

Mid-Market Telecom Expense Management Trends

*Implications and Best Practices for
Wireline & Wireless Expense Management
in the SMB Market*

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Survey reveals Catch-22 for small and medium-sized businesses (SMBs) needing to manage network service levels, inventory and spend.

Executive Summary: The State of SMB Communications Management

Small and medium-sized businesses (SMBs) can find themselves between a rock and a hard place when negotiating with multiple communications carriers, attempting to maintain service levels and manage their telecom expenses. Many, according to a recent survey conducted by CCMI on behalf of vCom Solutions, are large enough to be working with multiple network service providers and are processing dozens of disparate telecom invoices each month. Yet they are often too budget-constrained to have in-house telecom staff dedicated to managing carrier relationships and auditing bills or to hire experts with the skill sets needed to operate on-site automated telecom and wireless expense management (TEM/WEM) systems (see Figure 1).

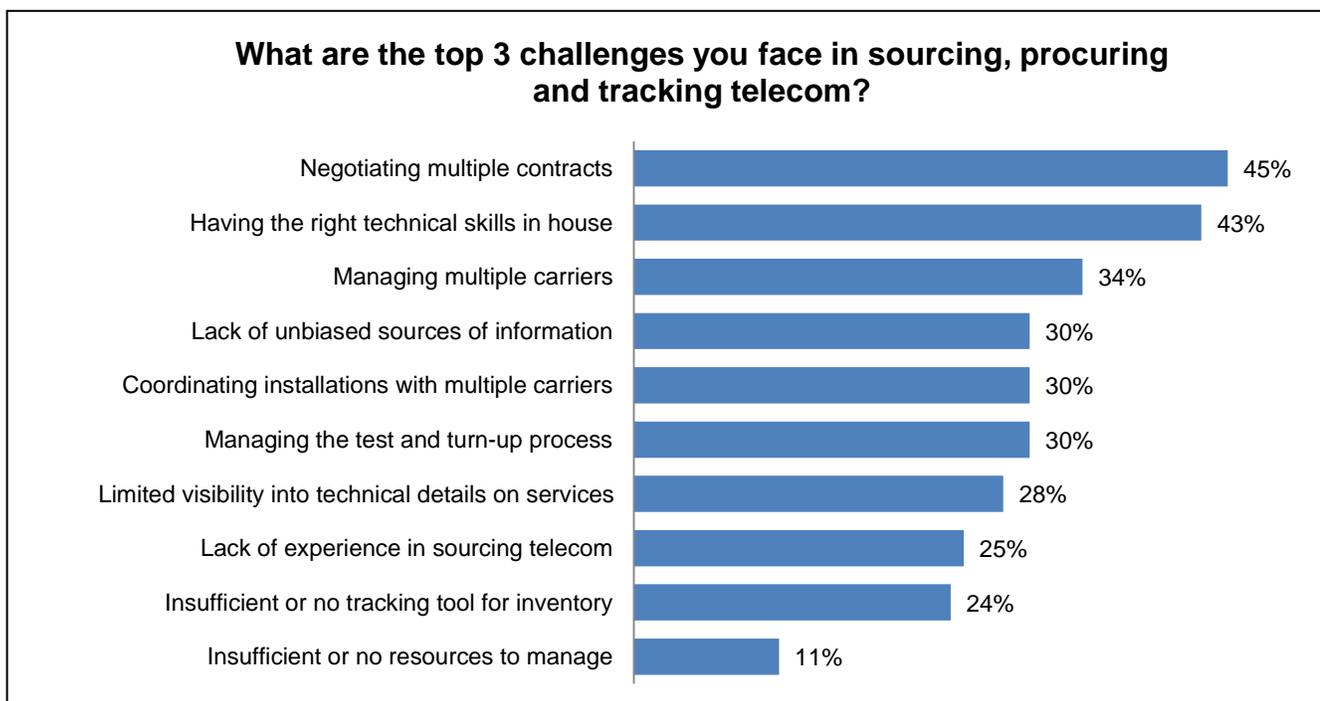


Figure 1. SMBs say their top telecom challenges are juggling multiple carriers and contracts and maintaining the appropriate technical skills in house. The percentages shown reflect how many respondents named each challenge as one of their top three.

