tangoe

The 4 Biggest Challenges of Managing Technology Expenses

And Strategies to Overcome Them

EXECUTIVE SUMMARY

Enterprise IT spend has reached an estimated $3.4T worldwide and telecommunications technologies make up 15% of that spend. Yet enterprises struggle to understand their entire telecommunications infrastructure: what they own, who is using it, and what it all costs. Without this information, enterprises are at risk of losing access to these telecommunications technologies and wasting a significant amount of their IT spend. This white paper reveals the importance of managing these technologies and their expenses, the 4 most challenging areas of doing so, and how a specialized, best practices approach can overcome these obstacles to generate cost savings, improve service levels, and deliver critical insights.

Introduction

Thanks to rapid technological developments and evolving global business trends, companies have become virtual communication hubs, where employees and data link together seamlessly to drive commerce through the sharing of information. Telecommunications technologies (defined as both fixed, voice, and data network services as well as employee mobile devices and the associated carrier plans) connect employees to each other as well as to the applications and data they need to do their jobs.

15%

The average enterprise's telecommunications spend accounts for as much as 15% of overall IT spend and growing (over $515B by year-end 2016).

– Gartner

As employees become more reliant on these connections, business operations increasingly depend on the connections being available. These telecommunications technologies also make up an increasingly significant percentage of overall IT spend. Gartner research estimates that the average enterprise's telecommunications spend accounts for as much as 15% of overall IT spend and growing (over $515B by year-end 2016).

Losing access to any part of this core infrastructure will cause significant financial impacts; the average mid-sized company loses around $1M a year due to information and communications services downtime while large enterprises can lose over $60M. As a result, it's more important than ever that these expenses are managed effectively.

The Importance of Managing Telecommunications Expenses

While managing telecommunications expenses may not sound particularly sexy or critical to company-wide initiatives, effective management of these costs is essential to business success. Simply put, sound telecom expense management practices ensure you know what you own, who is using what, and where they're using it. When you don't have this information, you jeopardize the integrity of your telecommunications infrastructure, leading to significant negative impacts on the business. For example, without a complete, accurate inventory of telecom assets, you may continue to pay for a service you no longer need or use. You may inadvertently disconnect a service without realizing it is in use and critical to business operations. Or you may continue to pay for a device owned by an employee who has left the company, incurring unnecessary expenses and providing continued access to sensitive data.

TEM DEFINED:

Telecom expense management (TEM) is a set of principles, systems, and best-practices used to manage and optimize the expenses related to these telecommunications technologies. It covers the procurement, deployment, provisioning, invoice payment, and cost allocation related to all telecommunication services.

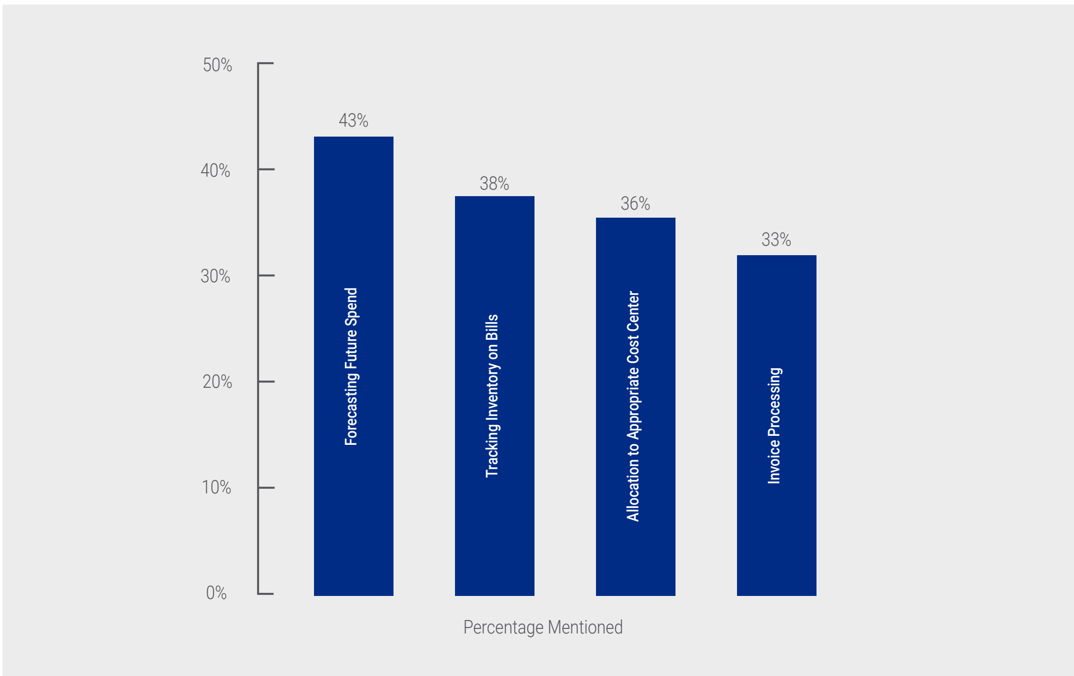
$1M-$60M

The average mid-sized company sees around $1M lost a year due to telecommunications downtime while large enterprises can lose over $60M.

