AOTMP

The Value of TEM to the SMB
January 2009

Insider's Guide

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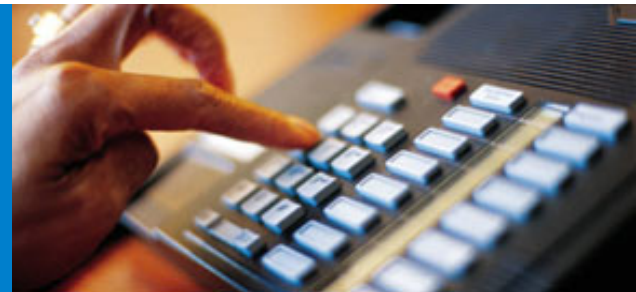
Executive Summary

Businesses adopt Telecom Expense Management (TEM) Programs to gain visibility into telecom goods, services and charges. Cost reduction, optimization and control are leading drivers for a TEM Program. While the structure may differ slightly, common elements of a TEM Program include tools, such as TEM technology and skilled resources; skilled resources may include internal staff, consultants and/or third party subject matter experts.

The scope of a TEM Program often leads small and medium size businesses (SMBs) to shy away from them, as there is a common perception of greater effort and cost than financial gain. While a TEM Program may appear to be out of reach for SMBs, the reality is, in fact, quite the opposite; financial and operational benefits are real for SMBs.

This research explores the value of a TEM Program to SMBs and identifies financial and operational benefits available to SMBs.

Defining TEM

The goal of telecom expense management is to ensure an accurate and optimal service-to-cost return. A TEM Program should optimize control over expenses, spending on telecom and the operational costs associated with managing those expenses. TEM Programs include sourcing, service ordering, invoice processing, reporting and analysis. The scope of activity within these TEM Program areas is outlined in Table 1. The foundation for the entire program is inventory validation and change control.

The keys to a productive and financially beneficial TEM Program are establishing an inventory of telecom services, features, configurations, charges and service providers, and maintaining inventory accuracy. Association of these telecom environment components with the business enables SMBs to proactively manage the services and cost through visibility into the environment and visibility enables informed decision-making.

> *While a TEM Program may appear to be out of reach for SMBs, the reality is, in fact, quite the opposite; financial and operational benefits are real for SMBs.*

Telecom Expense Management Areas

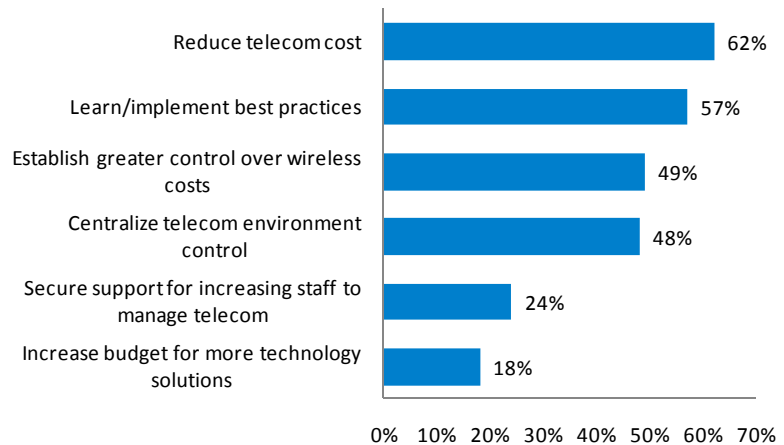**Table 1: Scope of TEM Program Activities**

TEM Program Areas	Scope of Activities
Inventory Validation & Change Control	Aggregating and normalizing inventory data, and mapping it to an information repository; inventory provides a baseline to establish a "single version of the truth." Inventory validation and change control is an integral program activity.
Sourcing	Identifying service providers, evaluating their capabilities and creating an environment for service providers to compete on price, service quality and reliability; negotiation of rates, terms and conditions is included.
Service Ordering	Placing service orders with service providers to obtain, change or disconnect services. Maintaining visibility into order activity and status supports technical and financial change validation.
Invoice Processing	Receiving paper and electronic billing media, auditing for contractual and inventory accuracy, cost chargeback assignment, and bill payment are included.
Reporting & Analysis	Providing detailed and accurate information about telecom expenses, budget tracking, service provider tracking and ad hoc reporting are included.

