

Fact Sheet: Mobility Expense Management Cost Justification

Network Trends Now

Key Challenge

Mobile communications have evolved from an expensive novelty to an integral part of business communications. While costs for service plans are falling, consumption is rising and this leaves companies with higher expenses that need to be reduced.

Where are the savings?

Management of the full lifecycle of mobile expenses requires enterprises to focus on eight key areas:

- mobility policy and governance
- service order management and fulfillment
- sourcing
- asset and inventory management
- invoice processing
- expense validation and recovery
- usage allocation charge-back
- reporting and analysis

Each of these areas will produce savings.

Mobility Policy and Governance

Establishing a policy drives savings by setting limits on who is eligible for employer paid mobility services and devices. While 77% of enterprises have a formal mobility policy, 85% of enterprise respondents indicate that their policy has not been updated in two or more years. **Outdated policies or failure to enforce policy can add 5%-10% to expenses.**

Service order portals can help provide technology to automate and drive compliance to the policy with a consistent approach for service activation requests, approvals, ordering services, and procuring devices from telecom service providers.

Sourcing

Enterprises should consolidate mobility contracts and providers to get savings from volume purchases. **Competitive sourcing of mobility contracts can generate savings of 10% to 30% depending on how flexible the enterprise is in terms of its willingness to work with new suppliers.** Often simply issuing an RFP and making it appear as if the business can be switched to another supplier will be sufficient to gain better pricing terms and concessions for new devices.

Another key benefit from consolidation can be found from having employees make calls to other employees for no charge since they are using the same service provider's network. There are some limitations since consolidation must be balanced with allowances for secondary providers to accommodate employees that work in areas where the primary service provider has coverage issues.

Pooling & Optimization

In most cases, enterprises can cut mobility costs by pooling users together and purchasing blocks of "anytime" minutes for employees. Pooled service plans enable enterprises to increase the likelihood that a greater portion of the minutes will be used and decrease the likelihood that users will face penalties for exceeding their allotment of minutes. It may be more cost effective, for a select group of employees that are high volume users of peak calling minutes, to purchase unlimited plans. The goal is to reduce the cost per minute for mobile calls, which is the monthly cost, divided by the number of minutes that are consumed.

A well optimized pool can produce savings of 10%-30% over individual plans. Organizations will also find they can add 3% to 6% annualized savings from ongoing optimization.

Asset and Inventory Management

Enterprises must have a mechanism to track and reconcile devices, employee status, and service plans. This will prevent situations where organizations pay for devices that are no longer being used and payments for plans that are continued to be used after an employee leaves the organization.

Savings for ongoing reconciliation of mobility billing to human resource employee lists can range from 2%-5%.

Invoice Processing

Automation of invoice processing can help enterprises realize savings from reducing the staff that must be dedicated to this function. **Savings from staffing and indirect costs for invoice processing, device fulfillment depends on the number of people performing the task and the ability of the enterprise to shift enterprises to more productive areas.**

Expense Validation and Recovery

Telecom billing errors are less common for mobility services, but errors tend to favor overcharging for services. **If a proactive program to validate billing is not established, enterprises will pay 2% to 4% extra for mobility services.** Without a proactive program, it is nearly impossible for organizations to recoup savings after the statute of limitations and time frames in contracts have passed.

Usage Allocation Charge-Back

Cost avoidance savings can also be found in usage charge-backs that promote better accountability for expenses and reduced consumption of services. **When users can clearly see the costs for mobility services and they are held accountable for these costs the savings are 1% to 4% of the annual expenses.**

Reporting and Analysis

Enterprises can also save on labor by automating data gathering, report creation, and usage charge-backs. Dashboard reporting and other business intelligence report outputs from mobility programs enable enterprises to focus their staff on making better decisions and delivering savings.

Creating a Sustainable ROI Model

Most enterprises see productivity gains from employees that help to justify the added costs to equip employees with mobility services, but mobility comes at a price. Many organizations are seeking to use mobility expense management programs to reduce these costs.

Firms are often surprised by the initial findings on the savings from mobility expense management programs. This early success can make cost justification for the programs appear to be too easy. One of the common mistakes is to fail to create a detailed baseline of the costs before the program was implemented. Managers often find out later that establishing cost justification for mobility expense management programs based solely on cost savings is not sustainable. These managers later realize that it is difficult to recreate the baseline because there are new users, new services are being consumed, and consumption patterns have changed. After the initial historical findings, there will be new savings that will be identified, but the findings will not equal the cumulative impact of a program that has been neglected for long periods of time.