The unintended outcome for some companies? Suboptimal negotiated contract terms and rates and inefficient asset and inventory tracking. In other words, many are spending more than they would need to if they had a reliable, automated way of seeing their big-picture spend and processing invoices.

» **Growing Complexity**

This issue has grown more common with the explosion of mobility and wireless services. SMBs, like other organizations, usually have to manage wireline and wireless network services, invoices and carriers separately. The process has become administratively complex for everyone, but especially so for those with small staffs.

And as SMBs grow and expand to multiple sites, they are likely to use even larger numbers of network service providers. One survey participant who idealistically responded when asked how his procurement and negotiation process could improve probably echoed the thoughts of many SMBs: “If carriers expanded service areas to all our locations...we wouldn't have to use several different ones.”

That, indeed, would be a big help: As the number of providers, plans and invoices exponentially grows, using basic tools such as off-the-shelf spreadsheets and databases to track inventory, audit bills and manage costs becomes far less scalable, comprehensive and effective.

» ***Need for Automated Tools***

Consider, for example, Monterey Mushrooms, Inc., the U.S.'s largest producer of fresh mushrooms. The company is headquartered in Watsonville, Calif., but runs nine farms throughout the country and maintains offices in Mexico, Canada and France, as well. So the company uses a variety of local network service operators.

When director of information systems Mike Matelli was asked to perform an accounting on the company's wired and wireless voice and data spend several years ago, “it took about five years for me to get a handle on about 70% of it,” he says. The company, which at the time was processing more than 100 network service invoices each month, doesn't employ a telecom person per se; Matelli went about gathering the information using a Microsoft Access database and manually tracking down invoices and investigating charges, he explains.

While many organizations feel Matelli's pain, there are operator aggregation services and cloud-based expense and inventory management services emerging to ease the burden. As these offerings become particularly affordable thanks to the trend toward software-as-a-service (SaaS) cloud computing models, once “forgotten” SMBs such as Monterey Mushrooms can gain better control over their expenses and service levels.

Key Survey Findings

CCMI's recent survey of 100 companies with revenues ranging from \$25 million to \$500 million reflect the growing complexity and SMB burden Matelli experienced in network service procurement and expense management several years ago. Here is a summary of the study's findings:

- » ***There are lots of disparate invoices for SMBs to process, audit and analyze.*** 42% of SMBs surveyed process more than 10 wireline and wireless invoices each month, and 4% process more than 25. These situations can make it difficult to determine overall spend and spot opportunities for cost reduction.
- » ***SMBs increasingly are working with more service providers.*** More than a fifth (21%) surveyed work with six or more wireline network service providers. And nearly a third (32%) surveyed work with three or more wireless network service providers. All, of course, have their own invoicing formats and codes, making aggregation and analysis challenging at best.
- » ***A substantial number of SMBs suspect they might not be getting the biggest bang for their telecom buck.*** For example, 41% said they are unsure as to whether they are getting the best network service deals possible for their organizations. And well over half (62%) think there's more they can do to better control their telecom expenses.
- » ***Wireless spend has caught up with wireline spend. And both expenses are substantially rising for more than a third of respondents.*** More than a third of the respondents (36%) said their wireline spending increased by more than 10% in 2011 compared with 2010; the same percentage (36%) said their wireless spend increased by more than 10%, too.

- » **Relatively few SMBs use automated tools for expense tracking and management.** Just 9% of respondents use a third-party expense-management tool; the majority use off-the-shelf spreadsheet and databases to track costs.

The complexity facing SMBs, reflected in these findings, is driving the demand for more powerful (yet simple) tools and services that companies focused on their core business – not on telecommunications – can use to negotiate and track charges more efficiently than they typically have been able to do.

