



**Telecommunications Expense Management:**

**Sourcing options to optimize your  
Return-on-Investment (ROI).**

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## Introduction

Telecommunications costs have become one of the top 3 to 5 expenses in most companies, because of the complexity and rapid growth of services being offered. No longer can companies afford to just pay the bills. Managing this expense requires the same consideration and diligence as other major expense areas. However, this is no easy task given that the esoteric and complex nature of telecommunications requires a thorough understanding of the industry. This is further complicated by the dynamic nature of telecom, with new services, features and technologies emerging almost weekly. The skills, infrastructure, tools, and expertise needed to fully manage this expense are NOT in the core competencies of most companies.

Businesses today are faced with the choice of managing this expense in-house or outsourcing to professional telecom management firms. As with any service, the objective is to maximize the financial return on the investment in the service while reducing the risk of mismanaging the resource. But how do you know whether to outsource, or establish the infrastructure, skills, and expertise in-house?

## Telecommunications Today

In order to understand the dilemma faced by many companies today in evaluating TEM (Telecommunications Expense Management) sourcing options, we must understand a bit about the evolution of the telecommunications industry, its impact on business, and the issues involved with telecom management.

### Evolution of the Telecommunications Industry

When Alexander Graham Bell uttered his famous line, "Mr. Watson -- Come here -- I want to see you", he could not have imagined the impact his invention would have on the world's culture and business. Within the last two decades, telecommunications has become the largest industry in the world with spending in 2006 projected to be more than \$1 trillion. This incredible growth in the industry is the result of advancements in many service areas, especially data and wireless.

The advent of the Internet has resulted in the expansion of corporate data networks. The explosion of services that can be offered across networks has forced every company that wants to remain competitive to develop ever more powerful networks.

The tremendous flexibility and connectivity brought by wireless technologies has transformed the services from popular to essential (paging "on-call" personnel). Advances in these technologies including text messaging, Internet access, e-mailing, and wireless networking have contributed significantly to the growth of this market.

### Impact on Business

Businesses historically have treated telecommunications in the same way that they treated Information Technology – as a necessary expense that no one outside of the industry really understood. Companies received the bills, paid them, and grumbled about the seemingly never-ending increase in costs. It was not a primary focus when telecom was not a particularly large expense. And negotiating the lowest long distance rate was the primary mechanism used to control costs.

However, as companies accessed the information super highway, they realized it was paved by telecommunications technologies and services. New technologies and services have turned the

information “highway” into the information “autobahn” where the only constraint to attaining optimal speed is the horsepower in a company’s telecom engine.

## Issues in Telecom Management

The list of issues that telecommunications departments, both in-house and outsourced, deal with is extensive. Below are just a few areas that confuse the analysis and evaluation of telecommunications services:

- ❖ The technologies to choose from have become much more complex, and vendors are offering a wider range of choices.
- ❖ Service providers are challenged with making marketing appealing when the end result is just more names for the same product. In some cases, what appears to be the same product can be very different.
- ❖ Vendor billing systems have been left behind in the storm of industry mergers and acquisitions. Carrier system integration has been slow or nonexistent, leading to a significant increase in billing errors.
- ❖ Billing components for each type of product are unique and variable. Some vendors will charge usage and monthly fees, while others include usage as a part of the monthly fee. This all leads to greater confusion.
- ❖ Vendor contracts are often difficult to read as well as understand.
- ❖ While trying to decipher all of these issues, there are not many systems available to assist you with identifying problems, or tracking the lifecycle for correcting them (correction request, follow-up, verification, final resolution).

## **Evolution of Telecom Management**

As the industry evolved and became more complex with divestiture, businesses realized they needed to find ways to better manage their telecommunications expenses. They began to search for tools, processes, and resources to efficiently and effectively manage these services. In response, new companies formed to audit telecom invoices for errors and unused services. Eventually, these companies expanded their services to include processing and payment of the telecom bills. Call accounting software helped companies understand how telecom services were being used. But until quite recently, options and services were few, and tools were limited in their development. Large companies began to demand greater detail and increased results. In response, audit companies expanded offerings and developed more robust evaluation and reporting tools. Thus, Telecommunications Expense Management was born.