The Top 4 Challenges of Managing Telecommunications Expenses

Tangoe recently commissioned research to identify the common challenges organizations face when trying to manage their telecom expenses. The top 4 challenges are:

1. Forecasting future spend
2. Tracking inventory on bills
3. Allocating to the appropriate cost center
4. Invoice processing



Let's take a closer look at each of these challenges and the factors that make them so complex.

1. Forecasting future spend

Effectively forecasting future spend requires accurate historical data. Take the example we mentioned earlier of mobile devices that belong to employees who have left the company. If those devices aren't properly represented (i.e., the devices are still shown as active, and you're paying the bills on them), you may plan for those device costs when in reality the plans should be canceled. In addition, when costs are allocated inaccurately (another key challenge we'll explore), the historical data does not reflect the real distribution of costs across the business, compromising any forecast of future spend.

There's also the challenge of getting access to reporting to support forecasting. If you're managing telecom expenses in-house, you're likely spending a lot of time working across multiple spreadsheets and systems (asset management, financial management, service catalog, etc.) to integrate the data into a single source of record before any analysis and planning can begin.

2. Tracking inventory on bills

Research by AOTMP reveals that enterprises managing telecom expenses in-house spend the most time reconciling inventory accuracy but still struggle to achieve that accuracy. The management of telecom inventory is labor intensive and (unless best practices are in place) easily overwhelmed by change activity including service element moves, adds, changes, and disconnect (MACD) activity. The differences in inventory and billing source data across vendors and service providers make it difficult to establish baseline inventories much less keep up with changes

Not surprisingly, billing inaccuracies are rampant. Supplier bills frequently contain outliers, unknown entries, lines that appear on the invoice but fail to match locations clients currently occupy, etc.

3. Allocation to the appropriate cost center

Organizations need cost allocations that are correct and reflect services or assets they truly own. Because allocations directly affect the information used to make business decisions, inaccurate cost allocations may mean you're making strategic decisions based on unreliable data.

What makes allocations so challenging? Many businesses have manual processes in place, which slow things down significantly and increases the margin for human error.

As with the forecasting challenge, information is often scattered across multiple spreadsheets and systems. To get a complete view, you'll have to stitch together data from various sources such as financial systems, asset management systems, and service catalogs. When the information is distributed across sources, the time it takes to weave it together into a single view is often too great, and the risk of errors is high.

30%

Companies with 500 or more employees that fail to adequately manage mobile expenses may be overpaying by as much as 30% according to Gartner.

Without a solid, repeatable allocation process, companies often allocate charges to departments inequitably. Equitable chargeback is critical to controlling costs, increasing accountability, demonstrating the value of financial reporting, and changing behavior.

In addition, CFOs need to see where costs are distributed across the business in order to justify any new technology investments that a department may require. Similarly, CIOs can encourage shared accountability across departments by showing how actual consumption drives IT costs.

4. Invoice processing

Each month-end close, organizations face a rush to load invoices, pay bills, and hand everything over to their AP departments. With multiple bills for each account arriving in non-standardized formats (including paper), little time is left to validate the accuracy of these invoices. This task is even more challenging when invoices cannot be processed electronically. Finance teams in a rush to close out the month don't have time to manually review fixed and usage-based charges on paper bills.

Race to Close

Each month-end close, organizations face a rush to load invoices, pay bills, and hand everything over to their AP departments.

Terminating a service doesn't guarantee you'll no longer be billed for that service. This means comparing your current month's billed charges to the previous month's bill isn't enough. Invoices alone simply don't provide you with enough information, such as links to order/cancel activity, to be able to monitor the accuracy of charges. Invoices often contain errors such as unwarranted late fees or incorrect rates, which ultimately affects accurate reporting as the billed cost data itself is inaccurate.

