

Telecom Expense Management RFPs for Business Process Outsourcing Cost Justification



Telecom Expense Management
Industry Association



Executive Summary

This paper on costjustification for TEM programs is an excerpt from our longer paper on how to develop and manage a Request for Proposal (RFP) for a Business Process Outsource (BPO) for Telecom Expense Management. The Telecom Expense Management Industry Association, (TEMIA) is publishing this information to help educate the market and reduce the time for organizations to buy a TEM solution.

The RFP template includes a long section on establishing a baseline to project benefits of a program. The RFP section will require tailoring of questions and omitting some items to meet the needs and circumstances of your company. TEMIA welcomes the opportunity to receive feedback as you work through the RFP process and select the best TEM Solution Provider for your needs.

Caution before Proceeding

RFPs are not always the best approach to buying a TEM solution. Smaller companies should work to avoid overloading themselves with RFPs that contain too much material to evaluate. Also, the RFP process can create barriers between customers and potential solution providers. These barriers can block the flow of information preventing solution providers from responding to customer challenges and evaluation teams from making good decisions. Focusing too much on getting the lowest price can cost more over time since the fees for a TEM solution are a small fraction of the savings that an effective TEM program will produce.

TEMIA has authored this paper. TEMIA's mission is to raise awareness and knowledge of the benefits of TEM solutions, to improve the quality and value of TEM solutions through the development and promotion of open industry standards, and to cultivate shared industry knowledge among TEM providers, business partners, telecom service providers, and enterprise clients. TEMIA is a nonprofit association, which receives its funding primarily from TEM and WEM Solution Providers.

TEM Cost Justification

In addition to the *TEM Needs Analysis*, an effective cost justification for TEM will help to avoid buying a solution that exceed the needs of the organization or buying a solution that fails to meet its the needs.

Savings from TEM programs fall into three main categories:

- Spending less on telecom services
- Labor efficiencies
- Indirect savings

Savings Category	Potential Savings
Spending less on telecom services	
A. Recovery of refunds for billing errors	
1) Audit and recovery of billing overcharges	2% - 15% of expenses
2) MACD reconciliation and recovery of billing overcharges	
B. Cost avoidance by reducing future spending	
1) Strategic Sourcing: better contracts and rates	5%-25%
2) Inventory management	5%- 15% of expenses
a) Grooming to higher capacity lower cost services	
b) Elimination of unused services	
3) Optimization	
a) Wireless service optimizations of voice and data matching consumption to service plans	
b) Identification of services with no contracts, receiving better rates though quote requests and negotiation	
c) MARC penalty avoidance	Depends on MARCs
4) Accountability chargeback visibility, reporting on usage	1%-3% of expenses
5) Elimination of late payment penalties and service disruption for late payments, nonpayment, or lost bills	.5-2% of expenses subject to penalties
Labor efficiencies automating manual processes or outsourcing	
A. Automating procurement processes	FTE reallocation or FTE cost – BPO cost
B. Automating inventory management	FTE reallocation
C. Consolidation of invoices to reduce the volume of payments	FTE reallocation
D. Automating invoice management and validation	FTE reallocation
E. Automating usage chargeback and reporting	FTE reallocation
F. Reducing help desk support	FTE reallocation or FTE cost – BPO cost
Indirect savings	
A. Consistent application of procurement policies	1%-5% of expenses
B. Unifying processes and improving collaboration	1%-3% of expenses
C. Risk mitigation from improved compliance to mobile policy	Likelihood of breach X cost of lawsuit or penalties
D. Better information for improved decisions	benefit from better decisions
E. Freeing working capital	cost of funds X savings
F. Redirecting staff to focus on income producing projects and areas where they add more value	income or value from new activities or staff cost
G. Application of corporate business, mobile policy and accounting rules globally	"Priceless"
H. Compliance to each country's regulations	"Priceless"

In general, the likelihood that a TEM program will produce savings to justify its expenses depend on the complexity of the telecom contracts in the program, the amount of Move Add Change, and Disconnect (MACD) activity, the quality of historical records, telecom services in the program, and some other factors.

Ultimately, the cost justification should focus on areas that add value for the organization. Cost avoidance savings are an important part of justifying a TEM program and evaluating its ongoing performance.

Enterprises also need to align savings calculations from cost avoidance measures with their corporate policies and a practical approach. The CFO can help by establishing rules for recognition of savings and reporting of those savings. There are several different approaches for calculating savings:

- Savings for the budget year
- Savings for the calendar year
- Savings for the term of the contract
- Savings for a rolling 12-month term

The budget year or calendar year approach may create incentives to maximize the savings calculations by timing receipt or recognition of savings to the start of the budget. Using a calendar year approach to calculating savings would mean that a cost savings counts for just one month in December. In January the same cost savings issue will count for 12 months. A rolling 12 month term for calculating savings avoids the issue of incentives that lead to “finding” savings in January each year.

It is also important to consider the cost of not acting or delayed action. With telecommunications expenses, there are costs for not acting because carrier contracts often limit the period of time in which customers can file claims for refunds. The statute of limitations for refunds is typically 6 months for long distance services and two years for local billing. Increasingly, telecom Service Provider Contracts are setting more stringent limits on the time to file a claim for a billing error.

About TEMIA

In 2006, many of the largest Telecom Expense Management (TEM) solution providers established The Telecom Expense Management Industry Association (TEMIA) to raise awareness and knowledge of TEM solutions. TEMIA's ongoing mission is to improve the ROI of TEM solutions and service quality through the development and promotion of clear and understandable industry standards, reasonable performance metrics and to cultivate shared industry knowledge among TEM providers, business partners, telecom service providers, and enterprise clients. TEMIA solution providers help their clients manage over \$31 billion in telecom and data assets annually. Further, TEMIA members subscribe to a Code of Ethics, which clearly differentiates their level of commitment to their clients. For more information about TEMIA, please visit, <http://www.temia.org>, contact info@temia.org, or call TEMIA's Executive Director, Joe Basili at 973 763-6265.

About Juvo Technologies

Juvo is a Total Telecommunications Management firm that enables clients to achieve significant financial benefits by maximizing telecom efficiencies. Juvo is able to achieve an average of 15%-25% telecom savings for its clients through the precise management of client's everyday telecom needs, including local, long distance, Internet, data, and mobile devices. Juvo's expertise, industry experience, and trademark software, all combine to provide its clients with industry leading telecom solutions to meet ever increasing demands.

Juvo, an active member of TEMIA, the Telecom Expense Management Industry Association, has clients with operations in all 50 states, Canada, Mexico, and the United Kingdom.

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