Time to Dump Excel?

The majority of survey respondents (69%) said they use an off-the-shelf spreadsheet (such as Microsoft Excel) or off-the-shelf database (such as Microsoft Access) to track their wired and wireless telecom expenses. The good news here is that most organizations are at least making an effort to track expenses: only 2% said they weren't tracking expenses at all. Another 2% admitted that they weren't sure whether they were doing so or not (see Figure 2).

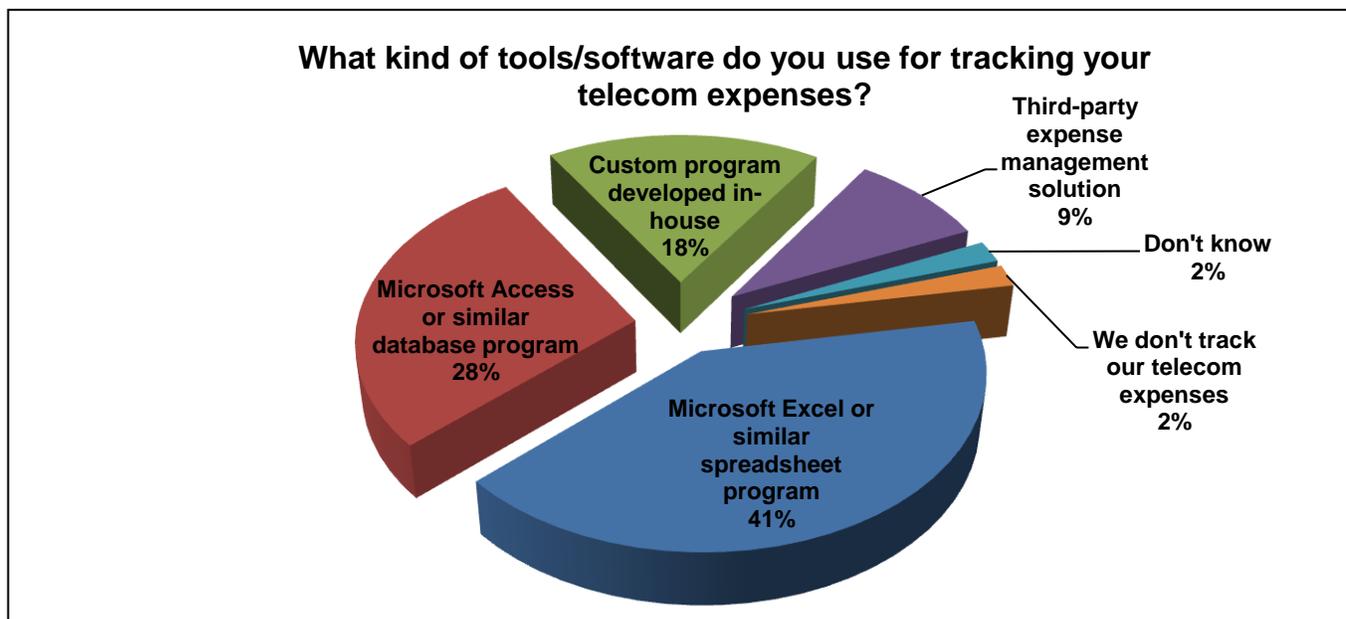


Figure 2. Most respondents are using fairly rudimentary and labor-intensive methods of tracking telecom expenses.

The less stellar news is that the tools most commonly used by SMBs are growing inadequate to match the complexity of their telecom situations. Increasingly necessary is the ability to see expenses in an aggregated fashion and the ability to strike apples-to-apples comparisons across plans and providers.

The SMBs surveyed indicated an awareness of automated tools available for this function; however, they had various reasons why they had not implemented them to date. Among their reasons were cost concerns, constraints on available time to research and deploy them, a dearth of choices they deemed appropriate for SMBs and a general lack of support by upper management to purchase and deploy automated tools (see Figure 3).