Even if a solid bill processing system is in place, organizations still face the challenge of manually coding line items of bills to hundreds of thousands of General Ledger (GL) codes. Internal telecom staff rarely have the time or expertise needed to audit every invoice and make sure the line items are allocated to the right code and cost centers.

The Struggle of Managing Telecommunication Expenses In-House

According to Gartner's Market Guide for Telecom Expense Management Services 2017, enterprises continue to struggle to optimize costs and manage efficiency related to telecom spend.

Tangoe's research revealed that nearly 70% of businesses choose to manage this expense in-house. The research also uncovered the primary reasons companies choose not to outsource telecommunications expense management services:

- **51%** - Too expensive
- **47%** - Needs not complex enough
- **38%** - Managing mobile telecom was not difficult
- **38%** - Improving TEM is a low priority
- **37%** - Fully satisfied with in-house practices

When companies manage TEM completely in-house without the support of an experienced vendor, they wind up saddled with higher cost contracts and terms, incurring unnecessary expenses, and paying for services and assets they don't use. An already overburdened staff find themselves occupied with non-core activities. The majority of their time is spent tracking and reconciling services and assets, leaving them scrambling to load telecom bills and struggling to accurately allocate expenses.

Why the end results aren't as expected

Finance and IT are absorbed in their specific functions (maintaining inventory records and processing invoices, respectively), leaving them completely siloed. For both functions there is little to no visibility into the things that are critical to each other's roles. This is another example where accurate inventory records are essential. When finance teams don't have access to the most current inventory records, they are unable to accurately validate vendor invoices. "Is this something we contracted for and use? Is it billed at the correct rates?"

$5M-$10M

The average billion-dollar company has $5 to 10M in annual fixed and mobile telecom spend, making this at minimum a million-dollar savings opportunity.

Without answers to these questions (which inventory records would otherwise provide), finance may end up paying for terminated services or devices, and bills that are invoiced at higher rates than contracted. The result is a general disconnect between what the organization owns, who is using it, and what it is actually paying for.

Finally, managing the complexities and changes related to telecommunications technologies is not a core competency for the average enterprise. It requires a specialized, best-practices-based approach, one that few internal telecom teams have the capacity or the expertise required to execute properly. As a result, most enterprises are unable to consistently identify significant savings opportunities. Consider that the average $1B company spends $5-10M on telecom according to Gartner, making this at minimum a $1M savings opportunity.

The Benefits of a Specialized, Best-Practices Approach

Companies that follow a specialized, best-practices approach to managing telecommunications expenses often find it well worth it, particularly those with complex telecom estates or without the skills or expertise to manage them internally.

Let's explore how a disciplined, specialized approach to TEM directly addresses and overcomes the top 4 challenges:

Benefits related to forecasting future spend

Both Finance and IT teams need access to data to help plan for the future. Using a TEM system helps ensure the accuracy of data and increase its level of granularity, provide information and analytics, and improve financial forecasts.

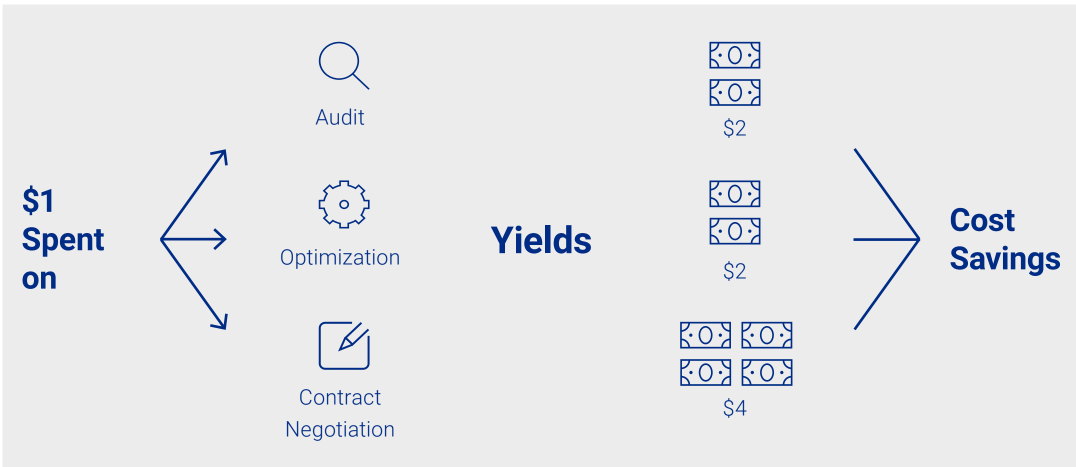
Historical data provides details in many areas including statistics of usage trends that may be avoidable, overages, and opportunities for cost optimization. It also reveals trending such as peaks in usage and information about spend by time period, vendor, location, etc. Insights from data regarding carrier trending, device trending, and total charge reports can be used to support renegotiations with service providers, change usage patterns by employees, and generate cost savings.

