Top 10 Reasons Why Clients Spend WAY TOO MUCH... For Telecommunications

Provided by

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I know what you're thinking, only "10 Reasons"? Telecommunications companies are easy to pick on, but we would argue that most organizations spend so much more than they need to on telecommunications, whether it is such services as traditional voice, MPLS, Internet or wireless mobility. It is an epidemic of excess and we successfully demonstrate to our clients every day that it does not have to be this way. Unless you are among the elite of telecommunications technologists, contract managers, billing specialists and expense managers across the myriad of elements and multitude of suppliers that make up telecommunications in the typical organization, you are no doubt paying more than you need to someway, somehow.

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1 Overestimating Your Ability to Negotiate a Telecom Agreement

As an organization, you are at the mercy of the telecommunications suppliers when it comes to negotiating agreement pricing and terms and conditions that offer you protection and flexibility. What you don't know can and does hurt you (both economically and strategically), as the suppliers are well-trained to secure the best margin and lowest discounts you're willing to accept.

Don't be fooled by seemingly high discounts where the list pricing is set by the provider, often a moving target and at a cost often detached from the true value of the product in the market. Without the expertise and exposure to a wide-range of competitive market pricing over a broad range of markets, suppliers, and regions, you can only guess if you are getting a good deal.

Doing a Request for Proposal can only take you so far, as all the carriers participating are playing the same game, striving to keep their rates as high as they can manage while still seeming competitive, yet with few suppliers controlling the market, we commonly see oligopolistic sector behaviors as telecommunications suppliers are only willing to let go of dribs and drabs of concessions in order to remain in the deal. Aside from pricing, there are a myriad of terms and conditions that go hand in hand to enable flexibility and organizational protections - which is just as important as rates to create a truly optimized agreement.

2 Inadequate Bill Review

Telecommunication bills are notorious for being inaccurate and difficult to understand, or so brief that you have no idea what you're paying for. Think this is an accident? The language is arcane; the formatting is jumbled; filled with all sorts of codes and acronyms that nearly require you to have a background in semiotics to know which end is up on your invoice. The invoices often appear to be unmercifully long and daunting, which is why many clients don't even consider doing a monthly bill review/audit. I can't tell you how many times I've asked a client how often they do a bill review, with the response that if it looks as thick as last month it's probably okay.

There are so many class and subclasses and sub-sub-classes of services on your typical voice invoice, with access types, calling types, country sources and destinations and billing increments with rates and discounts associated with everything it makes you dizzy just thinking about it, much less actually conducting a thorough billing review or audit from time to time. Trying to tie the rates in your invoice back to your agreement to ensure you're receiving the rates outlined in your agreement is another challenge, with actual net rates in the agreement often non-existent and replaced by simple discount levels that require you to find the base rates in some obscure "service guide" on the supplier's website.

3 Not Understanding Your Agreement

Depending on the scope of services, the typical telecommunications agreement, notably from carriers like AT&T and Verizon, can be notoriously complex, long and difficult to understand. The base rates are often not included, so you may have a discount with no basis of what was the list cost. You can ask to have these rates put in your agreement for easy reference, but you'll likely get push back because the provider often does not want to codify something in an agreement and make it difficult to change in the middle of your term. A simple service like a long distance voice call or an Internet circuit will have so many options tied to it; making it difficult to understand what you are actually consuming and what you should be charged.

It is imperative you understand your agreement from end to end, as this helps you understand what you are paying for and enabling a more effective bill review. It is also vital to know what your financial commitments are and what flexibility you have regarding those commitments should your business downsize, technology needs change, or should you become subject to an acquisition or divestiture.

4 Using Sub-Optimal Technology

Some technology is just going to be difficult to get away from for some time, namely the individual analog circuit (aka business line, POTS or "1FB") as long as we have a need for fire alarms and other requirements for outdated modem technology before they catch up with IP-based communication. However, you may be suffering from a glut of T1 access for voice when a DS3 would be more efficient, or better yet, you may be able to replace the T1 and ISDN PRI with SIP trunking and eliminate fix access circuits, saving you money at the same time.

In fact, if you're not already considering and budgeting for VoIP in the enterprise and integrating VoIP end to end with your carrier using SIP for access to the public switched network, it is now time to do so as the hard dollar and productivity savings are too great to ignore.

Still using T1 or bundled T1 point to point circuits, such as the so called "leased lines"? You should consider more effective options such as MPLS. More effective use of Wi-Fi for wireless mobility such as smartphones takes the pressure off your wireless rate plans for both data and voice consumption.

Consider an end-to-end audit of your technology consumption and develop a roadmap that incrementally replaces legacy technology or telecommunications access circuit approaches that are more effective and less costly.

5 Too Many Telecom Suppliers

Out of necessity, particularly with geographically dispersed organizations, it is difficult to avoid collecting a multitude of telecommunications carriers particularly those small local exchange carriers in the remote locations servicing your analog line and ISDN needs. However, there are also many options to simplify your breadth and scope of providers that pay benefits in easing supplier management, creating more purchasing leverage, reducing the bill review burden and making things much easier during the agreement renewal process when soliciting new offers.

In addition to local exchange carrier POTS aggregators like Granite, most of your larger carriers like AT&T, Verizon Business, CenturyLink and tw telecommunications offer a deep portfolio of services to meet your needs. Of course, you don't want to put all your eggs in one basket so to speak, but consolidating your services under fewer suppliers when evaluated with an informed view of the suppliers and the market will reap tangible savings and fewer supplier management headaches.