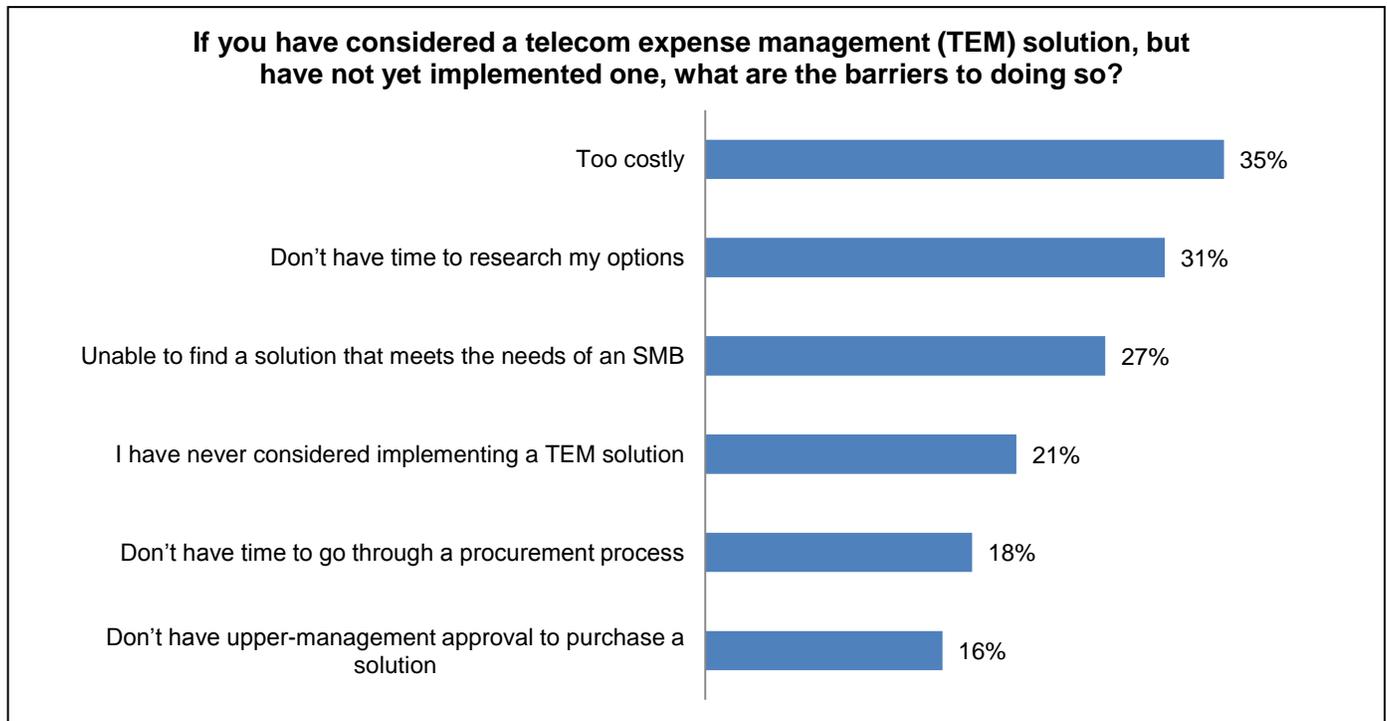


Figure 3. SMBs that aren't using automated tools for telecom expense tracking and management cite time and money as the primary reasons. However, it's possible that the dollars being lost in inefficient telecom contracts, billing errors and administration could easily pay for the use of modern-day expense management tools – and then some.

Still, many did say they have other initiatives under way to control wireline expenses, such as replacing T1 and ISDN lines with less expensive Session Initiation Protocol (SIP) trunking services and leaving room in their telecom contracts to regularly review pricing (see Figure 4).

