

# “Whose telecoms bills are you paying?”

A call to action for Telecoms and IT Managers

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Controlling telecoms costs –

The majority of organisations do not effectively control telecoms costs and these organisations are regarded as ‘tame customers’ by suppliers. The additional margin earned from these ‘tame customers’ is used to subsidise the small minority of organisations who are proactive and have complete control over their costs.

“Are you fully in control?”

**Most organisations spend considerably more than they need to on voice, data, and mobile communications services, and the internal costs of managing and processing the associated billing.**

**There are many reasons why organisations spend too much....and a number of actions most well managed organisations can take to proactively minimise costs. This white paper looks at the key issues and actions that can be taken to recover, reduce or avoid unnecessary expenditure.**

## **Why organisations pay too much.**

### **Pricing changes and billing errors**

While generally prices go down, that's not always the case. Complex contract and tariff pricing make communications one of the most difficult costs to understand. In addition, the complexity of telecoms billing creates many errors, and a never-ending reconciliation task for those involved in the process.

In May 2002, Gartner Research (in the USA) estimated that the average enterprise overpays telecom bills by 5-10%. Our own experience in the UK market would suggest a similar or even higher level.

Every year in the UK, many millions of pounds are refunded by the major telecoms companies as a result of billing errors. However, this money is not usually refunded automatically as the telecoms companies themselves are often unaware of their errors which can include rental and maintenance charges for lines and equipment that do not exist (or have been ceased), and incorrect call charges.

Refunds are made to organisations that can provide clear evidence of overcharging and quantify the value of the overcharge(s), and who are prepared to present the service provider with a cogent refund claim. **How much of a refund might your own organisation be entitled to right now?**

### **More costs to track**

It used to be that the only costs were for equipment rentals, exchange lines and call charges. Now, there are charges for Internet access, mobile phones, wireless devices such as Blackberries and Palms, competitive local, national and international call charges, ISDN2, ISDN 30, Digital Subscriber Line (DSL), fax lines, virtual private networks and other data services, and a burgeoning number of employees working from home with telecoms charges of their own.

### **More suppliers**

Since deregulation of the market there are now many more service providers than before, and all of these have different names for what may be similar products. Most large organisations have more than one service provider...and are faced with a multitude of billing formats.

### **The service collapse**

In the current deregulated market telecommunication companies have struggled to maintain profitability and consequently resorted to huge headcount reductions, resulting in a deterioration of service levels. This means that even if a service

provider has agreed to lower the price, it may be too under-staffed to implement the change promptly and accurately, if at all.

**Cost ‘blindness’**

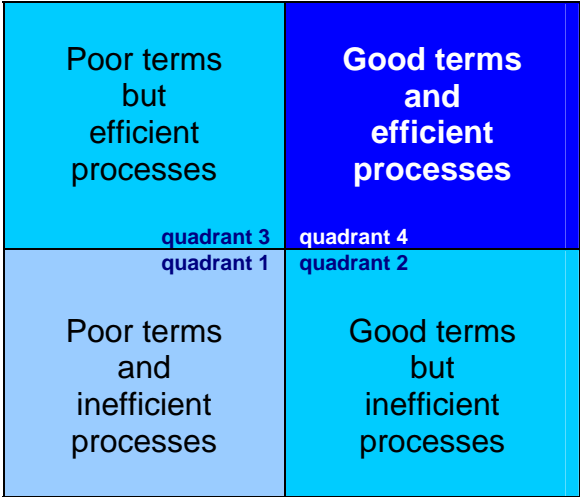
Many organisations fail to understand their expenditure profile and adopt a one-dimensional view of telecoms costs. Often the focus is on head-line tariff rates with no real understanding of the actual traffic profile or the impact of minimum call charges (or connection fees).

In addition, more interest is often shown in the price of individual telecoms services, rather than the whole picture, which necessarily includes usage (legitimate or otherwise).

Also, very few organisations understand the cost of processing telecoms billing which is usually a ‘high-touch’ or even manual process.