Added Costs from Reactive Approach to Optimize Mobility

Since the initial savings are so large and ongoing savings are smaller, why not save the costs of ongoing mobility management, by hiring specialists once a year instead? A reactive approach will lead to higher costs in each of the areas listed below.

Centralizing control of the mobility network Business

First, with an annual approach, the technology used to manage the program on an ongoing basis disappears. This means there is no portal to drive compliance with corporate policy. Enterprises will find they need revert back to more manual processes. Also compliance will suffer as users demand special arrangements for their needs. Network Trends Now survey data has found that enterprises which do not have a procurement tool spend 10% extra average per month for user' service plan costs. Another revealing fact is that these survey respondents were more likely to report having more personal liable service plans where they have less control over expenses.

Mobility Expense Reduction

Firms forfeit gains from cost avoidance each month that they fail to act on the savings. While most employees will not have radical changes in their consumption patterns each month, the benefit to managing pools each month is that small changes can be made to avoid radical shifts that lead to shortfalls or penalties for exceeding the plan allotment. Also firms will lose opportunities to suspend or disconnect services when employees leave the organization.

Invoice processing.

A third consideration would be that enterprises cannot substitute periodic historical audits for a proactive TEM program. Many contracts now require enterprises to identify billing errors within 90 to 180 days of receiving the bill. Historical audits require documentation and information that may not be available after a period of time passes. People that negotiated special provisions for a contract may have left the enterprise or carrier and the intent of terms for a contract may be forgotten over time. Another consideration is the fact that enterprises have less leverage to resolve billing errors for billing on items that have already been paid. If an enterprise has negotiated new contracts or they have switched the business to a competitor, it will be hard to get a refund for these items.

Services and billing continually change so it is not possible to capture all of the refunds and savings without an ongoing dedicated program.

Operational Savings

Finally, the gains from automating invoice processing, service order management, usage allocation charge-backs, and reporting are lost when there is no automation. Automation of invoice processing can help eliminate late payment penalties and unplanned service order disconnects. With an automated portal for ordering devices employees can receive automatic updates for when they are eligible for new devices. Finally, automated reporting and usage charge-backs drive better accountability.

ROI Redux

The real litmus test of a mobility program comes down to savings or returns that exceed the investment in the program. The costs to manage a wireless mobility program vary considerably. Pricing for the services can range from \$2 to \$21 per device each month. Enterprises need to be cautious to verify exactly what they are buying since there are no common standards for mobility expense management offerings

Services relating to policy development, service order management and fulfillment, sourcing, asset and inventory management, invoice processing, optimization, expense validation and recovery, usage allocation charge-back, and reporting can all be automated, but there are a number of aspects of these functions that require people and customer service to execute effectively. The adage that states "if it is too good to be true, don't believe it" applies to these services.

Creating policies and implementing a program will have many positive results with cost savings, improved employee productivity, and security of corporate data. Quantifying these savings comes down to having a baseline of what the program produced in the initial stages and monthly tracking of the savings produced for each billing cycle to get a measure of the ongoing savings.

More information on this topic and telecom expense management is available from Network Trends Now. ROI Calculators to help quantify the savings results which are available for download from <http://www.networktrendsnow.com>.

Research Analyst Profile

Joe Basili is President and Research Director of [Network Trends Now](#). He is a recognized thought leader has conducted research, developed benchmarks, and written extensively on topics that include Telecom Expense Management, wireless mobility management, unified communications and network performance management. He is a keynote speaker at conferences and contributor to publications for IT, finance and procurement professionals.

Experience

Drawing on a career that includes work in marketing, sales, operations, and management, Joe offers market insights, trend analysis, and customer research. His recent work includes business case analysis, research, professional service consulting, analysis of Business Process Outsourcing, hosted and licensed software for TEM, invoice management, billing and e-media, SAS 70 Type II processes, Sarbanes-Oxley compliance, and payment automation. Through research reports, public speaking, and advisory meetings he helps organizations optimize their telecommunications network costs, operations, and procurement.

The [Network Trends Now](#) motto from Dr W. Edwards Deming states: *"In God we trust, all others bring data."* Our customer insight model relies on customer interviews and surveys that collect thousands of data points to gain insights into enterprise needs, best practices, benchmarks, and market conditions. The research is compelling because industry knowledge is matched with statistical analysis and a real passion for answering questions.

Education

Joe holds a B.A. with a double major in Economics and Political Science from Vanderbilt University. He is a runner, swimmer, technology enthusiast, and music fanatic with over 9,300 songs on his iPod. Joe lives, with his wife and two children, in the village of South Orange, New Jersey. He continues his education with an active interest in technology's application to business problems.