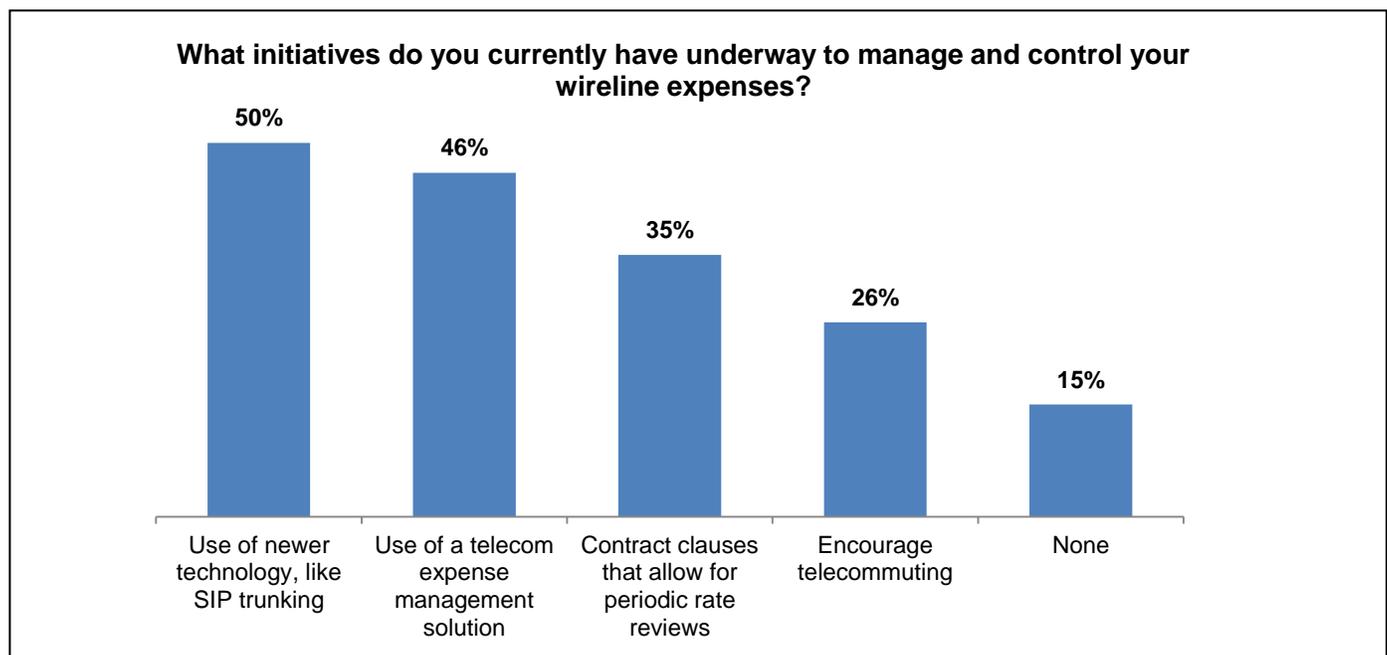


Figure 4. The SMBs wising up to the need to curb diverse and hard-to-track telecom bills are using a smattering of methods to do so.

Wireless: Another Moving Part to Manage

The explosion of cellular services has only exacerbated the fragmentation problem associated with controlling communications services and their associated costs. Defying logic, the large carriers that sell both landline and cellular services insist on creating separate packages and contracts for the wireless voice and data services bucket and the terrestrial services bucket. Not only that: there's the employee-liable, "bring your own device" (BYOD) trend raging through organizations that threatens to further diminish corporate control over mobile network usage and behavior.