6 Excessive Capacity

Do you have good visibility into your voice trunk utilization at your busiest hour for inbound and outbound calling? If not, and you're not suffering from fast busy because your trunks are full and unable to accept an inbound or outbound call, it is very possible you have more T1/ISDN or DS3 capacity than you need.

Good reporting at your PBX or IP-PBX is essential to understanding the utilization of your voice trunks interfacing with the public switched network to ensure you're not over provisioned and paying needlessly for excess capacity.

This problem can also be solved with SIP trunking where trunks are "virtual" over IP and can more easily ebb and flow in step with demand with pooling that allows a fully enabled enterprise VoIP solution to share these virtual trunks through the organization and get away from most of these fixed voice access circuits altogether.

How mature is your performance and capacity management on your MPLS network? Do you tend to subscribe to a port size that accommodates peak usage, but without visibility into the application profile that makes up this traffic? Many organizations oversubscribe the capacity on the wide-area network to avoid latency and enable greater throughput, but often needlessly and without taking advantage of class of service or other means to throttle traffic that has no business consuming the entire pipe (like email, file transfers, etc.). The emergence of dynamic port on Ethernet also allows you to flex more easily within a 10 or 100 Mbps access circuit to use just what you need and be charged more efficiently accordingly.

7 Inefficient Wireless Rate Plan Management

Many of our clients are challenged with managing wireless mobility expenses, with many sources that contribute to inefficient consumption of wireless voice and data services. However, a key source of inefficiency is having users in the wrong rate plan, either underutilizing usage within voice, data or text plan or going over the plan limits and incurring overage charges.

Pooling plans help with this, but it is not simply a case of implementing the best rates plans for employees right-sized to their need at one point in time, it requires ongoing management of the monthly rate plan adjustments to ensure you are either right-sizing plans to need as consumption evolves, or in the case of a voice, text or data pool, ensure the pool size is optimized to ensure you're not overspending without the risk of overage.

8 Poor Wireless Mobility Governance

In addition to solid rate plan management, it is also important to ensure your employees are well-versed on how to use their mobile wireless device (e.g. smart phone) smartly without racking up needless overage and roaming fees, downloading videos needlessly under a limited data plan or excessively (i.e. compulsively) texting can result in huge unplanned expenses.

International roaming, including simply going to Canada if you are U.S. based, is a substantial source of extra cost if not done properly. There are a multitude of techniques to keep international roaming costs in check, including special international rate plans for voice and data from your carrier, use of voice and data over Wi-Fi networks and use of an in-country SIM or handset rental, but most clients don't maintain a current understanding of all these issues, nor do they effectively train or modify behavioral changes for those employees who are most susceptible to these types of over charges.

Most employees want to do the right thing to keep this expense in check, but they don't know what they don't know, so training and reinforcement of cost savings techniques is important and in tandem with governance to ensure the training is adequate and being followed.

Bring Your Own Device (BYOD) and Mobile Device Management (MDM) adds an entirely new dimension to managing these expenses, particularly if your strategy is to require employees to sponsor their own rate plan on their own device for organizational use or enforce a cap on monthly wireless expenses for the employee.

9 Unused Services

In addition to over capacity, it is also not uncommon to lose track of your telecommunications inventory, particularly for those individual POTS lines out in the field after closing an office or moving to T1 or SIP trunking. The carriers are also notorious for not processing cancellations properly, leaving it up to you to ensure something was cancelled when you requested. Again, this gets back to the complexity of the billing, diversity of products and the multitude of suppliers that makes keeping on top of telecommunications elements that are active or inactive very challenging.

The same problem applies to wireless mobility, with an employee's assigned phones that either goes unused from time to time or leaves the company without a proper process for terminating or reallocating their wireless subscription. Telecommunications audits often cover many obsolete or unused services, and identify real savings, but it is often a challenging, tedious and time-consuming process.

10 Incorrect Rate Implementation in New Agreement

Related to understanding your telecommunications agreement and the billing, it is all too common for the telecom providers to incorrectly implement the new (or renewal) agreement rates that you negotiated. This often results in either not seeing the new, and ideally lower, rates implemented as you expected, but possibly not get any special rate discount applied and ending up paying list rates - which are often wildly higher than the common net rates after discounts. Unless you specifically request a billing review after the first full billing cycle after a new agreement, the telecommunications providers are not normally going to independently find these issues and correct them proactively. It is up to you to do this and it requires your ability to interpret your agreement and translate this into what the billing should be.

To make matters worse, the carriers often put a 12 or 6 month (or often times even less) limit on how far back you can dispute an invoice, so getting on top of this quickly can be extremely important. Strangely, the errors in the agreement implementation are rarely in our client's favor. Coincidence? We think maybe not.

NET(net) is often involved in helping our clients navigate the complexities of telecommunications, and helping them to achieve the high value and optimized costs in their telecommunications related technology and acquisitions. Please contact your NET(net) representative today to see how we can help you.

About NET(net)

Celebrating 10 years, NET(net) is the world's leading IT Investment Optimization firm, helping clients find, get and keep more economic and strategic value. With over 1,500 clients around the world in nearly all industries and geographies, and with the experience of over 15,000 field engagements with over 250 technology suppliers in XaaS, Cloud, Hardware, Software, Services, Healthcare, Outsourcing, Infrastructure, Telecommunications, and other areas of IT spend, resulting in incremental client value captured in excess of $100 billion since 2002, NET(net) has the expertise you need, the experience you want, and the performance you demand. Contact your NET(net) representative, email us today at info@netnetweb.com, visit us online at www.netnetweb.com, or call us at +1-866-2-NET-net to see if we can help you capture more value in your IT investments, agreements, and supplier relationships.

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