Not surprisingly, it is common to see organisations with both poor terms and inefficient processes (see quadrant 1 in the diagram below). From this position it is possible to adopt a ‘one-dimensional’ approach by either seeking to improve the supplier terms, whilst suffering inefficient processes or alternatively improving processes and controls without improving terms (quadrants 2 or 3).

The real gains are to be made by improving supplier terms and internal processes & controls, often delivering savings in excess of 20% on an ongoing basis.

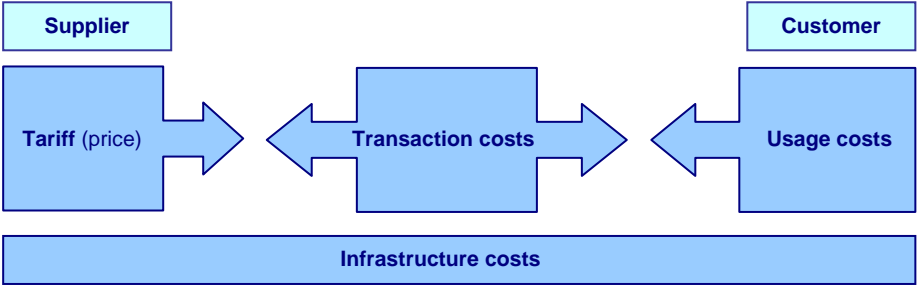


To add to the ‘foggy’ environment, many companies are not aware of their total telecoms spend. Telecoms costs tend to get assigned to various departments and projects, and the result is that there is no easy way to track the total costs to the organisation.

# What you can do to reduce your total communications expenditure.

## Look at the ‘total picture’

Most organisations (and many so called ‘telecoms consultants’) focus mainly on tariff savings to reduce costs. However in our experience there are equal or greater savings to be made in transaction, usage and infrastructure costs.



Cost elements in the telecoms supply chain

At a fairly simple level, there are four main cost elements in the telecoms supply chain. Whilst tariffs or ‘prices’ are dictated more by suppliers, the remainder can be influenced significantly by the organisation (customer).

## Consolidate

Reduce the number of accounts you have, by consolidating your billing. If you have multiple locations, you may get dozens of invoices each month, and this is costly to administer. Fewer bills to pay means that your staff can concentrate on more important matters.

Consolidate suppliers as well. Having too many suppliers means that you end up paying different prices for essentially the same service. When you reduce the number of suppliers, you can offer more business to them, and negotiate better pricing based on a larger volume.

## Negotiate simpler contracts

Many telecoms service contracts are wonders of complexity, often due to the rapidly changing environment. By insisting on simplified agreements, you reduce your chances of being incorrectly billed for services, and it’s easier for you to manage your costs.

## Check rates

You may like to think that your telecoms supplier is competitive, but this is not always the case. Because of the sheer size of the overall expenditure, small rate differences add up to a lot. Even if just to keep your present service providers honest, you should undertake regular market reviews to see what other companies have to offer.

In checking rates, you should also verify that the pricing you agreed upon is what you are actually being billed – it is complicated for the service provider too, and mistakes often happen.

## **Electronic billing**

Particularly in a multi-location environment with many services for each location, you may receive stacks of paper bills. These present two problems. One is that the sheer processing of all that paper, and issuing payment, is a tremendous drain on staff time. The other is that it is difficult to check up on your service provider to be sure you are actually being charged what you agreed upon.

Receiving your bills electronically, even if each vendor has its own proprietary software, is a big step towards making it cost-effective for you to undertake analysis of your cost structure, looking for billing errors and savings.

With the right third-party software tools, you can really manage and monitor your costs.

## **Track your inventory – manage your infrastructure**

Be sure you are actually using all the services for which you are paying. You may have closed an office recently, or cut back on the number of lines being used in another. Are these changes being reflected in your bill? Your service provider may not be intentionally over-billing, but due to their own staff cutbacks may have difficulty processing service changes correctly.

Review your processes for managing your fleet of mobiles. Do you have tight procedures in place to ensure that managers or staff who have left the organisation are removed from the billing?

Review rental and maintenance charges as well as call charges.