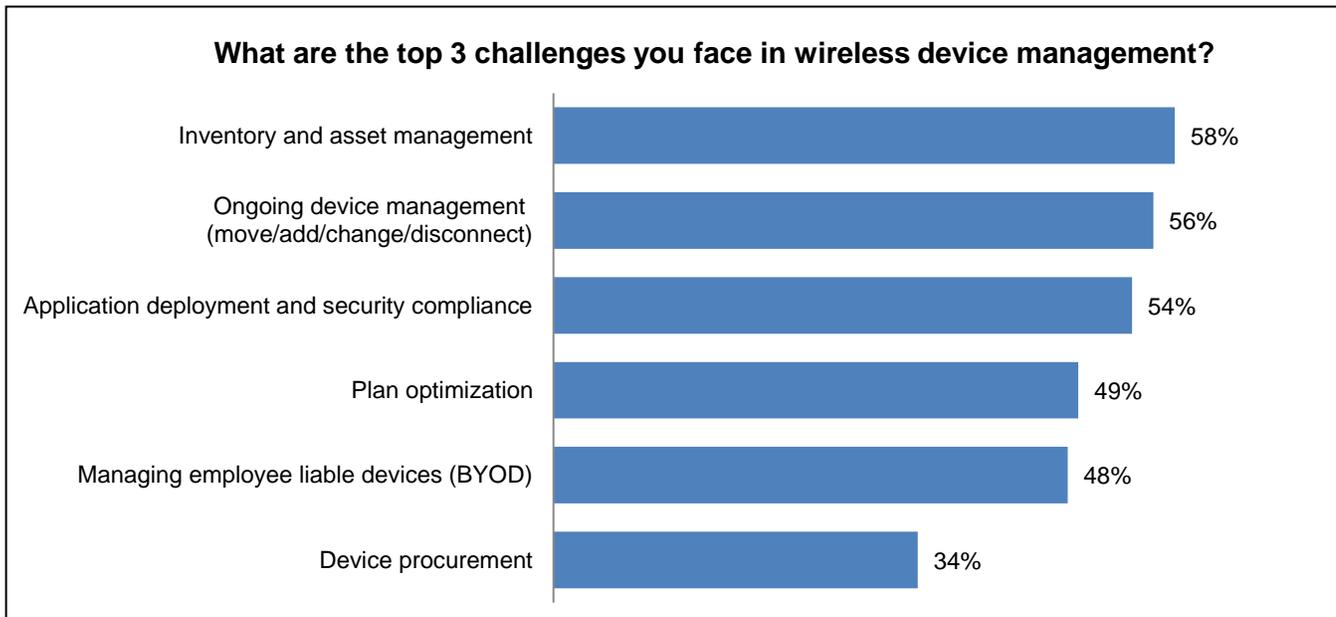


Figure 5. The trend toward letting employees bring their personal devices to work for network access is creating a moving target for SMBs trying to manage their inventory and assets, deploy mobile apps and remain compliant with security policies. The percentages shown reflect how many respondents named each challenge as one of their top three.

Managing inventory and assets ranked at the top of wireless management challenges cited by survey respondents (see Figure 5 above). On the other hand, most of the SMBs surveyed for this report were shown to have the fundamental, organizational policies in place needed to tame the situation. Only 9% said they had no initiatives under way to manage and control their wireless expenses. And most had some combination of other processes in place to curb runaway costs (see Figure 6).