Benefits related to tracking inventory on bills

This approach allows you to identify and build an inventory of telecom assets to create a unified record of circuits and devices. An outsourced TEM provider will start by building a solid foundation of telecom asset records and put a process in place to keep the asset inventory accurate. By centralizing the procurement of equipment and services for any vendor and using configurable workflows, you can eliminate unnecessary costs, enforce corporate policies, and maintain an accurate inventory database. Outsourced providers of TEM can also work with carriers to correct and update inventory while securing owed credits for historical billing.

A complete and accurate inventory establishes a baseline to compare invoice data and ensure you're being charged the appropriate rates for assets you truly own. Through increased visibility into your environment, you'll better understand your asset and service usage and will be able to identify real opportunities for optimization, putting your business in a prime negotiating position.

Organizations with a complete and accurate inventory often see remarkable savings across multiple areas:



Benefits related to allocating to the appropriate cost center

With the right practices in place, accurate cost allocations are achievable. A TEM application is established according to your organization's structure and supports flexible allocation methodologies, allowing for the allocation of costs across the business into specific areas such as region, location, cost center, business unit, department, manager, end-user or other business-defined categories.

Other core practices include allowance for the creation and automation of multiple types of allocation rules, which facilitate the efficient mapping of invoice charges to cost centers and quickly identify items that have not be assigned to an allocation string.

In addition, technology provided by TEM providers integrates with disparate systems used by your business including financial systems, asset management systems, and service catalog systems, pulling information into one single system of record. These systems allow repeatable and automated allocation processes, which save time while driving accuracy and consistency.

Finally, automated file transfer into enterprise resource planning (ERP) systems allows businesses to receive a feed from the TEM system provider and upload it into their systems, eliminating the need to rekey charges and journal entries while saving additional time and reducing the margin for error.

Benefits related to invoice processing

With a specialized, best-practices approach, organizations can access the technology, expertise, and resources they need to quickly and efficiently load large volumes of bills, minimize invoicing errors, determine the accuracy of charges, and ensure effective invoice processing in all of its stages. A TEM provider helps offload non-core activities, such as bill loading while also providing technology built to process the varying billing formats across vendors and countries.

These providers are often fluent in global regulations and can manage processing bills from around the globe. Their systems are also designed to integrate billing, inventory, and ordering systems and processes. Because of this integration, finance can easily match billing to inventory, verifying that new services are being billed correctly, disconnected services are removed from billing, and service charges are reflected accurately.

Finally, there is a level of detail provided by TEM provider systems that internal tools don't capture, such as circuit level charges, various taxes like GST, HST, VAT, detailed feature and usage charges as well as call detail records.

$235M

In 2017 alone, Tangoe found $235 million in cost savings for its customers by providing a holistic view of enterprise telecom assets.

The results of this specialized approach speak for themselves; in 2017 alone, Tangoe found $235 million in cost savings for its customers by providing a holistic view of enterprise telecom assets.

Taking the Next Step

By this point, we've established that telecom is a major expense for just about any enterprise and absolutely critical to operations, productivity, and revenue. But countless organizations continue to manage telecom expenses in-house despite the overwhelming challenges, strains on internal resources, and complexity of the ever-evolving communications landscape.

An overly complex telecom environment doesn't require massive levels of spend or global operations. Simply having a high volume of invoices and vendors is more than enough to cause inaccurate inventory, overages, incorrect billing, and unreliable data. With increasing pressure to cut costs and essentially do more with less, few enterprises can afford to leave cost savings and critical insights on the table.

If you're struggling to tackle at least one of the top 4 challenges, it's time to explore a more effective, manageable solution for telecom expense management. At Tangoe, we've helped nearly 40% of Fortune 500 companies reduce telecom spend, uncover costs savings, and empower strategic decision making, and we're confident we can do the same for your organization. Take the next step by reaching out to us today at 844.484.5041 or by visiting www.tangoe.com.

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About Tangoe

Tangoe helps its customers grow their bottom line. Leading global brands rely on Tangoe to increase productivity, reduce costs, and drive predictable results. The company's technology solutions are the global expense management and mobility services standards for the world's greatest brands who believe, like us, people work smarter when technology works for them. Learn how technology can make you work smarter at www.tangoe.com.