Can Telecom Expense Management
SaaS Solutions
Lower Telecom Costs
For Mid Market Companies?

Produced by Nancy Peckham

Founder and CEO

Valicom Corporation

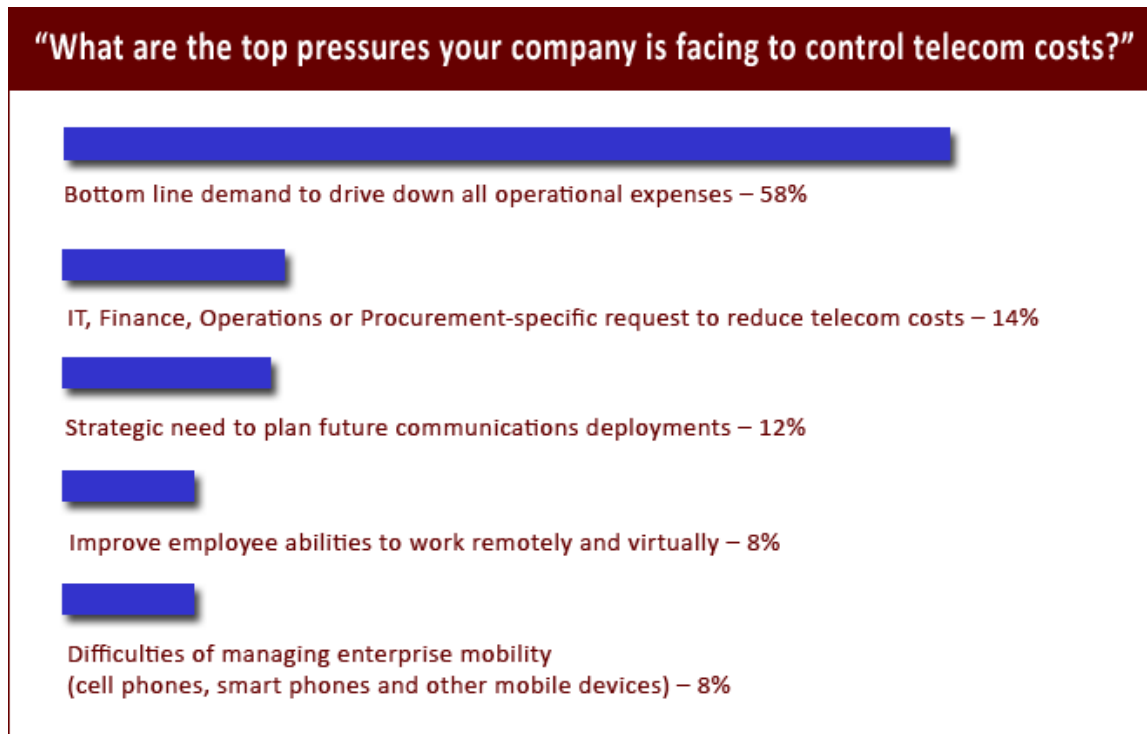Telecom Expense Management and The Middle Market

In the telecom world, since divestiture in the early 80s, there has been a proliferation of new choices, plans, suppliers and technologies. During this period, the internet, wireless services and wide area network technologies have transformed the industry. The internet was born in the 90s and has grown to unprecedented levels. The demand for cellular technology has skyrocketed, taking market share from traditional land line phones and bringing a plethora of voice, data and internet applications to individuals and businesses. Wide area data network technologies, such as frame relay and multi-protocol label switching (MPLS), have allowed for enormous amounts of data to be shared between corporate locations across the globe.

All of this growth and opportunity in the telecom industry has left mid-market businesses ($10M to $500M in revenues) in a state of confusion, and with an unanswered need for greater control over their telecom expenses. Telecom services are defined as "fixed"(also known as "wired" or "wireline") including local, long distance/800, conference calling, wide area network (WAN) and internet; and "wireless" including cellular, blackberries, smart phones and pagers.

Mid-market clients spend a significant amount of money on telecom services and equipment in North America. According to Forrester[1], **"typically 3% to 6% of an enterprise's gross revenues are spent on telecom** services, with 72% of the average North American enterprise telecom services' budget spent on landline and 28% on wireless services."

Mid-market companies are also challenged with the management of carrier billing that is complex and fraught with errors. Forrester[1] estimates that *"billing errors average 5% to 12% of ongoing telecom services budgets."* In support of that estimate, during the past 20 years of auditing telecom invoices, Valicom has found that **over 35% of invoices have some type of error**, discrepancy or overcharge in them. And each error is an opportunity to cut expenses, which seems to be a common goal for most small to mid-sized businesses.