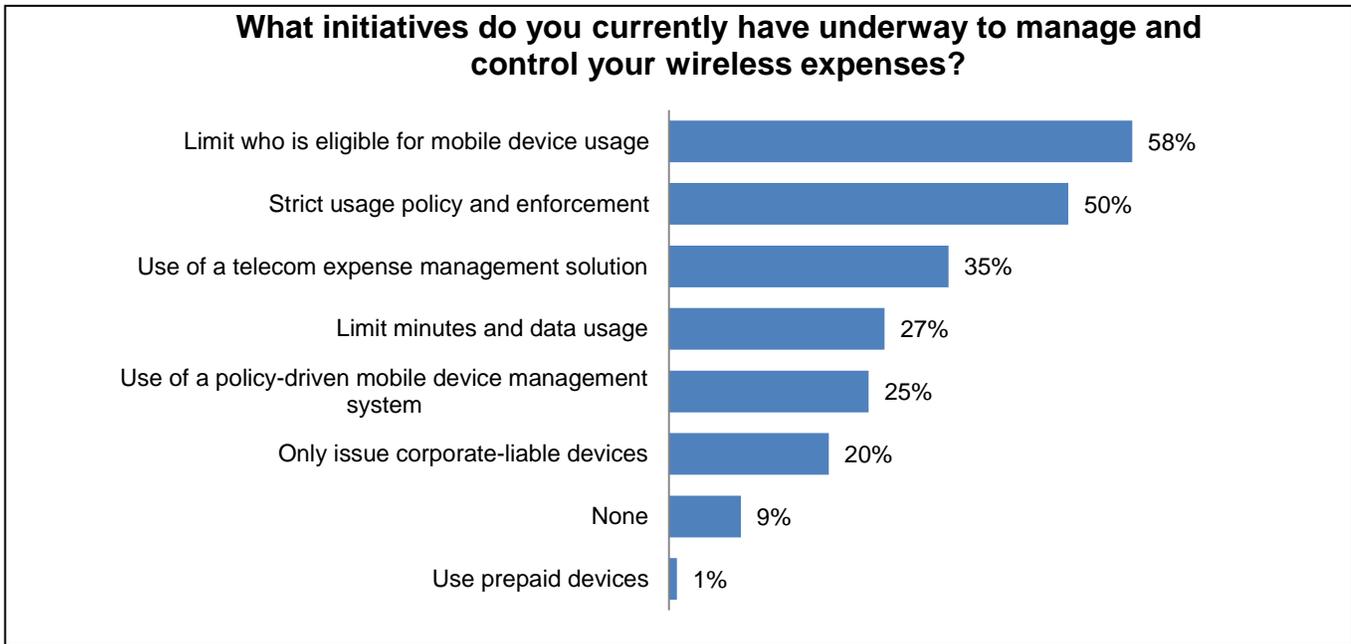


Figure 6. SMBs are instituting a variety of policies and other initiatives to curb escalating wireless expenses. Respondents could choose as many initiatives as were applicable.

A quarter of respondents had deployed or were in the process of employing a policy-driven mobile device management (MDM) system, which can take automated action to limit usage, say, when a user roams off a home network. Such systems generally require a client agent on the employee devices, which is a strong alternative if the SMB issues the devices itself (a “corporate-liable” model) and has the expertise to install the client software and run the MDM system. And these systems can also address the other challenges shown in Figure 5, including managing mobile application deployment, security compliance and device procurement and retirement.

Not surprisingly, tracking mobile devices and associated usage and chargeback was the thorniest challenge when it came to managing wireless expenses (see Figure 7).

