FIVE REASONS YOUR ORGANIZATION IS OVERSPENDING ON COMMUNICATIONS

AND HOW TO FIX IT.

A

EXECUTIVE SUMMARY

To be fair, the title of this paper could easily be something like, “Five Ways to Decrease Your Organization’s Communications Spend.” Revising the title to something more positive would imply that your organization may or may not have a problem, and it is under the opposite premise that this paper begins: every organization has some degree of a spending problem when it comes to communications.

The reasons such a statement can be made with certainty is based on empirical data gleaned over time in working with organizations within multiple industries, of varying size, and with widely divergent missions. While all of the organizations we have worked with are as different and unique as yours, they are all forced to operate within the ever changing, convoluted, and complicated world of telecommunications, where mergers, acquisitions, and technological leaps rule the day.

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While this claim of “overspending,” may be more true of some organizations than others, there is simply no way for any one organization whose core mission doesn’t center around telecommunications to be at the forefront of all the changes, advances, and issues within this highly competitive space. The five areas explored below, in varying degrees, apply to every prospect or client Juvo has worked with over the past decade.

1

WE LOVE OUR ACCOUNT REP

In today’s day and age, loyalty doesn’t seem to count for very much, so we certainly appreciate it when we see organizations tied very closely to their carrier sales rep or account team. There is much to be said for a familiar face or a known entity. While loyalty is certainly noble, is it costing your organization money? Every national provider, and a good many regional providers, employ something of a dual sales funnel: their internal sales or account representatives, and something called their channel partners. If one was to “Google,” Carrier Channel Manager, you would get over 2,0000,000 hits, with the first several pages being mainly LinkedIn profiles of individuals who fill the role of “Channel Manager.” These managers do not manage carrier sales reps. Rather, they loosely manage the independent telecommunications agents and consultants under their umbrella. These channel partners represent an entirely different side of the business than the regular internal sales teams. While the internal sales teams and the channel teams are both part of the same carrier, they operate almost completely separately. They have separate sales goals, quotas, and pricing options.

> “WE ENCOURAGE ORGANIZATIONS TO ASSUME A FAR MORE ACTIVE ROLE IN **MAKING THEIR CARRIER RELATIONSHIPS** WORK FOR THEM”

Juvo obviously didn’t set up these rules, but we do operate within the rules that have been created, largely as a result of deregulation legislation in the mid 1990’s. To a great degree, the set up makes sense. Independent entities do not cost a carrier anything. There is no payroll to cover, no overhead, other than the Channel Manager who oversees the agents. If you could have independent agents selling your product or service, wouldn’t you? Especially when you take into account that every business needs telecom service, you can easily see why the channel programs exist, as the program give carriers of various shapes and sizes the ability to have a truly national presence.

While the channel program makes perfect sense for carriers, if your organization is currently being served only by a carrier’s internal sales and account team, you have no real way of taking advantage of what the channel program can do for you. No matter how large your organization is, you are not likely to be your carrier’s largest client. Working through a carrier’s channel partner, such as Juvo, increases your footprint, as you are now part of something similar to a buying group. When Juvo works through its agent channels on behalf of its clients, it gives even the smallest of clients access to entirely different realm of possibilities.

One of the most tangible examples of the importance the carriers place on their channel programs can be found in the training that they continue to offer, and even demand of their channel partners. CenturyLink, EarthLink, Verizon, and MegaPath have all announced new channel partner certification programs. For years, ATT has demanded that channel partners take mandatory training programs that ensure the channel partners understand and follow applicable sales and ordering procedures. The channel partner program is not a "side" business, but rather a fundamental aspect of how every carrier sells their services.

Organizations that understand this concept can save their organizations substantial amounts of money while also improving the level of service their organization receives. An experienced channel partner like Juvo has years of experience working with a variety of different carriers, and that experience is something every Juvo client is able to take advantage of.

2

WE CONDUCT ANNUAL AUDITS

Certainly an annual audit is better than no audit at all, and so they are not to be criticized, but the problem with organizational audits stems in large part from a misuse of the term. Most organizations assume that a communications audit is the largely the same thing as a financial audit. While the terms are the same, they are conducted very differently and have very different methodologies. While the term "audit" gets every accounting department nervous, the goal is largely to assess whether dollars and cents can be accurately accounted for. On the telecom side of things, audits typically turn into assessments of whether or not this month's bill looks like last month's bill. In other words, the consistency that is the goal of the accounting audit becomes the benchmark of the telecom audit. Typically, this does not yield much success.

