Building a Winning Business Case for Telecom Expense Management (TEM)
INTRODUCTION

With diverse geographical footprints, expanding communication needs, and a proliferation of carrier partners offering variable plans, rates, and services, companies today face an ever-growing set of challenges in their quest to properly monitor and manage their telecom expenses. What lines are in inventory? Are costs being managed effectively? How can we avoid the productivity drain and wasted expense?

For many companies, the answer lies in new-breed telecom expense management (TEM) solutions that leverage intelligent software tools to manage inventory and monitor costs to maximize the organization's telecom investments. TEM solutions automatically untangle the invoices and telecom lines, allocate costs correctly, and identify opportunities for savings.

But before they undertake a TEM initiative, companies are wisely analyzing their telecom environments and demanding careful assessments of the costs and benefits of TEM solutions. The following white paper highlights the various considerations and factors that should be components of any thorough and thoughtful business case.

ASSESS YOUR NEEDS

A well-developed business case begins with a thorough assessment of your complete telecom lifecycle. Ask yourself – and your key stakeholders – some of these key questions. How are you managing the telecom environment – expenses, inventory, and processes? Do you have the right technology to efficiently manage that environment? What are your management costs – and how do they compare to your peers and competitors? What information is missing that would improve telecom management?

Fig. 1: The Keys to Managing the Telecom Lifecycle: Assess your needs from these important perspectives
The goal is to create a holistic perspective of the entire telecom environment and its impact across the entire organization. Perhaps you want to replicate pricing advantages from one carrier to other carriers. Maybe you have good contracts in place – but no tools to audit the invoices to ensure carrier compliance with terms and conditions. You might even sense that escalating trouble tickets can be a challenge because you don't always have updated contact information for various networks, services, and providers. Here are six important dimensions to build into your TEM needs assessment:

- **Sourcing** – Do you use multiple carriers and vendors? Are you devoting proper time and resources to benchmarking their performance – financially and operationally? Do you regularly review contracts over the life of the relationship?

- **Procurement** – How are you placing orders with your various carrier partners? Testing and deployment, of course, can require considerable investments of time and resources. Assess your organization’s level of expertise to complete that process efficiently and cost-effectively.

- **Inventory Management** – It’s challenging to track the dozens or hundreds of different telecom lines. You need to know which are active – and identify dormant lines that can be silent cost centers. Many companies attempt to tackle this problem with static spreadsheets (calling their carrier partners to get specs and typing them into spreadsheet cells, for instance). That takes time, limits your visibility, and prevents effective reporting and analysis.

- **Service** – Simply tracking the various service issues among a range of carriers is a time-intensive headache for most organizations. Contacting different service desks to track trouble tickets and request escalations can lead to unnecessary delays. Each carrier’s process is different and changes frequently.

- **Invoice Management** – This should be an area of emphasis. How does the accounting team granularly track invoices from all of the different carriers and code them into your AP system to properly allocate costs? How well can your accounting team consult IT regarding significant variances in invoices?

- **Business Intelligence** – Businesses need both a big-picture perspective to spot trends and the ability to drill down to identify and remediate exceptions and variances. That requires the ability to aggregate charges across carriers into a single format.
ESTABLISH YOUR DIRECT AND INDIRECT SAVINGS OPPORTUNITIES

After you’ve pulled together a comprehensive assessment of your current telecom environment, you’ll still need some specific data points to begin to assess your savings opportunities.

- **Number of Service Providers** – How many carriers is your organization using for wireline and wireless services?
- **Invoices** – How many invoices are you processing each month?
- **Spending** – What’s the annual cost of your organization’s telecom services?
- **Tracking** – At what level are you tracking your telecom expenses – at the office level? Region? Department? Employee? And how do your managers get visibility into their organization’s telecom spend?

Gathering this data will help you determine the scope of benefits that can accrue from a TEM solution deployment. What is the impact of TEM on the typical organization? While no two companies are alike, Aberdeen Group estimates that effective TEM can reduce overall annual telecom costs by as much as 26 percent. Gartner Group estimates a range of 19-54 percent savings from the various aspects of a TEM program (see Fig. 2).

CALCULATING THE SAVINGS

Your business case should reflect the savings that are available in two areas – direct (lower rates, eliminating unused services, and fixing billing variances) and indirect (by saving the labor costs associated with reviewing and coding invoices and reducing support calls).