During a recent telecom expense management webinar, sponsored by Valicom, featuring AberdeenGroup[2] research on the topic of SaaS TEM solutions for the mid-market, there was an informal poll conducted with 75 mid-market attendees responding to the question: "What are the top pressures your company is facing to control telecom costs?" The results are shown in the graph below:

"What are the top pressures your company is facing to control telecom costs?"

Bottom line demand to drive down all operational expenses – 58%

IT, Finance, Operations or Procurement-specific request to reduce telecom costs – 14%

Strategic need to plan future communications deployments – 12%

Improve employee abilities to work remotely and virtually – 8%

Difficulties of managing enterprise mobility
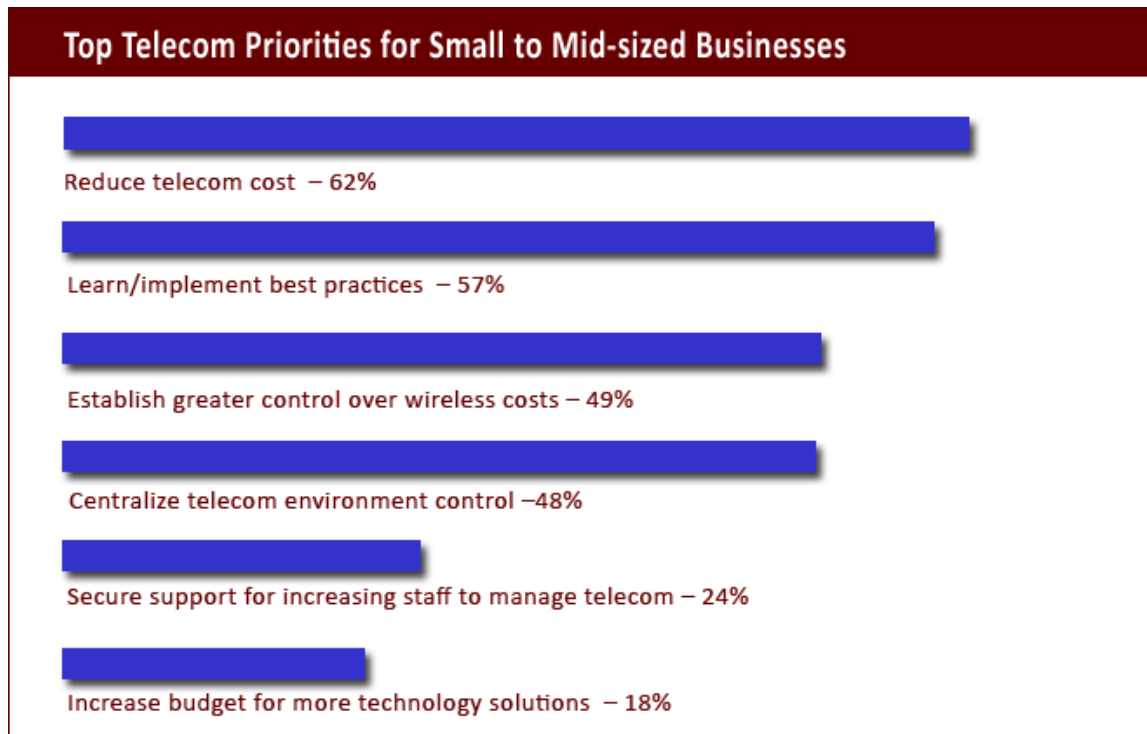(cell phones, smart phones and other mobile devices) – 8%

As you can see, the majority of companies (72%) responded that organizational pressure to reduce operational costs (including telecom), was the business driver to control telecom expenses. So the business need is there, but what are they doing about it?

Not enough. Most mid-sized organizations have not deployed either internal or external telecom expense management (TEM) programs, usually because they do not have the trained staff to do it. Also, according to AOTMP[3], "there is a common perception of greater effort and cost than financial gain" causing "small and medium size businesses (SMB) to shy away from implementing a TEM program." So there is a disconnect between need and solution. In trying to drive home the point, AOTMP further reports that, "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 invoice accuracy. Technology assists in unifying a TEM program. **SMBs can simplify workflow, eliminate duplicate tasks and relate TEM information into usable views via technology**."

This AOTMP research also reported the following top telecom priorities for SMBs.

