract negotiations with service providers. Through this holistic program-based approach, this organization was able to reduce its overall spend by 25 percent over a two year period. This multi-million dollar reduction in spend provided budget flexibility in an industry prone to sudden changes in revenue based on supply chain, market preferences, and other core business concerns.

> A retail store chain with over 10,000 stores reduced spend by 25 percent over two years by using Asentinel to centralize telecom management and control costs.

Companies taking an aggressive and proactive approach to find direct cost savings can even develop internal auditing programs that can be treated as profit centers. Nucleus recommends taking this approach on an ongoing basis for annual telecom, network, and mobility spend of above $10 million per year per FTE assigned to manage a TEM application. In speaking with one real estate company, Nucleus found that they directly attributed a 3 percent reduction in telecom and network spend on a year over year basis to Asentinel's automated discovery of cost reduction opportunities and additional savings associated with analyst-assisted use of Asentinel to discover new savings opportunities.

OPTIMIZING TEM SAVINGS

Companies with multi-million dollar communications budgets seeking to reduce operational costs should automate their telecom expense management. To maximize the value of TEM, companies must avoid several potential pitfalls associated with the constantly changing environment of telecom billing, the current state of the TEM market, and the efforts associated with ongoing TEM efforts.

Firms seeking to develop their own solution should realize that telecom and network expense management challenges are exacerbated by constant changes in the billing and service order infrastructure. As carriers build each new pricing structures either based on new contract negotiations or new marketing promotions, they create additional opportunities to wrongly bill for services. Once a company has built telecom expense software or assigned an analyst to manually process invoices, it has invested into the efforts of perpetually keeping track of new billing formats, telecom products, subscription billing trends, rate plans, devices, and cloud-based services that the carrier provides. This effort can quickly become cost-inefficient in organizations where telecom is not a core business competency, leading to a choice where a company must choose the lesser of two evils: giving away money to the carrier or giving away precious employee time to research telecom contracts and tariffs.

Companies seeking to purchase a software solution or hire a managed service for TEM should be aware that this market is well over a decade old and has its own trade organization, TEMIA (Telecom Expense Management Industry Association), which promotes best practices and industry-wide standards for telecom management. In addition, there are a number of patents associated with telecom expense management based on the intellectual property of market leaders in this industry. Market leaders in the TEM space have one or both of these pedigrees as well as reference customers with millions of dollars in spend. Potential customers must conduct due diligence based on the assumption that there are a number of expert companies that have a track record of providing one-time and ongoing TEM savings.

Over time, companies are more likely to find additional savings by moving an on-premise TEM effort to a managed service or BPO since telecom is rarely a core strategic skill set within the enterprise. This does not mean that every component of an organization's telecom management efforts should be immediately transferred to a vendor, since each company has its own internal capabilities, compliance concerns, and operational workflows that must be taken into account. However, this transition can be seen as having some similarities to a cloud-based project, where work capacity is being offloaded to an off-site location that has greater capacity for conducting specialized work.

Also, as telecom invoicing environments grow, companies that have outsourced aspects of invoice processing or spend analysis can spend more time with the strategic aspects of planning network infrastructure or renegotiating contract terms that are more favorable to the organization's needs.

Companies seeking to manage multi-million dollar telecom environments must fully understand the challenges and opportunities associated with the global cost structure of telecom, network, and mobility. By taking a process and benefit driven approach to telecom expense management, companies can achieve high levels of initial cost savings and then maintain and expand upon those benefits over time to increase the overall Return on Investment.