Fig. 2: Source: Gartner Group

<table>
<thead>
<tr>
<th>COST REDUCTION FROM TEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5-12%</strong></td>
</tr>
<tr>
<td><strong>2-7%</strong></td>
</tr>
<tr>
<td><strong>3-8%</strong></td>
</tr>
<tr>
<td><strong>1-15%</strong></td>
</tr>
<tr>
<td><strong>8-12%</strong></td>
</tr>
</tbody>
</table>

THE COST OF INVOICE PROCESSING

Aberdeen estimates that – by the time it’s touched all of the stakeholders and completed the total payables workflow – the average invoice costs the organization $63-70 each in processing costs. If you have 100 invoices each month, you’re spending roughly $80,000 annually just on tactical payment. That doesn’t even consider the time spent analyzing invoices and identifying savings opportunities.
So what benchmarks and metrics can you use to estimate the direct and indirect savings that are available through TEM? Using the Gartner and Aberdeen studies as well as vCom Solutions’s own data across hundreds of clients, the following conservative estimates are reliable for a company with $500,000 in annual telecom expenses:

**DIRECT SAVINGS ASSUMPTIONS**
- 15 percent reduction in telecom rates
- 6 percent reduction in costs by eliminating billing errors
- 4 percent savings by eliminating unused inventory

**INDIRECT SAVINGS ASSUMPTIONS:**
- $60/hour loaded labor cost
- Eliminate 1.5 days/month of invoice account coding
- Eliminate 1.5 days/month reviewing invoices
- Save five days/month on service calls

**BREAKDOWN OF SAVINGS THROUGH TEM** ($500,000 ANNUAL SPEND)

- **$20,000** ELIMINATING BILLING ERRORS
- **$30,000** ELIMINATING UNUSED SERVICES
- **$8,640** MAN HOURS CODING FOR ACCOUNTING
- **$8,640** MAN HOURS REVIEWING INVOICES
- **$28,800** MAN HOURS ON SUPPORT CALLS
- **$171,000** FIRST-YEAR SAVINGS
- **$75,000** LOWER RATES

As an example, for an organization with an annual telecom spend of $500,000, TEM can generate a first-year savings of $171,000. But that still leaves two important questions to address before a proper ROI can be calculated: Does this reflect your organization’s telecom annual spend levels? And given the cost associated with TEM – how do you determine a net-benefit figure?
CALCULATING THE RETURN ON INVESTMENT

Naturally, a TEM solution requires some investment from the organization. For the purposes of this paper, two cost levels are assumed: $1,000/mo. for organizations with lower annual telecom expenditures and $2,000/mo. at the high end. There’s also one template blank for you to insert your own estimated cost and to calculate your own ROI.

**TYPICAL ROI CALCULATIONS FOR VARIOUS LEVELS OF SPENDING**

<table>
<thead>
<tr>
<th>Annual Telecom Spend</th>
<th>$250,000</th>
<th>$500,000</th>
<th>$1,000,000</th>
<th>$2,500,000</th>
<th>$5,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Savings Percent</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>15%(^1)</td>
<td>15%</td>
</tr>
<tr>
<td>Direct Savings Per Year</td>
<td>$62,500</td>
<td>$125,000</td>
<td>$250,000</td>
<td>$375,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>Indirect Days Saved Per Month</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Cost Per Day</td>
<td>$480</td>
<td>$480</td>
<td>$480</td>
<td>$480</td>
<td>$480</td>
</tr>
<tr>
<td>Cost Per Month</td>
<td>$3,360</td>
<td>$3,840</td>
<td>$4,800</td>
<td>$6,240</td>
<td>$7,680</td>
</tr>
<tr>
<td>Labor Savings Per Year</td>
<td>$40,320</td>
<td>$46,080</td>
<td>$57,600</td>
<td>$74,880</td>
<td>$92,160</td>
</tr>
<tr>
<td>Total TEM Savings</td>
<td>$102,820</td>
<td>$171,080</td>
<td>$307,600</td>
<td>$449,880</td>
<td>$842,160</td>
</tr>
<tr>
<td>Annual TEM Investment</td>
<td>$12,000</td>
<td>$12,000</td>
<td>$12,000</td>
<td>$24,000(^2)</td>
<td>$24,000</td>
</tr>
<tr>
<td>Net Savings</td>
<td>$90,820</td>
<td>$159,080</td>
<td>$295,600</td>
<td>$425,880</td>
<td>$818,160</td>
</tr>
<tr>
<td>ROI</td>
<td><strong>757%</strong></td>
<td><strong>1326%</strong></td>
<td><strong>2463%</strong></td>
<td><strong>1775%</strong></td>
<td><strong>3409%</strong></td>
</tr>
</tbody>
</table>

1. In this model, the percentage of direct savings declines as annual telecom spending increases because companies with larger annual telecom spending typically have already achieved some measure of savings through volume purchasing of telecom services. Smaller companies experience higher levels because they have, typically, been unable to enjoy the benefits of aggregated-volume purchasing.

2. This model assumes that a larger level of TEM investment is required by companies with larger annual telecom budgets.
As the tables show, each month that you delay implementing a TEM solution, your organization is wasting thousands or hundreds of thousands of dollars in unnecessary telecom expenses. However, beyond even these direct and indirect costs, there are additional latent opportunities that also indirectly affect your bottom line. For instance, the ability to identify chronic support issues – whether it’s a specific location, service offering, carrier, or other factor – can represent important efficiencies and lower costs. TEM can also automatically comb through invoices to identify savings opportunities and give you the visibility into your spending that can create greater accountability among users and managers.

Improved data means improved decision making. You can generate usage and spending reports that can help justify infrastructure investments in services like voice over IP (VoIP).