> "AOTMP CLAIMS THAT UP TO **11%** OF ALL INVOICES CONTAIN **ERRORS**"

There are several reasons for this telecom auditing deficiency. First, it assumes that the contract price of a certain service was correct from the very beginning. Organizations around the world simply base what this month's price should be off of what last month's price was, while never actually going back to the contract itself. This is understandable, as the contract oftentimes can't be found, or perhaps a location manager added service and the corporate office doesn't even know it. In addition to these shortcomings, the telecom audit often comes with a carrier based "statute of limitations." For example, should a yearlong billing error be discovered, it may very well only be eligible for six months of credits. At some point, the you as the recipient of the services must take onus for the payment of those services with the assumption that things are correct. This can be very difficult when looking at a thousand page bill.

To conduct a legitimate audit, at least three items must be present: invoices, customer service records, and the applicable contract. For the audit to be truly worth conducting, site surveys conducted by trained IT staff should be conducted as well. Conducting this audit therefore is far more robust than simply analyzing the last 12 invoices. Unfortunately, the scaled down audit that many organizations attempt simply provides a false sense of accuracy that serves to cover up real problems. AOTMP, a telecom expense management certification body, claims that up to 11% of all invoices contain errors. Understanding what comprises this 11% is critically important though, because while some percentage might be carrier based, it is certain that some fraction of that 11% is based off of internal, organizational issues.

A great example of an "error" is what is known as third party charges. These charges come in a couple of different varieties, with "casual billing" being one of the more prevalent. These charges occur when the Local Exchange Carrier hasn't placed the appropriate "Presubscribed Interexchange Carrier" Code, or PICC, to the account. The proper PICC allows the local exchange carrier to route the call properly. Without the proper PIC code, service will be provided, but it won't be provided at a rate you're accustomed to seeing. Whereas long distance rates are typically well below 5 cents a minute in most areas, the incorrect PIC can cause charges of well over 30 cents a minute. Identifying who is responsible for such issues makes getting these charges back almost impossible, especially if it goes on for a prolonged period of time.

This example speaks to the truth that telecom management is not about one time audits. Rather, it is about doing the little things right everyday. A 2012 "Executive Briefing" by AOTMP entitled, "Kill the Audit, Invest in Success," spoke to this exact sentiment. Based in large part on the fact that "audits" sound so official, (due to their financial roots), the presence of auditing procedures typically gives a false sense of security. As explained by AOTMP, "a comprehensive fixed and mobile telecom management strategy creates cohesion between technical, financial and operational business practices," it is Juvo's assertion that such cohesion can't be found in a once a year audit.

3

YOUR AP DEPARTMENT DOESN'T SPEAK "IT"

It should come as no surprise that an employee whose world revolves around cost allocations and the timeliness of paying bills, doesn't understand the world of circuit IDs, pro-rated billing charges, and Internet connection speeds. The problem is exacerbated by the fact that AP and IT departments are rarely located near each other. In many organizations, the CIO has just recently ascended to the same status as the CFO. As long as phone systems are working, and Pandora is streaming, the IT technician may very well never even speak to the folks in the AP department.

> "WHILE THE GOALS OF THE IT AND AP DEPARTMENTS ARE TYPICALLY QUITE DIFFERENT, **THERE IS ONE SHARED GOAL: KEEP THE SERVICES UP AND RUNNING.**"

This issue often emerges when new services are being installed, especially when it is an incumbent carrier. How does the AP department deal with a circuit that is being installed over the course of several weeks and several locations? How does the AP department know of install and disconnect dates? While the goals of the IT and AP departments are typically quite different, there is one shared goal though: keep the services up and running. To that end, AP typically pays with an eye towards not having service cut off for lack of payment. IT typically works with an eye towards overlapping products or services. Both goals are noble, but because the technologies involved to achieve this shared goal are so different, the overpayment of services is usually the norm.

Even in the best of circumstances, it is rare for an IT department member to receive a carrier bill and make a general assessment of whether pricing is where it should be. While this individual might have negotiated the contract, it doesn't mean he gets the bill. Why not? The answer is as much about timing as anything. Imagine a bill gets cut by the carrier on the 1st of the month. This invoice, if sent by mail, takes about 3 days to arrive, and payment terms might be anything from "net 30" to "due upon receipt." Now let's imagine that the bill is 1000 pages, as it comprises approximately 40 locations. What is more important, that the IT department confirms the accuracy of the bill, or that the company's vast amount of servers are working properly? Every organization, even those with the deepest of pockets, has to balance priorities. Especially when this month's bill looks largely like last month's bill, it is understandable why no organization puts a high priority on trying to assess whether the AP and IT worlds are in sync.