## **Telecommunications Expense Management (TEM)**

Today most companies realize that telecommunications is a valuable resource that should be managed with the same consideration and diligence as their other expenses – human, material, and financial. For large businesses to best manage their telecommunications expenses, they must utilize a unique combination of highly skilled teams, proven processes, and effective tools. The question becomes, is it more efficient and cost effective to develop this function in-house or to outsource these services to a TEM company?

## **Corporate Expectations**

Today businesses are faced with the challenge of competing globally while adapting to an ever-increasing pace for change. Companies are attempting to do more with less, putting much more emphasis on cost control, maximizing the utilization of their resources, and focusing on core competencies. The justification for the sourcing decision is ROI.

### **More With Less**

All businesses today are trying to accomplish more (sales, production, etc.) with less. They are implementing technologies to improve productivity. They are analyzing and re-

engineering their business processes to eliminate waste and improve efficiency and effectiveness. They are also acquiring expertise through hiring or contracting persons/organizations that specialize in areas where their current expertise is lacking.

### **Cost Control**

As markets become more competitive, cost control becomes more important. Controlling the costs of a resource as dynamic as telecom is a real challenge. Not only do companies have to get the lowest price for the resources they need, but they also must know what resources they really require and what is the return (ROI) from the resources.

### **Maximize Resource Utilization**

This is a corollary to the “more with less” objective whereby business looks to find ways to improve productivity of workers, get the maximum interest or lowest fees for their financial instruments, and/or find ways to reduce or better utilize excess inventory.

### **Core Competencies**

Businesses today are looking more and more to “stick to the knitting” by identifying and concentrating on their core competencies, and are looking to outsource those processes that require skills not within their core competencies.

There are advantages and disadvantages to a completely internal solution for TEM, as well as a completely external solution. Some of these are listed below.

### **In-house Solution**

PROS	CONS
Internal control	Hiring/training personnel (overhead)
Knowledge of existing network structure	No guarantee of savings
Understand business procedures and culture	Internal communications between information technology and accounts payable departments
	Outside core competency
	Development of tools/database
	Administrative vs. managerial tasks (mixed skill set position)

## Outsourced Solution

PROS	CONS
Most favorable ROI	Shared control with partner
Guaranteed savings	Must build internal processes to manage provider
No need to hire/train	More hands involved in the finances
Tools developed and web accessible	High level of communication needed initially during set up
Deliverables that help you better manage your services	Potential loss of staff (downsizing)
Potential reallocation of resources toward focus on core competencies	
Additional expert resources	

## Combined Sourcing Effort

In many cases, companies will continue to rely on their internal resource to manage the telecommunications project and resources, but implement a combined solution with an outsourced provider. Combined solutions include: access to a TEM database via an ASP model or software license, a combined project team to carry out necessary functions, and the training of an internal team to carry out processes and effectively utilize the ASP tool. In this combined effort for TEM, these pros and cons must be considered.

PROS	CONS
Combined strengths of in-house and outsourced expertise	Challenge of effective communication between in-house and outsourced provider
Training of internal staff on proven processes and effective tools	Potential underutilization of ASP tool
Detailed documentation of processes/procedures	Constrained internal resources may cause delays
More available time for internal staff (focus on core competency)	

## Calculating ROI to determine the best sourcing option

Lastly, and most important, the ROI a company is able to achieve could affect the decision as to whether outsourcing or an in-house solution is the right answer. Weighing the cost of each option clarifies the benefits as well as the ROI.

Potential Costs	In House	Outsourced
Audit company fees	None	Variable
Overall savings	Not guaranteed	Guaranteed significant savings
Training	Must pay for training	Included in monthly fees
System development and integration	Significant development time and cost	Minor costs and included in outsourcer monthly fees
Process development	Need to develop, involving payroll time	In place with only customization necessary – no additional cost
Payroll	Expensive to hire/train new staff	Included in outsourcer fees



As a TEM service provider, Visicom's core competency is Telecommunication Expense Management. Visicom has the skills, infrastructure, expertise, and technologies required to optimize the use of this strategic resource, and offers a 150% ROI guarantee that significantly reduces the risk of outsourcing this function. Visicom understands the uniqueness and complexity of the calculation required to determine the ROI for an in-house, outsourced or combined solution.

Visicom provides customized analyses of sourcing options to accommodate your needs and environment. If you would like a free analysis of your sourcing options, please contact a Visicom sales representative at 800-467-7226 or email at [info@visicomcorp.com](mailto:info@visicomcorp.com).