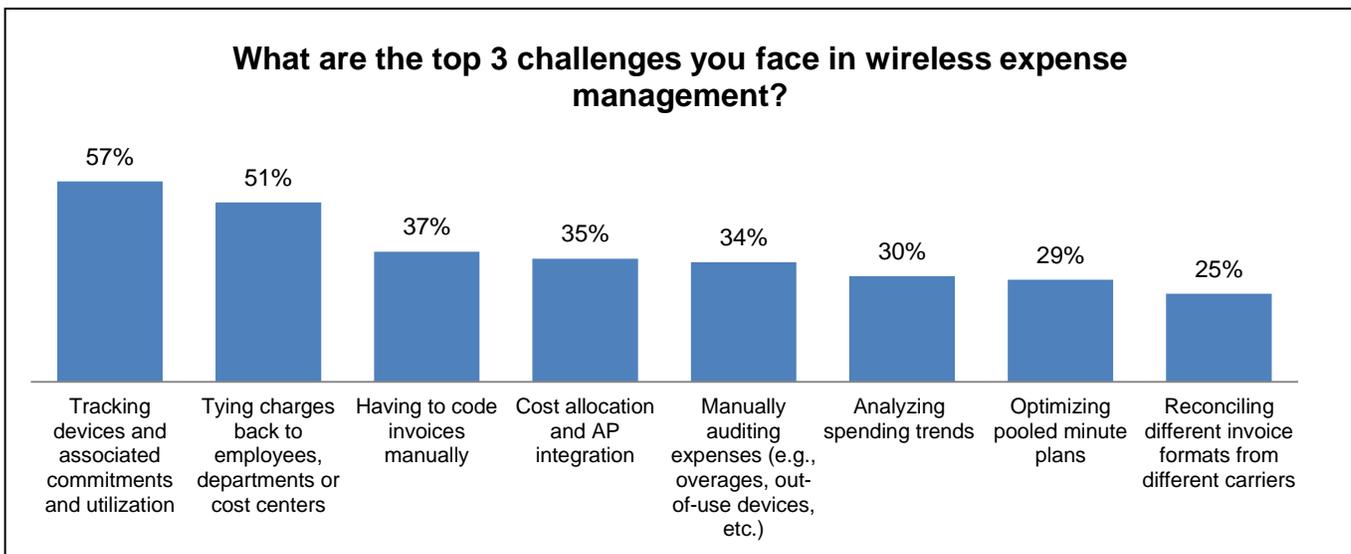


Figure 7. The most difficult aspects of managing wireless expenses, SMBs say, are tracking devices and their associated commitments and utilization, then charging back the costs. The percentages shown reflect how many respondents named each challenge as one of their top three.

Conclusion and Recommendations for SMBs

SMBs now rival their larger enterprise counterparts in their need to get a firm grasp of their wired and wireless telecom assets, devices and expenses. They tend to have fewer human resources to devote to such tasks, however, and fewer budget dollars to put toward on-site management tools. On the bright side, however, other strong options are emerging for these companies to use.

Using a managed communications service provider that purchases services wholesale from multiple providers at the back end, for example, streamlines the job of carrier relationship management. As with selecting any managed service provider, speaking with several customer references should be a key step in the decision process.

The other boon to SMBs is the growing availability of SaaS cloud alternatives both for telecom expense management (wired and wireless) and mobile device management (MDM) and security. In such cases, the setup usually involves a Web portal, which SMBs can access to see the status of their inventory, expenses and policy settings in a common, comprehensive format across the various carriers and services. Economically, SaaS options are attractive for companies on tight budgets because they require no upfront capital outlay for hardware or software; companies pay as they go, based either on a percent of total spend or a flat monthly fee.

Some companies provide multiple services – network service aggregation and TEM/WEM SaaS, for example. There are a number of existing and emerging models for getting these tools and capabilities. For example, it's possible to get SaaS capabilities from managed service providers that provide the software as a value-add. This type of service is rare, but available, so do the homework. It pays for SMBs to collapse as many functions as possible with a single provider into a common portal, so long as the provider they choose is a highly reputable and financially sound supplier.

Advises Monterey Mushrooms' Matelli: "Whether you have one or a thousand lines, you have to deal with billing, service and integration with whatever phone system you have. You might feel you have a good handle on the billing part; the troubleshooting and service, you might not be prepared to deal with." That's another level of support he's able to get with his provider, he explains, and a reason he is currently in the process of adding Multiprotocol Label Switching (MPLS) data services to his managed service program.

About vCom Solutions

vCom Solutions revolutionizes the way enterprises manage their entire telecom lifecycle. vCom customers gain control over inventory, expenses and carrier relationships, achieving better business intelligence that drives profitability. vCom's Telecom Management as a Service (TMaaS) solution includes a suite of cloud-based telecom management software tools, complemented by a full portfolio of professional services. For more information, visit <http://www.vcomsolutions.com>.

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About Joanie Wexler, Contributing Editor

Joanie Wexler is an independent editor and analyst in Silicon Valley, Calif., who has spent 20 years analyzing trends and news in the computer networking industry. She covers the gamut of IT hot topics, including data and voice network services and equipment, convergence, wireless communications and data center trends. Contact Joanie at joanie@jwexler.com