4

STATUS QUO DOESN'T GET ANYONE FIRED

There is an old adage that no IT director has ever been fired for re-signing with their incumbent carrier. There is a great deal of truth to this, but in today's age of intense budgetary pressure, there are far too many options available to not at least explore them. Additionally, the short time span with which new technologies now emerge can turn decision making into what can feel like a futile exercise. Does VoIP really make sense when your entire work force is going wireless anyway? While the status quo doesn't get anyone fired, it doesn't exactly put your organization at the forefront either. Consequently, it also means sticking with technologies that might not even be the focus of the carrier who is desperately looking to innovate and move forward with advanced forms of communications. Know anybody still on DSL who is really happy with the service?

> "WHILE THE STATUS QUO MIGHT REIGN AT YOUR ORGANIZATION, IT DOES NOT REIGN AT MOST TELECOM PROVIDERS"

While the status quo might reign at your organization, it does not reign at most telecom providers. This manifests itself in a myriad of different ways, with one example being the manner in which discounts can expire on existing services. This occurs when something like a 36 month contract expires without renewing. The 20% discount that was being earned doesn't show up on the 37 month. Services are still on though, so the AP department continues to pay the bill. With no decision in sight regarding new networks or new technologies, the organization gets locked in to a new 36 month term just to get the discounts back on their bill. While carriers are certainly willing to upgrade services in the midst of an existing contract, the organization is now tied to that carrier.

5

NO OPTIMIZATION

This topic is geared specifically to the mobility and wireless services, as the proliferation of such devices demands at least some attention here. For most organizations who attempt to manage their wireless program internally, there is a tendency to look for power users simply from the vantage point of avoiding overages. In addition, some organizations are beginning to look to carriers to provide some degree of management as well. For example, carriers themselves will send texts when a user is about to go over their allotted data usage. Will such a text cause that employee to stop what they're doing and wait until next month to begin using their internet? Probably not. So rather than attempting to curtail usage, true rate plan optimization, typically through enhanced software, allows organizations to see how people are actually using their devices and then put them into the plans that make sense both for them and the organization as a whole. Pool plan optimization is often counterintuitive, as its purpose is not to "flag" or discipline users who go over their allotted usage limits. Rather, it is about ensuring that organizations get the most for their spend.

> "RATE PLAN OPTIMIZATION DOESN'T MEAN THE END OF THE OCCASIONAL OVERAGE, BUT IT DOES MEAN THAT USERS WILL BE BETTER MATCHED TO THEIR ACTUAL USAGE"

A good example of this is the flat rate "big gulp" fountain drink that can be found at many convenience stores and gas stations. Let's say the big gulp is sold for $1.50. The store owners are working under the premise that anyone who buys the big gulp is going to fill the cup before going to the counter and paying for it. The same logic is not true with regards to phone carriers. They sell a usage plan with the understanding that no one is going to actually use the exact amount allotted by the plan, (very few people are going to "fill the cup." Instead, one of two things is going to happen: the user is going to underutilize the plan or over utilize the plan. In the second instance, this means potential overages can be charged or a friendly text might be sent which encourages the user to upgrade the plan. With pool optimization software, organizations can employ the plans that accurately fit organizational use and need.

At its core, rate plan optimization is simply about the accurate management of pool plans. Far too many organizations, in fear of employees exceeding their plans, place large groups of users into unlimited plans. Sure, no overages exist here, but when an unlimited user is only using 500 voice minutes a month, the organization is grossly overpaying for the service. Rate plan optimization doesn't mean the end of the occasional overage, but it does mean that users will be better matched to their actual usage. As a point of reference, we typically see pools being utilizing somewhere between 30 and 50 percent, while our intent is to typically get up to 90 percent.

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CONCLUSION

Back in 2009, Eric Goodness, Gartner's vice president for managed and professional services told CIO magazine, "It is not hyperbole to state that networks and telecom are the worst managed functions in I.T." Three years later, many organizations have either beefed up their IT and AP staffs to deal with the issue, or they have hired management companies like Juvo to help them deal with the ever-changing environment. Juvo is unique within its industry in that it is not simply a software company that decided to get into telecom. Rather, it is just the opposite. We are a telecom company that got into software and managed services. Because of our genesis from the carrier agent world, Juvo has a keen understanding of how carriers work. That knowledge is the basis for how Juvo's technologies have been forged, how our people our trained, the certifications our employees acquire, and ultimately, how we save clients both time and money.

When it comes to telecom, it is quite simple to blame any and all issues on the carriers involved. Rather than taking this defeatist approach, we encourage organizations to assume a far more active role in making their carrier relationships work for them. There are a variety of ways in which Juvo can help facilitate this revised approach, an approach based on a mutual understanding of processes and procedures that ultimately allow your organization to focus on what really matters.

WEB REFERENCES

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