## TEM DEPLOYMENT OPTIONS

Not surprisingly, there a few basic models for implementing a TEM solution. Each presents its own advantages.

### PAY FOR PROFESSIONAL SERVICES

This “a la carte” model has evolved and succeeded because it offers important value to organizations. In this model, a team of experienced consultants acts as your representative to conduct carrier negotiations to maximize your rate savings. They perform telecom benchmarking, invoice auditing, and other key services that save money.

### YOUR ROI CALCULATIONS

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your annual telecom spend</td>
<td>Direct Savings percent assumption</td>
<td>Direct Savings per year</td>
<td>Number of Days saved per month</td>
<td>Labor Cost per Day</td>
<td>Labor Cost Per Month</td>
<td>Labor Savings Per Year</td>
<td>Total TEM Savings</td>
<td>YOUR Annual TEM Investment</td>
<td>YOUR Net Savings</td>
<td>YOUR ROI</td>
</tr>
<tr>
<td>Insert $ figure</td>
<td>25%</td>
<td>A x B</td>
<td>Insert # days</td>
<td>$480</td>
<td>D x E</td>
<td>F x 12</td>
<td>G + C</td>
<td>$12,000</td>
<td>H - I</td>
<td>J ÷ I x 100</td>
</tr>
</tbody>
</table>

$________ $________ $________ $________ $________ $________ $________ $________ $________ $________ $________$ _______ % _______ % _______ _______ %
SOFTWARE-ONLY

In this model, your organization licenses either an on-premise software solution or subscribes to a cloud-based solution. In either scenario, your organization is charged with rolling out the software to users and actively using the solution on an ongoing basis to monitor carrier performance and billing. It offers an expense profile that is largely predictable but also requires a certain level of expertise within your organization to derive the maximum value.

HYBRID MODEL

More recently, some TEM providers are blending professional services and software, subsidized by the savings generated through carrier negotiations and aggregated purchasing power. Client companies avoid big-ticket software purchases or big-bill monthly consultant invoices by tapping into those cost-savings being generated by the consultancy. This also provides a rigorously agnostic approach to carrier selection and eliminates the headaches and time of juggling multi-carrier pricing and contracts. Instead, the organization has one single-source telecom vendor with unified support and operations – masking the cost-management and support complexities beneath.

SECURING STAKEHOLDER BUY-IN

After you’ve completed the situation analysis, identified your savings opportunities, calculated an ROI, and determined the best TEM deployment model for your organization – now comes the hard part: securing the buy in of your stakeholders. In most organizations, that means getting approval from your IT, finance, and executive-management teams.

In this process, it’s important to deliver the messages and benefits that will resonate strongest with each group, and they fall into three dimensions: process efficiency, cost savings, and visibility and control. Here are some useful ways to categorize and present the advantages of TEM to your stakeholders.

FINANCE

• **Process Efficiencies** – CFOs will be interested in reduced labor, thanks to automated cost allocation, automated AP posting, electronic invoice approval, and other techniques that streamline invoice processing and management. It means no more stacks of paper, lengthy cycles, delayed payments, and other suboptimal workflows.

• **Cost Savings** – Clearly the ROI that TEM delivers is, perhaps, the most compelling message for finance leaders.

• **Visibility and Control** – Automated TEM platforms provide the business intelligence to deliver trending reports, budgeting and forecasting inputs, and other insights that create smarter short- and long-term telecom decisions.
IT

• **Process Efficiencies** – The IT team can manage multiple telecom carriers from a unified portal. They can tap into external telecom expertise and use specialized software tools instead of simple spreadsheets to manage inventory. And they're freed from manually coding invoices for the finance team.

• **Cost Savings** – IT budgets get relief from unnecessary expenses – dollars (and labor) that can be more appropriately devoted to other IT projects of a strategic nature.

• **Visibility and Control** – With centralized inventory management, IT can pinpoint each office/location's carriers and services, tie inventory to trouble tickets, and strategically manage and optimize the telecom function.

EXECUTIVE MANAGEMENT

• **Process Efficiencies** – With TEM, the organization has the latitude to allocate its IT, procurement, and finance resources for other core projects without adding headcount.

• **Cost Savings** – The ROI message resonates strongly in the boardroom. Demonstrating how TEM impacts the bottom line is the most important message you can deliver to these stakeholders.

• **Visibility and Control** – Emphasize how business intelligence can expose opportunities across all telephone and data services and enable a clearer reconciliation of technology to spending. Armed with the right information, your organization can improve accountability over what is a major operating expense.

CONCLUSION

An airtight business case for telecom expense management (TEM) calls for a careful analysis of the organization's current and anticipated needs, a thorough estimate of the savings available (using industry-analyst estimates and best-practice benchmarks), a calculation of the net ROI, an evaluation of TEM deployment models, and a successful presentation of the case to key stakeholders.

With the right business case, corporate telecom managers can position themselves to capitalize on the benefits of TEM and achieve a financial and strategic win for their organizations.

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 [www.vcomsolutions.com](http://www.vcomsolutions.com)*