Top Telecom Priorities for Small to Mid-sized Businesses

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%

Finally, the report states that "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 and supporting program initiatives."
  These tools and technologies include licensed software, hosted solutions and SaaS options."
- "Securing program support from skilled resources, which may include internal staff, consultants and/or third party subject matter experts, to drive program initiatives."
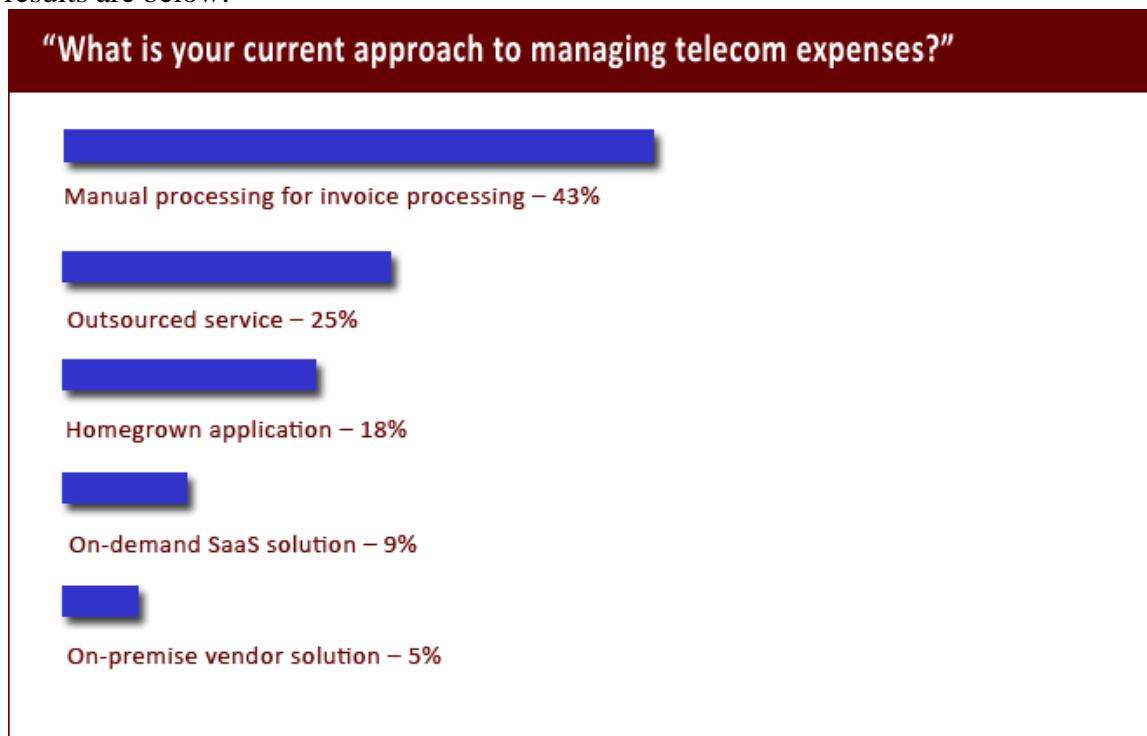
According to the AOTMP report, "**SMBs with a telecom expense management program save 22% more than companies who do not.**" The majority of middle market companies spend anywhere from $150k to $5M in annual telecom expenses. 22% savings on these expenses would equate to $33,000 - $1,100,000 in annual savings for these companies.

Telecom Expense Management Deployment Models

There are several models used by mid-market companies for telecom expense management. These models include manual processes performed internally, outsourced services, homegrown applications, on-demand software-as-a-solution (SaaS) solutions and on-premise vendor solutions.

Manual handling of telecom expense management includes the use of spreadsheets and other labor-intensive processes. Outsourced services involve a 3rd party that performs all or part of the end-to-end processing of telecom bills including processing and paying the invoices, auditing and analysis for savings opportunities, management of assets such as lines, circuits and devices, and providing deliverables and reports for informational purposes. Homegrown applications include the development of an internal database to assist organizations in managing their expenses. SaaS involves providing self-serve, web-based software and back-office services that enable corporate business analysts to perform telecom expense management in-house, implementing savings opportunities themselves. On-premise solutions involve licensed software that is loaded on a server at the customer's premises for the purposes of managing telecom costs.

During a recent AberdeenGroup[2] webinar sponsored by Valicom on the topic of SaaS telecom expense management Solutions for the mid-market, there was an informal poll conducted with 75 mid-market attendees around the question "What is your current approach to managing telecom expenses?" The results are below:

"What is your current approach to managing telecom expenses?"

