Telecom Expense Management (TEM)

Telecom Expense Management (TEM) enables a better and more rigorous management of the telecom infrastructure and the associated inventories. This leads to cost-savings, simplifies processes and improves the ability to make informed decisions. This article presents an introduction to TEM products, how they work, how they look like, how much they cost, what features they offer, who provides them and which benefits they bring to the organisations and to operators.

By Toni Lazazzera

Depending on the type of company, the telecom costs range from 500 to 2000 CHF/year per user, which represents millions of CHF/year and hundreds of invoices per month for a variety of services and options (data, lines, fix/mobile telephony).

In this context, it becomes difficult to verify the invoices and maintain a global vision of the costs. Due to the lack of time and tools, the telecom manager therefore can only limit himself to partial verifications and analysis, missing out errors and opportunities to reduce the costs and improve processes.

TEM products provide an answer to this problem by automating a good portion of the invoice processing, the production of detailed analysis and inventory management.

Therefore, the telecom manager can dedicate his time to activities with higher added value, providing visibility, optimizing the services, taking better decisions based on data. All that contributes, ultimately, to improve the company's profitability and reinforces the image of IT.

Various studies confirm that problem, as shown by some quotes: "Organizations can routinely save more than 10% of their telecom expenses … best practices include implementing Telecom Expense Management packages"[2]. "Telecom expenses remain near the top of every CIO's expense list. CIOs are looking for solutions…"[3]. "More than 50% of large enterprises don't accurately know how much they are spending on telecom-related services"[4]. "in average, 7 to 12% of telecom bills are related to errors"[4].

How do TEM products work ?

The approach usually consists in using the electronic data the telecom operators can provide and that are equivalent to the paper invoices, although with all the call details. Organization information is then added, such as the list of users attached to the phone-numbers and the organization-chart / cost-centers associated to the users. The major challenge consists in the ability of the product to consolidate the various operator formats into a single structure, in spite of the large diversity of telecom services and tariff options.
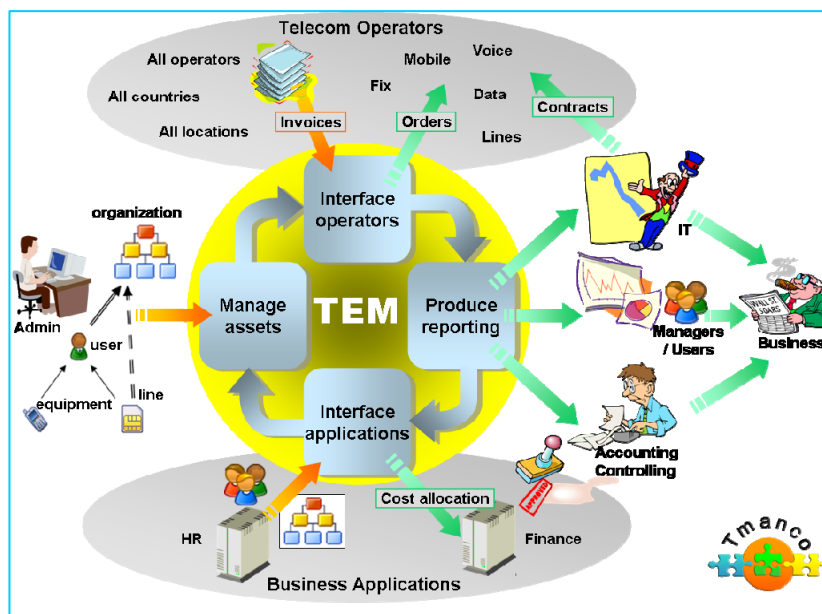
How do TEM products look like ?

They usually can be classified in 3 categories:
1. Application purchased with a maintenance service
2. Subscription to access an application provided as ASP, with various server-options (dedicated to the client, shared between clients or hosted at the client's premises).
3. More or less extended Outsourcing / outtasking, also called BPO (Business Process Outsourcing).

Additional services may be offered such as (a) verification of invoices, in some cases with a the reception/payment of invoices, (b) inventory management with a helpdesk for end-users, E.g. to order or change a cell-phone subscription.

How much does a TEM solution cost ?

Some providers set the price as a percentage of the managed costs, others with a fix price per managed line, others with a fix price for the application. At the end, the price ranges from 0.50 to 2.00 CHF/line/month [1] depending on the options and volume, before any additional management

service. The total often represents from 1 to 3% of the telecom costs[1], therefore an obvious Return On Investment considering the potential to optimize the costs as well as the processes.

What features do they offer ?

TEM products usually provide all or part of the following features:

- Import invoices from all operators, including fix/mobile telephony and ideally also data lines.
- Manage the inventory of lines and possibly also equipment.
- Automate, with a workflow, the process of inventory management and order processing, with the possibility to interface with external partners (operators or outsourcing).
- Import organization data with the list of users, the organization chart and the cost centers.
- Verify that all invoiced services match the inventory.
- Verify that the tariffs applied match the contractual conditions.
- Create custom reports and distribute them by email, with the flexibility to present tables and graphs per operator, per operator, per department, per cost-center, per type of traffic, etc.

On www.tmanco.com, you can find an interactive demo of Fleet Manager (from Anatole) to get a better idea of the features.

Who provides TEM products ?

On www.aotmp.com you can find a directory of over 40 TEM providers for the US market. The offer for the European market is more limited; at the international level we see companies like MDSL, Tangoe and Anatole.

Which benefits do they bring ?

The global vision associated with a flexible reporting enable the discovery of the "information hidden in the data" in order to identify anomalies, focus on major areas, estimate the impact of a new offer or a migration to VoIP. Such exploration will bring many surprises, even to those who are convinced to have everything under control already. These findings lead to projects to improve the services and reduce the costs without necessarily going through long commercial processes or operator changes. Providing reports to the user community also relieves the IT from the "police" role, and makes the departments more accountable, which has a positive impact on the costs even if these costs are not reallocated internally. Beside cost-reduction, don't underestimate the reduction of the time necessary to manage the telecom fleet. We estimate that the management of

a 1000 cell-phones fleet occupies one person full-time, and that the use of a TEM product halves that time. Rolled-up at the business level, these various benefits allow the IT to be more agile to adapt to changes, to contribute to the profitability of the company and enable innovation.

And for Telecom operators ?

Operators could see TEM as a threat that gives their clients a way to reduce their invoices, in reality it must be seen as an opportunity which stresses all the possibilities to reduce the costs without necessarily affecting the contractual conditions. In fact, TEM enables operators to provide additional services with a high added value, helping the client, strengthening the relationship and the "customer binding". The trend is that clients are asking more and more their operator to provide them with TEM services. This is particularly true for global operators who have a position of unique operator for large accounts. To respond to this market, operators often establish partnerships with providers of TEM products.

Conclusion

TEM represents a market of $600 millions in 2007 with estimates of $1.7 billions by 2011 [5]. This market is still young, the products often unknown and the benefits underestimated. Few years from now, we probably won't ask ourselves anymore "whether or not to implement TEM" but "when and which product", as it is happening now with VoIP. □

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[1] Personal experience

[2] Gartner, 15.03.2005 "Better management of Telecom Expenses Yields Significant Savings"

[3] Gartner, 15.08.2003 "Telecom Expense Management Offers Sourcing Opportunity to ESPs"

[4] Aberdeen Group, April 2003 "Total Telecom Cost Management – An Aberdeen Enterprise Buyer's Guide"

[5] Gartner, 7.2.2008 "MarketScope for Telecom Expense Management, Worldwide, 2H07"

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