Technology assists in unifying a TEM Program. SMBs can simplify workflow, eliminate duplicate tasks and relate TEM information into usable views via technology. TEM technology can also automate manual activities, such as coding of service charges for chargeback allocation. Automation serves to decrease effort and reduce human errors. Optimal benefit is achieved with technology that relates data and processes from all TEM Program activities into a consolidated interface. TEM technology combined with skilled resources increases both short- and long-term benefit potential.

SMBs & TEM Program Objectives

On average, SMBs with less than $100 million in revenue spend between 1.4% and 2.2% on telecom expenses. This ratio of telecom expense to business revenue provides some perspective on why 62% of SMBs indicate that their top enterprise priority is to lower telecom costs.

Figure 1: Top Telecom Priorities for SMBs

Priority	Percentage
Reduce telecom cost	62%
Learn/implement best practices	57%
Establish greater control over wireless costs	49%
Centralize telecom environment control	48%
Secure support for increasing staff to manage telecom	24%
Increase budget for more technology solutions	18%

0% 10% 20% 30% 40% 50% 60% 70%

Source: AOTMP SMB Research, January 2009

TEM Activities Generating Maximum Benefit

- **Expense Validation and Contract Compliance (Audit)**
  In a market where rates are declining, billing errors are more likely to favor telecom service providers. Therefore, validation of billing and contract compliance activities are more likely to generate savings for SMBs. Errors include mistakes in the application of rates, tariffs and contracts to billing. In addition, audits will find errors through the reconciliation of invoices against inventory and move, add, change, and disconnect (MACD) service orders.

- **Optimization**
  An effective TEM Program will use business intelligence to identify cost-saving optimization opportunities. Savings opportunities can be found through identification and elimination of unused and unneeded services, right-sizing voice and data services to meet changing business needs, and consolidation of services on master service agreements offering optimal price performance.

- **Late Payment Fee Penalties**
  The ability to pay invoices on time has an impact on the ultimate cost of telecom services. Reduction or elimination of late payment events reduces cost through reduction of late payment penalties.

- **Expense Allocation Chargeback Controls**
  Many TEM Programs expend considerable effort to generate allocation chargebacks. Technology automating service cost allocation in accordance with business policy reduces processing effort, lowers allocation errors and supports an increase in cost visibility.

- **Contract Negotiation**
  In a market where new technology and innovation is driving reductions in rates for telecom services, contract negotiation can be a rich source of savings.

SMBs & TEM Program Benefits

According to AOTMP research and analysis, the proportion of savings gained from TEM Program activity is unique for SMBs, as opposed to enterprise counterparts. As illustrated in Figure 2, optimization and contract negotiation represent the two greatest areas of cost savings opportunity.

Figure 2: SMB TEM Program Savings Activities
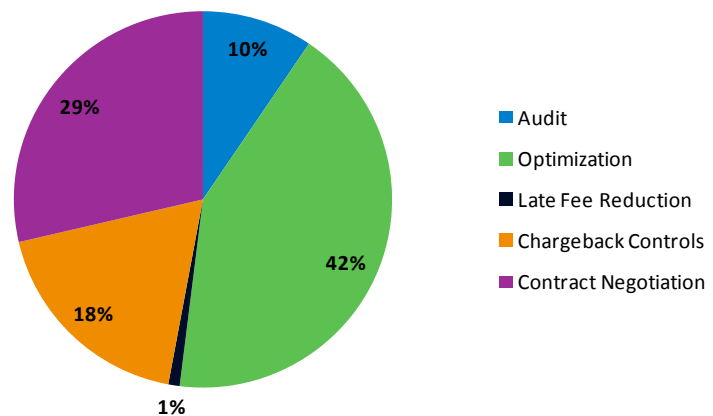
Source: AOTMP SMB Research, January 2009

Tailoring a TEM Program for SMBs

Because of deregulation and declining rates, SMBs that have no TEM Program may experience some savings; however, savings for SMBs with a TEM Program with focus on the TEM Program savings activities as identified in Figure 2 are positioned to gain nearly 22% greater savings as opposed to those without a TEM Program.