Manual processing for invoice processing – 43%

Outsourced service – 25%

Homegrown application – 18%

On-demand SaaS solution – 9%

On-premise vendor solution – 5%

This poll indicated that the majority of attendees used an internal manual processing approach to telecom expense management. Contingency audits comprised the majority of outsourced services available to mid-market companies and other telecom expense management solutions are virtually non-existent for medium-sized businesses.

How well these various solutions work is what Aberdeen Group has been looking into, determining how top-performing businesses save money by spending less on their telecommunications assets and services. Taking advantage of multiple research initiatives analyzing the differences between "best in class" firms, average organizations, and laggards who are doing little with regard to telecom expense management, Aberdeen shows where small to mid-sized businesses succeed and fail in controlling telecom and wireless costs.

One key point in the webinar is how "Best-in-Class" firms are controlling business expenses by using software-as-a-service (SaaS) telecom management solutions. According to Hyoun Park, the Research Analyst for Telecom Lifecycle Management at AberdeenGroup[4]: "*AberdeenGroup research shows a large need with middle market organizations for on-demand telecom expense management solutions. This TEM technology brings the control and cost efficiencies of large enterprise expense management to mid-market corporations who have historically lacked the internal resources and expense volume to realize benefits.*"

SaaS Telecom Expense Management Solutions For The Middle Market

To SaaS or not to SaaS, that is the question mid-market companies are contemplating in relation to automating their telecom expense management functions. Along with a rapid growth in cloud computing over the past few years, there are several areas where SaaS has been widely adopted by mid-market corporations seeking low costs, better management and deeper visibility into their expenses.

These areas include sales automation or customer relationship management (Salesforce.com), web conferencing (Webex.com), web development and blogging (Wordpress) as well as general applications, like the GoogleDocs suite. SaaS is quite new in the world of managing telecom expenses, with little awareness of its availability to the mid-market, and few telecom expense management suppliers offering it. But it offers a superior solution and can be beneficial to mid-market businesses for several reasons

First and foremast SaaS eliminates the hardware, security and professional management issues and costs of running software in-house, so it's faster to deploy, cheaper to maintain, and easier to upgrade. Using an on-demand telecom management tool, along with training on best practices, eliminates dependence on telecom providers or TEM service firms**. Companies do not need to hire an expert as their internal staff becomes the expert.**

SaaS can be easy-to-learn and simple-to-use, while still possessing robust capabilities. Through online training and client support teams, the user can expand their use of the tool as their knowledge increases. Upgrades are installed automatically as they are rolled out, usually at no additional charge. SaaS telecom expense management solutions can scale up or down with the users' volume requirements. And SaaS TEM technologies come at a much lower price point than more traditional TEM solutions. Thus SaaS is a low-cost way to access the low hanging fruit of expense reduction without the infrastructure, IT support, and high learning curve required with on-premise software.

There is also the issue of deployment time. According to recent analyst research, it can take anywhere from 8 – 10 months to implement traditional telecom expense management applications. This can be dramatically reduced to days or weeks with SaaS because of the ease of deploying a web-based solution vs. on-premise or outsourced options. Custom reporting can be easily configured and installed at any time, as the product is delivered online. In addition, SaaS tools can capture and analyze usage and fixed costs from billing and produce exceptions reports, outlining potential errors and other savings opportunities.

Potential drawbacks to SaaS include security, disaster recovery and data ownership issues. When selecting a SaaS telecom expense management provider, companies should take a insist on strong security protocols, disaster recovery infrastructure and ensure that the agreement includes a provision that states that the data remains the property of their organization. The data center that houses the hosted solution should be state-of-the-art, fully secure and SAS70 compliant.

Conclusion

Finally! There is a cost-effective solution to address the unanswered need in the mid-market for cost-effective TEM solutions. SaaS technology providers allow for the processes, tools and training to gain greater control over business telecom expenses, and at a fraction of the cost of traditional telecom expense management solutions. During the due diligence process, mid-market companies need to make sure that the SaaS application is secure, fully protected and that the end user maintains ownership of the data. If all checks out, the answer is quite obvious to the question: "To SaaS or Not To SaaS!"

To view a webinar based on AberdeenGroup research on this topic, visit
http://www.valicomcorp.com/knowledge/webinars.aspx

Footnotes:

[1]Forrester: Selecting a Telecom Expense and Inventory Management Supplier (9/14/07)
[2]AberdeenGroup webinar entitled "Can SaaS Solutions Lower Your Telecom, Network and Mobility Expenses (6/15/10)
[3]AOTMP, "The Value of TEM to the SMB" (1/09)
[4]Hyoun Park, Research Analyst, Telecom and Unified Communications, AberdeenGroup, Direct Quote (6/16/10)