## **Monitor mobiles**

Company-provided mobile phones can be a huge cash drain. Some companies leave it up to each individual to handle their mobile invoice, and submit it as an expense, however, this does not allow you to control the spending, or take advantage of volume pricing. In some cases, companies issue phones unnecessarily, such as to staff who do not leave the premises as part of their work.

When reviewing mobile phone charges, make sure you look for all of the following:-

- £ Non standard rates
- £ Punitive voicemail access charges
- £ Extension of peak call time period
- £ Incorrect charging of off peak calls
- £ Loading on international/roamed calls
- £ Incorrect international SMS rates.
- £ High Data call charges
- £ Unfair rounding up of duration and costs
- £ High equipment charges
- £ Punitive contract terms
- £ Incorrect billing
- £ Zero Billing Phones
- £ Cost effective routing of land-line to mobile calls

Finally on mobiles, you need to set policies on who requires a phone, and how much talk time or costs are allowed. Having more sophisticated management tools allows you to spot anomalies, such as too many personal or high duration calls.

### **Break down functional 'silos'**

Often, we find that telecoms costs are not being managed effectively, because responsibilities or 'ownership' of one or more budgets falls somewhere between the IT department, Procurement and Finance. The IT department's main interest is ensuring that the organisation has the services it needs on a reliable basis, Procurement negotiates the contracts, and Finance is responsible for paying the invoices. Often information is not communicated effectively when new rates are negotiated or when services have been disconnected, resulting in billing errors going unnoticed.

### **Outside assistance**

Due to the complex and fast-changing picture, it is often difficult for an organisation to make sure it is getting the best possible service and pricing arrangements. Outside professional assistance can help.

You should look for a company with solid experience evaluating telecoms requirements and expenditure. Some work on a flat fee basis, some on a 'percentage-of-savings model', and some will let you choose which you prefer. You can also obtain software that allows you to do much of the work yourself.

An increasingly common practice today is to outsource management of telecoms invoices, since it can be such a time-consuming and labour-intensive process that is critical, yet far outside the core competencies of most companies. A company with robust software tools and value-added services can help you to firmly control the spending, and keep a tight lid on your telecoms costs, as well as your internal costs of managing all these services.

As you can see, paying attention to telecom costs can pay off in significant savings, stopping what may be a major drain on the company's resources.

### **The Meridian Solutions**

Established in 1995 and based in St Albans, Herts. We are industry leaders in cost management, providing information and technology based services to help medium and large organisations recover, reduce and avoid unnecessary costs.

We bring innovation and value to every assignment with skilled, experienced personnel, state of the art technology applications and proven methodology.

We have advised hundreds of UK organisations on their telecoms costs and processes. We are privately owned and independent of all suppliers. As part of the Avema Global Alliance we are able to service clients on a world wide basis.

A summary of our telecoms related services is given overleaf.

## Telecoms review



Telecoms insight is our review service to identify overpayments to suppliers and opportunities to reduce ongoing costs.

We have been successful in identifying charging errors with most of the major carriers and have recovered millions of pounds for our Clients. The process is undertaken using bespoke software applications developed in-house.

In addition to recovering overpayments as a result of pricing errors, we are also able to identify duplicate payments to telecoms suppliers (i.e. the same bills paid more than once) by the use of our accounts payable analysis software. This is a far more common occurrence than most people assume.

If you wish to minimise ongoing telecoms costs we use specialist software applications to profile usage and model alternative tariff and cost structures, we are able to recommend optimum rates, benchmark against market conditions and advise on non-tariff related savings. Very often ongoing savings will be achieved as a result of our review, without changing suppliers.

## Automation and ongoing management



You can now revolutionise the way you manage telecoms costs and processes for your organisation.

Drawing on our consultancy expertise and the extensive experience of our technology partners, we have delivered the solution our clients have been asking for: A system to automate the management of telecoms vendors, processes, infrastructure and costs.

Where we have identified savings or recoveries for your organisation, you can also have a solution to prevent overcharging in future. The vendor management system automates the billing validation process, creates files for cost allocation purposes and provides flexible management reporting and e-mail alerts to those responsible for managing voice and data budgets.

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