The cost savings amounts as illustrated in Figure 3 are based on financial savings benchmark data from AOTMP research findings. This savings model utilizes averages for SMB TEM Programs over a four year period.

Figure 3: SMB TEM Program Savings Over Time
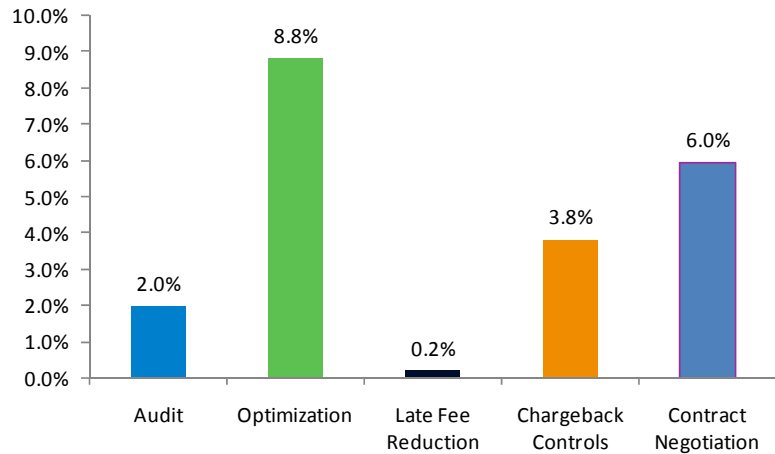
Keys to TEM Program Success for SMBs

A TEM Program consists of tools and skilled resources. TEM technology serves as a tool supporting workflow and automating processes. Resources skilled in the use of TEM technology and TEM Program best practices support attainment of financial performance objectives.

The TEM Program keys to success for SMBs include:

- Focusing on program activities presenting the greatest opportunity for savings
- Implementing TEM tools, such as TEM technology, supporting program initiatives
- Securing program support from skilled resources, which may include internal staff, consultants and/or third party subject matter experts, to drive program initiatives

Conclusion

Cost reduction, optimization and control are achieved through informed decision-making. A TEM Program, supported by technology and skilled resources, assures SMBs have both structure and visibility into telecom services and service charges. Increased visibility enables SMBs to effectively monitor the telecom environment, proactively identify cost savings opportunities and take action in accordance with changing business needs.

AOTMP Research Methodology

AOTMP research is supported through data collected from a variety of sources. Data points are collected through enterprise and supplier benchmarking projects, training and certification events, research surveys, frequent hot topic polls, virtual conference audience polling, live conference audience polling, and AOTMP Access benchmarking events. AOTMP's data point contributors include over 60,000 IT, telecom and business professionals, supporting domestic and international enterprises and industry suppliers. Data points contributing to research are carefully analyzed using advanced statistical methods. Research findings are confirmed though test/retest validity methodology and, therefore, paint an accurate picture of the industry. The clarity and detail of AOTMP research is unmatched in the practice of telecom environment management, and AOTMP expertise translates analysis into actionable findings representative of the industry and all related industry segments.

Research Demographics

Data points for this research were provided by enterprises representing the following markets:

- Technology/Telecom/Software
- Business Services/Consulting/Legal/Insurance/Finance
- Manufacturing/Engineering/Agriculture/Consumer Goods
- Healthcare
- Education/Government/Not for Profit
- Retail/Restaurant/Wholesale
- Transportation/Travel/Utilities

The demographic range used for this research includes data points from SMBs with 5 to 100 service address locations that spend $5,000 to $100,000 per month on telecom services.

About the Sponsor

vCom Solutions is a Telecom Expense and Inventory Management Firm focused on helping multi-site businesses reduce and manage their communication costs.

We manage our clients' entire telecom lifecycle, including design, procurement, customer service, technical support and bill consolidation. We provide you with a true single point of contact and software management portal for all your communication needs, nationwide.

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About AOTMP

AOTMP is the leading provider of information solutions for managing telecom and IT environments. AOTMP's proprietary certifications, benchmarks, standards and best practices deliver measurable improvement in efficiency and productivity for managing wireless, voice, data and network services. From Fortune 50 companies to SMB, enterprises seeking the best return on telecom and IT services turn to AOTMP's industry research, advisory services, events, educational programs and performance management systems to achieve operational and financial efficiency.